SKANSKA

Annual and Sustainability Report 2018

We build for a better society.

Operations

Skanska's operations consist of Construction and Project Development, including Residential Development, Commercial Property Development and, until 2018, Infrastructure Development. Business units within these streams collaborate in various ways, creating operational and financial synergies that generate increased value.

Construction

Constructs and renovates buildings, infrastructure and homes, along with facilities management and other related services.

Residential Development

Develops new residential projects, including single and multi-family housing, built by the Construction business stream.

Commercial Property Development

Develops customer-focused office buildings, shopping centers and logistics properties built by the Construction business stream.

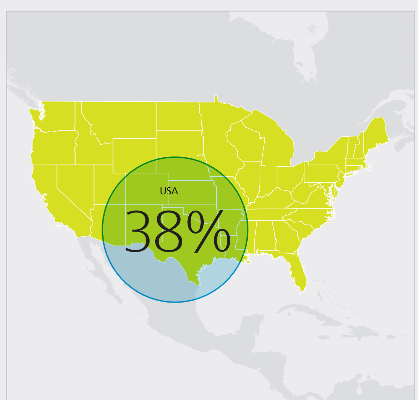
Infrastructure Development[1]

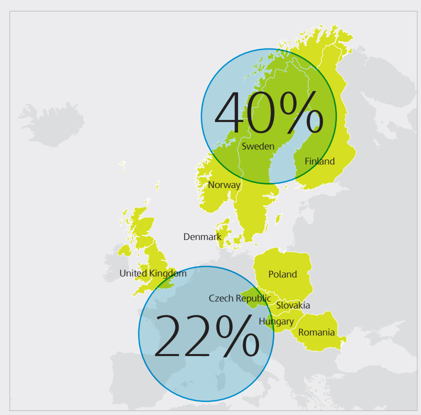
Secures and manages the value of Skanska's existing public-private partnership (PPP) assets.

1 As of January 1, 2019, Infrastructure Development is no longer a business stream and is reported in Central on a separate line.

Well diversified, with a leading market position
Skanska's diversification across various business streams with operations in eleven countries and several market segments strengthens the Group's competitive standing and ensures a balanced and diversified risk profile.

Percentage of total revenue in 2018



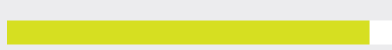


Green revenue in 2018
Percentage of total Construction revenue that is Green and Deep green, as defined by the Skanska Color Palette™ [2].

46%

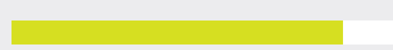
Green market value in 2018
Percentage of Commercial Property Development market value from Green and Deep Green projects, as defined by the Skanska Color Palette™ [2].

93%



Green financing in 2018
Percentage of total central debt[3] that is Green, according to the Skanska Green Bond Framework or other investor green demands.

85%



2 Read more about Skanska Color Palette™ on page 77.
3 Funding managed by group function Skanska Financial Services.

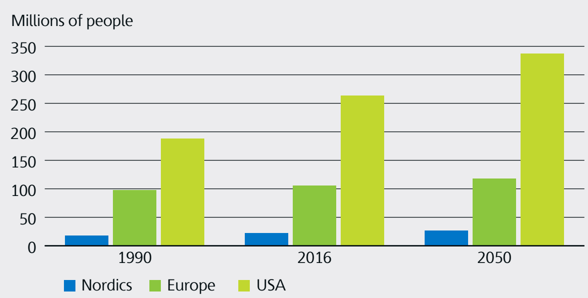
Skanska as an investment

Skanska is one of the world's leading construction and project development companies, focused on selected home markets in the Nordic region, Europe and USA.

Supported by global trends in urbanization and demographics, and by being at the forefront of sustainability, Skanska offers competitive solutions for both simple and the most complex assignments. Driven by the Group's values and an attractive business model, Skanska helps create sustainable futures for customers and communities as well as create value for shareholders.

Favorable global trends
The current global trends in urbanization and demographics increase the need for new and more sustainable solutions and drive investments in infrastructure, healthcare, housing and education. Such demands are opportunities for Skanska to create value while building for a better society.

Expected population in urbanization in Skanska's home markets

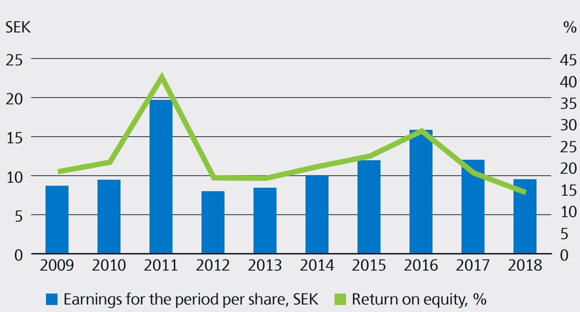


Source: Health Nutrition and Population Statistics: Population estimates and projections (World Bank).

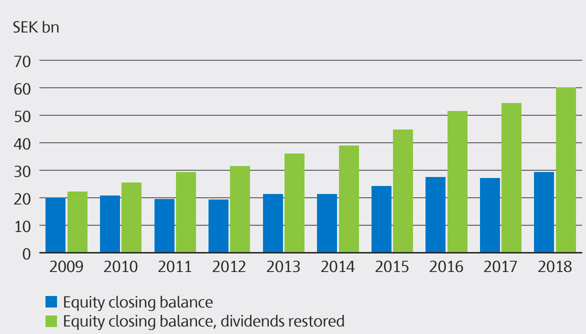
Proven business model
Through a solid business model, Skanska generates significant free working capital in Construction , which puts the Group in a strong financial situation, while maintaining a high level of investments in Project Development.

Appealing long-term total shareholder return
Skanska's business model has a long track record of good financial returns generating attractive shareholder returns long-term.

Earnings for the period per share and return on equity



Growth in equity



A national treasure, restored and modernized

Nationalmuseum, Stockholm
Construction

Across from the Royal Palace and Parliament House sits Nationalmuseum, Sweden's museum of art and design. In 1866, Nationalmuseum opened at this grand location and over the next 150 years became an artistic treasure known throughout Europe. But in all that time, a major renovation was never done. In 2008, the Swedish government decided to restore and modernize the museum, aiming to display more of the museum's collection of some 700,000 objects and meet current demands for security, climate control, safety and accessibility. A careful balance was needed between preserving the building's heritage while adapting it to new requirements.

Skanska was the general contractor, undertaking activities that were both exacting and extensive. Rock was delicately blasted away beneath the museum to create public areas, technical system spaces and a kitchen. Wires, pipes and ducts were inserted into floors with only millimeters to spare. The facade was repaired with new stones blended in from the original quarry. Perhaps most noticeably, windows that had been covered by masonry or darkened were cleared and updated with modern glass, restoring sunlight to the galleries while helping conserve energy.

On October 13, 2018, Nationalmuseum re-opened in a ceremony led by HM King Carl XVI Gustaf. Both visitors and artwork now have an improved experience.

Contents

Skanska applies both segment and IFRS reporting.
For more details, please see below.

About this report

The 2018 Annual and Sustainability Report is submitted by the Board of Directors and the President of Skanska AB (publ) to describe the operations of both the company and the Group. The formal annual report consists of the Report of the Directors and financial reports on pages 20-24, 56-197, 210-213 and are audited by Skanska's external auditors. Pages 70-93, 210-213 include Skanska's statutory sustainability report, according to the Swedish Annual Accounts Act. For the first time, Skanska is reporting in accordance with the Global Reporting Initiative's (GRI) "core" sustainability reporting guidelines. Skanska aims to ensure that all information and data is relevant, transparent, consistent, accurate and complete and that it provides an objective picture of the Group's operations. Further information about Skanska's sustainability work can be found at: group.skanska.com/sustainability.

This document is in all respects a translation of the Swedish original Annual and Sustainability Report. In the event of any differences between this translation and the Swedish original, the latter shall prevail.

Segment and IFRS reporting

Skanska's business streams - Construction, Residential Development, Commercial Property Development and Infrastructure Development - represent the Group's operating segments. The point in time for recognizing revenue differs between segment and IFRS reporting for Residential Development and Commercial Property Development. In this report, revenues and earnings for these business streams refer to segment reporting, unless stated otherwise. The statements of financial position and cash flow are presented in compliance with IFRS. However, the financial reports are prepared in accordance with IFRS. As of January 1, 2019, Infrastructure Development is no longer a separate business stream and is reported in Central on a separate line.

Skanska AB, Swedish corporate identity number 556000-4615.

2018 in brief

- Revenues amounted to SEK 170.5 billion
- Operating income amounted to SEK 4.8 billion and includes restructuring charges, project write-downs and impairment charges
- Underperformance of Construction units in Poland and the USA affected the profitability of the Construction stream
- Strategic actions including restoring profitability in the Construction stream, maximizing the potential in Project Development as well as making Skanska more efficient has been undertaken during 2018
- Continued high performance from Project Development with record-high divestment gains of more than SEK 4.0 billion, within the Commercial Property Development stream, and maintained performance within Residential Development
- Strong financial position
- Proposed dividend SEK 6.00 per share

Return on equity
Target of ≥ 18% for the Group

14.1%

Financial strength, SEK
Net operating financial assets/liabilities (can be negative if opportunities arise)

14 billion

Operating margin
Target of ≥ 3.5% operating margin within the Construction stream

0.7 %

Return on capital employed Project Development[1]
Target of ≥ 10%

13.0%

Unrealized gains in Project Development, SEK

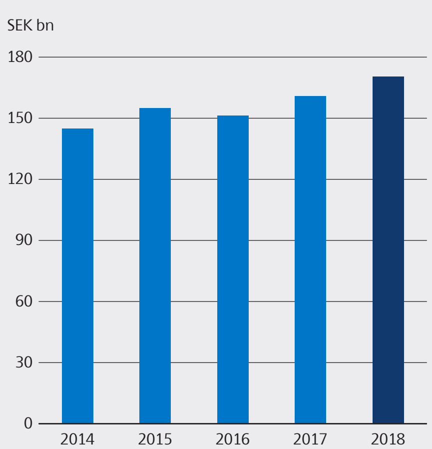
13 billion

Order backlog, SEK
Correspond to 14 months of production

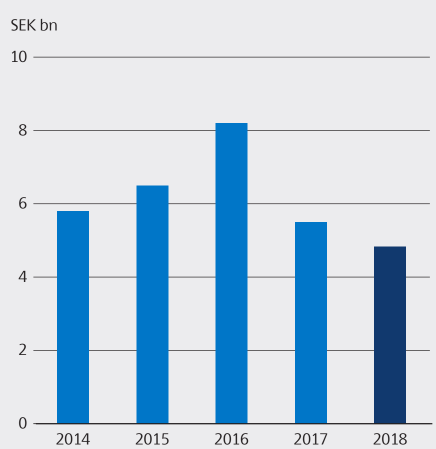
192 billion

1 As of January 1, 2019, a new definition will be applied. For further information see page 11 and Note 44.

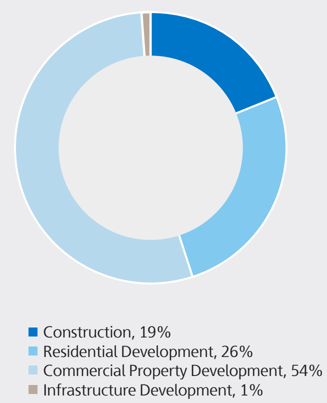
Revenue, SEK 171 bn in 2018



Operating income, SEK 4.8 bn in 2018



Operating income per segment, 2018



Comments by the President and CEO

Skanska's financial position remains strong, powered by continued high performance in Project Development in 2018. Strategic actions to improve profitability and Construction execution are underway, while our values and sustainability expertise provide competitive advantages. In 2019, we will further ensure a strengthened company for the years ahead.

During 2018, my first year as Skanska's CEO, I, along with the entire Group Leadership Team, have focused on three priorities:

- Restoring profitability in the Construction business stream
- Maximizing the potential of our successful Commercial Property Development and Residential Development streams
- Overall, making Skanska more efficient and effective

I am confident these priorities, and the firm actions driving them, are right for Skanska. These will strengthen Skanska and provide greater shareholder value for many years to come, building off the foundation we have in our clear values, solid balance sheet, integrated business model, excellent people and trusted brand. They will enable us to advance further with our Profit with Purpose Business Plan, through which we leverage our business to build for a better society.

Proud of our progress

We have done much work toward these priorities in 2018, and I am proud of the progress we have made. Within Construction, for instance, we are much more disciplined at bidding for projects, sticking to core project types and geographies and placing profit ahead of volume. By being more selective, our order bookings and backlog are trending downward to a healthier base. Also, we are implementing better ways of controlling projects and managing risks. We are on our way to gradually returning to stable profitability in Construction.

Financial performance

Overall in 2018, operating income was SEK 4.8 billion (5.5). Return on equity was 14.1 percent (18.6), below our target of at least 18 percent. We achieved strong performances in Commercial Property Development, Residential Development and several Construction units, particularly Skanska Sweden and Skanska Finland. However, those positives were negatively impacted by weak performances on two US projects and a major restructuring in Poland. The Construction stream operating margin of 0.7 percent (0.8) is well below our target of at least 3.5 percent – we aim to achieve that target through our strategic actions.

Project Development's strength

Project Development continued to perform at a high level, with return on capital employed of 13.0 percent (14.5), topping our target of at least 10 percent.

Commercial Property Development had another record year in 2018 with an all-time high in gains from divestments, surpassing SEK 4 billion. With continued strong demand from tenants and investors, the 53 ongoing projects – another high point – represent a robust portfolio with significant value to be realized in future years. We see the biggest potential for growth in the USA.

In Residential Development, we remain well-positioned, despite reduced sales due to a slowdown in our largest market, Sweden. Shifting the mix of housing types in our diversified portfolio, combined with good project risk management, contributed substantially to the maintained profitability. We expect the Swedish housing market to have a longer recovery so we are taking actions to address this condition. Our Residential Development markets have long-term housing needs, and with the strength of our balance sheet we are pursuing opportunities.

With Infrastructure Development, during 2018 we narrowed the focus to securing and developing the value of our existing public-private partnership (PPP) assets, mainly owing to market conditions. Over time, we will realize those development gains.

"Integrating sustainability into our business enables us to deliver better solutions for customers, drive operational efficiencies, manage risks and support society in key ways."

Bolstering our organization

In 2018, we created a new Group governance framework to reduce risks and increase effectiveness. This framework – to be fully implemented throughout 2019 – bolsters our decentralized organization, providing business units with more flexibility to serve markets and customers while ensuring proper oversight over critical business processes.

This governance framework joins with Skanska's values and Code of Conduct to provide the basis for delivering stable value to shareholders. Also, we further strengthened our organization by streamlining Skanska's headquarters and bringing it and the Group Leadership Team closer to operations.

Integrating sustainability

We continued to integrate sustainability into our business, enabling us to deliver better solutions for customers, drive operational efficiencies, manage risks and support our people and society in key ways.

Our sustainability focus areas encompass Health and Safety, Ethics, Green, Community Investment and Diversity and Inclusion. These are closely linked to the United Nations' (UN) Sustainable Development Goals, and they help us continuously uphold the universal sustainability principles defined by the UN Global Compact.

During the UN's General Assembly in September, I had the honor of sharing Skanska's views of the business opportunities of sustainability at a symposium at the UN headquarters. I spoke of the rapidly growing market for green buildings, which provides Skanska with excellent ways to leverage our green expertise. Such discussions help us appreciate how much we have achieved within sustainability, and remind us how much more we can do.

During 2018, five fatalities occurred on our projects. No fatality, and no injury, is acceptable. We must – and we will – close the gap between actions and truly living our Care for Life value. Increasing our focus on Health and Safety is a top priority for Skanska. We see a close parallel between safety and profitability. Working safely requires operational discipline, which is also essential to achieving high performance overall on our projects. Our safest projects are our most profitable projects.

Looking ahead

For 2019, we see sustainability, particularly relating to climate impacts, becoming even more important because of both regulations and voluntary corporate commitments. We actively promote such high demands. With this, we continue to see many opportunities across our markets, especially within Commercial Property Development. However, in many of our home geographies and segments, the markets are leveling out and it is difficult to tell how long this relatively favorable situation will last. Also, political and macroeconomic uncertainties appear to be increasing even further. We are well prepared for future conditions, as we have strengthened risk management processes and continually protect our balance sheet.

To continue to grow Project Development and at the same time keep our financially strong position, the Board of Directors proposes a dividend of SEK 6.00.

Continuing to execute

The strategic actions we initiated in 2018 began to demonstrate positive results last year. We will continue to execute those activities in 2019 to build up to consistent, appropriate returns for shareholders.

I and the entire Group Leadership Team, together with all of Skanska's great people, look forward to continuing to earn the trust of our shareholders, customers and communities in the years ahead.

Stockholm, February 2019

Anders Danielsson
President and CEO

Commercial Property
Development and Construction

Houston's new meeting point

Capitol Tower, Houston, USA

At 35 stories and 72,000 square meters, Capitol Tower is Skanska's largest-ever single property development. It is setting a higher standard for offices in America's fourth-largest city and beyond.

To maximize its prime downtown location, Capitol Tower will have a two-story atrium that uniquely links the street level with Houston's underground pedestrian network. This will be a vibrant community hub with a culinary market, shops and cultural events. Also, tenants will be able to gather at the Skypark green space overlooking the Houston skyline.

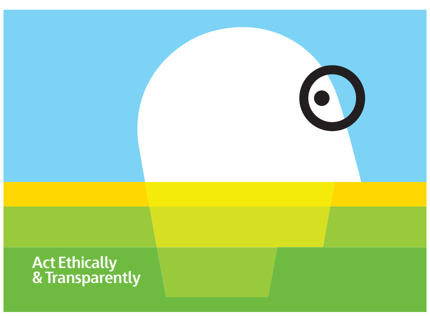
Furthermore, Capitol Tower is among the first buildings world-wide to achieve top-level Platinum pre-certification under the LEED green building standard's most stringent version. This indicates Capitol Tower's focus on minimizing energy and water use – along with other environmental impacts – throughout its life cycle, while supporting the well-being of those working inside. These aspects will help tenants lower costs and attract and retain employees.

Skanska's values

Fundamental to Skanska's success are its four values, which continually guide the Group in a fast-changing world. Skanska drives the need for every employee to strongly live these values in all they do. Skanska aims to select customers and partners that share the Group's values.

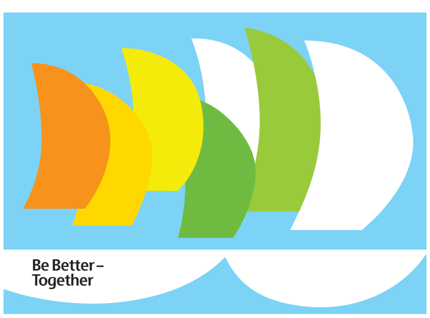
Care for Life

Important to caring for life is supporting personal health and well-being. This includes mental health, which affects people's safety and long-term performance. For instance, in the UK, since 2015 Skanska has had a mental health program, which has led to having 315 mental health ambassadors to help guide other employees on mental health issues and mental health awareness days. By 2020, all UK line managers are to have had mental health training. An aim is to make it as natural to talk about mental health as it is to discuss any other illness. In 2018, workshops were launched to share this journey with supply chain partners to aid their corporate mental health initiatives.



Act Ethically and Transparently

Living by the Code of Conduct and never accepting shortcuts is fundamental to Skanska. In 2018, strategic work – with a specific focus on anti-corruption, anti-trust/competition law and sanctions – continued to improve Skanska's process for managing risks relating to ethics, among the Group's top risks. Reviews were conducted across business units to ensure that ethical risks identified the previous year were being effectively mitigated by such measures as enhanced procedures and training. Risk assessments followed by assurance reviews form a solid model for ethics risk management, with the two-year process underway continuously. The risk assessment is formed to integrate the mitigation of the ethics risks into the business units' existing business processes, keeping ethics a natural part of the way of doing business.



Be Better – Together

Collaborations enable the best solutions. As an example, Skanska has together with the U.S. Green Building Council (USGBC), the organization behind the LEED green building rating system, developed a digital platform to address a key green building challenge: how to inspire customers to invest in green solutions when it is unclear how their properties compare environmentally to similar facilities nearby. Enter the Market Insight Tool, which harnesses USGBC's database of LEED projects to provide customers with insights on whether a green investment decision could make a building project environmentally future-proof, or be a risk to their long-term investment. Skanska is piloting this tool, and with the USGBC plan to make it openly available in fall 2019.

Commit to Customers

Skanska strives to be a partner with customers, enabling mutual success. In Stockholm, for instance, Skanska is collaborating with Stockholmshem, the city's largest housing company, to provide much-needed residences through ways that reflect shared values. Skanska supports Stockholmshem's focus on proper working conditions and practices throughout the supply chain. Also, two projects provide platforms for innovating and implementing the latest green solutions to reduce climate impacts, lower operating costs and create jobs. Supporting all activities is a focus on learning from past projects to proactively improve delivery.

Share data and Funding

Skanska's Series B shares are listed on Nasdaq Stockholm, and the market capitalization on December 31, 2018, was SEK 57.8 billion. The last price paid for Skanska Series B shares in 2018 was SEK 141.0.

- Skanska's Series B shares (SKA B) are listed on Nasdaq Stockholm
  Bloomberg ticker SKAB:SS
  Reuters quote SKAb.ST
- Skanska has a sponsored American Depositary Receipt program (Level I) in the USA that is traded under the symbol SKBSY.
- 109,185 shareholders.
- Market capitalization of SEK 57.8 billion and a share price of SEK 141.0 on December 31, 2018.
- In 2018, 2.2 million Skanska Series B shares were traded on average per day.
- The Board proposes a dividend of SEK 6.00.

About ten equity research analysts follow the company regularly. Under the Skanska share tab on the Group's website for investors is a list of these analysts, along with their current recommendations.

Skanska's diversification across various business streams with operations in several geographical markets and segments strengthens the Group's competitive standing and ensures a balanced and diversified risk profile. This has contributed to Skanska's long track record of good financial returns generating attractive shareholder returns long-term as well as achieving a strong financial position that allows Skanska to borrow at attractive rates.

Share price development 2018

During 2018, project write-downs in the Construction stream negatively affected the Skanska share price. Towards the end of 2018, the Skanska share was also impacted by negative market sentiments, especially affecting the construction sector. The share rebounded somewhat by the very end of the 2018 but remained at a relatively low level and ended 2018 down 17 percent, to compare with Nasdaq Stockholm exchange, 8 percent down for 2018. Skanska share price closed at SEK 141.0 on December 31, 2018, which is equivalent to a market cap of SEK 57.8 billion.

Dividend policy

Skanska's dividend policy is to pay out 40–70 percent of the profit for the year as dividends to the shareholders, provided that the company's overall financial condition is stable and satisfactory.

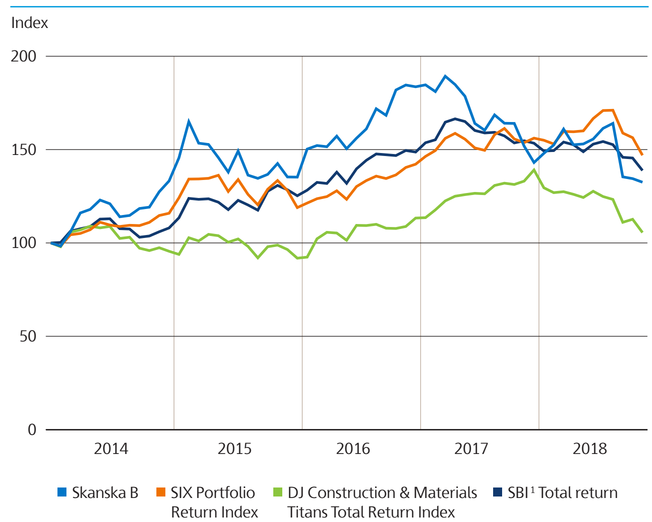
The largest shareholders in Skanska AB, ranked by voting power, December 31, 2018

Shareholders, excluding Skanska's own holdings	% of votes	% of capital
Industrivärden AB	23.9	6.9
Lundberg Group	12.8	5.3
Alecta	4.1	5.8
Swedbank Robur Funds	3.8	5.4
Skanska employees through Seop [1]	3.8	5.4
AMF Insurance & Funds	3.8	5.4
BlackRock	1.7	2.4
Vanguard	1.6	2.3
Carnegie Funds	1.3	1.8
SHB Funds & Life Insurance	1.1	1.6
10 largest shareholders in Skanska	57.9	42.3
other shareholders in Skanska	42.1	57.7
Total	100.0	100.0
of which shareholders in Sweden	84.0	77.3
of which shareholders abroad	16.0	22.7

1 Not treated as a unified ownership group and includes earned matching and performance shares to be delivered to the participants in the future.

Source: Modular Finance Holdings

Total return of the Skanska share compared to indices



1 Strategic Benchmark Index consists of listed companies that, taken together, reflects Skanska's operations.

Dividend

For the 2018 financial year, the Board's assessment is that the Group's financial position remains strong and has proposed a dividend of SEK 6.00 (8.25) per share. The proposal is equivalent to a dividend totaling SEK 2,458 M (3,373), corresponding to 63 percent of the profit for the year.

No dividend is paid for the Parent Company's holding of Series B treasury shares. At the end of 2018, the Parent Company's holdings of Series B treasury shares amounted to 10.2 million shares, corresponding to 2.4 percent of capital stock. The total dividend amount may change by the record date, depending on repurchases of shares and the transfer of shares to participants in Skanska's long-term employee ownership program.

Ownership

The majority of Skanska's shareholders are financial and institutional organizations in Sweden. The largest shareholder is Industrivärden AB, with voting power of 23.9 percent, followed by Lundberg Group with voting power of 12.8 percent. During the year, foreign ownership decreased to 16 percent of voting power.

Funding

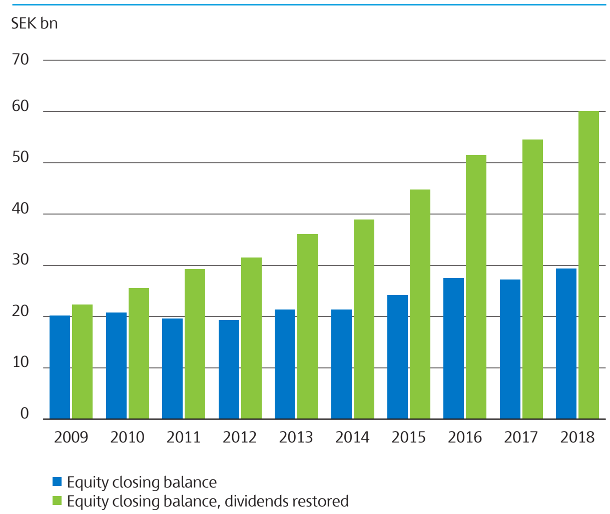
Skanska has several borrowing programs – both committed bank credit facilities and market funding programs – which provide good preparedness for temporary fluctuations in the Group's short-term liquidity requirements and help ensuring long-term funding. During the last years, Skanska has increasingly been focusing on green financing. By the end of 2018, the majority of the Group's central funding, managed by group function Skanska Financial Services, is green labeled. Through sustainable financing, Skanska leverages the Group's extensive green expertise while diversifying its investor base. In 2018, Skanska successfully issued its second Green Bond in two tranches. In connection with the bond issue a new Green Bond Framework was established, aligned with the developed Green Bond Principles. The bonds are listed on Nasdaq Sustainable Bond Market. All outstanding corporate bonds (MTN) amounting to SEK 1.8 billion were at the end of the year in the form of green bonds. Bilateral loans to USD 200 M are also financing Skanska's green projects. A revolving credit facility amounting to EUR 200 M is designed to primarily safe-guard financing the Groups green projects. A EUR 600 M revolving credit facility maturing 2023 with a remaining 1-year extension option constitutes a back-up facility for Skanska's funding needs. At the end of the year, the central debt portfolio amounted to SEK 4.3 billion. Unutilized credit facilities of SEK 8.6 billion combined with available liquidity amounting to SEK 5.0 billion ensuring that the Group has sufficient financial capacity.

Skanska share history

	2018	2017	2016	2015	2014	2013
Year-end market price, SEK	141.00	170.00	215.10	164.80	167.90	131.40
Year-end market capitalization, SEK bn	57.8	69.5	88.0	67.7	69.0	54.0
Average number of shares for the year, million[1]	409.7	408.9	409.3	411.0	410.8	411.3
Highest share price during the year, SEK	179.70	226.60	218.70	208.40	170.00	131.60
Lowest share price during the year, SEK	134.85	170.00	149.20	151.40	126.70	104.60
Yield, %[2]	4.3	4.9	3.8	4.6	4.0	4.8
Earnings per share[3], SEK	9.55	12.01	15.89	11.96	9.98	8.43
Regular dividend per share, SEK	6.00[4]	8.25	8.25	7.50	6.75	6.25
Dividend pay-out ratio[5], %	63	69	52	63	68	74

1 Number of shares outstanding at year-end.
2 Dividend as a percentage of respective year-end share price.
3 Earning per share according to segment reporting divided by the number of shares outstanding.
4 Based on the dividend proposed by the Board.
5 Dividend as a percentage of earnings per share.

Growth in equity



Business Plan 2016-2020: Profit with Purpose

Guided by the Profit with Purpose Business Plan, Skanska is striving to increase shareholder value while building for a better society.

Profit with purpose
Skanska's purpose is to build for a better society. Working with customers and communities, and driven by the Group's values, Skanska has a responsibility and opportunity to influence its customers and together contribute to society in positive way.

The five-year Profit with Purpose Business Plan – lasting until 2020 – is based on the view that profit and purpose are interlinked, with each strengthening the other. Profit is needed to deliver Skanska's purpose of building for a better society, and advancing with that purpose contributes to Skanska's profit. Skanska has high ambitions for both profit and purpose, and for leveraging them to create value for the Group's shareholders.

Focus areas
Skanska aims to reach the Group's aspirations for 2020 by carrying out key strategic actions during the 2016 to 2020 period. These actions center on developing the Group's people; advancing "market making" abilities to improve service to customers; and increasing the performance of operations and support functions.
These are the Group's focus areas:
- Great People
- Market Making
- Operational Excellence

Improve profitability and reduce risk
During 2018, Skanska took strategic actions to improve profitability and reduce risk.

Within Construction, this involved restructuring and increasing focus on core business operations in Poland, the Czech Republic and the UK. In the USA, Skanska will no longer bid on power sector projects, so called engineer-procure-construct (EPC) projects and mega design-build public-private partnerships (PPP).

In addition, the Infrastructure Development business stream will concentrate on securing and managing the value of Skanska's existing PPP assets. As per January 1, 2019, Infrastructure Development is no longer a business stream and is reported in Central on a separate line.

On Group level, the headquarters was brought closer to operations to increase efficiencies and better respond to the needs of markets and customers. Also, initial steps were taken to strengthen the Group's decentralized internal governance model through clarified responsibilities and an improved control framework.

2019 priorities
Restoring Construction profitability and continuing to create value through Project Development – both while living the Skanska Values – are the Group's priorities in 2019. Achieving them requires actions involving Great People, Market Making and Operational Excellence.

Aspirations 2020

- Industry-leading total shareholder return
- Balanced value creation between Construction and Project Development
- Recognized as a preferred partner when it comes to creating solutions that meet customers' needs
- Living our values and recognized as a value-driven company building for a better society
- An injury-free and ethical environment
- The most attractive employer in the industry
- Cooperation within and between units and business streams as One Skanska in high-performing teams
- Improved operational efficiency

2019 priorities

- Leadership in Health and Safety
- Restore profitability and reduce risk within Construction
- Controlled growth in Commercial Property Development
- Adapt Residential Development to market conditions
- Concentrate Infrastructure Development on asset management
- Implement the new Group Governance Framework

Sustainability focus areas

Skanska supports the United Nations' 17 Sustainable Development Goals. These Global Goals are closely linked to Skanska's core sustainability areas of Health and Safety, Ethics, Green, Community Investment and Diversity and Inclusion.

Health and Safety

Skanska cares for life. The Group works safely, or not at all.

Ethics

Skanska does business with a high degree of integrity and transparency.

Green

Skanska promotes green solutions and conducts operations in green ways.

Community Investment

Skanska engages in local communities and establishes long-term partnerships.

Diversity and Inclusion

Skanska fosters an inclusive culture and leverages diversity to deliver the best solutions.

Delivering on purpose

Sustainability is grounded in the Skanska values. It is integral to achieving the Group's purpose of building for a better society while delivering a profit, the dual aims of the Profit with Purpose Business Plan. Skanska's projects and how they are delivered create sustainable futures for customers, communities and the Group's people. Further information is provided in the Sustainability Report on pages 70–93.

Financial targets 2016–2020

Skanska's business plan for the 2016 to 2020 period sets financial targets that best reflect the profitability of operations and show the Group's financial capacity for investments and growth.

The operating margin is an expression of the profitability and efficiency within Construction. This margin is affected by the mix of contract types and the different geographical markets. Return on capital employed and on equity are measures of how well lender and shareholder capital are being used (capital efficiency), and are considered fair measurements for the Project Development business streams and the Group, respectively. The Group's financial strength enables the continuation of increased investments in Project Development.

Outcome 2018

The operating margin in the Construction business stream was below the target. The operating income was negatively affected mainly by impairment of goodwill in USA, restructuring of business units within Construction in Europe and project write-downs in Poland and USA.

Project development continued to perform at high level, with return on capital employed of 13.0 percent, topping the target of at least 10 percent. Commercial Property Development had another record year in 2018 with an all-time high in gains from divestments surpassing SEK 4 billion.

In 2018, return on equity of 14.1 percent, was below target.

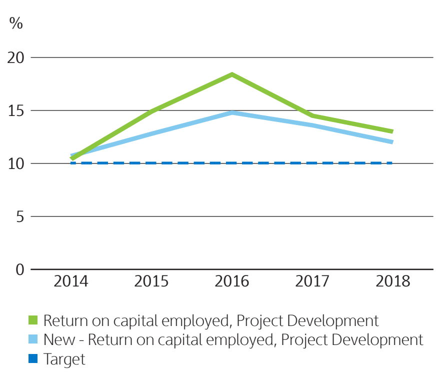
Skanska's financial position remains strong.

	Target 2018	Outcome 2018
Construction	Operating margin ≥ 3.5%	The operating margin was 0.7%
Project Development	Return on capital employed for the combined Project Development operations ≥ 10%	Return on capital employed was 13.0%
Return on equity	≥ 18%	14.1%
Financial strength	Net operating financial assets/liabilities can be negative	Net operating financial assets/liabilities were SEK 14.2 billion

New definitions for 2019

As of January 1, 2019, Infrastructure Development is no longer a business stream. As a consequence the Return on capital employed target for Project Development is no longer including Infrastructure Development. In addition, return in Commercial Property Development business stream is based on yearly earnings and not on successive value creation. For further information, see Note 44.

Return on capital employed, Project Development




Platforms 20 to 24
Lift
Way out
Way out

Construction

Improving millions of journeys

Waterloo Station and Southwestern Main Line Upgrades, London, UK

Waterloo is Britain's busiest railway station, with a train arriving or departing almost every minute during peak times. Properly accommodating all those travelers required major upgrades to increase capacity and boost reliability.

Skanska, in an alliance with Network Rail, Aecom, Colas Rail and Mott MacDonald, designed and constructed improvements that will increase Waterloo's capacity by up to 30 percent. Sustainability, collaboration and innovation were key to executing this complex assignment.

For example, 4-D digital models were used to plan and then safely and securely execute intensive work periods that ran 24 hours a day, seven days a week. These models helped ensure the lowest possible impacts to passenger service.

Also, an industry-leading sustainability strategy covered 21 challenging targets. This drove such actions as determining that existing foundations could be re-used instead of installing 65 new piles, reducing carbon emissions equivalent to taking 292 cars off the road for a year and saving customer Network Rail nearly SEK 60 M.

Great People

Building for a better society requires great people. To deliver for customers and society, Skanska is focused on employee skills, engagement, diversity and health and safety.

Skanska needs great people who have the right skills and commitment, and who share and live the Group's values. People who thrive in a culture based on transparency, trust, values and high-performance teamwork. People who are seeking opportunities to learn and grow.

Attracting such talented people, developing and retaining them, is a key challenge and opportunity. On all fronts, Skanska is making positive progress. In 2018, the Group continued to be ranked as a top employer across key markets. Important advantages for Skanska are the Group's deeply embedded values, many professional development opportunities and strong purpose – all factors increasingly sought in employers.

For those already part of Skanska, the results of the 2018 employee survey show the positive impacts of initiatives to enable people to do their best work, while harnessing their commitment and motivation. For example, 78 percent of respondents recommend Skanska as a good place to work and 84 percent say their job makes good use of their skills and abilities. Both metrics surpass industry benchmarks.

Skanska undertakes strategic initiatives to ensure an organization of great people, now and into the future. When the number of Skanska people must be reduced, as occurred in the 2018 restructuring to improve Skanska's performance, all departing people are treated fairly.

Being safe, healthy and included

Ensuring people's safety, health and well-being underpins all activities, supporting Skanska's Care for Life value. Ensuring health and safety is an ongoing challenge for the construction industry. The Group aspires to eliminate all injuries, along with reducing health hazards – such as noise and poor ergonomics – that are damaging over the long term. Supporting mental health and enabling a proper work-life balance are also key.

Health and safety is boosted by greater diversity and inclusion. At all levels of the Group there is a clear focus on achieving a more diverse workforce when attracting, recruiting and retaining employees. This is coupled with efforts to train managers to make the most of team diversity to achieve stronger performance together.

Becoming a more diverse and inclusive organization enables people to contribute to their full potential, and improves the Group's performance.

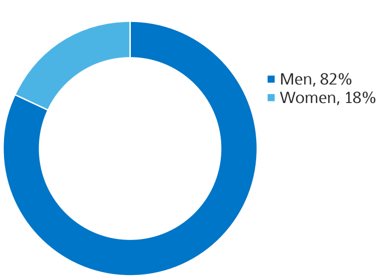
Wider experiences enable higher performance

Customers and society face increasingly complex challenges. To provide the sophisticated solutions they need, Skanska must continually upgrade competencies and fully leverage the diversity of the Group's people.

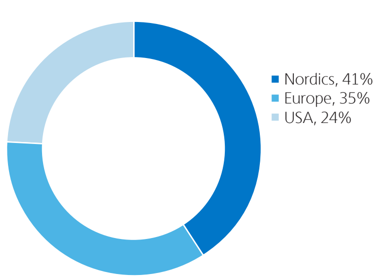
Important to this is systematically broadening the experiences of employees, developing both them and Skanska. Employees – especially managers – are provided opportunities to undertake new, challenging assignments in different functions, business units and geographies. Both long- and short-term assignments are important to energizing people and boosting organizational knowledge sharing and collaboration, thereby driving higher performance. In 2018, 30 percent more senior leaders moved into roles in different units, compared to the same period in the prior year.

Examples of broadening experiences include rotating managers through periods of service on teams that review risks and opportunities with potential projects. This is part of Skanska's increasing efforts to build knowledge and expertise around managing risk. Also, the Skanska Unlimited program provides employees the opportunity to work in another business unit or function, in their home country or internationally, for three to six months.

Employees, by gender



Employees, by geography



Employees in 2018

38,000

Securing value-driven leaders

Skanska has two flagship programs to develop the value-driven leaders needed to steer the organization, now and in the future. The Skanska Top Executive Program (STEP) is run in collaboration with two of the world's leading business schools, IMD in Switzerland and Ivey in Canada. For Skanska people earlier in their careers and ready for management roles, the Skanska Stretch program aims to build knowledge and the ability to lead in an international environment.

In 2018, Skanska launched a guide for first-time managers to provide a common foundation across the Group. It is based on Skanska's Group-wide leadership profile, which clarifies the expectations the Group has for all employees and provides guidance and support for continuous development. Employees are annually evaluated based on this leadership profile, which includes such competencies as "deliver results," "focus on customers" and "drive sustainability."

All business units have training programs that match the specific needs of the respective unit, targeting employees at all levels.

Employee ownership shows engagement

Seop, the Skanska employee ownership program, increases the Group's ability to recruit and retain top people and aligns them more closely to the Group and shareholders. The program provides employees with the opportunity to invest in Skanska while receiving incentives through matching shares and shares based on business unit performance.

Employee perspectives

"It's important for me to be proud and excited about what I do, and that's how I feel being part of Skanska. Through roles involving public-private partnerships, financial operations, Commercial Property Development and now Residential Development, I've helped improve communities in many ways while learning and growing as a professional. It's also great being part of an organization with such a strong focus on values, and colleagues representing many cultures."

Marie Passburg,
Regional Manager

"I find it rewarding and energizing to create teams with people having different backgrounds, talents and perspectives. A diverse group of people, together in a supportive environment, lets the team and everyone on it perform at their best. Also, I strive to provide everyone on my teams with different opportunities to help keep them motivated and challenged. It makes me happy to help others succeed, so I am eager to invest the time and effort for this."

Harri Vesanto,
Site Manager

Market Making

Skanska understands customers needs and takes initiative, enabling the Group to provide solutions that contribute to their success. Through Skanska's sustainability leadership and combined resources and knowledge, the Group can help customers prosper.

Skanska seeks to align the Group's broad talents to deliver solutions that help customers succeed. Essential to this is understanding the evolving needs and challenges of customers, including the broader context of market trends and government priorities. Skanska does this through early and ongoing engagement with customers. Involvement early in the project life cycle is increasingly valued by customers, especially those with highly challenging assignments.

Values appreciated by customers

Skanska's values – including Commit to Customers – are key to the Group's aspiration of being recognized as a preferred partner when it comes to creating solutions that meet customers' needs. Customers and others appreciate how Skanska has integrated values into the Group's culture and daily activities. Values help differentiate Skanska, as people want to collaborate with companies that are responsible and trusted. Furthermore, Skanska seeks customers and partners with similar values.

Sustainability as a differentiator

With rising sustainability regulations and corporate requirements, increasingly relating to the United Nations' Sustainable Development Goals, customers are requiring innovative new solutions. Also, sustainability and impact on society are becoming more important to investors.

Skanska's strategic work toward leadership with sustainability – involving the focus areas of Health and Safety, Ethics, Green, Community Investment and Diversity and Inclusion – is an important differentiator for the Group. One priority is profitably providing customers with resilient and low carbon solutions.

Broader perspectives

Customers appreciate Skanska's ability to provide them with the best solutions by applying innovations from throughout the Group's eleven countries of operation, and through collaborations between business units. Similarly, Skanska's wide footprint enables the Group to provide international customers with holistic service.

In all Skanska markets, the Group engages with local and national governments and other stakeholders to create solutions that benefit society in important ways. For example, during the 2018 Almedalen Week political event in Sweden Skanska organized 12 seminars, particularly about reducing climate impacts and creating safe neighborhoods.

Skanska is actively working to extend third-party sustainability certification systems beyond buildings and into civil infrastructure. Important to this is helping public customers see how such systems can help them achieve their sustainability targets, a process that can improve Skanska's standing as a preferred partner. In the USA, the Group is pioneering the use of Envision, a sustainability certification system for civil infrastructure, now used by 45 government agencies. Expo Line Phase 2 in Los Angeles is the first Envision-certified transit project.

Operational Excellence

Strong results for Skanska and high customer satisfaction depend on excellence in the Group's operations. Top priorities are increased bidding discipline, digitalization, collaboration and knowledge sharing.

Skanska is continuously improving the Group's operations. This involves ensuring that the right resources are being used together with efficient, effective processes. Equally important is providing all employees with the proper skills. Finally, it is about leveraging knowledge and expertise across Skanska, and creating values-based partnerships.

Stricter bid strategy

Special focus is being placed on improving construction project execution. This begins with a stricter bid strategy. Based on "sweet spot" analyses, business units are prioritizing pursuing projects in sectors and geographies in which they have proven strengths and records of success. Skanska will only bid on projects after identifying teams with the right competencies. More broadly, management of the design process, commercial terms and project scope changes are being given increased attention.

Building on strengths

Common, proven project practices are prioritized to advance toward world-class project delivery. Sharing and adopting good practices from across the Group improves performance and is a competitive advantage.

Digitalizing the business

Digital capabilities are being enhanced to increase project delivery certainty and efficiency, and to strengthen collaboration and knowledge sharing. Examples include building information modeling (BIM), drones, data analytics and virtual and augmented reality. Such technologies also provide increased opportunities to advance with sustainability, including improved safety and reduced carbon emissions. As an example to support a strong digital foundation, Skanska in 2018 provided all site workers in Sweden with personal digital devices to enhance ways of working.

New possibilities through partnerships

Partnerships are essential to digitalization. In 2018, Skanska finalized a first-time Group-wide agreement with leading digital partner Autodesk that enables expanded access to their applications, which can provide benefits throughout design and construction. Also, Autodesk is adapting their digital solutions to Skanska's needs.

Throughout Construction and Project Development operations, closer work with partners is increasingly important.

To accelerate digitalization as a way of improving performance and streamlining processes, Skanska Sweden launched Digital Hub in 2018. This center innovates, develops and tests digital tools and practices with key partners and suppliers, including Autodesk, Bluebeam and Microsoft. Some 230 people across organizations participated in Digital Hub's two major brainstorming sessions last year.

A smart and healthy workspace

Spark, Warsaw, Poland

Spark, Skanska's second largest office development in Central Europe, makes it easy, enjoyable and healthy to spend time in and around the complex's eventual three buildings.

Spark helps people perform at their best. Light, air quality and other factors affecting personal health and well-being have been given high consideration, leading to Spark's intended certification under the international WELL Building Standard. Skanska is driving the market for healthy buildings by pursuing WELL certification for all office developments in Central and Eastern Europe, and others in the Nordics and the UK.

Additionally, Spark is the first project to feature Connected by Skanska, which uniquely integrates building functions with users' mobile devices. Parking, guest check-in and more are managed by an app, which also connects building users to each other – even across companies. This unified offering eliminates traditional access cards, increasing convenience and safety and attracting strong tenant interest.

In 2018, Skanska divested Spark's first completed building in a transaction valued at about SEK 510 M.

Risk and opportunity management

Proactive and structured risk and opportunity management at all levels provides increased resilience to risks and a greater ability to capture opportunities. Strategic actions taken in 2018 further reduce Skanska's risks.

Construction and Project Development operations depend on properly managing risks and opportunities. These are often specific to each project.

With Construction assignments, the project type and size, where it is located, how the contract and delivery approach are structured and the customer all have significant bearings on the eventual outcome. Likewise with Commercial Property Development and Residential Development projects, site location and local market conditions are of prime importance.

With Skanska having thousands of projects underway every year, the Group has developed and continues to refine a suite of procedures and tools to manage risk and opportunities amid these varying conditions. This platform provides a structured and efficient means of maximizing profitability and moving forward with the Group's business plan. It builds on Skanska's fundamentals of focusing on core project types and knowing customers and markets.

The variety of Skanska's projects, contracts, locations and customer categories also provides a key benefit in the risk diversification. The Group is well-balanced against ups and downs in geographies and market sectors.

Strategic actions to reduce risks

In 2018, some strategic actions were taken to reduce risks. The Group's leadership was brought closer to operations and the headquarters was streamlined, both to better support business units in responding to the needs of markets and customers. Also, initial steps were taken to bolster the Group's decentralized governance model through clarified responsibilities and improved control framework.

Within business units, key activities involved implementing a simplified, more targeted strategy for Construction operations in Poland; increasing focus on the core business in the UK and the Czech Republic; in the USA, stop bidding for both mega design-build public-private partnership (PPP) projects and engineer-procure-construct (EPC) projects in the power sector.

All units continued to be more disciplined in bidding, only pursuing projects for which the Group has a track record of success during the year.

Enterprise risk management

Established by the Board, Skanska's Enterprise Risk Management Policy sets out the structure and responsibilities for risk management across the Group. Enterprise risks are categorized as strategic, operational, financial and regulatory. For each category, the policy details the primary policies, procedures, regulations and other controlling documents governing risk management. The Skanska Group Leadership Team is ultimately responsible for these risks. As part of the risk management system, strategic sustainability

Skanska Tender Approval Procedure: Construction

Activity	Preliminary evaluation of the project with a focus on Skanska's core geographies, competence, customer, contract and partners.	Draft tender with a focus on the main risks and opportunities.	Final tender	Execution according to contract with a continual focus on monitoring risk and opportunities.
Responsible	Business unit	Business unit	Business unit	
Decision	Proceed or abstain?	Submit tender or abstain?	Contract negotiations	
Responsible	Business unit Group Leadership Team	Business unit Group Leadership Team Board of Directors	Business unit	Business unit Group Leadership Team Board of Directors

Skanska Investment Approval Procedure: Commercial Property Development and Residential Development

Activity	Land investment with a focus on location, zoning, partners, environmental issues and return.	Launch of project, considering pricing and pre-sale rate (Residential Development only).	Start of project with a focus on main risks and opportunities in the market.	Divestment of project with a focus on the occupancy rate and payment terms (Commercial Property Development only).
Responsible	Business unit	Business unit	Business unit	Business unit
Decision	Proceed or abstain?	Proceed, hold, re-develop or divest?	Proceed, hold, re-develop or divest?	Proceed or hold?
Responsible	Business unit Group Leadership Team Board of Directors	Business unit Group Leadership Team Board of Directors	Business unit Group Leadership Team Board of Directors	Business unit Group Leadership Team Board of Directors

risks are approached in the Skanska Sustainability Business Forum, including members from Group Leadership Team. Ethical risks are managed by the Group Headquarter's Ethics function, the Group Headquarter's Ethics Committee and the Ethics Committees within the business units.

Each business unit is organized to adequately manage its specific risks and opportunities. To strengthen the units in this area, continuous skills development and exchange of experience takes place.

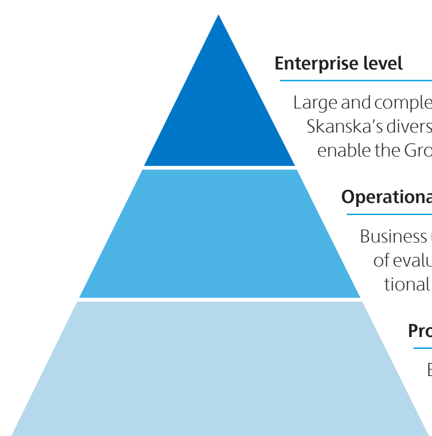
Enterprise-wide risk management approach

Proactive and structured risk and opportunity management is embedded at every level of the organization. Skanska uses Group-wide procedures for identifying and managing risks and opportunities: the Skanska Tender Approval Procedure and the Skanska Investment Approval Procedure. Guided by the procedures, the Skanska Risk Team supports the Group Leadership Team by examining and analyzing tenders along with investment and divestment proposals subject to top management approval – approximately 300 projects per year. The tenders are selected based on business unit competence, geography, contract type and contract size.

Initially each business unit conducts risk and opportunity assessments and identifies measures for managing risks. Through the 2018 strengthening of the Group's decentralized governance model, processes, procedures, control and training have been enhanced.

For those tenders and proposals that are processed at Group level by the Skanska Risk Team, the team issues a recommendation based on the business case, risks and opportunities. The final decision is made by the Skanska Tender Board which consists of the Group leadership Team, and, in certain cases, by the Skanska Board.

Risk category	Description	Risk examples
Strategic risks	Relates to Skanska's purpose, long-term objectives and strategy	▪ Skanska values ▪ Brand ▪ People ▪ Management ▪ Markets ▪ Climate change impacts ▪ Ethics
Operational risks	Threatens the achievement of Skanska's business plan and short-term objectives and goals, or efficient project delivery	▪ Project and investment selection ▪ Bidding and developing ▪ Production ▪ Change and contract management ▪ Reporting and forecasting ▪ IT system failure or attack ▪ Environmental incident ▪ Health and safety incident
Financial risks	Threats to Skanska's financial strength and financial assets	▪ Funding ▪ Asset management ▪ Counterparties ▪ Macroeconomic conditions
Regulatory risks	Relates to compliance with internal rules and applicable external laws and regulations	▪ External regulations and legislation ▪ Contracts and agreements ▪ Internal rules



Enterprise level

Large and complex projects receive additional scrutiny at Group level. Skanska's diversity of projects across geographies and business streams enable the Group to be better prepared about risks and opportunities.

Operational level

Business units are further integrating more structured ways of evaluating projects into their ways of working. At all operational levels, every Skanska employee is a manager of risk.

Project Level

Excellent management at the project level is the most important element in Skanska's ability to control risks and maximize opportunities.

Main risks

Skanska conducts an annual review of the Group's enterprise risk environment, including mapping existing risks, identifying and responding to potential new risks, and reviewing the status of risk management activities. This review generates a ranking of enterprise risks; for each of the main risks, the appropriateness and effectiveness of management and mitigation measures are assessed and corrected, as required. The table below presents examples of significant risks, including sustainability risks, to Skanska divided in distinct but overlapping risk categories – a risk may fall into more than one category. Read more on Skanska's sustainability work in Skanska's sustainability report on pages 70–93.

Risk category	Risk area and description	Potential impact	Mitigation measures
Strategic risks	**Ethical breach, anti-corruption and bribery matters** ▪ Corruption, bribery, money laundering, anti-trust, competition breaches or other breach of Skanska values	▪ Fines, penalties and criminal and civil charges ▪ Damaged reputation and lost trust as a responsible company and employer ▪ Delisting from public procurement in some markets	▪ Code of Conduct, anti-corruption policy and Skanska values provide clear direction to employees ▪ The Supplier Code of Conduct set the same expectations on external parties when it comes to doing ethical business as Skanska's own employees. ▪ New Group Governance Framework, the development of which included reviewing all existing policies and procedures connected to ethical breaches ▪ Regular employee training on appropriate behaviors and actions ▪ Clear internal reporting structure of suspected breaches and also the Code of Conduct Hotline reporting system managed by a third party ▪ Due diligence deepens knowledge of suppliers, subcontractors, joint venture partners, sellers of land and buyers of real assets
Strategic risks	**Human rights violations** ▪ Human rights violations, such as unfair working conditions, modern-day slavery, harassment and discrimination at workplaces/sites and by subcontractors or suppliers	▪ Consequences for individuals ▪ Damaged reputation and lost trust as a responsible company ▪ Financial fines and penalties, civil lawsuits and criminal charges	▪ Act Ethically and Transparently value, Code of Conduct and Supplier Code of Conduct guide employees and those working on behalf of Skanska to act appropriately regarding human rights ▪ Code of Conduct Hotline provides an anonymous way for employees and external parties to report suspected misconduct ▪ Skanska is conducting controls of certain suppliers based on a risk-based approach
Strategic risks	**Climate change risks** ▪ Physical risks caused by extreme weather conditions due to climate change ▪ Low awareness of increased customer demands to build resilient and/or low-carbon buildings and infrastructure	▪ Operational cost increases or delays due to extreme weather conditions ▪ Not adapting to new climate regulations and demands from investors and customers ▪ Lost business opportunities	▪ Code of Conduct and Environmental Policy, enabled by the environmental management system, guide actions relating to environmental risks and secure legal compliance ▪ Employees are trained on proper environmental practices and are immersed in activities that lift Skanska's Care for Life value ▪ Drive innovation and offer new sustainable solutions to customers ▪ Green Leadership Group coordinates with environmental specialists on actions for reducing carbon emissions
Strategic risks	**Diversity and inclusion** ▪ Low diversity among employees and subcontractors in terms of gender, age, ethnicity, family situation, educational background, and work experience ▪ Non-inclusive, even explicitly excluding, workplace culture, resulting in exclusionary experiences and cases of discrimination and harassment	▪ Difficulties attracting, recruiting and/or retaining employees with needed competencies ▪ Damaged reputation from harassment and discrimination cases ▪ Decreased employee engagement and productivity due to non-inclusive behaviors and experiences	▪ Diversity and Inclusion is integrated in business plan, Skanska values, sustainability agenda and Code of Conduct ▪ Diversity and Inclusion Vision and Strategy are activated through a Group-wide network with local action groups and action plans ▪ Diversity and Inclusion is integrated into employee attraction and recruitment initiatives, employee performance review process and leadership development programs ▪ Community Investment Guideline supports the Diversity and Inclusion Vision and Strategy also from a community perspective
Strategic risks	**Increased competition** ▪ Increased competition, including from low-cost actors new to market	▪ Below-cost pricing, decreased margins	▪ Market making responsibility at business unit level ▪ "Sweet spot" review in Construction business units and focus on business sectors in which Skanska is most competitive ▪ Innovative solutions for customer needs, including through collaboration and knowledge sharing across business units and with leading partners ▪ Procurement planning ▪ Early involvement with customers provides important opportunities to improve competitiveness ▪ Increased agility due to 2018 actions of bringing leadership closer to operations, streamlined Group headquarters and new Group Governance Framework

Risk category	Risk area and description	Potential impact	Mitigation measures
Operational risks	**Lack or loss of key employees** ▪ Inability to attract, recruit and retain skilled, diverse and committed workforce	▪ Financial and non-financial consequences for projects ▪ Decreased employee engagement and productivity due to non-inclusive behaviors and experiences ▪ Decreased ability to deliver for customers	▪ Employee development and career planning, including transparent performance review process based on diversity and inclusion ▪ Structured resource planning ▪ Seop (Skanska Employee Ownership Program) ▪ Group-wide employee survey ▪ Structured succession planning for management teams ▪ Integrate Skanska values, sustainability agenda and Code of Conduct with the business plan ▪ Competitive compensation packages
Operational risks	**Loss making projects/investment** ▪ Wrong team, geography or customer, and/or poor execution of contract or project	▪ Operational inefficiency, increasing costs and decreasing profits ▪ Project losses and investment write-downs ▪ Damaged reputation and inability to meet project commitments	▪ Enterprise Risk Management Policy (ERMP) ▪ Improved project reporting and review procedures in all business units ▪ Revised project scrutiny and approval procedures ▪ Heat maps ▪ Comprehensive employee training programs ▪ Improved management of claims and litigation, with new Claims Management Policy adopted in 2018 ▪ Construction margin roadmap and "sweet spot" analysis in all Construction business units ▪ Active work with capital at risk, pre-leasing and pre-sales requirements
Operational risks	**Health and safety risks** ▪ Injuries, accidents and ill health regarding people at Skanska sites, or people affected by Skanska work activities	▪ Multiple fatalities, life-changing injuries, and injuries and long-term ill health that otherwise reduce life expectancy or quality	▪ Employees are trained on proper health and safety practices and are immersed in activities that lift Skanska's Care for Life value ▪ Health and Safety Policy describes how all Skanska employees and other project participants contribute to achieving injury-free environments ▪ Group Health and Safety Standards and 2019 requirement for business units to have an externally certified health and safety management system provide control over operational health safety risks ▪ Safety Road Maps in all business units guide safety program development ▪ Safety Performance Network shares best practices across projects and drives development of health and safety program
Operational risks	**Environmental risks** ▪ Major environmental incident in operations or supply chain ▪ Pollution or other negative impacts	▪ Damaged reputation and loss of license to operate ▪ Harm to people and ecosystems ▪ Increasing costs and decreasing profits	▪ Code of Conduct and Environmental Policy guide actions relating to environmental risks and secure legal compliance ▪ ISO 14001 (international environmental management system standard) certifications ensure a systematic approach to dealing with environmental risks and issues ▪ Environmental specialists at Group and business unit levels support line management with securing compliance and achieving Group environmental expectations, which go beyond compliance and include retaining ISO 14001 certification ▪ Skanska engages with suppliers to reduce risks of supply chain environmental breaches ▪ Employees are trained on proper environmental practices and are immersed in activities that lift Skanska's Care for Life value
Operational risks	**Resource efficiency** ▪ Inefficient uses of energy, materials, waste and water	▪ Operational inefficiency, increasing costs and decreasing profits ▪ Inability to meet project schedule	▪ The Skanska Color Palette secures a strategic approach to future-proofing projects regarding resource efficiency (energy, carbon, materials and water) ▪ Employees are trained on proper environmental practices and are immersed in activities that lift Skanska's Care for Life value ▪ Improved planning through building information modeling (BIM) and other digital tools

Risk category	Risk area and description	Potential impact	Mitigation measures
Operational risks	**Lack of control of business unit performance, poor management decisions** ▪ Lack of clarity of strategy and overall direction of business ▪ Lack of predictability with business unit financial performance and poor implementation of corrective actions	▪ Operational inefficiency, increasing costs and decreasing profits ▪ Project losses and investment write-downs ▪ Damaged reputation and inability to meet project commitments ▪ Pursuing and winning the wrong projects	▪ New Group Governance Framework provides increased clarity of decision making and accountability, with increased emphasis on business units to manage and develop locally ▪ New Group Function Assurance and Control ▪ Focus on core business , with "sweet spot" analysis in all Construction business units ▪ Strategic risk-reward bidding ▪ Changes in management teams
Financial risks	**Macro financial instability** ▪ Economic slowdown, lack of demand, yield shifts	▪ Project/investment effects: default or non-payment by customers ▪ Difficulty obtaining funding	▪ Active management of funding ▪ Financial risks managed in accordance with Finance Policy ▪ Free working capital in construction operations, monitoring of net working capital and operating net financial assets and liabilities (ONFAL) ▪ Limits for capital at risk and capital employed in Project Development streams ▪ Business diversification ▪ Business units monitoring macroeconomic situations and trends on country and regional levels
Financial risks	**Cost increases** ▪ Booming markets, commodity price increases, labor shortages, subcontractor failures, currency exchange rate shifts ▪ Demands with greater expectations on sustainability	▪ Project costs increase during execution causing margin fade or losses ▪ Higher costs for external funding	▪ Improved project reporting and review procedures ▪ Strategic procurement and early commitment of subcontractors ▪ Review of counterparty risks ▪ Insurance, including that to cover any subcontractor defaults ▪ Currency hedging in accordance with Finance Policy ▪ Skanska Tender Approval Procedure and Skanska Investment Approval Procedure ▪ Skanska Green Bond Framework broadens network of potential investors for Skanska projects
Regulatory risks	**Political risks** ▪ Any act, decision or ruling by a government, regional or local decision maker, public authority or similar	▪ Negative impact on projects or business units	▪ Home market strategy with extensive knowledge about country and regional political landscapes ▪ Quarterly business unit reviews ▪ Skanska Tender Approval Procedure and Skanska Investment Approval Procedure ▪ Early dialogues with public officials on projects with high levels of governmental risk
Regulatory risks	**Supply chain risks** ▪ Suppliers not following Skanska's Supplier Code of Conduct ▪ Performance risks associated with each supplier's financial condition and ability to procure materials and labor	▪ Damaged reputation if suppliers and subcontractors act in ways not consistent with the Skanska values ▪ Margin fade or financial loss ▪ Inability to meet project schedule	▪ Review of counterparty risks ▪ Strategic procurement and early commitment of key subcontractors ▪ Increased due diligence of suppliers, subcontractor and intermediaries including sanctions controls ▪ Supplier Code of Conduct

Throughout bidding and production, a constant focus on risks and opportunities

The 80-year-old bridge that is a vital artery between central Gothenburg and Hisingen is worn out, owing to the heavy loads of time and the many people who cross it every day on foot, cycle, transit or in vehicles. It is being replaced with an adjacent structure – the Hisingsbron bridge – that will go beyond stitching together the city to also be a key part of a major urban development plan, as well as a new landmark.

Identifying and managing risks and opportunities was key to the success of Skanska's tender, and such work continues to be important now into production.

An appealing project

The Hisingsbron bridge project was appealing because it is a core type of civil construction undertaken by Skanska Sweden, in a city where Skanska has an established presence. The customer is known and trusted. Also, around the time of the tender Skanska Sweden was finishing another movable bridge in Gothenburg, with many of those team members available for the Hisingsbron bridge. Even with such advantages for Skanska, the opportunity was defined to be a very large and complex project in a city center, necessitating careful scrutiny.

Multi-level approach

As part of the Skanska Tender Approval Procedure, Skanska Sweden has decision-making project boards supported by advisory risk teams at regional and business unit levels. Heat maps specific to each region guide the process, setting the level of approvals needed based on the type of project and contract.

Large projects or those that otherwise have major risks advance to the Group level, with approvals needed from the Skanska Tender Board, comprised of members of the Group Leadership Team. Having business units bolster their risk management operations and procedures is a priority across the Group.

Risk focus from the start

Proceeding with a bid starts by preparing an initial assessment of operational risks. Numerous core aspects – including project team staffing and relevant past experience – are addressed through written reports and interviews. As one level of approval is satisfied, the project rises to the next level of review. With the Hisingsbron bridge, the Skanska Tender Board granted approval to commence developing a full tender.

Strengthened by broad competencies

With an eventual total contract value of SEK 2 billion, the Hisingsbron bridge required a significant tender process. Skanska's bid team spent about one year developing the tender, and throughout it they had a continuous focus on properly handling such significant risks and opportunities as the structure, schedule, environment and bridge lifting machinery. Skanska's broad competencies aided them in this work, with insights shared from Skanska USA Civil and Skanska Sweden's technical center.

To go on to submit the tender to the customer, the bid team needed to first demonstrate to the project boards and risk teams that they had smartly considered the top risks. They did their work properly.

Careful planning leads to confident production

In September 2016, Skanska and a joint venture partner together signed a contract to design and build the Hisingsbron bridge. Construction has been underway for almost 2.5 years, and the major risks identified during the tender process continue to be the top risks. Mitigation plans the team had then developed continue to be implemented, and their effectiveness adds certainty to the delivery approach.

Risks are proactively addressed daily by preparing method statements that describe how each activity will be done – this level of detailed planning itself mitigates many risks. In total, about 200 risks are being tracked throughout the project, and every six months the team gathers to review those and look ahead over the next six months. Financial risks are separately reviewed every quarter during the forecasting process.

Construction of the Hisingsbron bridge will continue until 2021, as will the focus on risks and opportunities.

Meet one of the world's greenest schools

Heimdal High School,
Trondheim, Norway

They had been learning in a worn and outdated 41-year-old school. But since August 2018, Heimdal High School students have a new academic home, a facility full of light, rich with common spaces for learning outside the classroom, and fused with the latest technology. It was a welcome – and needed – change.

"Our fantastic new school signals to students that education is important, and that they are important," says Principal Elisabeth Tandstad.

Skanska built this 1,100-student school and provided the engineering expertise required for it to stand out in another key way: It is one of the world's greenest schools, fulfilling a key customer ambition.

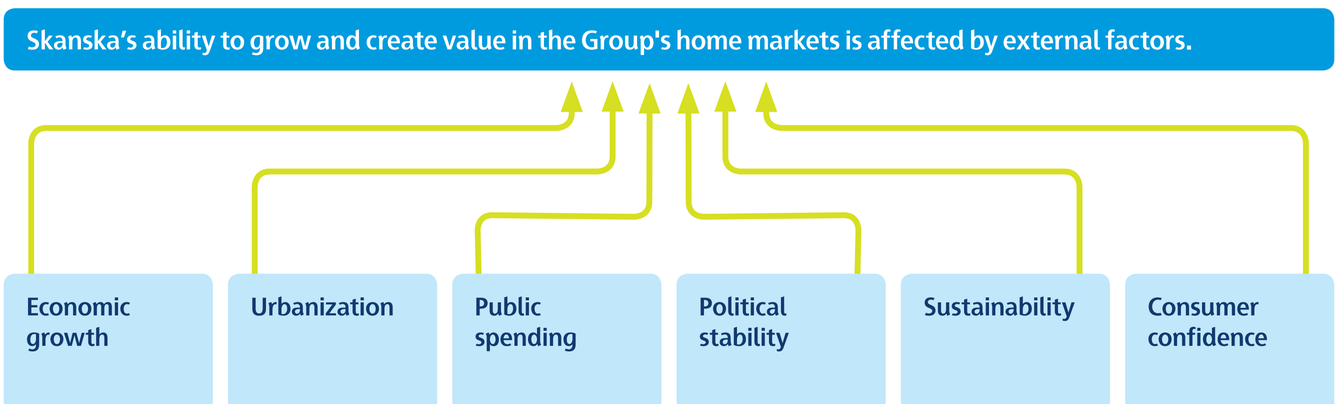
To solve this great challenge, the school is designed to consume 75 percent less energy than a comparable building, and with zero greenhouse gas emissions from its operation. 71 percent of needed energy is produced on-site through a geothermal heat pump, solar cells and a biogas-fueled power station. Any excess heat is used to warm an adjacent swimming pool, and extra power is exported to the grid.

Data from these energy sources will be used in science classes, making the school itself part of the lesson.

Market overview

Global trends in urbanization and population growth are increasing the need for new and more responsible solutions, and are driving investments in infrastructure and for facilities in key areas including healthcare, offices, housing and education. Such demands are opportunities for Skanska to create value while building for a better society.

Key market drivers for Construction and Project Development

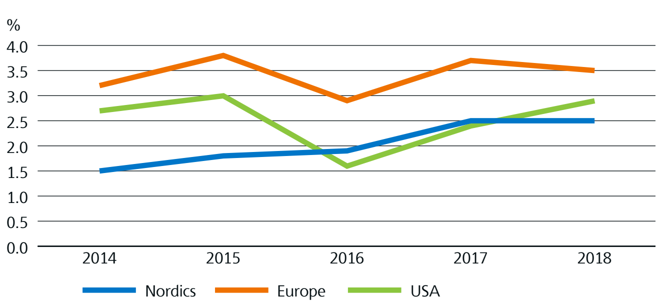


Economic growth

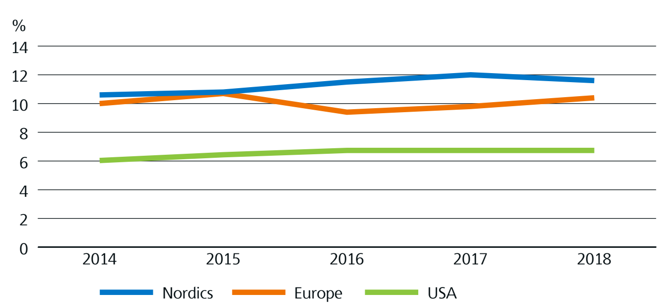
The upwards momentum in the US economy continued during 2018, driven by higher public spending and the impact of the 2017 tax cuts on private investments and consumption. In the Nordics, growth was stronger than in 2017. Brexit's uncertainty continued to weigh on the UK's growth, while economic activity in the Central European countries moderated from high levels.

Led by Norway, the Nordics have the highest level of construction investments as a percentage of GDP within Skanska's markets. In the USA, the share is much lower and is below pre-2008 financial crises levels, but is slowly increasing. The level of construction investments in the other European countries improved due to stronger use of European Union funds in Central Europe.

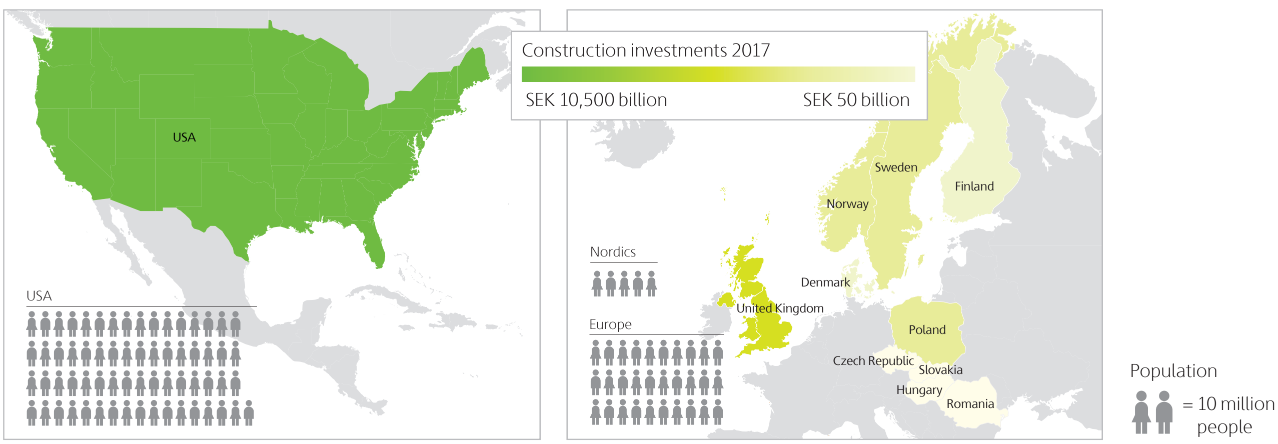
GDP growth in Skanska's home markets



Construction investments in Skanska's home markets as a percentage of GDP



Skanska's home markets



Urbanization

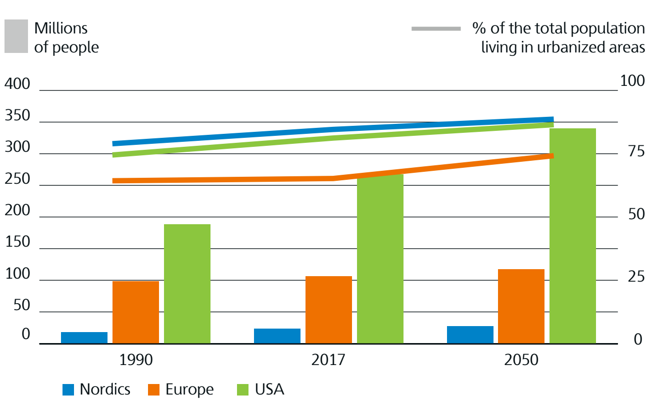
The urban population is increasing around the world, with an average of 70 percent of the global population predicted to live in urban areas by 2050. All of Skanska's markets are above that average, with the strongest development in the USA and the Nordics.

Forecasts indicate that urban areas could grow by 2.5 billion people by 2050. Urbanization drives investments into transportation, mass transit, housing, energy and water systems and other infrastructure, as well as into offices, education and health care. Increasing focus is being placed on that growth occurring in responsible ways.

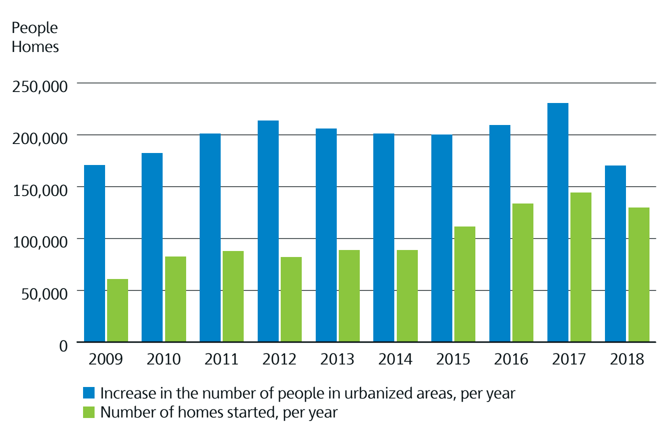
Nordic home supply

For years, the number of homes started in Nordic urbanized areas has fallen short of demand, creating a large deficit in the supply of homes. In 2018, the number of people moving to urban areas slowed in Sweden, while the number of homes started decreased from record highs in both Norway and Sweden.

Urbanization in Skanska's home markets



Homes constructed in relation to urbanized growth in Sweden, Norway and Finland



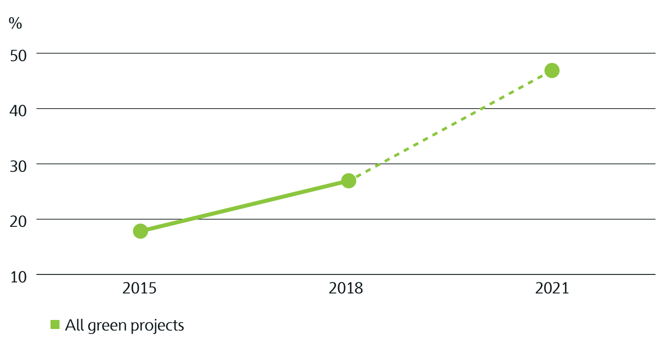
Sustainability

Efficiently designed and produced buildings and infrastructure provide some of the most effective means to achieving sustainability goals, such as addressing climate change, creating thriving communities and driving economic growth.

Green buildings already comprise a significant share of global construction activity, with that share expected to continue to grow and double in the next three years. In Skanska´s markets, the main drivers for future green buildings are customer demands and environmental regulations.

Healthier buildings is also a priority for sustainable building, particularly in USA. There is also a growing trend of social aspects for sustainable buildings, such as increased employee performance and supporting the local economy.

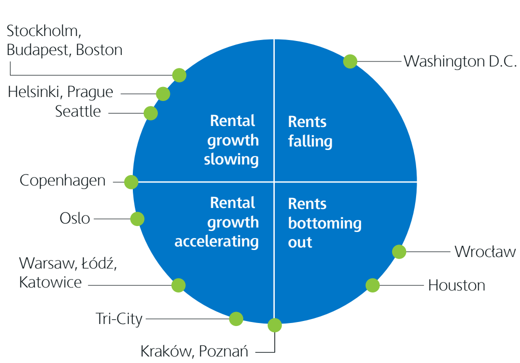
Increasing portion of green building activity



This graph shows the percent of respondents in the World Green Building Trends 2018 survey of customers, designers and contractors that expect to have more than 60 percent of their projects to be green. In this global survey, green buildings consider the environment in design, construction and operation.

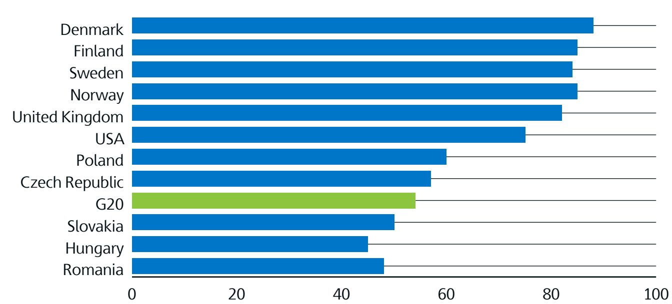
Property clock/offices

The property clock indicates the strength of the office sector within specific markets. Skanska has a diversified portfolio of projects and land in different development phases in the cities listed below.



Transparency index

This corruption perception index that includes all of Skanska's home markets spans from 0-100. Scoring closest to 100 is best, as that indicates being perceived as having less corruption. The Central European countries are still struggling with corruption issues, while the Nordic region continues to rank highest.



Source: JLL, Central Statistics offices, SEB, HSBC, Citibank, Transparency International, UN Department of Economic and Social Affairs, World Bank, Dodge Data & Analytics (2016 and 2018).

Much-awaited neighborhood addition

Åparken Skatepark,
Sundsvall, Sweden

What had been a little used stretch near the city's harbor is now full of life and motion, thanks to this new park for skateboarding and BMX biking. Riders seem to defy gravity as they navigate the smooth concrete corners and curves.

The city's young people had been eagerly awaiting those opportunities. "It is absolutely wonderful that we have this park," an 18-year-old said at the opening.

Skanska supplied the special concrete that could handle the park's challenging technical requirements. The Group is one of the largest ready-mix concrete producers in Sweden.

Having that market position and strong sustainability ambitions, Skanska is working to improve concrete's environmental standing. It's a building material with many advantages, but significant greenhouse gases are emitted producing cement, a key ingredient that binds concrete together. In fact, cement is one of the main sources of greenhouse gas emissions during construction.

In 2019, Skanska is launching new lower emission concrete mixes in Sweden. Furthermore, when possible during project design the Group strives to use less concrete.

Business model

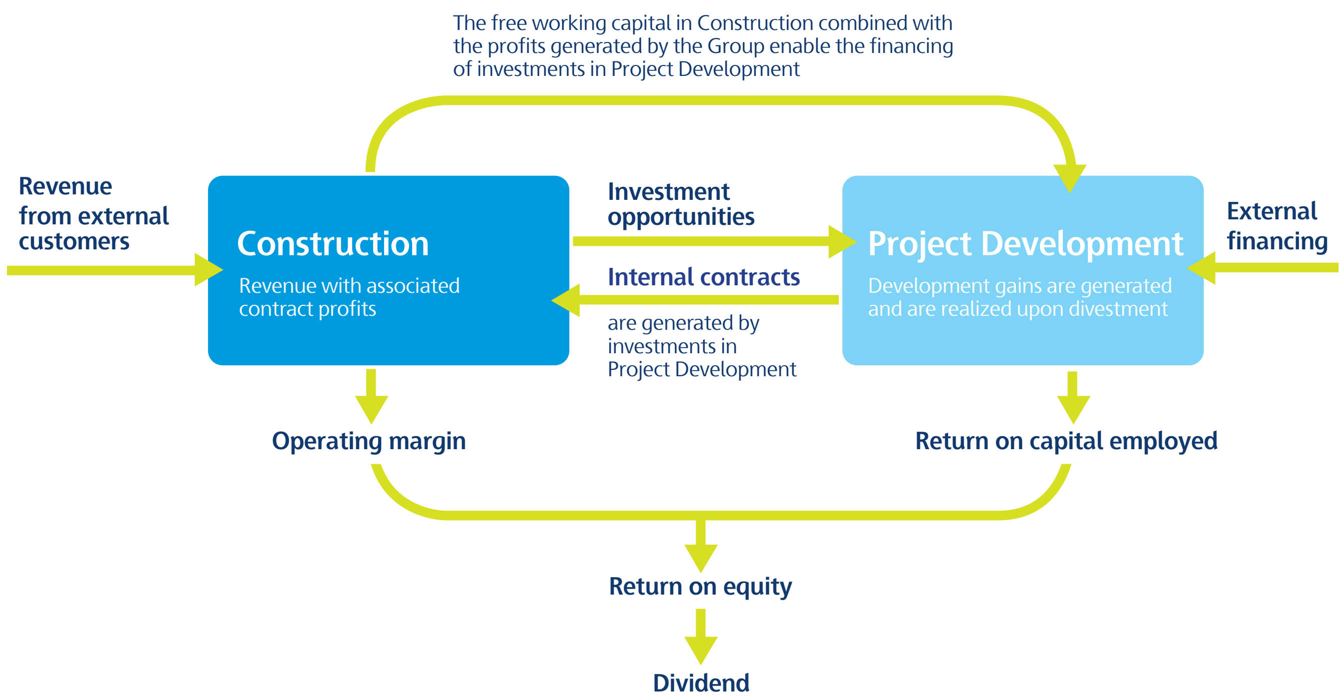
Skanska generates value through the thousands of projects the Group executes each year. Every project should both be profitable and delivered in line with Skanska's ambition to be a leader within sustainability. Skanska's scale and diversity of operations produce operational and financial synergies that create further value.

Benefits from being both local and international

By being a market leader, Skanska is well positioned to meet the highest expectations of customers. The Group's scale and financial strength provide Skanska with advantages in the most complex assignments, in which collective experience and know-how are leveraged to meet customer needs.

The Group's operations are based in local business units that have strong knowledge of their respective markets, customers and suppliers. Local units are backed by Skanska's brand and financial strength, as well as Group-wide expertise and the Skanska values. Consequently, Skanska is both a local company with global strength and an international construction and project development business with a strong local presence.

The business units collaborate in various ways, creating operational and financial synergies that generate increased value. Going forward, even more effort and resources will be invested in releasing these synergies.



SEK 26.7 bn

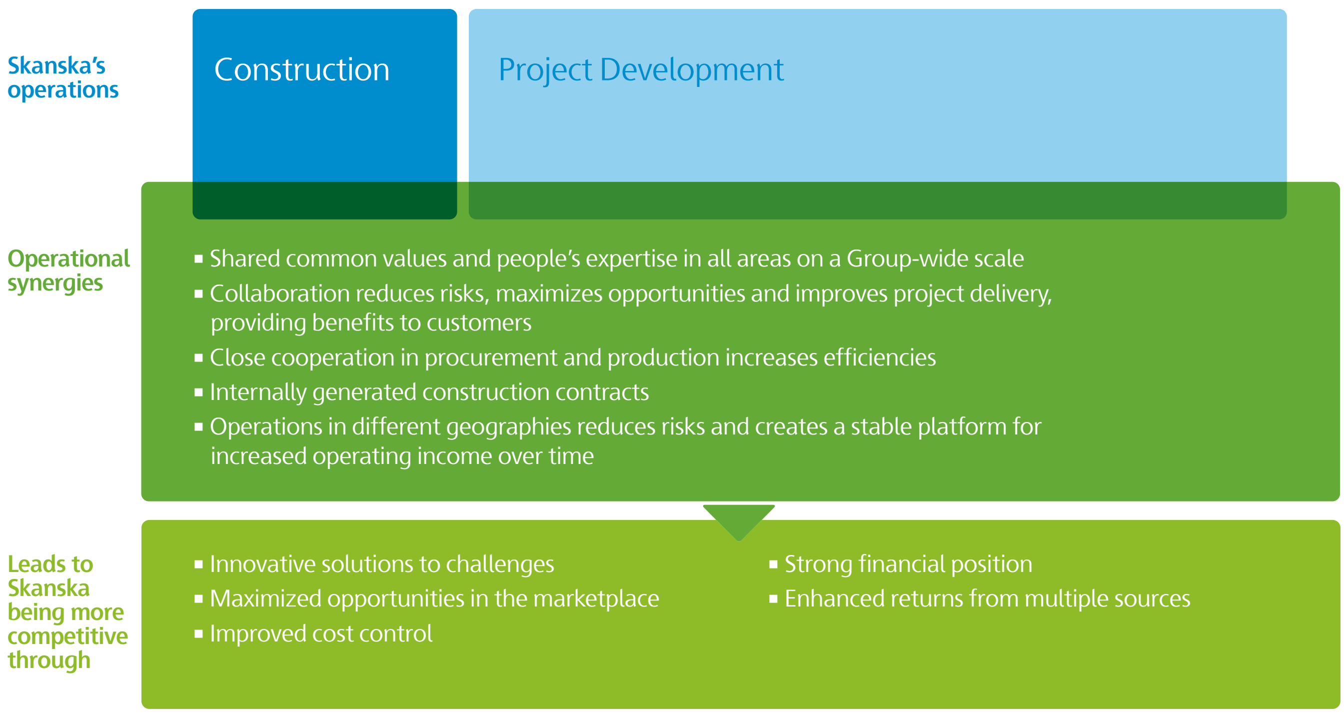
of Skanska's total order backlog were contracts involving more than one business unit

Operational synergies

Operational synergies are primarily generated through the local, specialized expertise contained in the business units. With this, units in the same business stream often collaborate to leverage resources and capabilities, and this also enables the sharing of best practices. Furthermore, all Project Development projects bring together Construction and Development units, which reinforces customer focus while ensuring efficient utilization of the Group's collective technical and financial resources.

Financial synergies

Skanska's Construction business stream does not tie up capital but instead operates with free working capital. The free working capital combined with profit generated by the Group, as well as the Group's ability to leverage its balance sheet to borrow money, enables the financing of investments in Project Development, which generate a return on invested capital. These investments also create new contracts for the Construction stream, generating further profits.




17
15

A home and much more

BoKlok Geografin,
Haninge, Sweden

BoKlok, the low-cost housing concept owned by Skanska and IKEA, makes it possible for more people to own their own home. Yet being affordable does not mean getting less: these homes in Sweden, Norway and Finland are well-designed and high quality, and environmentally responsible both in production and as completed homes.

To be a better partner, BoKlok – Swedish for "live smart" – is striving to have an even greater positive impact in the municipalities where it is creating communities. This starts with listening closely when municipal officials describe their challenges and priorities, and then discussing how BoKlok might be part of the solutions.

In Haninge, just south of Stockholm, such conversations led to understanding the municipality's need for more homes for families newly arrived in Sweden. BoKlok saw an opportunity to facilitate an arrangement between it, the municipality and the development's housing association. Now, seven of the 68 homes are being provided to new Swedish residents.

Education and job opportunities are also part of this arrangement, aimed at helping accelerate the integration of the families into Swedish society.

Business streams

Skanska's operations consist of Construction, Residential Development, Commercial Property Development, and until 2018, Infrastructure Development. Business units within these streams collaborate in various ways, creating operational and financial synergies that generate increased value.

Construction

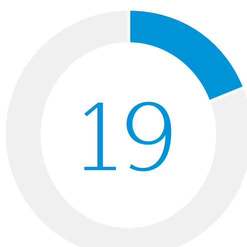
Revenue

share of Group, %[1]

SEK 157,894 M

Operating income

share of Group, %[1]



SEK 1,099 M

Market drivers and key trends

GDP growth

– Growth in the Construction business stream strongly correlates to growth in GDP.

Public investment

– Infrastructure investments are largely driven by the public sector.

Urbanization

– Urbanization brings an increasing need for infrastructure to be expanded, which increases demand for the Construction business streams' skills and products in areas such as highways, bridges, mass transit airports and water treatment works.

Countries

Sweden
Norway
Finland
Poland
Czech Republic
Slovakia
UK
USA

Residential Development

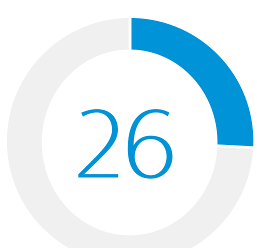
Revenue

share of Group, %[1]

SEK 10,739 M

Operating income

share of Group, %[1]



SEK 1,505 M

Market drivers and key trends

Household confidence indicator

– Potential customers' views on future pay raises, housing costs and borrowing opportunities affect decisions on whether to buy.

Urbanization

– More and more people are moving to cities, leading to increased demand for homes.

Shortage of housing

–Housing production has lagged population growth, resulting in an under supply – more homes need to be built. This means greater demand for this business stream's expertise and products.

Countries

Sweden
Norway
Finland
Poland
Czech Republic

1 Before central and eliminations.

Commercial Property Development

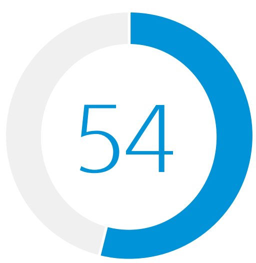
Revenue

share of Group, %[1]

SEK 16,271 M

Operating income

share of Group, %[1]



SEK 3,069 M

Market drivers and key trends

Economic growth
– Economic growth increases companies' recruitment needs, which drives activity in the leasing market.

Urbanization
– More people moving to cities increases demand for offices and logistics centers close to cities.

Cost-efficient location
– Energy-efficient, green premises in attractive areas are in demand and are contributing to relocation.

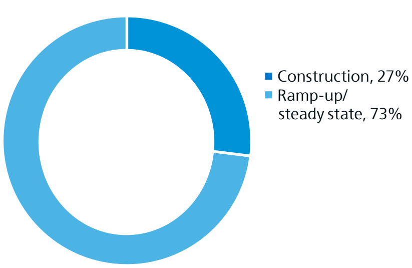
Attractive investment
– Long-term tenants in high-quality properties offer attractive returns for investors.

Countries

Sweden
Norway
Finland
Denmark
Poland
Czech Republic
UK
Hungary
Romania
USA

Infrastructure Development

Project Portfolio, estimated gross present value, Phase



SEK 4,700 M

In 2018, Skanska closed down the Group's public-private partnership (PPP) project development organization. The Group is concentrating on securing and managing the value of existing PPP assets, and realizing these over time. As of January 1, 2019, Infrastructure Development is no longer a business stream and is reported in Central on a separate line.


SKANSKA
Ystävä

Construction

Modern hospitals, bridges, schools, transit lines and other key facilities are necessary for society to thrive. Construction – the largest business stream in terms of revenue and people – leverages Skanska's local and Group-wide expertise and resources to enhance communities.

Olympic Stadium Modernization and Renewal, Helsinki, Finland

This stadium has a proud history, having been the center of the 1952 Summer Olympic Games. Skanska is preparing it to have an exciting future as the largest and most important venue in Finland for major sports and cultural events. One million visitors are expected every year.

The Group's responsibilities include totally renovating the seating area, along with covering it with a massive steel roof that curves in two directions. Below ground, new spaces for sports training and logistics are being constructed, and modern systems are being installed throughout.

This is Skanska's largest-ever single building construction project in Finland as the sole main contractor. It reflects Skanska Finland's strategy of focusing on large and complex projects, leveraging the Group's knowledge and competence. Supporting the stadium's successful delivery is experience gained from two other major sports venues in Helsinki. Also, Skanska USA Building contributed expertise.

Construction

Strong performance in Sweden and Finland were overshadowed by underperforming units in Poland and USA. Measures were taken during 2018 to restore profitability within the Construction business stream.

Targets and actions – business plan 2016–2020

- Restore profitability and reduce risk through enhanced risk management
- Enhanced focus on market making
- Operational efficiency
- Operating margin ≥3.5%
- Early Contractor Involvement (ECI)
- Continued focus on free working capital

Selection of competitors

- Balfour Beatty
- Ferrovial
- Granite
- Grupo ACS
- Hochtief
- NCC
- Peab
- Strabag
- Veidekke
- Vinci

Major events 2018

Despite a continued stable and strong performance in the Nordic region, and Sweden and Finland in particular, during 2018, the profitability in the Construction stream was low due to underperformance in Poland and USA.

Operating income amounted to SEK 1.1 billion, with a corresponding operating margin of 0.7 percent. The operating income was negatively affected by impairment charges and restructuring charges, totaling SEK 0.8 billion, related to the restructuring of the Polish operations and the process of exiting the US power sector. In addition, operating income was impacted by project write-downs of SEK 2.0 billion, of which SEK 0.6 billion and SEK 1.4 billion in Poland and USA, respectively, related to cost overruns due to lower production rates and delays. Claim resolutions in the US civil operations and effects of pension curtailments in the UK had a positive impact of SEK 0.5 billion. The comparable period contains impairment charges and project write-downs of SEK 2.5 billion in total.

Measures to improve profitability involved, among other things, restructuring and increasing focus on core business operations in Poland, the Czech Republic and the UK. In the USA, Skanska will no longer bid on power sector projects (EPC) and mega design-build public-private partnerships (PPP).

Construction

SEK M	2018	2017	2016	2015	2014
Revenue	157,894	150,050	138,001	140,648	128,663
Operating income	1,099	1,205	3,546	3,874	4,508
Operating margin, %	0.7	0.8	2.6	2.8	3.5
Free working capital, SEK bn	25.6	21.8	22.5	20.5	18.1
Operating cash flow	3,275	2,136	4,562	6,803	2,979
Order bookings, SEK bn	151.7	151.8	170.2	122.1	146.9
Order backlog, SEK bn	192.0	188.4	196.3	158.2	170.5
Number of employees	37,006	39,002	40,991	42,193	42,397

Market outlook 2019

In Construction, the overall market activity is high but is expected to level out.

The non-residential and civil markets in Sweden are very strong, although the landscape is competitive. The residential building market has come down from a high activity level. In Norway, the outlook for the civil market remains positive, but with significant competition in new bids. The non-residential market also benefits from increased public investments, while investments in the residential building market are lower. The overall market situation in Finland is stable except for a slight slowdown in the residential building market.

In the UK the uncertainty related to Brexit is limiting investments in the non-residential building market. The civil market is stable. In Central Europe there is a high activity level in general and construction related inflation is high. In Czech Republic the civil market is still very competitive but contract conditions is expected to improve.

In the USA the overall market is strong. The civil construction market remains good, although competition is intense, and the building construction market is strong in sectors such as aviation, education and healthcare.

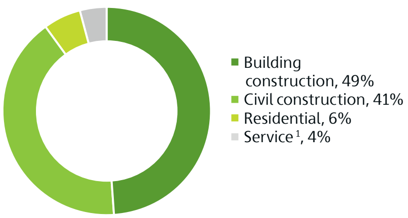
Business operations in 2019

The implementation of the actions taken during 2018 to restore profitability and reduce risk will continue. In general, Skanska will be more selective in bidding. Cost control and a more decentralized way of working will also be in focus. Moreover, risk and claims management as well as developing employees' competencies will further increase going forward.

Order backlog

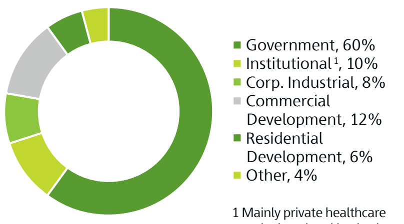
SEK 192 bn

Order backlog, total SEK 192 bn
Type of product



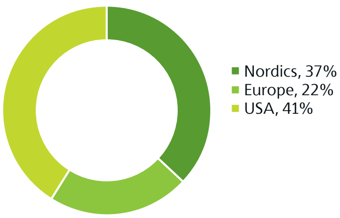
1 Facilities management or maintenance contract.

Customer structure

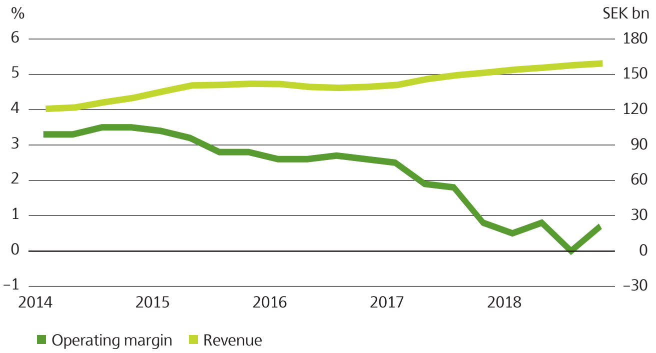


1 Mainly private healthcare and educational institutions.

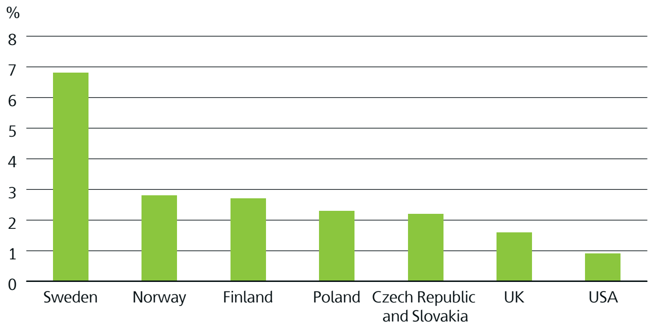
Revenue, total SEK 158 bn
Geographic area



Revenue and operating margin, rolling 12 months



Market share, Skanska's Construction business stream



The market share in Sweden is significantly higher than in the rest of Skanska's markets. Despite this Skanska is one of the leading companies in the US and the UK markets, respectively. The low market share in these countries is due to higher market fragmentation and competition.

Value creation in Construction

Skanska's Construction business stream builds and renovates buildings, industrial facilities, infrastructure and residences. It also executes service-related assignments, in areas such as facility operations and maintenance.

In keeping with Skanska's business model, contracting assignments are also executed for Skanska's Project Development operations. This collaboration generates synergies for the Group.

Project and synergy opportunities are also generated thanks to the financial expertise and resources within the Group. A combination of financial strength and global expertise in Construction and Project Development enables Skanska to take on large, complicated projects for international customers with high expectations for quality and execution.

With a strong risk-assessment focus during the tender stage, Skanska concentrates on securing the right projects, for which there is a balance between risk levels and expected margins. Skanska is increasing the share of contracts in which customers value service, capability and project approach – in addition to price – when evaluating tenders. Skanska's clear focus on sustainability – including Safety, Ethics, Green, Community Investment, and Diversity and Inclusion – is also a factor that strengthens Skanska's offering to customers.


SKANSKA
Hawk Eye

Residential Development

To help make people's lives better and easier, Skanska develops homes that are well-designed, responsibly produced, reasonably priced and in good locations. Residential Development together with the Construction business stream delivers these homes in optimal ways.

Kvibergs Entré,
Gothenburg, Sweden

Important to developing these 133 apartments was contributing to local society. Skanska leveraged this project to offer new opportunities to those outside the workforce, a pilot initiative to integrate labor market efforts into housing development.

Skanska invited 11 interns to be part of creating Kvibergs Entré or a nearby project for at least three months. The focus was preparing each intern to enter the workforce, with experiences and training tailored to individual interests and needs. Some joined construction teams, with others involved with sales and customer service.

At the conclusion, eight of the 11 interns received permanent employment with Skanska or other companies. The rest chose to continue their educations. Bringing those eight into the workforce – including Harvin Ali, shown on the left in her new role as a Skanska production leader – will produce a SEK 8 M benefit to society within two years, according to an external evaluation.

Residential Development

The Residential Development stream maintained strong profitability during 2018 despite reduced volumes in a slow Swedish market. Diversification across markets and segments allows shifting the portfolio mix and enables Skanska to pursue opportunities in current market environment.

Targets and actions – business plan 2016–2020

- More selective in project starts
- Reviewing cost structure
- Design to cost
- Increased capital efficiency
- Pursue opportunities

Selection of competitors

- Bonava
- Central Group
- DOM Development
- Finep
- JW Construction
- JM
- Peab
- YIT

Major events 2018

Profitability within Residential Development remained on a good level. The lower revenue in 2018 compared to prior year is related to slower markets in Sweden and Norway. The Swedish market, especially Stockholm, continues to be slow as the current oversupply must be absorbed and the willingness of customers to buy a home in early stages of construction has decreased. The operating income of SEK 1.5 billion includes a positive effect from release of provisions of SEK 300 M related to completion of projects, as well as land divestment gains amounting to SEK 200 M. The operating margin amounted to 14.0 percent. Excluding the release of provisions and land divestments, the operating margin was 10 percent.

During the year, 4,480 (4,318) homes were started and 3,653 (4,285) were sold, of which 623 (197) rental apartments.

Market outlook 2019

The overall Swedish residential market is weak and there is an oversupply of new built homes which impacts Skanska's market segments and product range negatively. Confidence among home buyers is decreasing due to uncertainty about factors impacting the direction of home prices such as future economic growth, employment, interest rates, credit supply, among other things. This is expected to impact the market negatively going forward. The underlying housing needs should however be supportive longterm. In Norway the market situation is a bit more stable than in Sweden and the Finnish market is solid. The Central European market is slowing down after a period of strong growth.

Business operations 2019

Skanska is adapting the Residential Development operations to current market conditions, including by being more selective in starting projects and by reviewing the cost structure and the balance sheet. At the same time, the financial strength of the Group enables Skanska to pursue opportunities in current market environment.

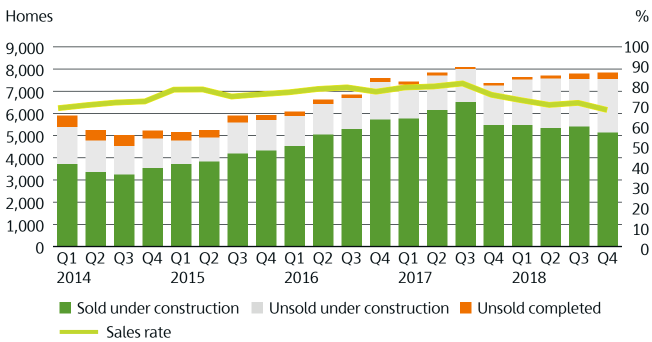
Residential Development

SEK M	2018	2017	2016	2015	2014
Revenue	10,739	13,237	13,264	12,298	9,558
Operating income	1,505	1,716	1,605	1,174	683
Operating margin, %	14.0	13.0	12.1	9.5	7.1
Investments	–10,542	–11,093	–9,148	–6,675	–6,871
Divestments	12,146	11,773	7,517	8,630	8,939
Operating cash flow from business operations [1]	1,154	1,229	–1,210	1,509	1,830
Capital employed, average, SEK bn	13.6	12.7	11.6	9.3	10.4
Return on capital employed, % [2]	11.4	15.4	17.1	14.4	7.1
Number of employees	542	482	434	389	396

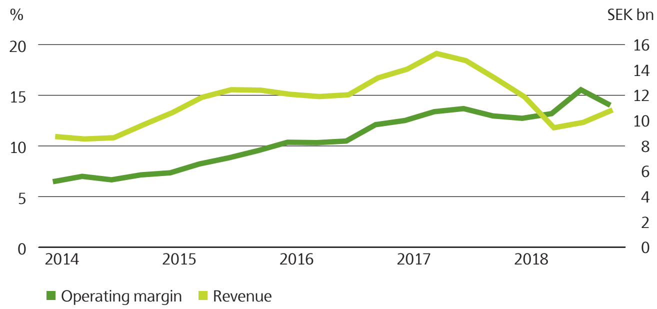
1 Before taxes, financing activities and dividends.
2 A definition is provided in Note 44.

7,539
homes under construction

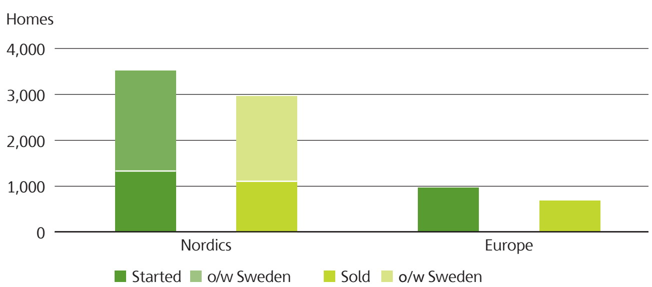
Homes under construction and unsold completed



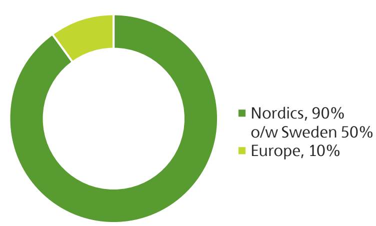
Revenue and operating margin, rolling 12 months



Homes started and sold



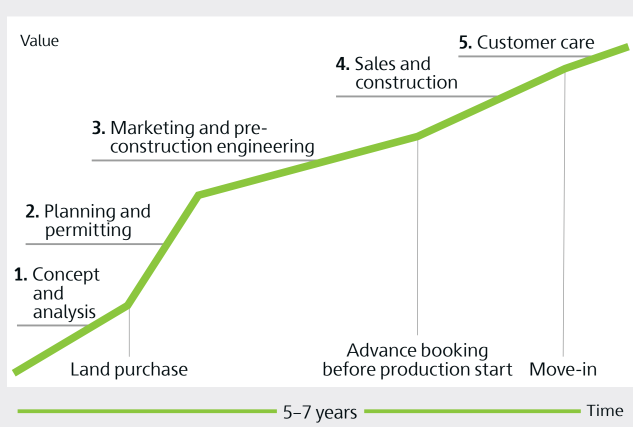
Operating income, total SEK 1.5 bn
Geographic area



Value creation in Residential Development

Generating value in Residential Development begins with an analysis of macroeconomic and demographic trends. Where is the growth, who are the target groups and what do they need and want?

Before making land purchases, Skanska analyzes local conditions in detail. Then begins a step-by-step process aimed at ultimately offering customers the best possible value. During the planning stage, Skanska establishes a framework in close collaboration with the municipal authorities. Based on the potential offered by the site's surroundings, an attractive neighborhood is designed and built on the basis of the residents' needs and environmental and community considerations. Skanska's own sales organization then markets the new homes to the right target groups.




ptc
ALEXION

Commercial Property Development

Skanska develops offices and properties that contribute to tenants' success. These environmentally efficient facilities are flexible and support well-being and creativity. Collaborating with the Construction business stream produces the best solutions for customers and the greatest value for Skanska.

121 Seaport Boulevard,
Boston, USA

Throughout the creation of 121 Seaport, Skanska addressed challenges and possibilities in innovative ways. The result is not only an iconic, green and flexible office building, but the highest-ever divestment value for a single Skanska commercial development project.

Skanska sold 121 Seaport for SEK 4 billion in 2018, topping Skanska's sale of the neighboring 101 Seaport for SEK 3.8 billion in 2016.

A key innovation resulted from an underground transit line that cuts through one corner of the site. To accommodate that line, Skanska designed the 17-story building as an ellipse. That distinctive shape made a bold statement in the neighborhood and led to other benefits, including needing 10 percent less cladding and requiring 15 percent less energy – with reduced direct sun exposure lowering cooling needs – than a similarly sized rectangular building.

121 Seaport has achieved top-level LEED Platinum green certification, and is fully leased.

Commercial Property Development

Gains from property divestments were the highest ever, reaching more than SEK 4.0 billion, including joint ventures. At the same time, investments in new projects continued to grow with 28 new projects started during the year.

Targets and actions – business plan 2016–2020

- Increase project activity
- Increase landbank
- Drive cost efficiency
- Controlled expansion

Selection of competitors

- Boston Properties
- Echo investment
- Ghelamco
- Hines
- Lemminkäinen/YIT
- NCC
- Skandia Fastigheter
- Trammell Crow
- Vasakronan

Major events 2018

The high level of investments, leasing and divestments continued during 2018, and by the end of the year Skanska had 53 ongoing projects. Gains from divesting 19 property projects reached an all-time high of SEK 4.0 billion including joint ventures, with all three geographies contributing to this success. For example:

- Skanska sold the office buildings Tändstickan I and III in Gothenburg, Sweden, for SEK 1.0 billion.
- In Malmö, Sweden, Skanska sold the office building Studio, for SEK 1.0 billion.
- The office project Mill Park, in Budapest Hungary, was sold for SEK 1.0 billion.
- Skanska sold the 121 Seaport office tower development in Boston, USA, for SEK 4.0 billion.

In 2018, a total of 28 projects were started, spread across all geographies. Leasing activity reached an all-time high, with 511,000 square meters leased during the year. Unrealized gains, excluding properties divested according to segment reporting, totaled SEK 8.6 billion by the end of the year.

Market outlook 2019

Vacancy rates for office space in most of the Nordic and Central European cities where Skanska has operations are stable. In Sweden vacancy rates are low and rents are high. Demand for office space is strong in Poland and in other parts of Central Europe as well. In USA, demand from tenants is good in Boston and Seattle, while somewhat weaker in Washington D.C., and Houston's energy corridor.

Modern properties with high quality tenants are in demand from property investors, resulting in attractive valuations for these properties. Investor appetite remains strong in the Nordics, especially Sweden, USA and Central Europe, but the number of shortlisted investors in transactions are fewer and more selective regarding investment objects. Yield levels in Sweden and in USA have likely bottomed out.

Business operations 2019

Skanska aims to continue the high activity in Commercial Property Development. Through a controlled expansion, Skanska will grow stronger in current markets. In addition, Skanska is analyzing entering the Los Angeles, USA, market.

Commercial Property Development

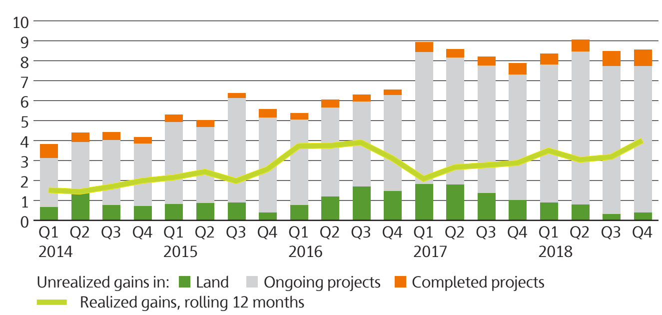
SEK M	2018	2017	2016	2015	2014
Revenue	16,271	11,440	10,226	9,034	10,228
Operating income	3,069	2,714	2 ,336	1,947	1,700
of which gain from divestments of properties [1]	4,005	2,879	3,111	2,564	1,989
Investments	–11,452	–10,716	–8,364	–8,826	–6,885
Divestments	15,275	9,341	9,043	9 ,914	8,237
Operating cash flow from business operations [2]	3,984	–3,119	–687	917	1,174
Capital employed, SEK bn	26.7	24.5	19.9	16.5	15.0
Return on capital employed, % [3]	12.8	15.5	14.8	15.6	11.4
Number of employees	414	389	364	344	304
1 Additional gain included in eliminations was	321	197	173	190	279

2 Before taxes, financial activities and dividends.
3 As of January 1, 2019, return will be based on yearly earnings and not on successive value creation. A definition is provided in Note 44.

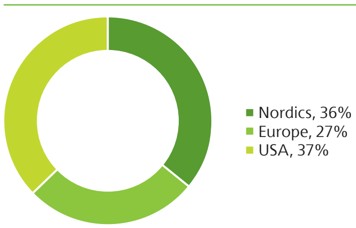
Unrealized gains of SEK 8.6 bn

Revenue and operating income from property divestments

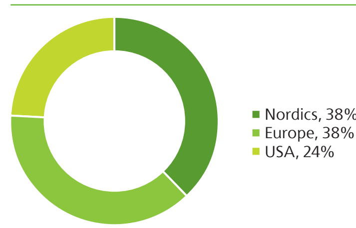
Unrealized and realized gains



Capital employed, total SEK 26.7 bn
Geographic area



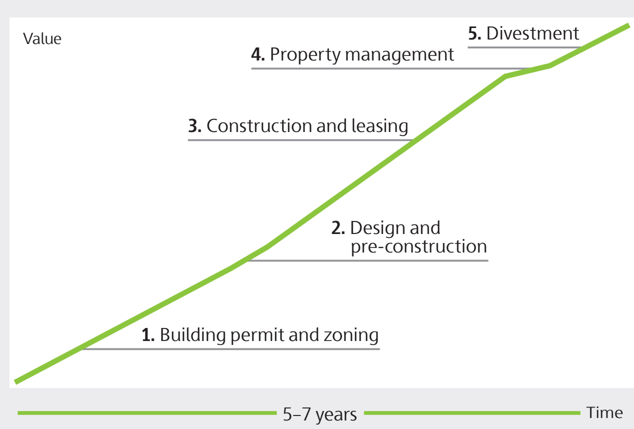
Leasing, total 511,000 sq m
Geographic area



Value creation in Commercial Property Development

The development of commercial projects is a continuous process with clearly defined phases. The average development cycle from project conception to completion is five to seven years.

All acquisitions of land are preceded by macroeconomic and local market analyses. A major step in value creation is taken when the zoning plan is approved for undeveloped land. The design is based on previous Skanska experience and adjusted to local market demands, aimed at creating compelling premises for tenants and property investors as well as enabling efficient construction execution. A successful leasing process usually begins in connection with the start of construction, with most leases signed before construction is completed. The construction projects are carried out by Skanska's local construction units. Property management can add further value to the property. All projects are developed with divestment as the ultimate goal. Divestment occurs when Skanska has provided maximum value to the project within the Group's competency areas.



Infrastructure Development

Secures and manages the value of Skanska's existing public-private partnership (PPP) assets, and realize these development gains over time.

Highway 3 / Highway 25,
Løten to Elverum, Norway

Many trucks going between Oslo and Trondheim travel these roads, joining people making short trips between local communities. But these roads are not intended for so much traffic, leading to accidents.

Skanska is increasing the roads' safety and capacity through Norway's first public-private partnership (PPP) in 10 years. Skanska is financing, designing and building 25 kilometers of roadway, and then maintaining it for 20 years. Finalized in 2018, this PPP contract is worth SEK 5.8 billion, of which SEK 2.7 billion relates to the construction. It is one of Norway's largest road projects ever.

To support the customer's focus on minimizing local impacts, the Group devised an innovative way of safely treating on-site about 100,000 cubic meters of soil requiring special environmental handling. Compared to the traditional requirement of hauling away such soil, this provided added customer value without further crowding the roads.

Infrastructure Development

Skanska has closed its public-private partnership (PPP) project development organization. Going forward, the focus will be managing existing PPP assets. As of January 1, 2019, Infrastructure Development is no longer a business stream and is reported in Central on a separate line.

Targets and actions – business plan 2016–2020

- Maximize the value of existing portfolio
- Close down project development organization

Major events 2018

In 2018, Skanska reached financial close on Norway's Highway 3/Highway 25 road PPP project, adding to Skanska's investment portfolio in Infrastructure Development.

The PPP portfolio's net present value at the end of 2018 increased to SEK 3.6 billion (3.0). The unrealized development gain in the project portfolio amounted to SEK 1.1 billion (0.5).

The operating income for 2018 includes restructuring charges of SEK 120 M as well as success fee from the financial close of the Highway 3/Highway 25 road PPP project and additional payment from a previous divestment. The comparable period contains the gain of SEK 0.9 billion from the divestment of the investment in the A1 motorway project in Poland.

Business operations 2019

Skanska is concentrated on securing and managing the value of its existing PPP assets and realizing these development gains over time.

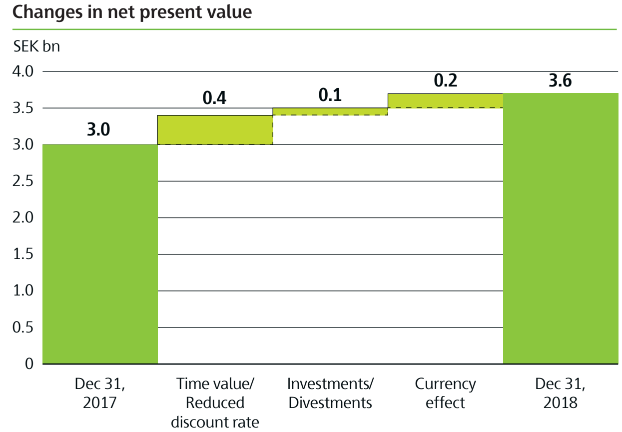
As of January 1, 2019, Infrastructure Development is reported in Central on a separate line. As a consequence, it is excluded from the Return on capital employed target for Project Development. For further information, see page 11.

Infrastructure Development

SEK M	2018	2017	2016	2015	2014
Revenue	105	81	237	106	163
Operating income	31	925	1,818	863	463
Investments	–63	–449	–1,336	–234	–328
Divestments	80	1,950	3,102	1,114	419
Operating cash flow from business operations [1]	81	4,096	–1,045	1,258	–106
Capital employed, SEK bn	2.2	1.8	5.4	1.8	1.9
Return on capital employed, % [2]	24.6	3.6	41.1	12.7	16.9
Net present value, project portfolio, SEK bn	3.6	3.0	4.3	4.8	5.3
Employees	61	94	102	111	127

1 Before taxes, financial activities and dividends.
2 A definition is provided in Note 44. As of January 1, 2019, Infrastructure Development is excluded from the return on capital employed target for Project Development. For further information, see page 11.

Changes in net present value



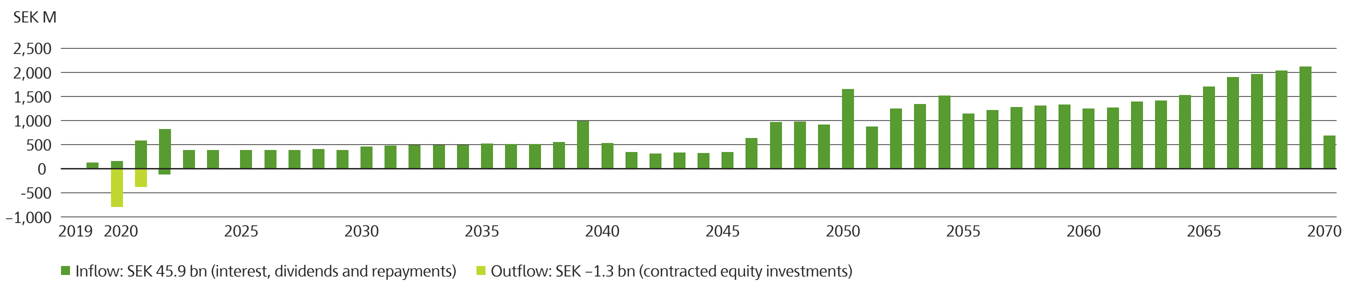
Project portfolio, estimated gross value, total SEK 4.7 bn

Geographic area

Compensation type [1]

Phase

Estimated annual cashflow in Skanska Infrastructure Development's project portfolio December 31, 2018 [2]



Project portfolio, SEK M

Category	Type	Country	Compensation [1]	Phase	Concession end	Ownership	Year of Operation/ full completion	Invested as per Dec 31, 2018	Total Commitments
Highways									
Elizabeth River Tunnels	Highway	USA	Market risk	Ramp-up/steady state	2070	50%	2017	860	860
I-4 Ultimate	Highway	USA	Availability	Construction	2054	50%	2022	0	656
Highway 3 / Highway 25	Highway	Norway	Availability	Construction	2040	50%	2020	0	68
Social infrastructure									
New Karolinska Solna	Health	Sweden	Availability	Ramp-up/steady state	2040	50%	2018	590	591
Papworth	Health	UK	Availability	Ramp-up/steady state	2048	50%	2019	64	64
Airports									
LaGuardia	Airport	USA	Market risk	Construction	2051	32%	2024	0	566
Total Skanska								**1,514**	**2,806**

1 In the availability model compensation is based on providing a given amenity and agreed services at a predetermined price.
In the market model, compensation is based entirely on the volume of utilization and the fees paid by end-users.
2 Cash flows have been translated into SEK at the exchange rates prevailing on December 31, 2018.


E-20
SL i samarbete med MTR

A brilliant new landmark

Juvelen, Uppsala, Sweden

A triangular building that glimmers like a gemstone is the first sight for travelers from Stockholm as their trains roll into Uppsala. Juvelen, the Jewel, is this city's new landmark. It provides high performance with architecture and green, supporting the creativity and well-being of those who will work inside.

At 11,500 square meters, Juvelen is among the largest of what Skanska calls a Deep Green project, according to Skanska Color Palette™, when the construction process and/or building performance has a near-zero impact on the environment, ensuring that the project is environmentally future-proof. Having a strong green profile for Juvelen was essential to securing the project's land from the City of Uppsala, which aims to be fossil-fuel free by 2030.

Energy is a key component of Juvelen. It is engineered to require 55 percent less energy than Swedish regulations, with cooling naturally provided by the Group's patented Deep Green Cooling system – using boreholes drilled into bedrock. Electricity is supplied by rooftop photovoltaic cells and Swedish wind farms. Juvelen's energy solution results in close to zero greenhouse gas emissions in the building's annual operations.

Also, only environmentally efficient materials have been used, and all waste has been avoided, re-used or re-cycled.

Corporate governance report

Good corporate governance ensures that Skanska is managed sustainably, responsibly and efficiently on behalf of all shareholders. The overall goal is to increase value for shareholders, and in doing so meet their expectations for invested capital. The purpose of corporate governance is also to ensure oversight by the Board of Directors (the "Board") and management. By having a clearly defined governance structure as well as proper rules and processes, the Board can ensure that management and employees are focused on developing the business and thereby generating value for shareholders.

This Corporate governance report for 2018 has been reviewed by the company's external auditors in compliance with Chapter 9, Section 31 of the Swedish Companies Act. The report contains information as required by Chapter 6, Section 6 of the Annual Accounts Act.

Corporate governance principles

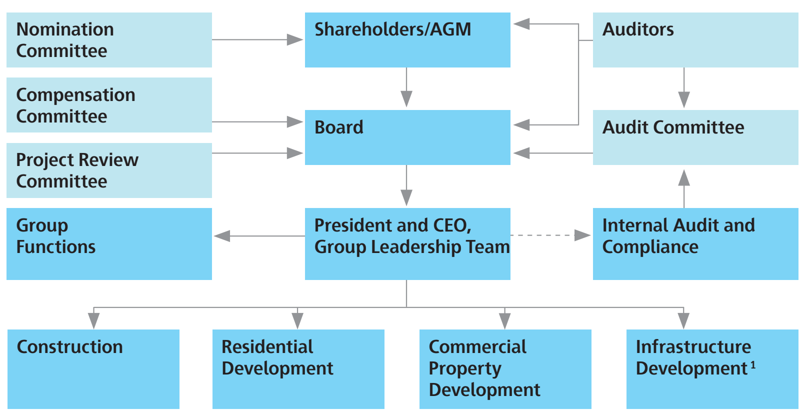
Skanska is one of the world's leading construction and project development companies, focused on selected home markets in the Nordic region, Europe and USA. Supported by global trends in urbanization and demographics, and by being at the forefront of sustainability, Skanska offers competitive solutions for both simple and the most complex assignments. Driven by the Group's values, Skanska helps create sustainable futures for customers and communities. The parent company of the Group is Skanska AB, a Swedish public limited company with a registered office in Stockholm, Sweden.

The corporate governance of Skanska is based on both external and internal governing documents as well as on monitoring compliance with these by all business units and functions in the Group. Below is Skanska's formal governance structure.

Skanska has no deviations from the Swedish Corporate Governance Code (the "Code") to report for the 2018 financial year. Nor has Skanska been subject to any rulings by Nasdaq Stockholm's Disciplinary Committee or decisions on breaches of sound practices in the stock market by the Swedish Securities Council. For more information, go to: group.skanska.com/corporate-governance/.

Skanska's ethical and sustainability endeavors are an integral part of the business, and the Board discusses these issues on a regular basis.

Governance structure



1 As of January 1, 2019, Infrastructure Development is no longer a business stream and is reported in Central on a separate line.

Key external governing documents

- Swedish Companies Act
- Nasdaq Stockholm Rule Book for Issuers
- Swedish Corporate Governance Code
- Annual Accounts Act
- International Financial Reporting Standards (IFRS) and other accounting rules
- Global Reporting Initiatives (GRI) Standards 2016

Key internal governing documents

- Articles of Association
- Procedural Rules for the Board and its Committees
- Instructions for the CEO
- Finance Policy
- Information Policy
- Enterprise Risk Management Policy
- Skanska's Code of Conduct which is available on the Group's website: group.skanska.com/corporate-governance/governing-documents/

Shares and shareholders

Skanska AB’s Series B shares are listed on Nasdaq Stockholm in the Large Cap segment. The share capital at the end of 2018 amounted to SEK 1,259,709,216 shared between a total of 419,903,072 shares, of which 19,725,759 are Series A shares and 400,177,313 are Series B shares. The company’s Series A shares entitle the holders to 10 votes per share and the Series B shares to one vote per share. Series A and B shares carry the same right to share in the company’s assets and entitle the holder to the same dividend. There are no restrictions on the number of votes each shareholder may cast at an Annual General Meeting.

At the end of 2018, Skanska had a total of 109,185 shareholders, according to statistics from Euroclear Sweden. The 10 largest shareholders held 57.9 percent of the votes and 42.3 percent of the capital. Industrivärden’s holding amounted to 23.9 percent and Lundberg’s holding to 12.8 percent of the votes.

More information about the Skanska share and shareholders is available on page 7.

General Meetings of shareholders

The shareholders’ meeting is the highest decision-making body within Skanska and it is where shareholders exercise their influence over the company. At the Annual General Meeting (AGM), the shareholders decide on key issues, such as adoption of income statements and balance sheets; the dividend; the composition of the Board; discharging the members of the Board and the CEO from liability; election of external auditors; and principles for remuneration to senior executives. Skanska’s financial year is from January 1 to December 31, and the AGM is to be held within six months of the end of the financial year. The date and venue for the AGM is communicated no later than the publishing of the third quarter interim report on the Group’s website. The notice convening the meeting is published in Post- och Inrikes Tidningar (the Official Swedish Gazette) and on the Group’s website. An announcement of the notice convening the meeting is published in Dagens Nyheter and in at least one more Swedish daily newspaper. All documents relating to the AGM are published on the Group's website in both Swedish and English. Shareholders listed in the register of shareholders on the record date who notify the company of their intention to participate in the meeting are entitled to attend it either personally or by proxy through a representative or substitute. Shareholders have the right to have matters addressed at the AGM if they have submitted a request to the Board no later than seven weeks before the AGM.

Annual General Meeting 2018

The 2018 AGM was held on April 13, 2018, in Stockholm. A total of 960 shareholders, representing around 59.3 percent of the total number of votes were represented at the AGM. Among other matters, the meeting voted to re-elect Hans Biörck, Pär Boman, Nina Linander, Fredrik Lundberg, Catherine Marcus, Jayne McGivern and Charlotte Strömberg as members of the Board. Hans Biörck was re-elected as Chairman of the Board. The employees were represented on the Board by Ola Fält, Richard Hörstedt and Yvonne Stenman as members, and with Pär-Olow Johansson and Anders Rättgård as deputy members. All members and deputy members of the Board, as well as the company’s external auditors and members of the Group Leadership Team, were present at the AGM. The AGM re-elected Ernst & Young AB as external auditor. The AGM also decided to approve a dividend to the shareholders of SEK 8.25 per share.

The Board was authorized to acquire a maximum of 3,000,000 Series B shares in Skanska AB to ensure future share allotments to participants in Skanska’s employee ownership program (Seop) and on the transferal of a maximum of 700,000 Series B shares in Skanska AB on Nasdaq Stockholm. These shares were acquired based on an earlier authorization to buy back treasury shares for the purpose of covering certain costs, primarily social insurance contributions, which may arise in connection with Skanska’s employee ownership program. Complete information on the AGM and the minutes of the meeting are available on the Group's website: group.skanska.com/corporate-governance/annual-general-meeting/agm-archive/.

Annual General Meeting 2019
The next AGM for shareholders in Skanska AB will be held at 10:00 a.m. on March 28, 2019 at Stockholm Waterfront Congress Centre in Stockholm, Sweden.

The Nomination Committee

The 2018 AGM gave the Chairman of the Board a mandate, ahead of the next AGM, to allow each of the four largest shareholders in terms of voting power to appoint a representative to join the Chairman on the Nomination Committee. In determining which are deemed to be the largest shareholders in terms of voting power, the list of shareholders registered with and categorized by Euroclear Sweden AB as of the last business day in August is to be used.

The Nomination Committee's mandate includes:

- Evaluating the composition of the Board and its work
- Preparing proposals to submit to the AGM regarding the election of Board members and the Chairman of the Board
- Working with the Board's Audit Committee to prepare proposals to submit to the AGM regarding the election of auditors
- Preparing a proposal to submit to the AGM on fees for members of the Board to be divided between the Chairman and other members, and any compensation for committee work, and for auditors
- Preparing a proposal to submit to the AGM regarding a Chairman for the AGM
- When applicable, preparing a proposal on changes to the principles for appointing the next Nomination Committee

On the Group's website there is information on how the shareholders can submit their own proposals to the Nomination Committee: group.skanska.com/corporate-governance/annual-general-meeting/nomination-committee/.

Nomination Committee 2019

The Nomination Committee for the 2019 AGM has the following composition:

- Helena Stjernholm, AB Industrivärden (23.9 percent of votes[1])
  Chairman of the Nomination Committee
- Mats Guldbrand, L E Lundbergföretagen AB (12.8 percent of votes[1])
- Bo Selling, Alecta (4.1 percent of votes[1])
- Lars-Åke Bokenberger, AMF (3.8 percent of votes[1])
- Hans Biörck, Chairman of the Board, Skanska AB

This information was announced on the Group's website and published in a press release on September 27, 2018. According to the Code, the majority of the Nomination Committee's members are to be independent in relation to the company and management and at least one member is also to be independent in relation to the largest shareholders in the company in terms of voting rights. All of the appointed members are independent in relation to the company and management and three are independent in relation to the largest shareholders in the company in terms of voting rights.

In preparation for the 2019 AGM, the Nomination Committee held seven meetings at which minutes were kept. No fees have been paid out for Nomination Committee duties. To perform its work, the Nomination Committee has taken part of the internal evaluation carried out of the Board's work, the Chairman's account of Board duties and the company's strategy. The Committee has also interviewed individual members of the Board. Furthermore, Skanska AB's CEO and CFO have attended a meeting for presentation of the company's operations and strategies.

The Nomination Committee considers that those different fields of competence and experience considered important to Skanska are well represented on the proposed Board and that the composition and the size of the proposed Board is appropriate to meet Skanska's needs. The independence requirement is also deemed to have been met. The Nomination Committee has also discussed the diversity requirement. In this regard the Nomination Committee has decided to apply as its diversity policy rule 4.1 of the Code, which states that Board members are to collectively exhibit diversity and breadth of qualifications, experience and background.

A gender balance is also to be aimed for. In addition to the information already provided on the background and experience of the members of the Board, it has been determined that the proposed Board will consist of three women and four men. The gender balance is therefore 43 percent/57 percent, which, in the opinion of the Nomination Committee, is consistent with the gender balance requirement.

The Nomination Committee's proposals, work report and supplementary information on proposed members of the Board are published on the Group's website in connection with the notice convening the AGM.

1 Based on shareholding as of August 31, 2018.

Board of Directors

The members and the deputy members of the Board

Member	Position	Born, year	Nationality	Elected, year	Audit Committee	Compensation Committee	Project Review Committee	Independent in relation to the Company and GLT	Independent in relation to major shareholders
Hans Biörck	Chairman	1951	Sweden	2016	🟧	🟦	🟦	Yes	Yes
Pär Boman	Member	1961	Sweden	2015	🟧	🟧	🟧	Yes	No
John Carrig [1]	Member	1952	USA	2014	🟧	🟧	🟧	Yes	Yes
Nina Linander	Member	1959	Sweden	2014	🟧		🟧	Yes	No
Fredrik Lundberg	Member	1951	Sweden	2011			🟧	Yes	No
Catherine Marcus	Member	1965	USA	2017			🟧	Yes	Yes
Jayne McGivern	Member	1960	UK	2015		🟧	🟧	Yes	Yes
Charlotte Strömberg	Member	1959	Sweden	2010	🟦		🟧	Yes	Yes
Ola Fält [2]	Employee Representative	1966	Sweden	2018				–	–
Richard Hörstedt	Employee Representative	1963	Sweden	2007			🟧	–	–
Gunnar Larsson [1]	Employee Representative	1953	Sweden	2014				–	–
Yvonne Stenman [2]	Employee Representative	1959	Sweden	2018				–	–
Pär-Olow Johansson	Employee Representative (Deputy)	1954	Sweden	2014				–	–
Anders Rättgård	Employee Representative (Deputy)	1961	Sweden	2017				–	–

🟦 = Chairman 🟧 = Member

1) Until April 13, 2018
2) From April 13, 2018

According to the Articles of Association, the Board is to consist of no fewer than five and no more than ten members with no more than three deputies, all of which are elected by the shareholders at each AGM. The Board has overall responsibility for Skanska's organizational structure and management and the Board's main duty is to safeguard the interests of the company and the shareholders. The Board thus makes decisions regarding the Group's strategy, interim and annual reports, major construction projects, investments and divestments, appointment of the President and CEO and matters concerning the organizational structure of the Group. The Chairman leads the Board in its work and has regular contact with the President and CEO in order to stay informed about the Group's activities and development.

In 2018 the Board of consisted of seven members elected by the AGM, without deputies, plus three members and two deputy members appointed by the trade unions. According to the Code, the majority of the Board's AGM-elected members are to be independent in relation to the company and senior executives and at least two members are to also be independent in relation to the largest shareholders in the company. Seven of the Board members elected by the 2018 AGM are independent in relation to the company and its management. Of these, four members are also independent in relation to the company's largest shareholders. The composition of the Board and an assessment of the independence of each member are presented in more detail on page 66-67.

The work of the Board in 2018

The work of the Board follows an annual agenda established in the Board's Procedural Rules. In preparation for each Board meeting, the Board receives reports and documentation compiled according to established procedures. The purpose of this is to ensure that the Board has the relevant information and documentation on which to base decisions. In 2018 the Board held ten meetings, including its statutory meeting. The more important issues dealt with by the Board during the year included monitoring operations, review and approval of the interim reports and year-end report, strategic review of Skanska including a restructuring of the Construction operations and Infrastructure Development operations to improve profitability, but also organizational and leadership changes and the establishment of a new governance framework, as well as internal control, risk management and compliance matters.

Evaluation of the work of the Board

The work of the Board is evaluated annually through a structured process aimed at improving work processes, efficiency and collective expertise, and to assess any need for change. The Chairman of the Board is responsible for the evaluation and for presenting the findings to the Board and the Nomination Committee. In 2018 an evaluation was carried out in the form of a questionnaire and individual conversations between the Chairman and each member of the Board, but also through discussion during board meetings. The Chairman was also evaluated through a written questionnaire and discussion with the Board; the Board meeting on this occasion was chaired by another member appointed for the purpose. The outcome of the 2018 evaluation was that the work of the Board was deemed to be functioning well.

Fees to the Board

Total fees to the AGM-elected Board members were approved by the 2018 AGM in the amount of SEK 8,567,500. The Chairman of the Board received SEK 2,040,000 and the other Board members, not employed by Skanska, SEK 680,000 each, the Chairman of the Audit Committee received SEK 220,000 and the other members of the Committee SEK 157,500 each, the Chairman of the Compensation Committee received SEK 110,000 and the other members of the Committee SEK 105,000 each, and the Chairman of the Project Review Committee and the other members of the Committee received SEK 205,000 each. For more detailed information, see Note 37.

The Board's committees

The overall responsibility of the Board cannot be delegated, but the Board may appoint committees to do preparatory work and explore certain issues in preparation for decisions by the Board. Skanska's Board has formed three committees to provide structure, improve efficiency and ensure the quality of its work (i) Audit Committee, (ii) Compensation Committee and (iii) Project Review Committee. The members of the committees are appointed annually at the statutory meeting of the Board. The Board's Procedural Rules specify which duties and decision-making powers have been delegated. The committees report orally to the Board at each Board meeting and all minutes from the committee meetings are submitted to the Board.

Audit Committee

The main task of the Audit Committee is to assist the Board in overseeing the financial reporting, reporting procedures and accounting principles, and to monitor the auditing of the accounts for the Parent Company and the Group. The Committee also evaluates the quality of the Group's reporting, internal auditing and risk management, and reviews the reports and opinions of the company's external auditors. The Committee monitors the external auditors' assessment of their impartiality and independence, and that there are routines in place stipulating which non-audit services they provide to the Parent Company and the Group. The Committee also monitors compliance with the rules on auditor rotation. The external auditors are present at all Audit Committee meetings. At least once a year the Audit Committee meets the auditors without senior executives being present.

In 2018 the Audit Committee consisted of Charlotte Strömberg (Chairman), Hans Biörck, Pär Boman and Nina Linander.

The Committee held seven meetings in 2018. Important matters addressed during the year included capital allocation, financing, pension reporting, external reporting, impairment testing, write-downs in construction projects, larger disputes, review of the interim reports and year-end report, risk management and compliance matters.

Attendance at the Board and Committee meetings

	Board meetings	Audit Committee	Compensation Committee	Project Review Committee
Number of meetings	10	7	7	11
Member				
Hans Biörck	10	7	7	11
Fredrik Lundberg	10			11
Nina Linander	9	6		11
John Carrig [1]	2	2	2	3
Charlotte Strömberg	10	7		11
Pär Boman	10	7	7	11
Jayne McGivern	8		7	11
Catherine Marcus	10			11
Richard Hörstedt	9			9
Ola Fält [2]	8			
Yvonne Stenman [2]	6			
Pär-Olow Johansson	10			
Anders Rättgård	10			
Gunnar Larsson [1]	2			

1 Until April 13, 2018.
2 From April 13, 2018.

Compensation Committee

The main task of the Compensation Committee is to prepare recommendations for Board decisions on the appointment of the President and CEO, including salary and other compensation, and other Group Leadership Team members, including compensation, pension and employment terms for these individuals. The Committee prepares recommendations for Board decisions on incentive programs, and examines the outcomes of variable salary components.

In 2018 the Compensation Committee consisted of Hans Biörck (Chairman), Pär Boman and Jayne McGivern. The Code requirements regarding independence, according to which the Chairman of the Board is permitted to be the Chairman of the Compensation Committee and other AGM-elected members are to be independent in relation to the company and the Group Leadership Team, have therefore been met.

The Committee held seven meetings in 2018. Important matters addressed during the year were review of executives' other assignments, review of Skanska's variable remuneration programs for the Group Leadership Team, and review and evaluation of the application of the principles for remuneration to senior executives as well as the existing remuneration structure and remuneration levels including proposal for a new long-term incentive program (Seop 5).

Project Review Committee

The Project Review Committee makes decisions on individual projects within the Construction, Commercial Property Development and Residential Development business steams, investments and divestments within Infrastructure Development and certain project financing packages. Projects that involve especially high or unusual risks or other special circumstances may be referred to the Board for a decision. The Committee consists of all AGM-elected members and employee representative Richard Hörstedt. The Committee held eleven meetings in 2018.

External auditors

According to the Articles of Association, the Parent Company shall have one or two authorized public accountants as external auditors. A registered accounting firm may be appointed as the company's external auditor. At the 2018 AGM Ernst & Young AB was re-elected external auditor, until the close of the 2019 AGM. Authorized Public Accountant Hamish Mabon is the auditor in charge. The external auditor has attended two board meetings to report on the auditing process of Ernst & Young AB for Skanska and to provide the members of the Board with an opportunity to ask questions without management being present. The external auditor has also attended all meetings of the Board's Audit Committee. For information on fees and other remuneration to the external auditor, see the table below and Note 38.

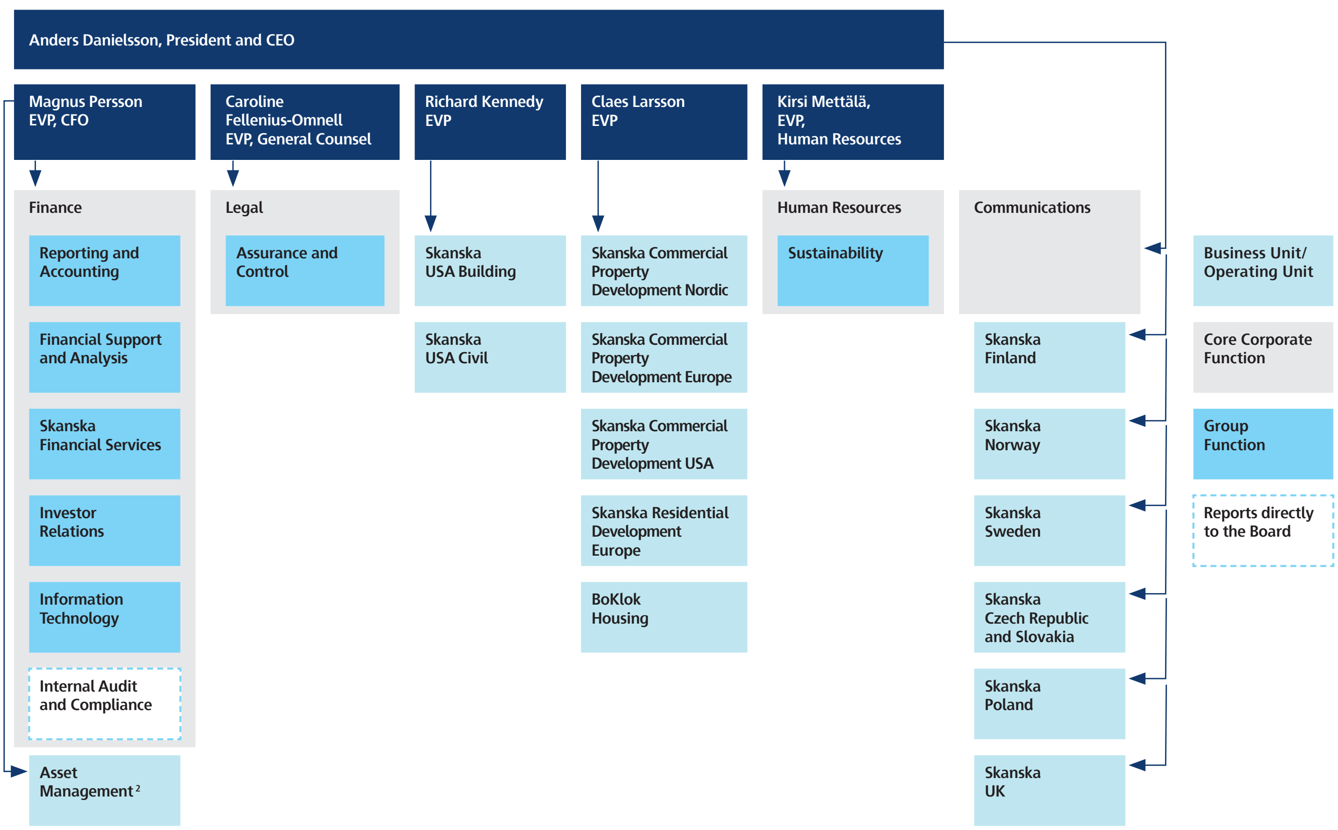
Fees and other remuneration to external auditors

	Ernst & Young	
SEK M	2018	2017
Audit assignments	50	49
Audit-related activities besides the annual audit assignment	3	5
Tax advisory services	2	1
Other services	3	3
Total	**58**	**58**

Operational management and internal governance

Skanska's management structure

Group Leadership Team[1]



The President and CEO and the Group Leadership Team

The President and CEO is appointed by the Board and runs the company in accordance with the instructions adopted by the Board. The President and CEO is responsible for the day-to-day management of the operations of the company and the Group. The work of the President and CEO is evaluated at one Board meeting each year at which no senior executives are present. The President and CEO has no business dealings of any significance with Skanska AB or its Group companies.

The President and CEO and the Executive Vice Presidents form the Group Leadership Team. In alignment with the strategic review in 2018, Skanska has undertaken a comprehensive restructuring of the business, primarily in the Construction stream, to improve profitability. During the year focus has also been at organizational and leadership changes and the establishment of a new governance framework.

Information on the President and CEO and the members of the Group Leadership Team can be found on pages 68-69.

Core corporate functions and group functions

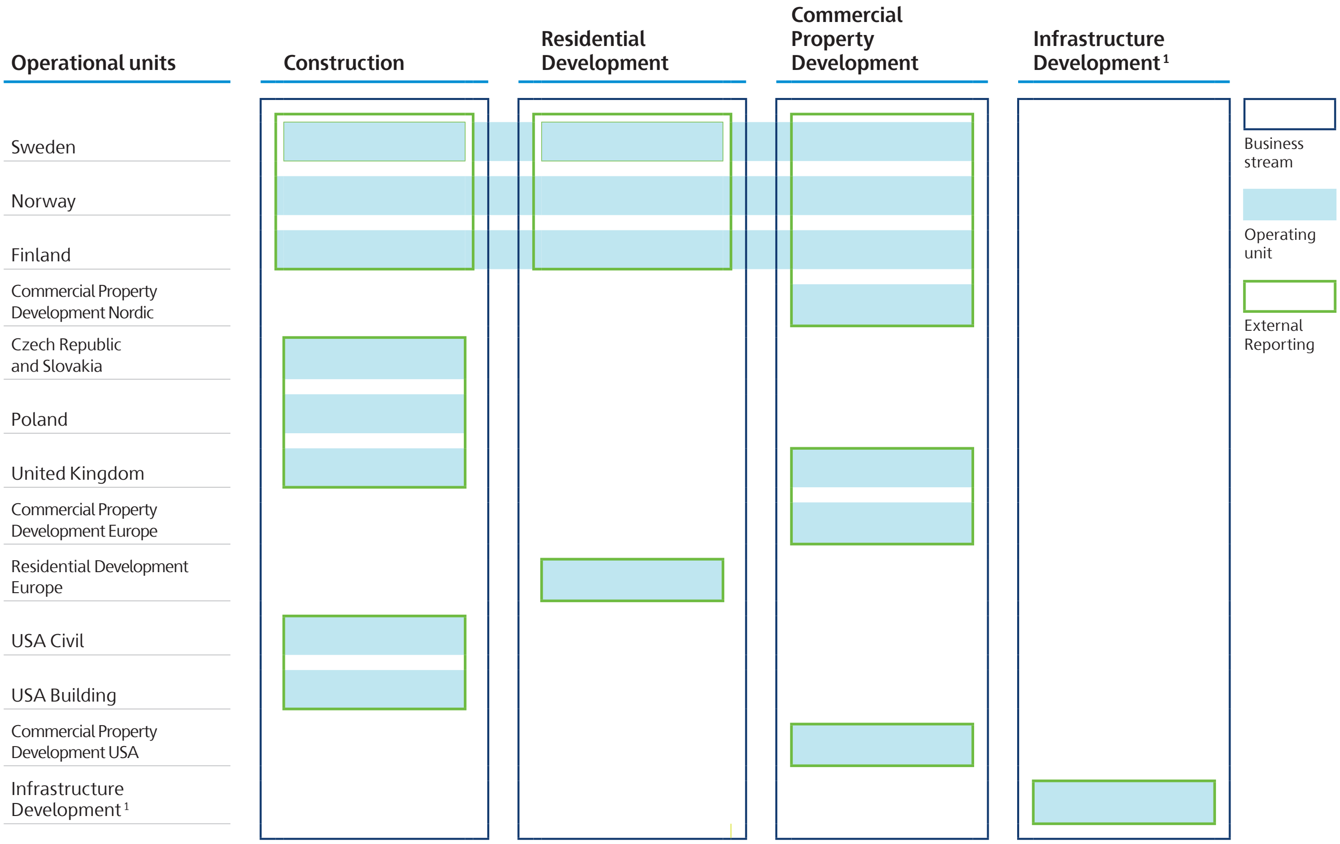
Core corporate functions and group functions are based at the group headquarters in Stockholm. The core corporate functions and group functions assist the President and CEO and the group Leadership Team on matters relating to corporate functions, coordination and oversight. They also provide support to the business units. The head of each group function reports directly to a member of the group Leadership Team. The head of the Internal Audit and Compliance reports directly to the Board by way of the Audit Committee. A presentation of the core corporate functions and the group functions can be found on page 69.

Remuneration to senior executives

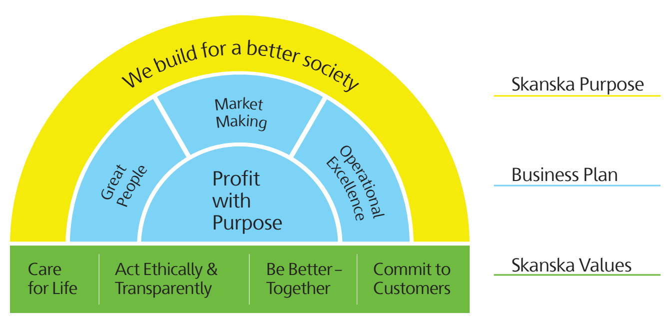
The 2018 AGM approved principles for salaries and other remuneration to senior executives. These are described on page 174. Information about salaries and other remuneration to the President and CEO and other members of the Group Leadership Team, as well as outstanding share award and share-related incentive programs are found in Note 37.

1 Effective as of January 17, 2018, with the exception of CFO Magnus Persson, who took on his position as of February 2, 2018, a new Group Leadership Team in a new structure replaced the former Senior Executive Team, working closer to the business units in order to strengthen the business units' performance. The business unit Presidents were appointed members of an Extended Leadership Team.
2 Portfolio of PPP assets.

Skanska reporting structure



1 As of January 1, 2019, Infrastructure Development is no longer a business stream and is reported in Central on a separate line.



Skanska internal governance

The organizational structure of Skanska is characterized by clear decentralization and a large measure of delegation of authority and responsibility to the business units. The philosophy is to be a decentralized and integrated company organized in business units with profit and loss responsibility. Each business unit is headed by a president and has its own administrative functions and other resources in order to conduct its operations effectively. Aside from day-to-day operations managing projects, the business units deal with matters such as their strategic development, business plans, investments, divestments and organization.

This interdependence calls for a governance model that supports the local characteristics of the business with a profit and loss responsibility, while ensuring a synergy model, adherence to common standard values, processes and brand protection.

Purpose, values and strategy

While creating value, Skanska's Purpose is to build for a better society. The Purpose reflects the Group's role in society, a position that enables Skanska to create shareholder value. Skanska provides innovative and sustainable solutions to create a sustainable future for its employees, customers, shareholders and communities. This is reinforced by continued commitment to the sustainable focus areas Health and Safety, Ethics, Green, Community Investment as well as Diversity and Inclusion.

Fundamental to Skanska's success are four values; Care for Life; Act Ethically and Transparently; Be better – Together and Commit to Customers. They serve as a moral foundation and compass and Skanska constantly drives the need for every employee to strongly live these values in all they do.

Sustainability at Skanska is grounded in the Group's values. The Group's sustainability focus areas are strengthened by their connection to the United Nations' Sustainable Development Goals and will guide Skanska's efforts to significant positive contributions to the global sustainable development agenda and to society. Skanska's sustainability report can be found on pages 70-93.

Code of Conduct

Skanska's Code of Conduct is key to bringing the Group's values to life. The Code of Conduct describes the expected behavior of every employee in interactions with fellow employees, customers, local communities and other stakeholders. The Code of Conduct defines Skanska's commitment at the workplace, in the marketplace and to society. It covers such topics as health, safety and wellbeing; diversity and inclusion; data protection; environment; confidentiality; conflicts of interest; fraud; fair competition; anti-corruption and anti-bribery; and insider information and market abuse.

All Skanska employees must adhere to the principles and requirements contained in the Code of Conduct. All employees receive Code of Conduct training every two years, and new employees are trained within one month of starting with Skanska.

The Code of Conduct is supplemented by the Supplier Code of Conduct, which must be adhered to by all subcontractors, suppliers, consultants, intermediaries and agents. The Supplier Code of Conduct is included in agreements with these parties as guidance on expectations of them and on what they can expect from Skanska. The Supplier Code covers topics such as fair working conditions; discriminations and harassments; anti-corruption and anti-bribery; and fair competition.

Skanska's Code of Conduct Hotline provides a mechanism for employees, suppliers' employees and other third parties to anonymously report on breaches or suspected breaches of the Skanska's Code of Conduct. The hotline is managed by an independent third-party service provider.

New governance framework

At the beginning of 2018, Skanska announced strategic actions to increase profitability and reduce risks in the Construction operations. On Group level, the headquarters organization was brought closer to the operations to increase efficiencies and better support business units in responding to the needs of markets and customers. Also, initial steps were taken to strengthen and focus the Group's decentralized governance model through improved control framework and clarified roles and responsibilities. In addition to the Board's governing documents and Board policies, the Group Leadership Team has adopted policies, standards/procedures and guidelines for the Group. These Group policies, standards/procedures and guidelines are updated regularly to reflect changes in operations or new regulations. The Board's Procedural Rules state which items of business will be decided upon by the Board, by the President and CEO/Group Leadership Team or at the business unit level. Skanska's policies are mandatory documents on core operating rules of the Group, addressing risks, goals and where corporate governance is needed. In addition to the Board's Procedural Rules, and Skanska's Code of Conduct and Supplier Code of Conduct, Skanska's Group policies include:

- Finance Policy
- IT Policy
- Claims Management Policy
- General Group Policy
- Insider Policy
- Personal Data Protection Policy
- Anti-Corruption Policy
- Enterprise Risk Management Policy
- Human Resources Policy
- Health and Safety Policy
- Environmental Policy
- Information Policy

Group standards or Group procedures are more detailed requirements, actions or operations necessary in order to meet the policy's objectives. Group guidelines are recommendation documents. A newly established group function, Assurance and Control, will support business units to implement the new framework and follow up to assure compliance.

Group Policies
Core mandatory operating rules of the Group

Group Standards or Group Procedures
More detailed requirements, actions or operations necessary in order to meet the policy objectives

Group Guidelines
A non-binding document with recommendations

Internal control

This description includes the most important elements of the company's internal control and risk management systems in connection with financial reporting.

Control environment

The Board has overall responsibility for ensuring that Skanska has effective and adequate risk management and internal control. The purpose is to provide a reasonable assurance that the operations are run appropriately and efficiently, that external reporting is reliable and that laws and internal rules are complied with. The Board's Procedural Rules ensure a clear division of roles and responsibilities for the purpose of ensuring effective management of business risks. The Board and the Group Leadership Team has also adopted a number of fundamental rules of importance for internal control work, such as the company's Enterprise Risk Management Policy and the Governance Procedure. The Group Leadership Team reports regularly to the Board according to established routines. The Audit Committee also presents reports on its work. The Group Leadership Team is responsible for the system of internal controls required to manage material operational risks. This includes a clear decision making structure and the Group framework of policies, standards/procedures and guidelines. A new group function, Assurance and Control, has been established to support the Group Leadership Team in monitoring the system of internal controls.

Risk assessment and control activities

Skanska has identified the material risks in its operations that may, if not managed correctly, lead to errors in financial reporting and/or have an impact on the company's performance results. The company has subsequently ensured that the Group has rules in place to guarantee that these risks are managed. The Group Leadership Team and the group functions are responsible for managing general risks relating to strategy, macroeconomics and regulatory frameworks, while the main tasks relating to operational risks and opportunities are carried out at the local level within the business units.

Risks and opportunities for improvement are both greatest during the actual execution phase of the projects, and thus the work focuses heavily on this phase. Since almost every project is unique, risks and opportunities must be analyzed with respect to project type, location, execution phase and client.

Skanska uses a Group-wide procedure for identifying and managing risks associated with construction contracts, projects and investments. A specialized group unit, the Skanska Risk Team, examines and analyzes projects and investments above a certain size. The proposals are then processed by the Skanska Risk Team, which issues a recommendation. The final decision on tenders, investments or divestments above the threshold is made by the Skanska Tender Board which consists of the Group Leadership Team and in certain cases, by the Project Review Committee.

The company considers the greatest enterprise risks that the Group faces to be the following:

- Loss or lack of key employees
- Loss making projects or investments
- Ethical breaches
- Lack of control of business unit performance
- Accidents with multiple fatalities
- Macro-financial instability

A more detailed description of the risks and how they are managed is found on pages 20-24.

Information and communication

Significant accounting principles, manuals and other documents of importance in financial reporting are updated and information on them is communicated regularly. There are several information channels to the Group Leadership Team and the Board for important information. For its external communication, the Group has an Information Policy to ensure that the company meets the existing regulations for providing the market with accurate information.

Monitoring

The Board continually evaluates the information provided by the Group Leadership Team and the Audit Committee. Of particular importance is the result of the Audit Committee's work on monitoring the effectiveness of the Group Leadership Team's internal control processes. This includes ensuring that steps are taken to address the shortcomings revealed in internal and external audits and to implement the proposed actions.

Internal Audit and Compliance

The group function Internal Audit is responsible for monitoring and evaluating risk management and internal control processes. The work is planned in consultation with the Audit Committee and reporting takes place directly to the Board through the Committee. Matters relating to internal audit are also communicated on an ongoing basis to Skanska's external auditors. In 2018 Internal Audit focused on reviewing the risks identified relating to the company's projects, business critical processes and key corporate functions. A total of some 117 audits were conducted during the year within all business units. There was a particular focus on the business operations in the USA and central Europe. The audits were performed in accordance with a uniform audit method.

A growing commitment to education and research

Life Sciences Building, Seattle, USA

With more students majoring in biology and an ambitious research program, the University of Washington's Biology Department needed a new home. They sought an open, flexible and sophisticated building to progress learning, teaching and research about the living world.

Skanska leveraged the Group's expertise with research facilities and green buildings to deliver this transformational facility, continuing a 20-year partnership with the university.

The Group was key to creating solutions that support the university's sustainability initiatives while helping lower operating costs. For example, a unique installation of 496 vertical photovoltaic glass fins on the facade shades the interior while producing electricity to light four floors.

Also, a common way of purifying water for laboratory use typically wastes much still-clean water. However, this building re-uses that "waste" water to irrigate plants in the greenhouse.

Board of Directors

	Hans Biörck	Pär Boman	Nina Linander
Position	Chairman	Board member	Board member
Born	Sweden, 1951	Sweden, 1961	Sweden, 1959
Elected	2016	2015	2014
Shareholding in Skanska, December 31, 2018	25,000 B shares	1,000 B shares	3,000 B shares 2,600 B shares related persons
Other Board assignments	– Chairman Trelleborg AB, – Board member, Handelsbanken AB	– Chairman, Handelsbanken AB – Chairman, Essity AB – Chairman, Svenska Cellulosa Aktiebolag, SCA – Vice Chairman, AB Industrivärden	– Board member Telia Company AB – Chairman, Awa Holding AB, – Board member, AB Industrivärden – Board member, Castellum AB – Board member, OneMed AB
Education	– Master of Science in Business and Economics, Stockholm School of Economics	– Degree in engineering and in economics	– MBA, IMEDE, Switzerland – Master of Science in Business and Economics, Stockholm School of Economics
Work experience	– Chief Financial Officer, Skanska AB – Chief Financial Officer, Autoliv AB – Chief Financial Officer, Esselte AB	– President and CEO, Handelsbanken AB	– Head of Product Area Electricity, Vattenfall AB – Senior Vice President, Head of Staff Unit Finance, AB Electrolux – Partner, Stanton Chase International AB
Dependency relationship in accordance with Code of Corporate Governance	– Independent in relation to company and company management – Independent in relation to major shareholders	– Independent in relation to company and company management – Dependent in relation to major shareholders	– Independent in relation to company and company management – Dependent in relation to major shareholders

Board members and deputies appointed by the trade unions

Ola Fält
Born: Gävle, 1966
Skanska Industrial Solutions; SEKO, appointed 2018
Board member

Shareholding in Skanska
1,169 B-shares

Richard Hörstedt
Born: Helsingborg, 1963
Region Hus Syd
Swedish Building Workers' Union, appointed 2007
Board member

Shareholding in Skanska
0 shares

Pär-Olow Johansson
Born: Stockholm, 1954
Region Hus Stockholm Nord
Byggnads, appointed 2014
Deputy Board member

Shareholding in Skanska
4,304 B-shares

			
Fredrik Lundberg	**Catherine Marcus**	**Jayne McGivern**	**Charlotte Strömberg**
Board member	Board member	Board member	Board member
Sweden, 1951	USA, 1965	United Kingdom, 1960	Sweden, 1959
2011	2017	2015	2010
6,032,000 A-shares and 14,050,000 B-shares through L E Lundbergföretagen AB (publ) 5,376 A-shares and 2,100,000 B-shares privately	0 shares	0 shares	7,000 B shares 900 B shares related person
– Chairman, AB Industrivärden, – Chairman, Holmen AB – Chairman, Hufvudstaden AB – Vice Chairman, Handelsbanken AB – Board member, L E Lundberg-företagen AB	– NCREIF PREA Reporting Standards Board (Private)	– Senior Advisor to Madison Square Garden plc on Development and Construction – Chairman, Brick By Brick	– Chairman, Castellum AB – Board member, Clas Ohlson AB – Board member, Sofina S.A. – Member, The Swedish Securities Council – Board member, Kinnevik AB
– M.Sc. Engineering, Royal Institute of Technology, Stockholm – MBA, Stockholm School of Economics – Dr. (Econ.) h.c., Stockholm School of Economics – Dr. (Eng.) h.c., Linköping University	– M.S., Real Estate Investment and Development, New York University – B.S.E. Real Estate Finance and Entrepreneurial Management, Wharton School, University of Pennsylvania	– Harrogate Ladies College – Fellow of the Royal Institution of Chartered Surveyors	– MBA, Stockholm School of Economics
– President and CEO, L E Lundbergföretagen AB	– Global Chief Operating Office, PGIM Real Estate – MBL Life Assurance Corporation – The Related Companies – Integrated Resources	– Red Grouse Properties – Chief Executive Officer, Multiplex plc (Europe) – Managing Director UK, Anschutz Entertainment Group – Group Development Director, MWB Group Holdings plc, – Divisional Managing Director, Redrow plc.	– Senior Project and Account Manager, Alfred Berg, ABN AMRO, Stockholm – Head of Investment Banking, Carnegie Investment Bank – President, Jones Lang LaSalle Norden
– Independent in relation to company and company management – Dependent in relation to major shareholders	– Independent in relation to company and company management – Independent in relation to major shareholders	– Independent in relation to company and company management – Independent in relation to major shareholders	– Independent in relation to company and company management – Independent in relation to major shareholders

Anders Rättgård
Born: Holmestad, 1961
Region Hus Göteborg
Unionen, appointed 2017
Deputy Board member

Shareholding in Skanska
5,931 shares

Yvonne Stenman
Born: Stockholm, 1959
Region Hus stockholm
Nord
Ledarna, 2018
Board member

Shareholding in Skanska
0 B-shares

Auditors
Ernst & Young AB
Auditor in charge since 2016:
Hamish Mabon, Stockholm, born 1965.
Authorized public accountant.

Group Leadership Team



	Anders Danielsson	Caroline Fellenius-Omnell	Richard Kennedy
Position	President and Chief Executive Officer, since January 17, 2018	Executive Vice President, General Counsel· (since 2017)	Executive Vice President (since January 17, 2018)
	Responsible for business units/ Core Corporate Function – Skanska Finland – Skanska Norway – Skanska Sweden – Skanska Czech Republic and Slovakia – Skanska Poland – Skanska UK – Communications	Responsible for Core Corporate Function/ Group Function – Legal – Assurance and Control	Reponsible for business units – Skanska USA Building – Skanska USA Civil
Born	1966	1968	1966
Joined Skanska in	1991	2017	2004
Shareholding in Skanska, December 31, 2018	106,232 B-shares	4,080 B-shares	38,798 B-shares
Board assignments	–	– Board member, Aktiemarknads-bolagens förening (AMBF)	– ACE Mentor Program, NY, USA – Building Trades Employers Association, NY, USA
Education	– M.Sc. Engineering, Royal Institute of Technology, Stockholm – Advanced Management Program, Harvard, Boston, MA, USA	– Master of Laws, Stockholm University – Master of Laws, College of Europe, Brügge, Belgium	– Bachelor of Arts, Rutgers College, Rutgers University – Juris Doctor, Seton Hall University School of Law – Master of Laws, London School of Economics and Political Science
Work experience	– Executive Vice President, Skanska AB – President, Skanska Sweden – President, Skanska Norway	– Group General Counsel, Tele2 AB – Group General Counsel, Sidel – General Counsel Europe, Tetra Pak AB – Corporate Counsel, AB Electrolux	– President and CEO, Skanska USA Building – Chief Operating Officer, Skanska USA Building – General Counsel, Skanska USA Building

Presidents of Business Units

Gunnar Hagman	Skanska Sweden
Ståle Rød	Skanska Norway
Tuomas Särkilahti	Skanska Finland
Magnus Persson	Skanska Poland
Michal Jurka	Skanska Czech Republic and Slovakia
Greg Craig	Skanska UK
Paul Hewins	Skanska USA Building
Don Fusco	Skanska USA Civil
Jonas Spangenberg	BoKlok Housing
Björn Matsson	Skanska Residential Development Europe
Jan Odelstam	Skanska Commercial Property Development Nordic
Katarzyna Zawodna	Skanska Commercial Property Development Europe
Robert Ward	Skanska Commercial Property Development USA



Claes Larsson	**Kirsi Mettälä**	**Magnus Persson**
Executive Vice President (since 2006)	Executive Vice President, Human Resources (since January 17, 2018)	Executive Vice President, Chief Financial Officer (since February 2, 2018)
Responsible for business units – Skanska Commercial Property Development Nordic – Skanska Commercial Property Development Europe – Skanska Commercial Property Development USA – Residential Development Europe – BoKlok Housing	Responsible for Core Corporate Function/Group Function – Human Resources – Sustainability	Responsible for Core Corporate Function/Group Functions – Reporting and Accounting – Financial Support and Analysis – Skanska Financial Services – Investor Relations – IT – Internal Audit and Compliance – Asset Management
1965	1963	1976
1990	1994	2006
172,489 B-shares	18,434 B-shares	10,057 B-shares
– Chairman , Handelsbanken's regional bank board of directors, western Sweden	–	–
– M.Sc. Engineering, Chalmers University of Technology, Gothenburg – MBA, Chalmers University of Technology and Göteborg University	– Bachelor of Business Administration, Haaga-Helia University of Applied Sciences – eMBA, Aalto Executive Education	– Ph.D. in Business Economics, Uppsala University – Master of Science in Business Economics, Uppsala University
– President, Skanska Commercial Property Development Nordic – President, Skanska Fastigheter Göteborg	– Senior Vice President, HR and Communications Skanska Finland – Senior Vice President, HR development, BU Skanska Finland – HRD manager, Skanska Finland – HR specialist, Skanska Finland	– Chief Financial Officer, Skanska Sweden – Senior Vice President, Investor Relations, Skanska AB – Group Manager, Corporate Finance, Skanska AB – Head of Research & Analysis, Skanska Financial Services

Senior Vice Presidents, Core Corporate Functions/ Group Functions

Katarina Bylund	Reporting and Accounting
Karolina Cederhage	Communications
Anders Göransson	Internal Audit and Compliance
Lena Hök	Sustainability
Mark Lemon	Assurance and Control
André Löfgren	Investor Relations
Therese Tegner	Skanska Financial Services
Jarosław Urbańczyk	Information Technology (IT)
Caroline Walméus	Financial Support and Analysis

Sustainability report

Driven by its values – Care for Life, Act Ethically and Transparently, Be Better Together and Commit to Customers – Skanska helps create sustainable futures for customers, communities and employees. This is integral to the Group's purpose of building for a better society, as well as delivering value for shareholders.

Skanska supports the United Nations' 17 Sustainable Development Goals. These are closely linked to the Group's five sustainability focus areas Health and Safety, Ethics, Green, Community Investment and Diversity and Inclusion.

Skanska´s Code of Conduct connects all parts of the Group with Skanska's values, strengthening the business. The Code of Conduct defines how all Skanska employees work and interact everyday with each other, customers and other stakeholders.

The Code of Conduct training required of employees is conducted continuously. All new employees are to be trained on the Code within their first month of employment. In 2018, this was achieved with 93 percent of newly hired employees. All current employees are to take part in Code training every other year. In 2018, 100 percent of this target was achieved. This is an important part of raising awareness and constantly reminding of Skanska's values. The training is held in person and is complemented in all business units by practical dilemma discussions.

100%

achievement of Code of Conduct training.

Materiality assessment

Skanska´s sustainability report and sustainability focus areas are based on an assessment of the importance of the Group's impact on sustainability topics according to key external and internal stakeholders.

Skanska's most material sustainability areas were determined during 2018 through a structured materiality assessment.

The assessment shows that stakeholders consider Skanska to be a leader in sustainability, but also clearly expect Skanska to enhance the Group's leading position.

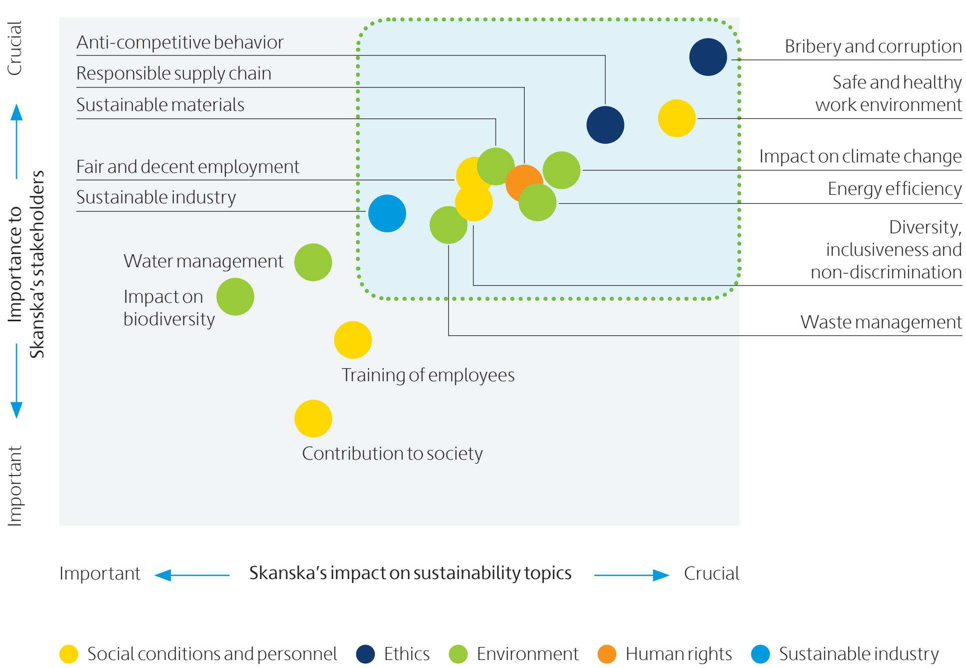
Advancing further within sustainability is aligned with Skanska's purpose – We build for a better society – and the Group's ambition to be a leader in delivering sustainable solutions to customers. The UN Sustainable Development Goals further direct the Skanska's efforts to make the most significant positive contributions to society.

The most important stakeholder groups are:

- Shareholders/investors/banks
- Customers
- Suppliers/subcontractors
- Non-governmental organizations (NGOs)
- Employees
- Management

More information about the stakeholder dialogue is presented on page 90 (Sustainability governance).

Materiality assessment



Through the materiality assessment, the sustainability topics presented in the blue shaded area were identified as the most material to Skanska's external and internal stakeholders.

Global commitments

Skanska has been a signatory of the United Nations' Global Compact since 2001, and continues to support the UN Global Compact's Ten Principles, which relate to human rights, labor, environment and anti-corruption. This sustainability report constitutes Skanska's Communication on Progress (COP) and shows how the Group has continued to implement the Ten Principles during 2018.

Skanska supports the rights of all people as described in the Universal Declaration of Human Rights adopted by the United Nations, and in the conventions of the International Labor Organization. Skanska also follows the guiding policies of Transparency International and applies the Precautionary Principle.

Furthermore, Skanska is an active participant in other international sustainability initiatives, including the United Nations Global Compact Network, International Chambers of Commerce; World Green Building Council, World Business Council for Sustainable Development, International Chemical Secretariat (ChemSec) and Catalyst, which promotes women in the workforce.

Recognition

Skanska was during 2018, awarded by University of Lund and financial newspaper Dagens Industri as one of the most sustainable corporations on the Nordic Nasdaq and winner of the Capital Goods category. Sustainability-related recognition received by Skanska during 2018 also include:

- OMX Stockholm 30 ESG Responsible Index
- MSCI AAA
- CDP Climate Change A–

Ethics and anti-corruption

Corruption and ethical breaches make long-lasting economic growth more challenging to attain, increase inequality and hinder human rights. Skanska continuously works to advance ethics and anti-corruption. The Group reviews the Code of Conduct every year, and in 2018 the Code was updated to include procedures for properly abiding by international sanctions regulations and supported by the Sanctions Procedure.

Understanding and guarding against ethical risks

In Skanska's annual risk survey of top managers, corruption and bribery are identified as top risks to the Group. A lot of work is undertaken to mitigate these risks. This is also reflected in the Code of Conduct Program which sets the structure on how all business units works with ethics. One important part of the program is the ethics risks assessment.

During 2017, all business units took part in an updated, in-depth process for assessing ethical risks. About 500 employees each identified key ethical risks in their respective business unit. The outcomes of this risk assessment – conducted every other year – form the basis for the ethics work in each business unit, and are implemented as practical actions in each unit's business plan. These results are aggregated on Group level, where they are used to create preventive initiatives.

In 2018, an ethics assurance review followed up on the implementation of measures to mitigate the top ethical risks identified by each business unit the prior year. Such mitigation measures involve procurement processes; training and highlighting local policies involving conflicts of interest; and defining and implementing control processes, such as involving due diligence of third parties. To share experiences, this was done by the business units reviewing each other, with support by the Group Headquarter's Ethics function.

The risk assessments and assurance reviews form a continuous two-year process. For information about risks, see pages 20-24.

Code of Conduct hotline

Skanska's Code of Conduct Hotline allows employees and those external to the Group to anonymously report suspected breaches of the Code of Conduct. This hotline is operated by a third party, and is an alternative to internal reporting possibilities. Cases reported to the hotline are managed by the Group Headquarter's Ethics function and reported to the Skanska Headquarter's Ethics Committee. Cases are resolved in collaboration with business units ethics committees.

Failure to comply with the Code of Conduct results in disciplinary action up to and including termination of employment. An employee who violates anti-corruption or other relevant laws may also be referred to law enforcement authorities for possible criminal prosecution. During 2018 disciplinary actions were taken.

Ongoing major ethics cases

Skanska´s subsidiaries in Brazil, Argentina and Finland are involved in legal proceedings related to corruption allegations. There is also ongoing cartel investigations in Brazil. Details on these proceedings are provided in Note 33 to the Annual and Sustainability Report.

In July 2014, and prior to the start of the Brazilian proceedings, Skanska decided to exit the Latin American market, following several years of financial losses. Skanska has had no ongoing projects in Latin America since March 2016.

Responsible supply chain

Skanska has a large supply chain consisting of suppliers of materials and products, along with contractors performing work on project sites. About 90,000 suppliers work with Skanska each year. The construction industry is mainly local or regional and the contractors stretch from large organizations to one-person businesses.

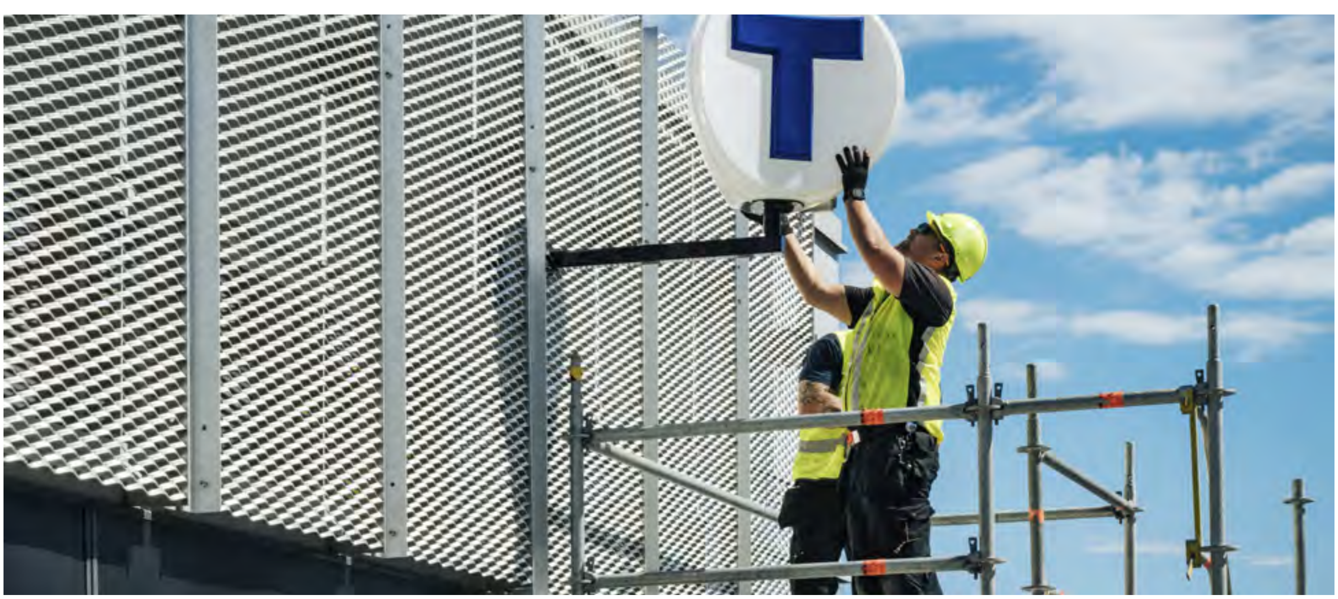
Skanska supports recognized global human rights and fair working conditions for people working on or in the Group's projects, workplaces and supply chain. Skanska has zero tolerance for any form of human trafficking or child, forced or compulsory labor, including such practices as the unlawful or illegitimate withholding of wages.

The Group's business processes include measures to support and drive global human rights standards, local laws and the Skanska Code of Conduct. These include routines to screen subcontractors and subcontractors´ employees. Skanska takes very seriously any reports of potential breaches of supply chain working conditions, launching investigations immediately. All business units performed specific audits during 2018 to follow up on possible risks of ethical breaches.

The Skanska Supplier Code of Conduct is contractually included in all agreements with suppliers and contractors. New suppliers are trained on the Supplier Code of Conduct. Due diligence processes are utilized for suppliers, intermediaries, joint venture partners, sellers of land and buyers of real assets. The due diligence process covers areas such as supply chain, environment, safety, anti-corruption, competition law and transparency regarding owners and financing, as well as sanctions. Skanska is conducting controls of certain suppliers based on a risk-based approach. Potential consequences when violating the Supplier Code of Conduct may include but are not limited to contract termination. This occurred during 2018.

One of the world's biggest safety events

Since 2005, Skanska has run Safety Week, a week that emphasizes the essential role of safety in living the Skanska values of Care for Life, Be Better Together and Act Ethically and Transparently. It involves trainings and activities for Group employees, subcontractor employees and customers and other partners. Over the last five years, Skanska has extended the boundaries of Safety Week even further, and it is now an industry event in the USA, Poland, Finland and the UK. Through this, the industry becomes safer and stronger, together.



Health and safety

Ensuring people's health and safety is an ongoing challenge for the construction industry. Skanska aspires to achieve an injury-free environment for all employees and workers, including subcontractors, and anyone who may be affected by our work. This commitment goes beyond safety to also include responsibility for those people's health and well-being. This includes reducing long-term health-hazards, such as noise, dust and poor ergonomics, as well as addressing stress and mental health.

Safety round at Commercial Development project Mill Park, Budapest, Hungary.

Driving higher standards

Skanska´s Group Health and Safety Standards are more stringent than local regulations in several countries. These apply across Skanska and are important to raising the safety performance of the Group and the supply chain. The Health and Safety Standards cover aspects that include training, incident management, risk assessment and instructions about personal protective equipment. The Group continuously strives for higher industry standards by involving competitors and partners.

Each business unit undertakes an annual review of performance against plan. This review includes identifying risks, hazards and control measures. Each business unit also manages occupational health programs for its own employees, with subcontractors expected to do the same for their employees. In some business units, there is an internal occupational health service and in others, this is contracted in.

The Group Health and Safety Policy states that in 2019, all business units must have an externally certified management system for health and safety, such as OHSAS 18001. This is already achieved by 90 percent of Skanska, and is key to driving a high level of safety performance across the Group.

Skanska´s Health and Safety Road Map guides and supports the Group's business by advancing health, safety and well-being.

Encouraging mental health, within Skanska and beyond

Skanska is increasing the Group's focus on mental health as an important aspect of employee well-being, as mental health affects safety, health and people's long-term performance. In the UK, Skanska has been a leader on this topic, since 2015 having a mental health program. This has led to such initiatives as having 315 mental health ambassadors to help guide other employees on mental health issues, and mental health awareness days. Also by 2020, all line managers are to have mental health training. An aim is to make it as natural to talk about mental health as it is to discuss any other illness.

In 2018, workshops were launched to share Skanska UK's journey around mental well-being with supply chain partners. Learnings from this can be used to help supply chain partners create their own program or enhance their current offering. More than 100 people attended these sessions in 2018, representing both small and large companies.

This road map focuses on culture, communication, competence, control systems and the involvement of contractors. The Group strives to improve health and safety knowledge and skills, and openness and transparency are valued to drive continuous improvement.

Furthering a caring and learning culture

A highly engaged, informed and trusting workforce enhances health, safety and well-being. As part of developing people, Skanska's health and safety educational programs include both values and procedures. The cultural change program Injury-Free Environment (IFE) has been running for 16 years and is adopted by more than 70 percent of Skanska´s business. There is also business unit-specific health and safety management system training.

During 2018, Skanska developed a health and safety program called Commit to Action that specifically supports leaders. This initiative aims to build the competence of teams within the business units to enhance performance. The first pilot was performed in Sweden.

Much more needs to be done to eliminate and manage the risks that traditionally have been part of construction. Some of the greatest risks on construction sites involve falls; lifting and handling; contact with materials, objects or vehicles; and electrical discharge. Skanska focuses on learning from every serious accident to improve the systems, organization and leadership skills to avoid future accidents. After a fatality there is a Global Safety Stand Down, in which the entire organization pauses to pay respect to the deceased and share learnings.

Learnings from accidents are used to develop the Group's standards and guidance, which are then adopted by each business unit. The heads of health and safety functions for each business unit conduct peer reviews to improve health and safety performance.

Analyses of failures to handle health and safety risks are important for preventive work and mitigation measures. For example, in 2018 after three fatalities occurred related to Skanska Poland's operations, all 150 ongoing construction projects and 30 facilities within the unit were stopped to ensure that every work activity was being conducted safely. Not until all safety procedures were ensured accurate did sites re-open and activities resume.

Safety performance

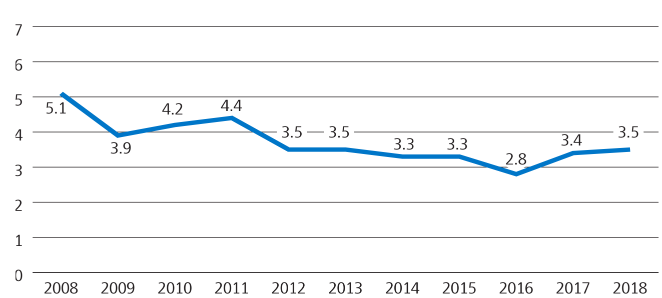
Safety performance is measured using both leading and lagging indicators. The lagging indicators are reported on Group level, and include both Skanska employees and subcontractors working on sites.

In 2018, the lost-time accident rate (LTAR) was 3.5 (3.4). There were 712 (730) lost-time injuries, in which people were not available to work their next shifts, and 1,028 (1,029) injuries of all types. It is important to also track small and medium injuries to learn about the root cause.

During the last three years, nine of the 11 fatalities that occurred on Skanska project sites involved subcontractor employees. Subcontractors perform most of the work directly constructing Skanska´s projects, which is why Skanska integrates them into the Group's health and safety culture, processes and standards.

Lost Time Accident Rate (LTAR), 2008–2018[1]

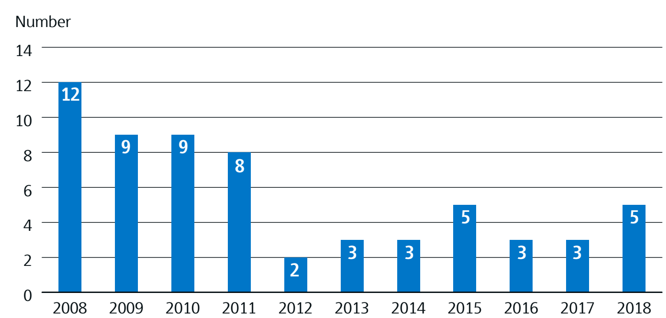
Number of employees lost-time accidents multiplied by 1,000,000 hours divided by total labor hours. Inclusive of Skanska employees and subcontractor employees working on Skanska jobsites.



1 Reporting is based on the requirements in Skanska Safety Metrics Reporting Procedure, which outlines definitions of data to be reported. National regulation and conditions are taken into account.

Fatalities, 2008-2018

Number of fatalities on Skanska project sites, inclusive of Skanska employees and subcontractor employees working on Skanska jobsites.



Green management system

Skanska's environmental commitment relates to impacts of the Group's operations and processes, and the long-term environmental performance of buildings and infrastructure delivered by the Group. In keeping with the Care for Life value, Skanska promotes green solutions and seeks to conduct operations in green ways. Through the Group's Journey to Deep Green™, Skanska aspires to go beyond compliance and push toward future-proof projects: projects intended to accommodate future environmental demands and conditions. The network of heads of green functions, Green Leadership Group, is a strategic group for driving green development within Skanska.

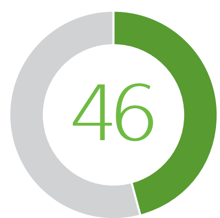
Skanska Color Palette™

Since 2009, the Skanska Color Palette™ has been the core of Skanska's environmental management system. It defines Skanska's vision of Green and Deep Green projects according to four priority areas: energy, carbon, materials and water. Green refers to when construction processes and/or building and infrastructure performance are beyond compliance on several defined indicators. The Vanilla level includes compliance with ISO 14001. Deep Green projects have a zero or near-zero environmental impact, ensuring that the project is future-proof. The Color Palette™ is adapted to different markets as conditions, such as regulations, vary between countries.

The Skanska Color Palette™ sets the strategic green direction for projects and is the basis for the Group's definition of green revenue and market value from green projects.

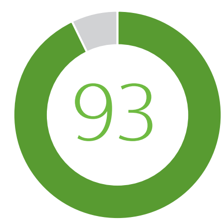
Green revenue

Measured as percentage of total Construction revenue that is Green and Deep Green, according to the Skanska Color Palette™.

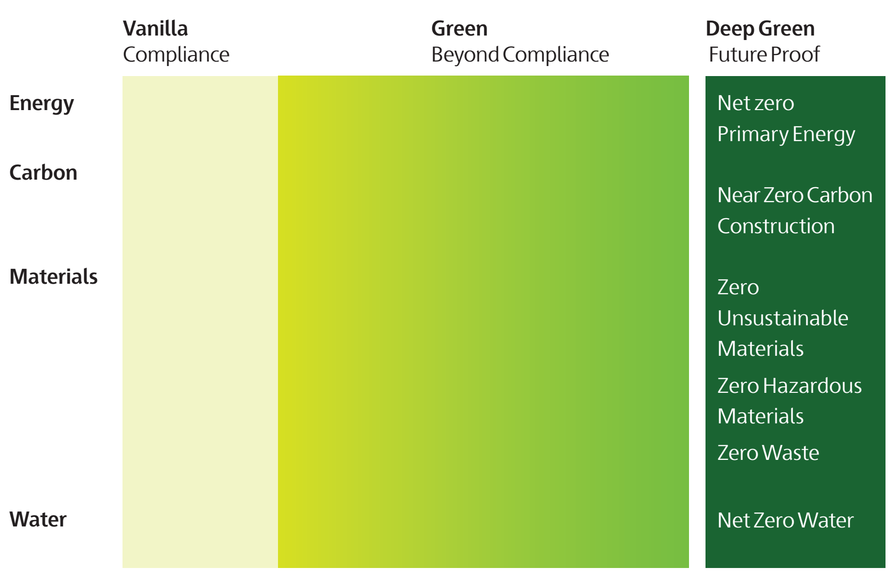


Green market value

Measured as percentage of Commercial Property Development market value from Green and Deep Green projects, according to the Skanska Color Palette™.



Skanska Color Palette™



The Skanska Color Palette™ is a tool to measure and strategically guide green activities.

Reduced impact on climate change

The construction industry and the built environment are recognized as large contributors to global warming. Greenhouse gas emissions relating to the construction industry involve the extraction, manufacture and transport of large quantities of materials, as well as construction activities. Furthermore, buildings and civil infrastructure have environmental impacts lasting for decades through their final use and operation.

Skanska has committed to the Paris Agreement and aims to reduce greenhouse gas emissions from the Group's operations and provide sustainable solutions to help customers, communities and other stakeholders fulfill their climate ambitions. Skanska's ambition is to significantly reduce greenhouse gas emissions by 2030.

High increases in national and regional regulations and demands on energy efficiency and reductions in carbon and other emissions are seen in Skanska's markets. Skanska, together with Columbia University in New York City, has analyzed the demand for sustainable buildings and infrastructure projects across the USA. Focus areas in the study are green and safety, including health and well-being. The study continues to be used to further guide Skanska's efforts within US markets to enhance sustainability business opportunities.

Energy efficiency

Within energy, Skanska focuses on what the Group can directly control and influence. Skanska aims to improve energy efficiency in both construction operations and within the use of buildings and infrastructure. In addition, fossil fuels are increasingly substituted with renewable energy. However, this is challenging in some of Skanska´s markets.

Solar panels, Heimdal School, Trondheim, Norway.

An innovative way Skanska is supporting advanced energy efficient buildings is the Group's partnership in Norwegian Powerhouse, a collaboration of five companies dedicated to making "energy positive" buildings, which produce more energy than they consume. Energy positive buildings result from fusing highly efficient architecture and engineering with renewable energy sources, such as solar panels and geothermal energy.

Another example of advancing with renewable energy is an initiative called "New renewable energy," which was established by Skanska Commercial Development Nordic to increase the supply of electricity generated to the power grid from renewable sources. Rather than buying green power already being

Total energy usage [1]

MWh	2018	2017	2016	2015
Fuel usage (non-renewable)	**1,021,815**	**1,023,242**	**1,121,646**	**1,278,787**
Fuel usage (renewable)	**69,621**	**68,094**	**54,482**	**271**
Electricity usage	**241,495**	**272,979**	**263,246**	**259,479**
Non-renewable	114,531	154 ,363	143,037	104,502
Renewable	126,964	118,616	120,209	154,977
District heating usage	**10,499**	**11,740**	**3,721**	**573**
District cooling usage	**623**	**1,499**	**2,597**	**196**
Total energy usage	**1,344,054[2]**	**1,377,555**	**1,445,692**	**1,539,306**
Energy intensity [3]	**7.88**	**8.57**	**9.55**	**9.94**

1 Activity data is based on invoiced data, real-time meters, models and estimates or data as reported by suppliers. Energy conversions are done using publically available conversion factors and from open databases like International Energy Agency (IEA).
2 Energy reduction from year 2017 is 33,502 MWh or 2.43 percent.
3 Total energy MWh/MSEK revenue, according to segment reporting.

produced to meet government quotas, this involves committing to long-term agreements to purchase electricity generated by off-site solar facilities developed specifically for these agreements. These commitments for Skanska project developments grow the renewable energy supply.

Energy usage throughout the value chain is challenging to capture. There is an ongoing effort to better capture this data. About one third of Skanska´s business report this data. The intention is to increase this reporting in coming years. The estimations of energy usage are based on green house gas emission reporting, see page 80.

The Commercial Development business units in Europe and Nordics divested 11 properties during 2018, all of them LEED certified at Gold or the top Platinum level, or aiming to be. The reductions in annual energy usage for those divested properties stands at 97.6 TJ, representing 38 percent reduction. [1]

Greenhouse gas emissions

Skanska´s ambition to minimize greenhouse gas emissions often leads to improving efficiency in the Group´s operations, thus helping lower costs. For example, being able to safely re-use a foundation, rather than demolishing it and building a new, requires less equipment, fuel, and consumes less material, all leading to reduced emissions and reduced costs.

Since 2009, Skanska's external greenhouse gas reporting has covered all business units. Greenhouse gas emissions are measured in accordance with the Greenhouse Gas Protocol. A limited assurance engagement of the Skanska carbon emission inventory has been undertaken by Skanska's external auditors, EY. More information is on pages 202-203.

- Scope 1 emissions include direct emissions that occur from sources owned or controlled by Skanska, such as boilers, furnaces and vehicles.
- Scope 2 includes indirect emissions from the generation of electricity, heating and cooling purchased and consumed by Skanska. Scope 2 emissions occur at the facility where the electricity, heat and cooling is generated.
- Scope 3 includes indirect greenhouse gas emissions from sources not owned or directly controlled by the organization.

Together with Microsoft, improving transparency on embodied carbon

To reduce carbon emissions from buildings and infrastructure, Skanska and other green building leaders are increasingly focusing on embodied carbon, referring to carbon dioxide emitted during the manufacture, transportation and assembly of products and materials used during construction. Embodied carbon is a significant source of greenhouse gas emissions, yet it's challenging to make appropriate decisions on how to best manage it. For instance, within the US market existing embodied carbon calculators are not necessarily transparent or aligned with their data. This results in different outcomes depending on the tool used and no clear path to benchmarking embodied carbon as an industry.

To improve this situation, Skanska in 2018 created and seed funded the Embodied Carbon in Construction Calculator (EC3). EC3 is an open-source database of construction material information based on environmental product declaration (EPD) data. EC3 – with data on about 10,000 – materials will be made free and publicly available in 2019. This increased availability of data will improve awareness about the impacts of embodied carbon and will help drive carbon reductions by enabling more informed choices of materials. Also, it is expected to incentivize manufacturers to produce low-carbon products.

Already, Microsoft is the first large corporate pilot user of EC3, incorporating it in the modernization of its 72-acre Redmond campus near Seattle, USA. "This could have a substantial impact on reducing carbon emissions in our remodel and eventually the entire built environment," Microsoft said of EC3 in a post on the company's blog. EC3 will be managed by the University of Washington's Carbon Leadership Forum, with additional funding support from across the building sector.

1 This calculation is made according to the building performance rating method in Appendix G of ASHRAE Standard 90.1-2007, by comparing annual consumption of energy from the two models, proposed and baseline, in order to determine the energy efficiency of current projects.

During 2018 Skanska started to report scope 3 data. About one third of the business – Skanska Sweden and Skanska UK – reported scope 3 and had those figures assured by EY. This amounts to 474,000 tonnes of carbon dioxide equivalent (CO_2e) and consists of a selection of the GHG Protocols 15 scope 3 categories. Categories included are purchased goods and services including materials as cement, concrete, steel, asphalt, bitumen, sand, gravel and stone, business travel including air travel, car travel and train travel, employee commuting including fuels used for commuting and upstream transportation and distribution including fuels purchased by subcontractor.

Calculations done in analyzing procurement data show that including the supply chain in greenhouse gas assessments can increase the potential impact by several times as much compared to when only assessing Skanska's own operations. That result highlights the importance of working with customers choice of design and materials in order to impact supply chain emissions, work that provides key opportunities for innovative partnerships.

Skanska Sweden is one among several business units conducting climate calculations that involve obtaining information about products' carbon footprints during their life cycles. In the early design phase, a broad perspective, including the selection of materials and construction methods, can make projects carbon efficient both during construction and throughout their life cycle. During 2018, Skanska Sweden performed more than 400 individual life cycle climate calculations using Skanska´s own developed tool.

In 2018, Skanska achieved Leadership level A– in the CDP Climate Change rating. This indicates Skanska has implemented actions to effectively manage environmental impacts related to climate change.

Making solar power a standard feature

BoKlok, the stylish-yet-affordable housing concept owned by Skanska and IKEA, is one of the first large residential developer in Sweden to make a large-scale commitment to solar power. Beginning in 2019, BoKlok – Swedish for Live Smart – is equipping all of its apartment projects in Sweden with photovoltaic solar panels on the roof, bringing this renewable energy source to about 1,000 homes annually. This will help lower residents' energy costs and carbon emissions.

In 2019, about 2,800 square meters of solar panels will be installed, with their operation expected to decrease the carbon emissions. Furthermore, the solar panels will improve the value BoKlok provides to customers, as many homebuyers prefer green features. "We want to make it easy for customers to live affordably and sustainably," says Jonas Spangenberg, BoKlok CEO.

Direct (scope 1) and indirect (scope 2) emissions (CO_2e)

Tonnes CO_2e		2018	2017	2016	2015
Scope 1		275,173	275,537	312,800	330,758
Scope 2	Location-based method	36,824	55,464	52,704	49,207
	Market- based method	57,187	71,389	73,300	–
Greenhouse gas emission intensity [1]		1.95	2.16	2.55	–
Outside of scope [2]	Skanska Sweden and Skanska UK	7,002			

1 Scope 1 and 2 marketbased/MSEK Revenue, according to segment reporting.
2 Outside of scopes is the direct carbon dioxide (CO_2) impact of burning biomass and biofuels.

Reporting principles

Skanska calculates and reports our greenhouse gas emissions in accordance with the GHG Protocol Corporate Standard. Scope 2 emissions are calculated in accordance with the GHG Protocol Scope 2 Guidance applying the market based and location based methods.

Activity data is based on invoiced data, real-time meters, models, assumptions and estimates or data as reported by suppliers. Energy conversions are done using publically available conversion factors and emission factors are sourced from open databases like International Energy Agency, IEA (2018), DEFRA (2018) and Reliable Disclosure Systems for Europe, RE-DISS (2016). Greenhouse gases included in the reported carbon inventory are carbon dioxide (CO_2), methane (CH_4) and nitrous oxide (N_2O). Biogenic emissions of CO_2 from the combustion of biofuel and biomass are reported separately from the gross direct (Scope 1) GHG emissions as Outside of scope.

The GWP's used in the calculation of CO_2e are based on the IPCC Fourth Assessment Report (AR4) over a 100-year period. Skanska applies the financial control approach. Emissions data is subject to inherent uncertainties due to incomplete scientific knowledge used to determine emission factors and uncertainties in measurement methods and resulting effects on measurements and estimations.

Reduced waste and efficient use of resources

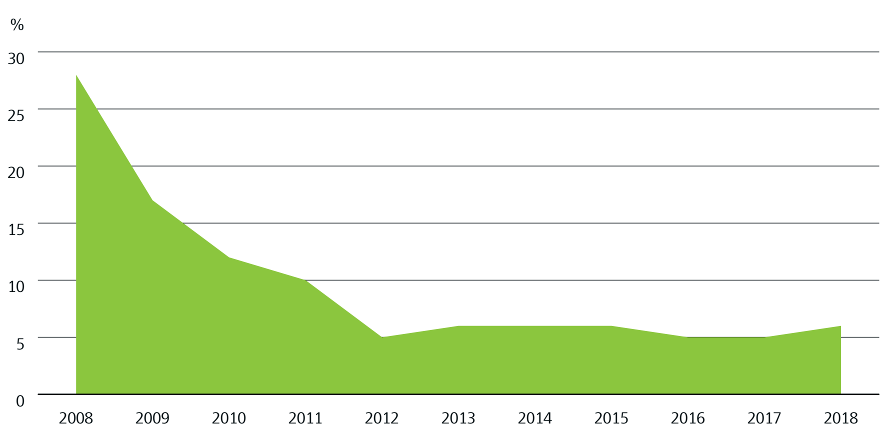
Resource efficiency, reduced and circular use of materials, and minimized waste are connected to operational efficiency and decreased environmental impacts.

Since 2008, Skanska has had a target for reducing waste. More than 10 years later, the self-generated waste that goes to landfill across the Group has declined from close to 30 percent to less than 6 percent, demonstrating this commitment and the systems and processes behind it. Several projects have gone even further, aiming to generate zero waste, in which all waste materials are put to reuse or recycling in circular loops.

On all projects, Skanska commonly includes subcontractor waste in the reporting. In those markets where the common industry practice is to exclude waste from subcontractors in such reporting, Skanska still strives to involve subcontractors in the waste minimization planning and activities.

Materials containing hazardous substance components ending up as waste are handled according to local regulations. This is tracked by measuring the amount of waste generated from projects in the local market. As part of achieving Deep Green projects, Skanska aims to eliminate the use of unsustainable materials.

Self-generated waste to landfill 2008 - 2018 [1]



1 The waste disposal method has been determined on organizational defaults of the waste disposal contractor.

Renewing roads with less carbon emissions

Worn-out asphalt pavement removed from Sweden's roads has long been re-used in making new pavement, but Skanska saw possibilities to re-use even more to further reduce carbon emissions and costs. In 2018, Skanska began commercially re-using up to 80 percent of pavement through a process the Group developed that involves blending a plant-based oil into the manufacturing process. This oil, a byproduct from the forest industry, rejuvenates the petroleum-based binder that holds the aggregates together, as the binder becomes brittle over time. This circular approach minimizes the need for new binder while maintaining road safety and quality. Together with using renewable fuels to power the asphalt plants, these methods reduce carbon emissions by up to 75 percent.

As a construction and project development company, Skanska has a considerable impact on water use, both during the construction phase and the end use of buildings and infrastructure. In many markets, water is regarded as a scarce resource and is recognized as a priority area on the Skanska Color Palette™. In 2016, Skanska started collecting water data at the Group level. Skanska is continually working to improve the Group's water management and reporting.

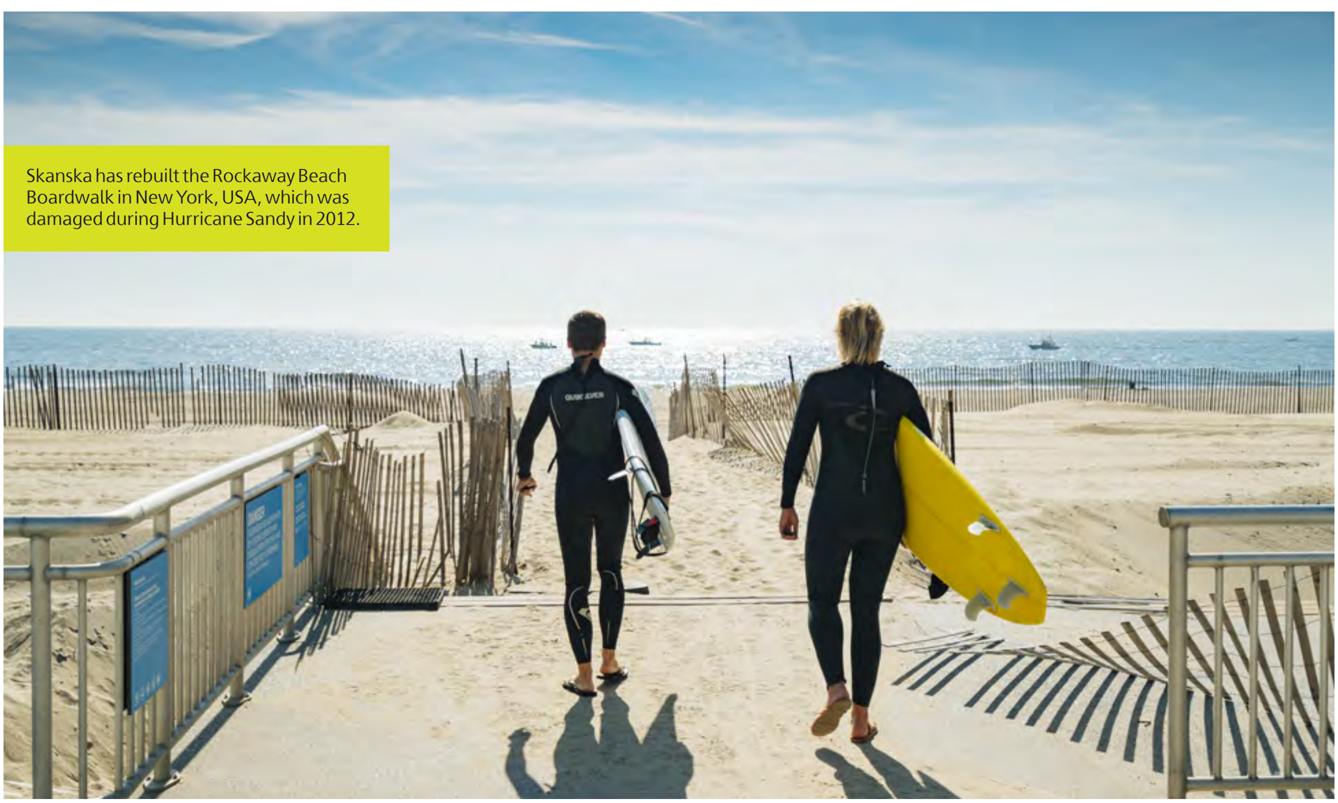
Adapting buildings to consume less water

With water forecasted to be less consistently available in many places and Skanska's Deep Green ambition of buildings that collect or produce all the water they need each year (net zero water), Skanska's Commercial Property Development units are working to lessen water use in buildings.

In the Nordic countries, efforts are centered on more efficient water fixtures and systems. In Central Europe and the USA, the focus is extended to capturing rain water and re-using it for flushing toilets and irrigation. Toilet flushing is also accomplished by using "grey water," which is waste water from sinks and showers that has been chlorinated and sterilized.

For example, Skanska's Capitol Tower in Houston, USA, incorporates a 190,000 liter tank that collects rainwater and air conditioning system condensate to use for flushing toilets and irrigation.

Skanska's Residential Development units are doing similar work.



Skanska has rebuilt the Rockaway Beach Boardwalk in New York, USA, which was damaged during Hurricane Sandy in 2012.

Green financing

Through sustainable financing, such as green bonds and loans, Skanska leverages the Group's extensive green expertise and portfolio while diversifying the investor base. This enables the Group to increase investments in sustainable commercial and residential developments at a more rapid pace than can be achieved solely through internal capital.

In 2018, Skanska issued a second round of green bonds, valued at SEK 1 billion, to supply financing for eligible Commercial Property and Residential Development projects. Strong demand for those bonds – which are listed on Nasdaq Sustainable Bond Market – demonstrated the keen interest in sustainable financing among investors. The Group's first green bond issuance was in 2014.

Guiding this latest bond issuance was the updated Skanska Green Bond Framework, which is aligned with the Skanska Color Palette™. The framework was third-party verified and deemed strong and trustworthy by the CICERO (Center for International Climate Research), internationally recognized as a leading provider of independent reviews of green bond frameworks. A key aspect of our framework is that the environmental impact reporting is aligned with the United Nations' Sustainable Development Goals.

At the end of 2018, Skanska's central debt, managed by group function Skanska Financial Services, amounted to SEK 4.3 billion, of which 85 percent consisted of green financing, including green bonds. Skanska's ambition is to have the majority of its central financing from green and sustainable loans and bonds.

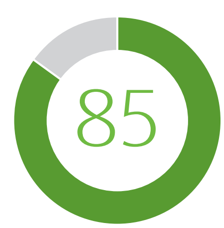
Through green bonds, enabling more sustainable developments

Skanska issued a second round of green bonds, valued at SEK 1 billion, in 2018 to provide financing for eligible Commercial and Residential Property Development projects. Under this framework, all projects funded by these bonds must be aiming for upper levels of certification under any of these third-party systems: LEED, BREEAM, DGNB or the Nordic Swan Ecolabel (Svanen). The four Commercial Development projects that these green bonds will initially help fund all aim to exceed those green requirements by targeting the highest LEED levels, Platinum or Gold:

- **2+U, Seattle, USA:** 38-story office tower
- **Sthlm 01, Stockholm:** 27-story office tower
- **Epic, Malmö, Sweden:** 6-story office tower
- **Centrum Poludnie 2, Warsaw, Poland:** Two buildings, 15- and six stories

Green financing

Measured as percentage of total central debt[1] that is Green, according to Green Bond Framework or other investor green demands.



1 Funding managed by group function Skanska Financial Services.

Sustainable cities and industry

More than half of the Earth's population lives in urban environments and the trend is that it will only increase, along with increased sustainability requirements. Due to global warming and increased frequency of extreme weather, such as heat waves, floods, drought and intense precipitation, the demand for resilient solutions is rising. That includes buildings, transportation, water management and energy solutions.

In cooperation with citizens, local communities, authorities and other stakeholders, Skanska identifies how to address some of society's most important social and environmental challenges. Some examples are:

Exposition Phase 2 Light Rail, Los Angeles, USA, used the Envision certification system to develop a sustainable project looking beyond the needs of today.

- Developing offices and residential areas with good access to public transportation, and facilitating bicycle and electric car sharing pools.
- Utilizing Skanska's patented Deep Green Cooling technology – cooling buildings through a unique geothermal system – on Commercial Property Development projects in the Nordics and Europe.
- Engaging in stakeholder dialogues and arenas for political discussions, such as Almedalen Week in Sweden, the Shared Value Summit in New York City and a roundtable on the United Nations' Sustainable Development Goals held at the UN headquarters and organized in part by the International Chamber of Commerce and the UN Department of Economic and Social Affairs. In such settings, Skanska shows the opportunities of sustainable development and construction.
- Creating much-needed affordable, yet stylish homes in the Nordics through BoKlok, a partnership of Skanska and IKEA. The market opportunities and sustainability aspects are highlighted in a Stanford University case study on BoKlok, released in 2018.

Public customers represent 60 percent of Skanska's Construction revenue. Influencing public customers to increase demands regarding sustainable solutions and seek added value in procurement provides great business opportunities for Skanska. Also, by engaging in organizations in the construction industry and beyond, Skanska can drive change by showing good examples and leadership.

Skanska constantly aims to improve construction industry standards. Skanska´s Color Palette™ was launched in 2009, and was a way to set the framework for Skanska´s Journey to Deep Green and to influence customers and the industry. Supporting and using third-party environmental certification systems for building and infrastructure projects – including Living Building Challenge, LEED, Envision, BREEAM and CEEQUAL – continues to raise the bar for green construction. Examples of Skanska's leadership include:

- Skanska has contributed expertise and support to developing Envision, a main sustainability certification system for civil infrastructure in the USA, now used by 45 government agencies.
- Skanska has pioneered the use of the international CEEQUAL infrastructure sustainability certification system in Sweden, Norway and Finland. In Norway, in 2018 the Storåselva power plant became the first Norwegian project certified under CEEQUAL. In Finland, the Lahti Southern Ring Road aims to be Finland's first CEEQUAL-certified road project.
- All Skanska Commercial Property Developments must achieve at least LEED Gold, and all Residential Developments in Sweden are certified under the Nordic Swan Ecolabel (Svanen) and all those in Norway will be certified under BREEAM NOR beginning in 2020.
- The Group has committed to certifying all Commercial Property Development projects in Central Europe under the WELL Building Standard, which helps buildings support personal health and well-being. During 2018, Skanska had 17 pre-certified WELL projects, meaning that based on their design they will likely achieve final certification.

Driving a carbon neutral construction industry

To support Sweden's target of climate neutrality by 2045, key industries – including construction – were asked by the Government to prepare roadmaps describing how they will become fossil free while also increasing competitiveness. Skanska in Sweden led the development of the construction and civil engineering roadmap, which was endorsed by about 70 organizations spanning the value chain and, in April 2018, presented to the Government. Key milestone include halving emissions by 2030 and reducing emissions 75 percent by 2040, compared to 2015 measures. This roadmap will drive a fossil-free agenda that extends to such related sectors as steel and concrete.

Building for resilience at the top of the world

Svalbard, a Norwegian archipelago well within the Arctic Circle, is naturally a harsh place to live. In recent years the environment has become even more challenging, as Svalbard's main village was hit by avalanches that destroyed many homes. In 2018 and into 2019, Skanska is delivering modular homes to help this village quickly rebuild.

These housing modules, each the size of a large truck trailer, are delivered by sea from a Skanska manufacturing plant on mainland Norway. This controlled environment is key to ensuring highly efficient production with strong focuses on safety, quality and minimizing waste. The modules arrive nearly complete, inside and out, ready to be assembled by crane into full houses. They are a key part of the solution – delivered with partners – to ensure these new homes will last for at least 60 years in the warming Arctic climate. Melting permafrost is beginning to be another new and serious challenge for Svalbard, and so to ensure the homes' ongoing functionality they will be supported by steel frames driven into the earth. Previously, such deep foundations were not necessary.

In another aspect of resiliency in the harsh climate, the homes are built to need little maintenance and to be highly energy efficient.

Community Investment

Skanska is committed to supporting local communities by leveraging the Group's business to address local social challenges. Skanska's approach to community investment aims to create shared value, both social and economic, for local communities and customers, as well as for Skanska. The Group's three Community Investment focus areas – employability, education and design for social impact – all relate to Skanska's core business and expertise.

Within employability, opportunities for diverse groups to enter the job market are created together with partners by providing skills, opportunities and, when possible, employment. When it comes to education, Skanska supports schools and other organizations by providing students with role models and learning opportunities to help inspire further study.

In addition, design for social impact Skanska strengthens communities through design by utilizing holistic design solutions for projects. This can involve creating integrated movement patterns to reduce segregation; opening shared spaces to enhance trust, health and safety; and generating inclusiveness by improving accessibility for people with disabilities.

There is a lack of systematic, comparable ways to measure and report economic and social impacts from community investment. However, Skanska has started to explore ways to measure impacts more systematically. Measuring business and societal impacts will be the focus of a strategic research collaboration with the University of Örebro and Stockholm School of Economics that Skanska began in 2018.

One example of reporting economic value involves two Residential Development projects in Gothenburg, Sweden. Through them, Skanska offered internships of at least three months to long-term unemployed people in the local community. As a result, eight out of the 11 people received permanent employment with Skanska or other companies. The rest chose to continue their educations. According to an external auditor, doing societal cost benefit analyses of the results, this will produce a SEK 8 million within two years.

Increasingly, providing value to society is a part of the public procurement process in several Skanska home markets. Understanding what criteria, societal and environmental, as well as financial return, the public customer value is vital to identify business opportunities.

Skanska is pursuing international WELL Building Standard certification for all Commercial Development projects in Central and Eastern Europe, including Spark in Warsaw, Poland.

Helping small businesses succeed

In the USA, Skanska's Construction Management Building Blocks and similar programs provide training to help companies owned by women and ethnic minorities compete for business, despite the social and economic challenges they often face. Since 2006 Skanska has worked with more than 424 such companies in the New York City metro area alone, providing some 9,700 hours of training to help them compete for major contracts. By providing education and support, including structuring work packages to be more suitable for smaller firms, Skanska bolsters the Group's supply chain. This improves Skanska's ability to be competitive while strengthening the industry and society.

Diversity and inclusion

Diverse and inclusive teams outperform homogenous teams, and diverse and inclusive organizations increase their ability to attract and retain top people. Furthermore, inclusive workplaces foster healthy and safe work environments.

Diversity and inclusion offers key benefits but there are key challenges too, especially with the construction sector – including Skanska – being comprised primarily of men.

As part of driving change, Skanska encourages and develops leaders to be excellent at fostering an inclusive culture. The Group's work within inclusion aims to go beyond specific aspects of diversity addressed in legislation by creating workplaces characterized by openness, fairness, trust and respect – environments inclusive for all.

Business units are responsible for adapting Skanska's overall Diversity and Inclusion Vision and strategy into appropriate action plans and targets. Skanska has a community of inclusion advocates, senior leaders from business units who – together with the Human Resources function – support units' development of diversity and inclusion plans and actions.

Surpassing benchmarks

Skanska is making continued progress with diversity and inclusion. Regarding 2018 results from the Group's annual employee survey, positive responses to diversity and inclusion questions exceeded external benchmarks, and the gap between Skanska and the benchmark results continued to increase.

The 2018 employee survey results showed a strong correlation between inclusive leadership and employees' effectiveness and intention to stay with Skanska. Thus by the Group's culture becoming more inclusive, this helps lessen a business risk: the lack or loss of key employees. The 2018 survey also revealed a link between inclusive leadership and a culture of care, a key aspect in Skanska's safety work.

Diversity performance

Gender is the diversity component tracked at Group level. Other aspects of diversity, such as ethnicity or cultural background, are tracked by business units but not on Group level, since definitions differ between countries.

Targets for diversity and inclusion have been part of all units' business plans since 2015.

Employees by gender

	2018, %		2017, %		2016, %	
Category	Men	Women	Men	Women	Men	Women
All employees	83	17	83	17	83	17
Senior executives	67	33	67	33	78	22
Senior positions (level 3-6)	78	22	78	22	80	20
Skanska AB Board of Directors [1]	43	57	50	50	63	37

1 Elected at Annual General Meeting.

Creating inclusive environments with supply chain partners

Promoting diversity and inclusion through procurement and supply chain activities has been a core focus of the A14 Integrated Delivery Team – a construction joint venture that includes Skanska – in delivering the UK's biggest road upgrade for Highways England. For example, the supplier selection process involved innovative behavioral assessments, which included placing bidders in interactive scenarios to measure their organizations' collaborative and inclusive behaviors. Behavioral aspects accounted for more than 20 percent of the bid scoring for key procurement packages. The team's open procurement approach has created opportunities for a more diverse supplier pool, including small businesses, to bid for work.

The behavioral journey with suppliers did not stop at the selection stage. For instance, the team has proactively managed these partners by holding more than 100 fully 360-degree performance reviews, inclusive of all internal project stakeholders, to collectively drive high performance throughout the project organization. For such cutting-edge work, the team was a finalist at the 2018 World Procurement Awards, competing for the Supply Chain Initiative Award against such global multinationals as Intel, Bayer and GlaxoSmithKline.

Skanska Sweden is one of the most successful business units when it comes to diversity. Skanska Sweden has set targets to increase the number of women in senior line positions (level 3-6), aiming for 30 percent of women in those roles by 2020, compared to 10 percent in 2015. The share of women in Skanska Sweden´s senior line positions reached 18 percent in 2018.

Among business unit Presidents (BUPs), there is diversity regarding nationalities but 11 of the 12 BUPs are men. Increasing the number of women in top positions – and throughout Skanska – is a long-term effort. In 2018, four of the shareholder-elected directors in Skanska´s Board are women.

Skanska's ways of working with diversity and inclusion have been externally recognized.

57%

Women are members of Skanska's Board

ESS, European Spallation Source, Lund, Sweden.

Sustainability governance

Sustainability is closely linked to Skanska's core business through the Skanska values, Skanska's Purpose and the Profit with Purpose Business and Plan 2016-2020.

The management of sustainability follows the Group Governance Framework and internal audit procedures pages 56-64. The Code of Conduct Group Policy is based on the Skanska values and sets the standard for the daily behavior of employees. The Group Governance Framework is decided by the Board. The business units are responsible to comply with what is stated in the Group Policies and Group Procedures and Standards. The framework for sustainability is set by the Code of Conduct, Skanska Group Environmental Policy, Skanska Group Health and Safety Policy, Group Health and Safety Standards, Safety Metrics Reporting Procedure, Skanska Color Palette™, Global Restricted Substances List, Green Metrics, Reporting Procedure, Skanska Green Bond Framework, Health and Safety Road Map, Anti-corruption Policy, Sanctions Procedure, Code of Conduct Program, Human Resource Policy, People Strategy and Diversity and Inclusion Strategy.

To strengthen Skanska's sustainability ambitions in relevance to business the Skanska Sustainability Business Forum, including members from Group Leadership Team, is a body for anchoring strategic decisions.

It is mandatory for business units to be third-party certified according to the ISO 14001 environmental management standard. In 2018, Skanska received no major non-conformance (MNC) citations from external auditors. From 2019, all business units must also have an externally certified management system for health and safety, such as OHSAS 18001. This latter certification is already achieved by 90 percent of Skanska.

Sustainability performance is assessed via key performance indicators (KPIs) and the annual Group-wide employee survey. Employees are annually evaluated according to their capability to drive sustainability. Sustainability – through health and safety parameters – is part of incentive programs for business unit management teams.

Stakeholder dialogue and materiality assessment

An open and ongoing dialogue with stakeholders is a key component in day-to-day operations and long-term planning. This provides important insights regarding needs, expectations and challenges. One important tool for internal stakeholder dialogue is the annual Group-wide employee survey.

To identify Skanska's most material sustainability areas, a materiality assessment is performed every two years. During 2018, Skanska performed a structured stakeholder dialogue – including an online survey and interviews – with external and internal stakeholders. Key questions were selected and aligned with regulations, the UN Sustainable Development Goals, UN Global Compact, GRI Standards, along with current industry trends and benchmarks.

The responses were evaluated and mapped to identify the most material sustainability areas. Group management established the final materiality assessment.

Notable changes from the materiality assessment presented in the 2017 sustainability report include a higher priority given to environment and climate, as well as sustainability throughout the supply chain.

The most important stakeholder groups are:
- Shareholders/investors/banks
- Customers
- Suppliers/subcontractors
- Non-governmental organizations (NGOs)
- Employees
- Management

Construction

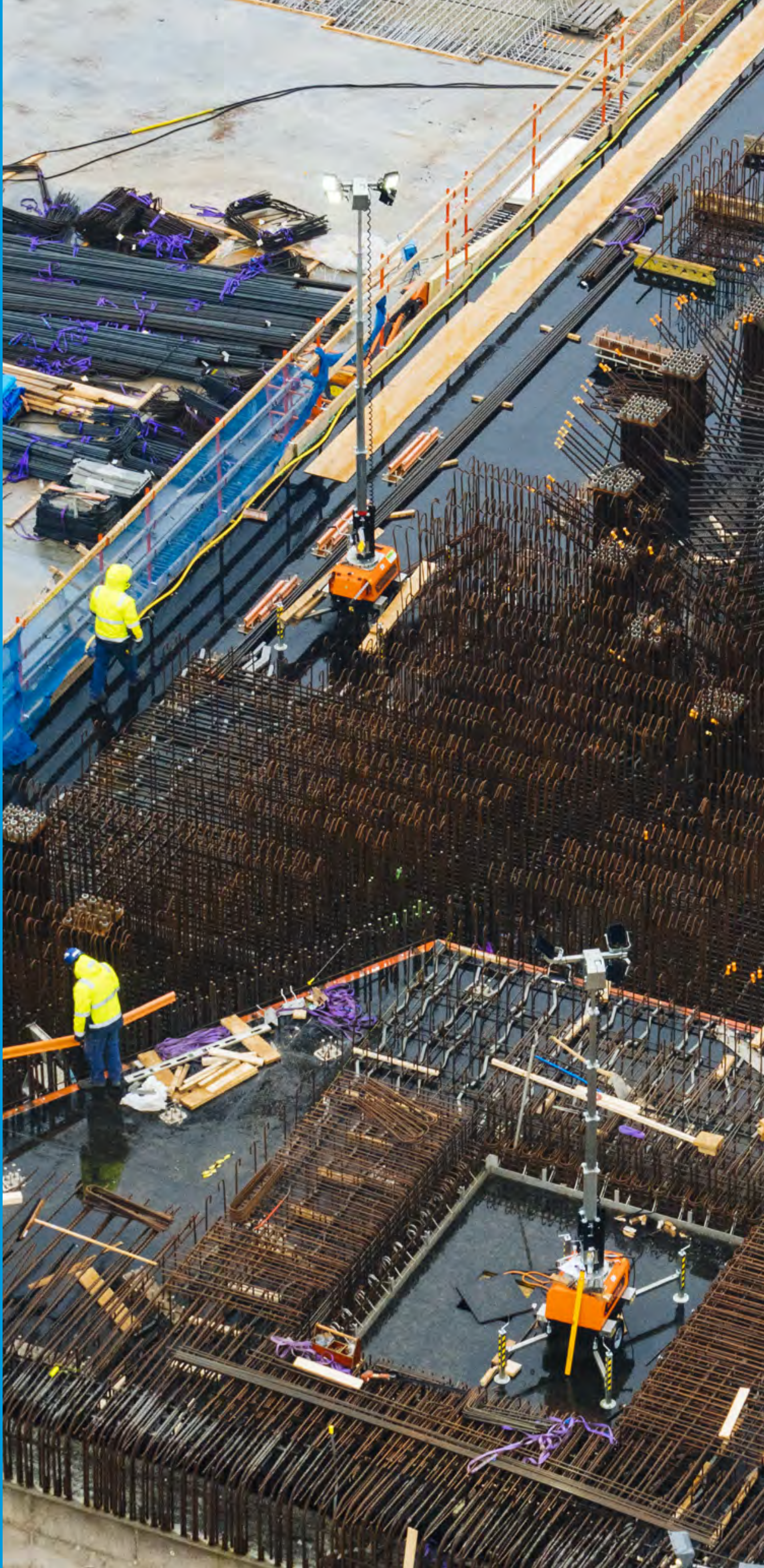
Advancing science and sustainability

European Spallation Source (ESS), Lund, Sweden

ESS will be the most powerful research facility of its type, using neutrons to enable scientific breakthroughs with materials, energy, health and the environment. The pioneering research conducted there will enable new and better computer chips, plastics, batteries, pharmaceuticals and much more, helping improve people's daily lives.

Aiming to be one of the world's most sustainable research centers, ESS is committed to a three-part energy concept: responsible, renewable and recyclable. To support this, it has cut its energy needs by more than half, down to the equivalent of the annual consumption of about 40,000 apartments when in full operation. Also, through an innovative partnership between ESS and energy company E.ON, surplus energy will be recycled into a local district heating network, further decreasing costs and carbon emissions.

Additionally, ESS' 69 hectare site will become a model for biodiversity, with plants native to the local area and new habitats for bees and other species. This will support the surrounding farmland with ecosystem services such as pollination while providing a peaceful environment for visitors and ESS employees.



Financial analysis

Revenue increased both in Swedish kronor and in local currencies, while operating income according to segment reporting fell both in Swedish kronor and in local currencies compared to the previous year. The overall profitability in Construction was weak. The operating income was negatively affected by impairment of goodwill in USA, restructuring of business units within Construction in Europe and project write-downs in Poland and USA of SEK 2.8 billion in total. The project write-downs of SEK 2.0 billion in total, were caused by delays and cost increases in projects as well as lower productivity. The Construction operations in Sweden and Finland remained strong during the year. In the beginning of 2018, strategic initiatives to improve performance and reduce risk in Construction operations were taken in several of Skanska's operating units. Gradually, Skanska has already started to see the impacts of these initiatives. Orderbookings were good, with the Nordics having higher order bookings than revenue during 2018. The order backlog at the end of the year amounted to SEK 192.0 billion, which is equivalent to 14 months of production. The Residential Development business stream showed a strong profitability despite reduced volumes due to a slow Swedish market. A mix-shift in Skanska's diversified portfolio, combined with good project risk management, contributed substantially to the maintained profitability. In addition, release of provisions as well as land divestment gains affected the result. The Swedish market continues to be burdened by an oversupply of new homes. A further weakening in confidence among home buyers regarding the future direction of home prices is impacting the market negatively. Commercial Property Development had a very active and profitable year on all three home markets. During 2018, the Nordics, Central Europe and USA made divestments of SEK 15.7 billion with gains from property divestments of SEK 4.0 billion according to segment reporting. At the end of the year, Commercial Property Development had 53 ongoing projects. Skanska leased 511,000 square meters during the year. Leasing is an important factor in the company's ability to realize surplus value generated in future years.

The Infrastructure Development business stream reached financial close on Norway's Rv 3 road PPP-project (public-private partnerships) during the year. The Infrastructure Development business stream was restructured during the year and the focus going forward will be on managing and securing the value of Skanska's existing PPP assets.

Market outlook

Construction

In Construction the overall market activity is high but is expected to level out. The non-residential and civil markets in Sweden are very strong, although the landscape is competitive. The residential building market has come down from a high activity level. In Norway, the outlook for the civil market remains positive, but with significant competition in new bids. The non-residential market also benefits from increased public investments, while investments in the residential building market are lower. The overall market situation in Finland is stable except for a slight slowdown in the residential building market.

In the UK the uncertainty related to Brexit is limiting investments in the non-residential building market. The civil market is stable. In Central Europe there is a high activity level in general and construction related inflation is high. In Czech Republic the civil market is still very competitive but contract conditions is expected to improve. In USA the overall market is strong. The civil construction market remains good, although competition is intense, and the building construction market is strong in sectors such as aviation, education, data centers and healthcare.

Residential Development

The overall Swedish residential market is weak and there is an oversupply of new built homes which impacts Skanska's market segments and product range negatively. Confidence among home buyers is decreasing due to uncertainty about factors impacting the direction of home prices such as future economic growth, employment, interest rates, credit supply among other things. This is expected to impact the market negatively going forward. The underlying housing needs should however be supportive long-term. In Norway the market situation is a bit more stable than in Sweden and the Finnish market is solid. The Central European market is slowing down after a period of strong growth.

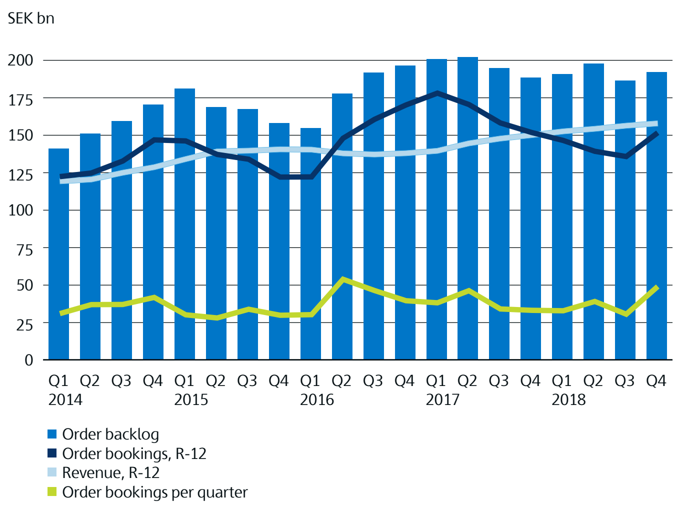
During 2018, the number of homes sold totaled 3,653 (4,285) and the number homes started totaled 4,480 (4,318) of which BoKlok sold 926 (1,195) homes and started 1,158 (1,257) homes. At the end of the year, 7,539 homes (7,243) were under construction. Of these, 68 percent (76) were sold.

Commercial Property Development

Vacancy rates for office space in most of the Nordic and Central European cities where Skanska has operations are stable. In Sweden vacancy rates are low and rents are high. Demand for office space is strong in Poland and in other parts of Central Europe as well. In USA, demand from tenants is good in Boston and Seattle, while somewhat weaker in Washington D.C. and Houston's energy corridor. Modern properties with high quality tenants are in demand from property investors, resulting in attractive valuations for these properties. Investor appetite remains strong in the Nordics, especially Sweden, USA and Central Europe, but the number of shortlisted investors in transactions are fewer and more selective regarding investment objects. Yield levels in Sweden and in USA have likely bottomed out.

At the end of the year, Commercial Property Development had 53 ongoing projects, representing leasable space of 1,154,000 square meters.

Construction order bookings, order backlog and revenue



Order bookings

Order bookings amounted to SEK 151.7 billion (151.8) (decreased 3 percent in local currency). Order bookings in SEK were 4 percent lower than revenue in 2018, compared to 1 percent higher order bookings than revenue last year. Overall, order bookings were good, and particularly strong in the Nordic operations.

Order bookings and order backlog

	Order bookings		Order backlog	
SEK M	**2018**	**2017**	**2018**	**2017**
Nordic countries	65,239	54,720	61,639	53,779
of which Sweden	35,922	33,317	35,388	34,954
Europe	30,557	32,401	34,941	38,158
USA	55,923	64,690	95,462	96,474
Total	**151,719**	**151,811**	**192,042**	**188,411**

Order backlog

The order backlog increased by 2 percent and at the end of the year amounted to SEK 192.0 billion (188.4). The order backlog is equivalent to 14 (15) months of production. The US, Nordic and European operations accounted for 50, 32 and 18 percent respectively of the order backlog.

Segment and IFRS Reporting

The Group reports its Residential Development and Commercial Property Development segments according to a method described in Note 1. The differences between the two methods of reporting revenue and operating income are summarized in the tables to the right.

Revenue

SEK M	2018	2017
Revenue by business stream according to segment reporting		
Construction	157,894	150,050
Residential Development	10,739	13,237
Commercial Property Development	16,271	11,440
Infrastructure Development	105	81
Central and eliminations	–14,515	–13,985
Total revenue according to segment reporting	**170,494**	**160,823**
Difference in accounting principles	1,236	–2,946
Total revenue according to IFRS	**171,730**	**157,877**

Revenues according to IFRS increased by 9 percent (increased 6 percent in local currency) to SEK 171.7 billion (157.9). Revenue according to segment reporting increased by 6 percent (increased 3 percent in local currency) to SEK 170.5 billion (160.8). In the Construction business stream, revenue rose in SEK by 5 percent. SEK 22.2 billion (22.8) of revenue in Construction, equivalent to 14 percent (15), was generated by the Group's Project Development operations. Of the SEK 10,739 M (13,237) in Residential Development revenue, SEK 160 M (875) is from joint ventures and this has been included line by line according to the proportional method in segment reporting.

Operating income

SEK M	2018	2017
Operating income by business stream according to segment reporting		
Construction	1,099	1,205
Residential Development	1,505	1,716
Commercial Property Development	3,069	2,714
Infrastructure Development	31	925
Central	–811	–944
Eliminations	–66	–112
Operating income according to segment reporting	**4,827**	**5,504**
Difference in accounting principles	820	–926
Operating income according to IFRS	**5,647**	**4,578**

Operating income according to IFRS increased by 23 percent (increased 21 percent in local currency) to SEK 5,647 M (4,578). Operating income according to segment reporting amounted to SEK 4,827 M (5,504).

Impairment losses on current and non-current assets were charged to operating income in the amount of SEK –677 M (–875), mainly attributable to intangible assets in the Construction business stream.

Construction

In the Construction business stream, operating income decreased by 9 percent to SEK 1,099 M (1,205). The operating margin was also lower than in the previous year and amounted to 0.7 percent (0.8). Operating income was affected by impairment losses on goodwill, project write-downs and restructuring charges of SEK 2.8 billion in total. Project write-downs of SEK 1.4 billion in total, relate to the US operations. A goodwill impairment charge of SEK 0.4 billion are associated with the process of exiting the US power sector. The European construction operations were affected by restructuring charges of SEK 0.4 billion as well as project write-downs in the Polish operations of SEK 0.6 billion. Claim resolutions in the US civil operations and effects of pension curtailments in the UK had a positive impact of SEK 0.5 billion in total. The performance in the Nordic was strong and stable, mainly driven by Sweden and Finland.

Residential Development

Operating income in the Residential Development business stream amounted to SEK 1,505 M (1,716) and the operating margin of the business stream increased to 14.0 (13.0) percent. The operating income includes a positive effect from release of provisions as well as land divestment gains of SEK 0.5 billion in total. Excluding the release of provisions and land divestments the operating margin was 10 percent. Impairment losses on current assets in Residential Development were charged to earnings in the amount of SEK –72 M (–14).

Commercial Property Development

Operating income in the Commercial Property Development business stream amounted to SEK 3,069 M (2,714). Properties were sold during the year for a value of SEK 15,720 M (10,867), generating capital gains of SEK 4,005 M (2,879). During the year there were impairment losses of SEK–107 M (–6).

Infrastructure Development

Infrastructure Development will be concentrating on securing and managing the value in Skanska's existing PPP-assets and realizing these development gains over time. Consequently, as of 2019, Infrastructure Development is no longer a business stream and is reported in Central on a separate line.

Operating income in the Infrastructure Development business stream totaled SEK 31 M (925) and includes restructuring charges of SEK 120 M. The comparable period contains the divestment of the investment in the A1 motorway project in Poland. Impairment losses were charged to earnings in 2018 in the amount of SEK –9 M (–11).

Central

Central expenses amounted to SEK –811 M (–944), including restructuring charges of SEK 100 M.

Elimination of intra-Group profits

Eliminations of intra-Group profits amounted to SEK –66 M (–112). At the Group level, this included elimination of profits relating to property projects in the Construction business stream. Eliminations are reversed when the projects are divested.

Return on equity and capital employed according to segment reporting

Return on equity according to segment reporting amounted to 14.1 percent (18.6) and return on capital employed in project development operations amounted to 13.0 percent (14.5) according to segment reporting.

Investments/Divestments

SEK M	2018	2017
Operations - investments		
Intangible assets	–225	–255
Property, plant and equipment	–2,351	–1,876
Assets in Infrastructure Development	–62	–449
Shares	–37	–154
Current-asset properties	–21,849	–21,451
Of which Residential Development	–10,449	–10,801
Of which Commercial Property Development	–11,400	–10,650
Operations - investments	**–24,524**	**–24,185**
Strategic investments		
Investments of businesses	–16	
Strategic investments	**–16**	**0**
Total investments	**–24,540**	**–24,185**
Operations - divestments		
Intangible assets	6	1
Property, plant and equipment	420	213
Assets in Infrastructure Development	80	1,950
Shares	12	458
Current-asset properties	27,322	20,477
Of which Residential Development	12,068	11,767
Of which Commercial Property Development	15,254	8,710
Operations – divestments	**27,840**	**23,099**
Total net divestments (+)/investments (–)	**3,300**	**–1,086**
Depreciation/amortization, non-current assets	–1,780	–1,587

The Group's investments totaled SEK –24,540 M (–24,185). Divestments amounted to SEK 27,840 M (23,099) and the Group's net divestments amounted to SEK 3,330 M (–1,086). Net divestments in current–asset properties amounted to SEK 5,473 M (–974). In Residential Development investments in current–asset properties amounted to SEK –10,449 M (–10,801), of which SEK –1,599 M (–2,437) was for land, equivalent to 3,333 (7,215) in building rights. Homes were handed over for a volume of SEK 12,068 M (11,767). Net divestment of current–asset properties in Residential Development amounted to SEK 1,619 M (966).

In Commercial Property Development investments in current–asset properties amounted to SEK –11,400 M (–10,650), of which SEK –994 M (–1,386) was for land. Divestments of current–asset properties amounted to SEK 15,254 M (8,710). Net divestment of current–asset properties in Commercial Property Development amounted to SEK 3,854 M (–1,940).

Consolidated operating cash flow

SEK M	2018	2017
Cash flow from business operations	394	1,057
Change in working capital	4,040	3,866
Net investments (–)/divestments (+)	3,316	–1,086
Accrual adjustments	–39	–243
Taxes paid in business operations	–443	–892
Cash flow from business operations including taxes paid	**7,268**	**2,702**
Net interest items and other financial items	156	253
Taxes paid in financing activities	–47	–76
Cash flow from financing activities	**109**	**177**
Cash flow from operations	**7,377**	**2,879**
Strategic net divestments (+) / investments (–)	–16	0
Dividend etc[1]	–3,472	–3,879
Cash flow before change in interest-bearing receivables and liabilities	**3,889**	**–1,000**
Change in interest-bearing receivables and liabilities	–311	2,619
Cash flow for the year	**3,578**	**1,619**
Cash and cash equivalents, January 1	6,998	5,430
Exchange-rate differences in cash and cash equivalents	146	–51
Cash and cash equivalents, December 31	**10,722**	**6,998**
1 Of which repurchases of shares	–72	–440

Cash flow for the year amounted to SEK 3,578 M (1,619).

Cash flow from operations amounted to SEK 7,377 M (2,879). The increased cash flow is related to increased divestments in Commercial Property Development and change in working capital in Construction. Taxes paid in business operations amounted to SEK –443 M (–892).

Cash flow for the year of SEK 3,578 M (1,619) combined with translation differences of SEK 146 M (–51) increased cash and cash equivalents, which amounted to SEK 10,722 M (6,998).

Commercial Property Development assets sold but not yet transferred as of December 31, 2018 will have a positive effect on cash flow of SEK 5.5 billion, of which SEK 2.6 billion will be received during 2019. The remainder will impact cash flow during 2020–2021.

For financial position in 2018, see Note 6 and Note 14.

Return on equity and capital employed

At the end of the year, equity attributable to equity holders amounted to SEK 29,250 M (27,064). Apart from comprehensive income for the year of SEK 5,517 M, the change in equity is mainly explained by dividends of SEK –3,373 M and repurchases of shares totaling SEK –72 M, as well as share-based payments in connection with long-term employee ownership programs (Seop) totaling SEK 254 M.

Return on equity increased to 16,4 percent (15.5). Capital employed at year-end amounted to SEK 46,187 M (44,111). Return on capital employed amounted to 13.0 percent (11.1).

Equity/assets ratio

The net debt/equity ratio amounted to –0.1 (0.0) and the equity/assets ratio amounted to 25.2 percent (24.8).

For financial position in 2018 see Note 6 and Note 14.

Parent Company

The Parent Company carries out administrative tasks and includes the Group Leadership Team and group functions. Profit for the year amounted to SEK 3,970 M (4,321) and mainly consisted of dividends from subsidiaries. The average number of employees was 118 (124).

Remuneration to senior executives

For information about the most recently approved guidelines for determining salaries and other remuneration for the President and CEO and other senior executives, see Note 37. In March 2019, the Board will present a proposal to the Annual General Meeting to retain the current guidelines for salaries and other remuneration of senior executives.

The Board's proposal for salaries and other remuneration to senior executives for approval by the 2019 Annual General Meeting

Remuneration to the senior executives in Skanska AB (publ) shall consist of fixed salary, possible variable remuneration, other customary benefits and pension. The senior executives include the CEO and the other members of the Group Leadership Team. The combined remuneration for each executive must be market-related and competitive in the labor market in which the executive is placed, and distinguished performance should be reflected in the total remuneration.

Fixed salary and variable remuneration shall be related to the senior executive's responsibility and authority. The variable remuneration shall be payable in cash and/or shares and it shall be capped and related to the fixed salary. Distribution of shares shall have a vesting period of three years and be part of a long-term incentive program. The variable remuneration must be based on results in relation to established targets and be designed to increase the alignment between the shareholders and executives of the company. The terms for variable remuneration should be structured so that the Board, if exceptional economic conditions prevail, has the possibility to limit or refrain from paying variable remuneration if such a payment is considered unreasonable and incompatible with the company's responsibility in general to the shareholders, employees and other stakeholders. For annual bonus there should be a possibility to limit or refrain from paying variable remuneration if the Board considers that this is appropriate for other reasons.

To the extent that a Board member performs work for the company, besides the Board membership, consultant fee and other remuneration may be granted for such work.

In the event of employment termination by the company, the normal period of notice is six months, combined with severance pay corresponding to a maximum of 18 months of fixed salary or, alternatively, a period of notice of maximum 12 months combined with severance pay corresponding to a maximum of 12 months of fixed salary.

Pension benefits should be either defined-benefit or defined-contribution schemes, or a combination of these, and should entitle the executive to the right to receive a pension from the age of 65. However, a pension at age of earliest 60 years may be granted in individual cases. For defined benefit plans years of service required for fully earned benefits shall normally correspond to the years of service required for general pension plans in the same jurisdiction.

Variable salary shall not be included in pensionable salary except when it follows from rules under a general pension plan (like the Swedish ITP plan). The Board may under special circumstances deviate from these principles in individual cases.

Matters related to remuneration to the CEO is prepared by the Compensation Committee and decided by the Board. Matters related to remuneration to other senior executives are decided by the Compensation Committee.

Skanska employee ownership program (Seop)

The purpose of the Seop is to strengthen the Group's ability to retain and recruit qualified employees and to align those more closely to the company and its shareholders.

The program provides employees with the opportunity to invest in Skanska shares while receiving incentives in the form of possible allotment of additional shares. This allotment is predominantly performance-based. Shares are only allotted after a three-year vesting period. To be able to earn matching shares and performance shares, a person must be employed during the entire lock-up period and have retained the shares purchased within the framework of the program. In 2018, costs related to the Seop program amounted to SEK 254 M, see further Note 26 and 37.

The accounting principles applied for the employee ownership programs can be found in Note 1 IFRS 2 Share-based Payment.

Research and Development

Innovation is crucial for Skanska to retain a leading market position, enabling the Group to provide the solutions needed by customers, now and well into the future. Through innovation, Skanska identifies, develops and apply new technical products, services and processes, increasingly working with external partners. This focus – part of the 2020 business plan's Operational Excellence aspect – generates enhanced value for Skanska's shareholders and customers.

As part of Skanska's work during 2018 to strengthen the Group's decentralized structure, responsibility for research and development was fully transferred from Skanska Group Headquarters to the business units. This supports greater speed and agility in leveraging research and development to meet business needs. Various internal networks and communications platforms facilitate sharing knowledge across the Group. Research and development priority areas include sustainability – including green and health and safety – and digitalization.

Research partnerships

In several countries, Skanska is involved in large national research programs. In Sweden, Skanska is involved with five such programs totaling SEK 1.3 billion in funding over multiple years. Among these are Smart Built Environment, a strategic innovation program focused on how the built environment can contribute to Sweden's journey to the global forefront of digitalization. Skanska is part of the Smart Built Environment governing board. Another research project is GrowSmarter, which demonstrates "smart city solutions" in energy, infrastructure and transport to help achieve a smart, sustainable Europe.

Also, the Group actively participates in research projects funded by leading industry organizations, including the Swedish Construction Industry Development Fund (SBUF). For example, many of Skanska Sweden's 125 ongoing research projects are supported by SBUF.

Skanska actively collaborates with universities in the Group's home markets. In Sweden, for example, Skanska supports about 20 PhD students and employs about 50 people with a PhD or other research degree. Skanska's adjunct professors advance learning by sharing their professional experiences in such areas as construction automation, energy and concrete.

In Norway, Skanska participates in several significant research and development projects, such as Zero Emission Neighborhoods in Smart Cities and Climate 2050, aimed at reducing the societal risks associated with climate changes and enhanced precipitation and flood water exposure within the built environment.

Additional research examples

Further examples of current research and development initiatives across the Group include:

- Achieving smart, digitally connected building sites, with associated smart supply chains, to shorten construction times, increase productivity and reduce costs, safety risks and climate impacts. This collaboration with Linköping University, Luleå University of Technology, the Swedish innovation agency Vinnova and other partners also aims to create the conditions for new business models and increased profitability for construction companies.
- Electrifying and automating quarry operations through collaborations with Volvo Construction Equipment, the Swedish Energy Agency and two universities, Linköping and Mälardalen. The aim of this initiative, called Electric Site, is to achieve up to a 25 percent reduction in total operating costs, up to 95 percent lower carbon emissions, and a safer and healthier work environment. Also, Skanska is collaborating with other partners – including Oslo Municipality and Nasta AS – to develop a 30-ton excavator to be fueled by batteries, hydrogen fuel cells or a combination, making it mobile on sites.
- Exploring how "smart building" systems can improve buildings' operating performance and tenant functionality. For example, Connected by Skanska is an operating system developed by the Group that uniquely integrates such building functions as parking and guest check-in with users' mobile devices. This unified offering eliminates traditional building access cards, increasing convenience and safety.

- Implementing a new technique developed by Skanska to renew roads with less carbon emissions. By using a plant-based oil that enables the reuse of up to 80 percent of used asphalt pavement, this circular approach minimizes the need for new petroleum-based binder while maintaining road safety and quality. Together with using renewable fuels to power the asphalt plants, these methods reduce carbon emissions by up to 75 percent.
- Collaborating with the U.S. Green Building Council (USGBC), the organization behind the international LEED green building rating system, to develop a digital platform called the Market Insight Tool. This tool harnesses USGBC's database of LEED projects to provide property owners with insights on whether a green investment decision could make a building project environmentally future-proof, or be a risk to their long-term investment. Skanska is piloting this tool, and with the USGBC plan to make it openly available in fall 2019.

Information on shares

In order to ensure allotment of shares to the participants in Skanska's employee ownership programs, the 2018 Annual General Meeting authorized the Board to repurchase shares in own custody. According to this decision the company may buy a maximum of 3,000,000 Series B shares to ensure allotment of shares to participants in Seop 4.

During the year, Skanska repurchased a total of 435,000 shares at an average price of SEK 165.71. The average price of all repurchased shares is SEK 137.54. The quota value of the repurchased shares is SEK 3.00 per share, totaling SEK 1.3 M, and the shares represent 0.1 percent of the total share capital. The cost of acquiring these shares amounted to SEK 72 M. During the year 1,400,394 shares were allotted to the employees participating in the employee ownership program. The quota value of the repurchased shares is SEK 3.00 per share, totaling SEK 4.2 M, and the shares represent 0.3 percent of the total share capital. The number of shares in own custody held as of December 31, 2018 amounted to 10,224,634. The quota value of these shares is SEK 3.00 per share, totaling SEK 30.7 M, and the shares represent 2.4 percent of the total share capital. The cost of acquiring the shares amounted to SEK 1.4 billion.

Proposed dividend

The Board proposes a regular dividend of SEK 6.00 (8.25) per share. The proposal is equivalent to a regular dividend totaling SEK 2,458 M (3,373). The Board proposes April 1, 2019 as the record date for the dividend.

No dividend is paid for the Parent Company's holding of Series B treasury shares. The total dividend amount may change by the record date, depending on repurchases of shares and the transfer of shares to participants in long-term employee ownership programs.

The Board's justification for its proposed dividend

The nature and scale of Skanska's operations are described in the Articles of Association and this Annual Report. The operations carried out within the Group do not pose any risks beyond those that occur or can be assumed to occur in the industry, or the risks that are otherwise associated with conducting business activities.

The Group's dependence on the general economic situation does not deviate from what is otherwise the case in the industry. The Group's equity/assets ratio amounts to 25.2 percent (24.8). The proposed dividend does not jeopardize the investments that are considered necessary or investments to support the Group's continued development. The Group's financial position does not give rise to any conclusion other than that the Group can continue to develop its operations and that the company can be expected to meet its short-term and long-term obligations.

With reference to the above and what has otherwise come to the Board's attention, the Board has concluded that the dividend is justified based on what is required in terms of the size of the company's and the Group's equity and the Group's consolidation requirements, liquidity and position in general, based on the nature and scale of the Group's operations. Future profits are expected to cover both the growth of business operations and the growth of the regular dividend.

Consolidated income statement

SEK M	Note	2018	2017
Revenue	8, 9	171,730	157,877
Costs of sales	9	–157,465	–145,103
Gross income		**14,265**	**12,774**
Selling and administrative expenses	11	–9,473	–9,851
Income from joint ventures and associated companies,	20	855	1,655
Operating income	10, 12, 13, 22, 36, 38, 40	**5,647**	**4,578**
Financial income		192	170
Financial expense		–153	–125
Financial items	**14**	**39**	**45**
Income after financial items	**15**	**5,686**	**4,623**
Taxes	16	–1,092	–512
Profit for the year		**4,594**	**4,111**
Profit for the year attributable to			
Equity holders		4,571	4,095
Non-controlling interests		23	16
Earnings per share, SEK	26, 43	11.17	10.00
Earnings per share after dilution, SEK	26, 43	11.11	9.94
Proposed regular dividend per share, SEK		6.00	8.25

Consolidated statement of comprehensive income

SEK M	2018	2017
Profit for the year	**4,594**	**4,111**
Other comprehensive income		
Items that will not be reclassified to profit and loss		
Remeasurement of defined-benefit plans [1]	–478	–399
Tax related to items that will not be reclassified to profit or loss	59	69
	–419	**–330**
Items that have been or will be reclassified to profit and loss		
Translation differences attributable to equity holders	1,299	–599
Translation differences attributable to non-controlling interests	3	8
Hedging of exchange rate risk in foreign operations	–183	–125
Effects of cash flow hedges	–30	138
Share of other comprehensive income of joint ventures and associated companies	272	83
Tax related to items that have been or will be reclassified to profit and loss	7	–25
	1,368	**–520**
Other comprehensive income after tax	**949**	**–850**
Comprehensive income for the year	**5,543**	**3,261**
Comprehensive income for the year attributable to		
Equity holders	5,517	3,237
Non-controlling interests	26	24
1 Effects of social insurance contributions including special employer’s contribution are included	–207	–65

See also Note 26.

Consolidated statement of financial position

SEK M	Note	Dec 31, 2018	Restated Dec 31, 2017
ASSETS			
Non-current assets			
Property, plant and equipment	17, 40	7,645	6,874
Goodwill	18	4,324	4,554
Other intangible assets	19	975	962
Investments in joint ventures and associated companies	20	3,288	3,314
Financial non-current assets	21	2,345	2,276
Deferred tax assets	16	1,933	1,757
Total non-current assets		**20,510**	**19,737**
Current assets			
Current-asset properties	22	42,391	39,010
Inventories	23	1,256	1,058
Financial current assets	21	7,117	6,671
Tax assets	16	396	1,188
Contract assets	9	6,661	6,997
Trade and other receivables	24	27,243	27,778
Cash	25	10,722	6,998
Total current assets		**95,786**	**89,700**
ASSETS	32	**116,296**	**109,437**
of which interest-bearing financial non-current assets	31	2,302	2,228
of which interest-bearing current assets	31	17,769	13,572
		20,071	15,800

Consolidated statement of financial position

SEK M	Note	Dec 31, 2018	Restated Dec 31, 2017
EQUITY	26		
Share capital		1,260	1,260
Paid-in capital		2,782	2,528
Reserves		2,509	1,144
Retained earnings		22,699	22,132
Equity attributable to equity holders		**29,250**	**27,064**
Non-controlling interests		97	121
TOTAL EQUITY		**29,347**	**27,185**
LIABILITIES			
Non-current liabilities			
Financial non-current liabilities	27	3,912	3,857
Pensions	28	5,669	5,603
Deferred tax liabilities	16	711	1,235
Total non-current liabilities		**10,292**	**10,695**
Current liabilities			
Financial current liabilities	27	7,310	7,624
Tax liabilities	16	615	312
Current provisions	29	9,922	9,131
Contract liabilities	9	20,738	16,266
Trade and other payables	30	38,072	38,224
Total current liabilities		**76,657**	**71,557**
TOTAL LIABILITIES		**86,949**	**82,252**
EQUITY AND LIABILITIES	32	**116,296**	**109,437**
of which interest-bearing financial liabilities	31	11,171	11,323
of which interest-bearing pensions and provisions	31	5,669	5,603
		16,840	16 926

Information on the Group's pledged assets and contingent liabilities can be found in Note 33.

Consolidated statement of changes in equity

	Equity attributable to equity holders							
SEK M	**Share capital**	**Paid-in capital**	**Translation reserve**	**Cash flow reserve hedge**	**Retained earnings**	**Total**	**Non-controlling interests**	**Total equity**
Equity, January 1, 2017	**1,260**	**2,231**	**2,483**	**–811**	**22,187**	**27,350**	**156**	**27,506**
Profit for the year					4,095	4,095	16	4,111
Other comprehensive income for the year			–724	196	–330	–858	8	–850
Dividend paid					–3,380	–3,380	–59	–3,439
Repurchase of 2,350,000 Series B shares					–440	–440		–440
Change in share-based payments		297				297		297
Equity, December 31 2017	**1,260**	**2,528**	**1,759**	**–615**	**22,132**	**27,064**	**121**	**27,185**
Changed accounting principle, Note 3					–140	–140		–140
Adjusted equity, January 1, 2018	**1,260**	**2,528**	**1,759**	**–615**	**21,992**	**26,924**	**121**	**27,045**
Profit for the year					4,571	4,571	23	4,594
Other comprehensive income for the year			1,116	249	–419	946	3	949
Dividend paid					–3,373	–3,373	–27	–3,400
Change in Group composition						0	–23	–23
Repurchase of 435,000 Series B shares					–72	–72		–72
Change in share- based payments		254				254		254
Equity, December 31, 2018	**1,260**	**2,782**	**2,875**	**–366**	**22,699**	**29,250**	**97**	**29,347**

See also Note 26.

Consolidated cash flow statement

SEK M	2018	2017
Operating activities		
Operating income	5,647	4,578
Adjustments for items not included in cash flow	–5,253	–3,521
Income tax paid	–414	–860
Cash flow from operating activities before change in working capital	**–20**	**197**
Cash flow from change in working capital		
Investments in current-asset properties	–21,647	–20,792
Divestments of current-asset properties	27,081	19,575
Change in inventories and operating receivables	2,434	370
Change in operating liabilities	1,606	3,496
Cash flow from change in working capital	**9,474**	**2,649**
Cash flow from operating activities	**9,454**	**2,846**
Investing activities		
Acquisition of business	–16	
Investments in intangible assets	–225	–255
Investments in property, plant and equipment	–2,351	–1,876
Investments in Infrastructure Development	–62	–449
Investments in shares	–37	–154
Increase in interest-bearing receivables	–1,394	–1,052
Divestments of intangible assets	6	1
Divestments of property, plant and equipment	420	213
Divestments of Infrastructure Development assets	80	1,950
Divestments of shares	12	458
Decrease in interest-bearing receivables	1,229	2,786
Income tax paid	–29	–32
Cash flow from investing activities	**–2,367**	**1,590**
Financing activities		
Net interest items	134	80
Other financial income and expense	22	173
Borrowings	1,419	2,677
Repayment of debt	–1,565	–1,792
Dividend paid	–3,373	–3,380
Shares repurchased	–72	–440
Dividend to non-controlling interests	–27	–59
Income tax paid	–47	–76
Cash flow from financing activities	**–3,509**	**–2,817**
Cash flow for the year	**3,578**	**1,619**
Cash and cash equivalents, January 1	6,998	5,430
Translation differences in cash and cash equivalents	146	–51
Cash and cash equivalents, December 31	**10,722**	**6,998**

Change in interest-bearing net receivables/net liabilities

SEK M	2018	2017
Interest-bearing net receivables/net liabilities, January 1	**–1,126**	**1,219**
Changed accounting principle, Note 3	–30	
Adjusted opening balance	**–1,156**	**1,219**
Cash flow from operating activities	9,454	2,846
Cash flow from investing activities excluding change in interest-bearing receivables	–2,202	–144
Cash flow from financing activities excluding change in interest-bearing liabilities	–3,363	–3,702
Remeasurement of pension liabilities	–271	–334
Net receivable/net liability acquired/divested	–7	
Translation differences	282	–941
Other	494	–70
Interest-bearing net receivables/net liabilities, December 31	**3,231**	**–1,126**

See also note 35.

Consolidated cash flow statement, specification

Consolidated operating cash-flow statement and change in interest-bearing net receivables/net liabilities

SEK M	2018	2017
Construction		
Cash flow from business operations	2,755	3,735
Change in working capital	2,600	226
Net divestments (+)/investments (–)	–2,080	–1,825
Total Construction	**3,275**	**2,136**
Residential Development		
Cash flow from business operations	–476	–692
Change in working capital	26	1,008
Net divestments (+)/investments (–)	1,604	680
Cash flow adjustments [1]		233
Total Residential Development	**1,154**	**1,229**
Commercial Property Development		
Cash flow from business operations	–1,193	–868
Change in working capital	1,393	–400
Net divestments (+)/investments (–)	3,823	–1,375
Cash flow adjustments [1]	–39	–476
Total Commercial Property Development	**3,984**	**–3,119**
Infrastructure Development		
Cash flow from business operations	86	–261
Change in working capital	–22	2,856
Net divestments (+)/investments (–)	17	1,501
Total Infrastructure Development	**81**	**4,096**
Central and eliminations		
Cash flow from business operations	–778	–857
Change in working capital	43	176
Net divestments (+)/investments (–)	–48	–67
Total central and eliminations	**–783**	**–748**
Total cash flow from business operations	394	1,057
Total change in working capital	4,040	3,866
Total net divestments (+)/investments (–)	3,316	–1,086
Total cash flow adjustments [1]	–39	–243
Total cash flow from business operations before taxes paid	**7,711**	**3,594**

SEK M	2018	2017
Taxes paid in business operations	–443	–892
Cash flow from business operations including taxes paid	**7,268**	**2,702**
Net interest items and other not financial items	156	253
Taxes paid in financing operations	–47	–76
Cash flow from financing activities	**109**	**177**
Operating cash flow from operations	**7,377**	**2,879**
Net strategic divestments(+)/investments(–)	–16	
Dividend etc. [2]	–3,472	–3,879
Cash flow before change in interest-bearing receivables and liabilities	**3,889**	**–1,000**
Change in interest-bearing receivables and liabilities	–311	2,619
Cash flow for the period	**3,578**	**1,619**
Cash and cash equivalents, January 1	6,998	5,430
Translation differences in cash and cash equivalents	146	–51
Cash and cash equivalents, December 31	**10,722**	**6,998**

1 Refers to payments made during the reporting year related to divestments/investments in prior years, and unpaid divestments/investments related to the reporting year.

2 Of which shares repurchased	–72	–440

Parent company income statement

SEK M	Note	2018	2017
Revenue	46	739	698
Gross income		**739**	**698**
Selling and administrative expenses		–697	–791
Operating income	49, 50, 62	**42**	**–93**
Income from holdings in Group companies	47	3,982	4,466
Interest expense and similar items	47	–51	–63
Income after financial items		**3,973**	**4,310**
Tax on profit for the year	48	–3	11
Profit for the year [1]		**3,970**	**4,321**

1 Coincides with comprehensive income for the year.

Parent company balance sheet

SEK M	Note	Dec 31, 2018	Dec 31, 2017
ASSETS			
Intangible non-current assets	49	**13**	**16**
Property, plant and equipment	50		
Plant and equipment		1	2
Total property, plant and equipment		**1**	**2**
Non-current financial assets	51		
Holdings in Group companies	52	11,283	11,206
Holdings in joint arrangements	53	3	2
Receivables in Group companies	63	301	247
Deferred tax assets	48	74	77
Other non-current receivables	51	107	107
Total non-current financial assets		**11,768**	**11,639**
Total non-current assets		**11,782**	**11,657**
Current receivables			
Current receivables in Group companies	63	12	18
Tax assets		14	8
Other current receivables		116	124
Prepaid expenses and accrued income	54	7	13
Total current receivables		**149**	**163**
Total current assets		**149**	**163**
ASSETS	**59**	**11,931**	**11,820**

SEK M	Note	Dec 31, 2018	Dec 31, 2017
EQUITY AND LIABILITIES			
Equity	55		
Share capital		1,260	1,260
Restricted reserves		598	598
Restricted equity		**1,858**	**1,858**
Retained earnings		2,168	1,034
Profit for the year		3,970	4,321
Unrestricted equity		**6,138**	**5,355**
Total equity		**7,996**	**7,213**
Provisions	56		
Provisions for pensions and similar obligations	57	176	174
Other provisions		139	133
Total provisions		**315**	**307**
Non-current interest-bearing liabilities	58		
Liabilities to Group companies	63	3,500	4,177
Total non-current interest-bearing liabilities		**3,500**	**4,177**
Current liabilities	58		
Trade accounts payable		18	20
Liabilities to Group companies	63	26	26
Other liabilities		6	5
Accrued expenses and prepaid income		70	72
Total current liabilities		**120**	**123**
EQUITY AND LIABILITIES	59	**11,931**	**11,820**

Parent company statement of changes in equity

SEK M	Share capital	Statutory reserve	Unrestricted equity	Total equity
Equity, January 1, 2017	**1,260**	**598**	**4,502**	**6,360**
Repurchases of 2,350,000 Series B shares			–440	–440
Compensation from subsidiaries for shares issued under employee ownership programs			55	55
Dividend paid			–3,380	–3,380
Share-based payments			297	297
Profit for 2017 [1]			4,321	4,321
Equity, December 31, 2017				
Equity, January 1, 2018	**1,260**	**598**	**5,355**	**7,213**
Repurchases of 435,000 Series B shares			–72	–72
Compensation from subsidiaries for shares issued under employee ownership programs			4	4
Dividend paid			–3,373	–3,373
Share-based payments			254	254
Profit for 2018 [1]			3,970	3,970
Equity, December 31, 2018	**1,260**	**598**	**6,138**	**7,996**

1 Coincides with comprehensive income for the year.

See also Note 55.

Parent company cash flow statement

SEK M	2018	2017
Operating activities		
Operating income	42	–93
Adjustments for items not included in cash flow	20	25
Income tax paid	–17	–14
Cash flow from operating activities before change in working capital	**45**	**–82**
Cash flow from change in working capital		
Change in operating receivables	20	–3
Change in operating liabilities	5	17
Cash flow from change in working capital	**25**	**14**
Cash flow from operating activities	**70**	**–68**
Investing activities		
Increase in interest-bearing receivables	–54	–12
Decrease in interest-bearing receivables		6
Cash flow from investing activities	**–54**	**–6**
Financing activities		
Net interest items	–51	–63
Dividends received	3,982	4 466
Repayment of debt	–677	–741
Dividend paid	–3,373	–3 380
Repurchase of shares	–72	–440
Income tax paid	11	14
Payments from subsidiaries for employee ownership programs	164	218
Cash flow from financing activities	**–16**	**74**
Cash flow for the year	**0**	**0**
Cash and cash equivalents, January 1	0	0
Cash and cash equivalents, December 31	**0**	**0**

See also Note 61.

Notes including accounting and valuation principles

Amounts in millions of Swedish kronor (SEK M) unless otherwise specified.
Income is reported in positive figures and expense in negative figures.
Both assets and liabilities are reported in positive figures.
Interest-bearing net receivables/net liabilities are reported in positive figures if they are receivables and negative figures if they are liabilities.
Accumulated depreciation/amortization and accumulated impairment losses are reported in negative figures.

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Note 1. Consolidated accounting and valuation principles

Conformity with laws and standards

In compliance with the ordinance approved by the European Union (EU) on the application of international accounting standards, the consolidated financial statements have been prepared according to the International Financial Reporting Standards (IFRS) and International Accounting Standards (IAS) issued by the International Accounting Standards Board (IASB), as well as the interpretations by the IFRS Interpretations Committee and its predecessor, the Standing Interpretations Committee (SIC), to the extent these standards and interpretations have been approved by the EU. In addition, the Swedish Financial Reporting Board's Recommendation RFR 1 "Supplementary Accounting Rules for Groups" has been applied, as have the Statements of the Swedish Financial Reporting Board.

The Parent Company applies the same accounting principles as the Group, except in the cases indicated below in the section "Parent Company accounting and valuation principles."

The Parent Company's annual accounts and the consolidated annual accounts were approved for issuance by the Board of Directors on February 7, 2019. The Parent Company income statement and balance sheet and the consolidated income statement and statement of financial position, will be subject to adoption by the Annual General Meeting on March 28, 2019.

In 2018 Nasdaq Stockholm AB (the Exchange) performed a sweeping analysis of the differences in accounting practices applied under IFRS with respect to the timing of revenue recognition and consolidation linked to cooperative housing associations. The analysis looked at the accounting principles applied by all large construction development and property development companies in Sweden. In December 2018 the Exchange announced its opinion on how these accounting matters are to be handled. Skanska is following the Exchange's guidelines for both the timing of revenue recognition and the consolidation of cooperative housing associations. Clarified accounting principles can be found under IFRS 15 in this note.

Conditions when preparing the Group's financial reports

The functional currency of the Parent Company is Swedish crowns or kronor (SEK), which is also the reporting currency of the Parent Company and of the Group. The financial reports are therefore presented in Swedish kronor. All amounts are rounded off to the nearest million, unless otherwise stated.

Preparing the financial reports in compliance with IFRS requires management to make judgments and estimates, and to make assumptions that affect the application of the accounting principles and the recognized amounts of assets, liabilities, revenue and expenses. Actual outcomes may deviate from these estimates and judgments.

Estimates and assumptions are reviewed regularly. Changes in estimates are recognized in the period the change is made if the change only affects this period, or in the period the change is made and future periods if the change affects both the period in question and future periods.

Judgments made by management when applying IFRS with a substantial impact on the financial reports and estimates that may lead to significant adjustments in the financial reports of subsequent years are described in more detail in Note 2.

The accounting principles for the Group described below have been applied consistently for all periods that are presented in the Group's financial reports, unless otherwise indicated below. The accounting principles for the Group have been applied consistently in reporting and consolidation of the Parent Company, subsidiaries, associated companies and joint arrangements.

New standards and interpretations

Two new standards IFRS 15 and IFRS 9 are effective from January 1, 2018. The standard IFRS 15 Revenue from Contracts with Customers mainly concerns how revenue from contracts with customers, excluding leases, is to be reported and how payment from customers is to be measured. See the more detailed description of IFRS 15 later in this note, and a description of its effects in Note 3.

The standard IFRS 9 Financial Instruments replaces IAS 39 Financial Instruments: Recognition and Measurement. The new standard is more principle-based and contains new principles for classification and measurement of financial instruments, a forward-looking impairment model for financial instruments and a revised approach to hedge accounting. See the more detailed description of IFRS 9 later in this note, and a description of its effects in Note 3. For the principles according to IAS 39, see Note 1 in the Annual Report for 2017.

From this year the joint ventures' and associated companies' taxes are included in "Income from joint ventures and associated companies."

IASB has issued changes to IFRS 2 Share-based Payment regarding classification and measurement of share-based payment transactions, to IAS 28 investments in joint ventures regarding when not using the equity method, and to IAS 19 Employee Benefits regarding plan amendment, curtailment or settlement. None of these changes has had any impact on Skanska's accounting.

Early adoption of new or revised IFRS and interpretations

There has been no early adoption of new or revised IFRS or interpretations.

New standards that have not yet begun to be applied

In January 2016 the IASB published the new standard IFRS 16 Leases, which was adopted by the EU in November 2017 and will be applied with effect from financial year 2019. In contrast to the present IAS 17 Leases, under the new standard Skanska, as the lessee in operating leases as well, must recognize operating leases in the statement of financial position, except for low value or short term leases. Skanska has chosen to implement the standard retroactively with cumulative effect, i.e. without restating the comparison periods and to apply the standard to contracts that were previously identified as leases under IAS 17. Lines will be added to the balance sheet for property, plant and equipment right-of-use assets, current-asset properties right-of-use assets as well as interest-bearing lease liabilities. Right-of-use assets are depreciated over the term of the lease, except for current-asset property right-of-use assets, which are recognized in the same way as current-asset properties. The lease payments are divided up into an interest portion and an amortization portion. Operating income will increase and financial items will decrease. Cash flow from operating activities will increase and cash flow from financing activities will decrease.

Upon transition to IFRS 16 on January 1, 2019, the assets will increase by SEK 7.6 billion in right-of-use assets, which break down as follows: offices SEK 3.3 billion, vehicles SEK 0.5 billion, machinery SEK 0.8 billion, non-current right-of-use assets SEK 0.1 billion and current-asset property right-of-use assets SEK 2.9 billion. The interest-bearing lease liabilities are SEK 7.8 billion and equity is impacted in the amount of SEK –0.1 billion. Finance leases which, under IAS 17, are recognized as non-current assets, are moved down to the corresponding use-of-right assets in the amount of SEK 0.3 billion. See table next page:

Note 1. Continued

Transition effect, January 1, 2019. Balance sheet

SEK M	Construction	Residential Development	Commercial Development	Central including Infrastructure Development	Skanska Group
Non-current assets					
Property, plant and equipment	–282				–282
Total property, plant and equipment	**–282**	**0**	**0**	**0**	**–282**
Property, plant and equipment right-of-use assets					
Property ground lease	153				153
Offices	3,196	1	20	80	3,297
Cars	524	1	14	3	542
Machinery	649				649
Other	57	64			121
Total property, plant and equipment right-of-use assets	**4,579**	**66**	**34**	**83**	**4,762**
Current assets					
Current asset properties right-of-use land (ground leases)		128	2,737		2,865
Total current asset properties right-of-use land (ground leases)	**0**	**128**	**2,737**	**0**	**2,865**
Total right-of-use assets	**4,579**	**194**	**2,771**	**83**	**7,627**
Financial receivable	18				18
Deferred tax asset	14		1		15
Trade and other receivables	–46	–3			–49
Total other current assets	**–14**	**–3**	**1**	**0**	**–16**
Total assets	**4,283**	**191**	**2,772**	**83**	**7,329**
Equity	–60		–7		–67
Total equity	**–60**	**0**	**–7**	**0**	**–67**
Non-current liabilities					
Financial liabilities	–280				–280
Lease liabilities	4,715	191	2,779	84	7,769
Total liabilities non-current	**4,435**	**191**	**2,779**	**84**	**7,489**
Current liabilites					
Financial liablities	–2				–2
Trade and other payables	–90			–1	–91
Total liabilities current	**–92**	**0**	**0**	**–1**	**–93**
Total equity and liabilities	**4,283**	**191**	**2,772**	**83**	**7,329**

Note 1. Continued

The transition from operating leases according to IAS 17 to lease liabilities according to IFRS 16 is shown below. The important difference between undertakings for operating leases of SEK 22.0 billion and future discounted minimum lease payments of SEK 8.6 billion is primarily due to real property right-of-use assets. These types of right-of-use assets often have a longer term, which means there is a significant difference between the nominal amount and the discounted present value.

Transition from operating leases according to IAS 17 to lease liabilities according to IFRS 16, SEK billion

Obligations from operating leases as of December 31, 2018	**21,981**
Future minimum lease payments for non-cancellable operating leases, discounted	8,626
Minus short-term leases	–549
Minus leases where the underlying asset has a low value	–458
Minus leases reclassified as service agreements	–344
Plus finance leases reclassified	282
Plus leases with a purchase option that is certain to be exercised	1
Minus/plus leases with variable lease payments that depend on an index or a rate	219
Minus/plus amounts (not) expected to be payable under residual value guarantees	–8
Lease liabilities according to IFRS 16	**7,769**

Skanska's expected interest rates on loans used upon transition to IFRS 16, broken down by currency and lease, are as follows:

Country (currency)	Discount rate, %						
Lease term	1 year	2 years	3 years	5 years	10 years	15 years	30 years
Czech Republic (CZK)	3.4	3.6	3.6	3.7	4.0	4.4	4.9
– Czech Republic (EUR) [1]	0.9	1.1	1.2	1.5	2.4	3.0	3.7
Denmark (DKK)	0.8	0.9	1.1	1.4	2.3	2.9	3.7
Finland (EUR)	0.8	1.0	1.1	1.4	2.3	2.9	3.6
Hungary (HUF)	2.3	2.8	3.1	3.6	4.8	5.6	6.3
– Hungary (EUR) [1]	1.0	1.2	1.3	1.6	2.5	3.1	3.8
Norway (NOK)	2.4	2.6	2.7	3.0	3.6	3.9	4.6
Poland (PLN)	3.0	3.1	3.4	3.7	4.4	4.9	5.5
– Poland (EUR) [1]	0.9	1.1	1.2	1.5	2.4	3.0	3.7
Romania (RON)	4.6	4.9	5.1	5.4	6.1	6.8	7.5
– Romania (EUR) [1]	1.0	1.2	1.3	1.6	2.5	3.1	3.8
Sweden (SEK)	0.9	1.1	1.3	1.7	2.6	3.2	3.9
UK (GBP)	2.2	2.3	2.4	2.6	3.1	3.4	4.0
USA (USD)	4.1	4.2	4.3	4.3	4.7	5.0	5.4

1 If the functional currency is EUR.

See also Note 40 on (non-discounted) future minimum lease payments for non-cancellable operating leases. See the more detailed description of IFRS 16 later in this note.

IFRIC Interpretation 23 Uncertainty over Income Tax Treatments is effective from January 1, 2019. The interpretation provides guidance on the recognition of uncertain tax positions and whether separate disclosures are to be made. Skanska has determined that the interpretation accords with the principles previously applied by the Group.

IAS 1 Presentation of Financial Statements

Income statement

Items recognized as revenue are: project revenue, compensation for other services performed, divestment of current-asset properties, deliveries of materials and merchandise, rental income and other operating revenue. Revenue from the sale of machinery, equipment, non-current-asset properties and intangible assets is not included, but is instead recognized on a net basis among operating expenses against the carrying amounts of the assets. See Note 10.

Items reported as cost of production include: direct and indirect manufacturing expenses, loss risk provisions, the carrying amounts of divested current-asset properties, bad debt losses and warranty expenses. Also included is depreciation on property, plant and equipment used in construction and property management. Changes in the fair value of derivatives related to operations are recognized in operating income.

Selling and administrative expenses include customary administrative expenses, technical expenses and selling expenses, as well as depreciation of machinery and equipment that have been used in selling and administration processes. Goodwill impairment losses are also reported as selling and administrative expenses.

Profit/loss from joint ventures and associated companies, after tax, is recognized separately in the income statement and is included in operating income.

Financial income and expense are recognized divided into two items: "Financial income" and "Financial expenses." Among items recognized under financial income are interest income, dividends and other financial items. Financial expenses include interest expense and other financial items. Changes in the fair value of financial instruments, primarily derivatives linked to financing activities, are recognized as a separate sub-item allocated between financial income and financial expenses. The net amount of exchange-rate differences and gains/losses on divestments of shares are recognized either as financial income or financial expenses. Financial income and expenses are described in more detail in Note 6 and in Note 14.

Comprehensive income

Aside from profit for the year, the consolidated statement of comprehensive income includes the items that are included under "Other comprehensive income." These include translation differences, hedging of exchange rate risks in foreign operations, remeasurement related to pension-linked assets and liabilities, effects of cash flow hedges and tax on these items.

Statement of financial position

Assets

Assets are allocated between current assets and non-current assets. An asset is regarded as a current asset if it is expected to be realized within 12 months from the closing day or within the company's operating cycle. The operating cycle is the period from the signing of a contract until the company receives cash payment following a final inspection or delivery of goods (including properties). Since the Group executes large contracting projects and project development, the operating cycle criterion means that many more assets are designated as current assets than if the only criterion were within 12 months.

Cash and cash equivalents consist of cash and immediately available deposits at banks and equivalent institutions, plus short-term liquid investments with a maturity from the acquisition date of less than three months that are subject to only an insignificant risk of fluctuation in value. Checks that have been issued reduce liquid assets only when cashed. Cash and cash equivalents that cannot be used freely are reported as current assets (current receivables) if the restriction will cease within 12 months from the closing day. In other cases, cash and cash equivalents are reported as non-current assets. Cash and cash equivalents belonging to joint operations are cash and cash equivalents with restrictions if they are only permitted to be used to settle the joint operations' debts.

Assets that meet the requirements in IFRS 5 Non-current Assets Held for Sale and Discontinued Operations are accounted for as a separate item among current assets.

Note 31 shows the allocation between interest-bearing and non-interest-bearing assets.

In Note 32, assets are allocated between amounts for assets that are expected to be recovered within 12 months of the closing day and assets that are expected to

Note 1. Continued

In Note 32, assets are allocated between amounts for assets that are expected to be recovered within 12 months of the closing day and assets that are expected to be recovered later than 12 months from the closing day. The allocation between non-current non-financial assets is based on expected annual depreciation. The division for current-asset properties is mainly based on outcomes during the past three years. This division is even more uncertain than for other assets, since the outcome during the coming year is strongly influenced by the dates when large individual properties are handed over.

Equity

The Group's equity is allocated between "Share capital," "Paid-in capital," "Reserves," "Retained earnings" and "Non-controlling interests."

Acquisitions of treasury shares are recognized as a deduction from equity. Proceeds from the divestment of shares are recognized as an increase in equity. Any transaction costs are recognized directly in equity.

Dividends are recognized as a liability once the Annual General Meeting has approved the dividend.

A description of equity, the year's changes and disclosures concerning capital management are provided in Note 26.

Liabilities

Liabilities are allocated between current liabilities and non-current liabilities. Recognized as current liabilities are liabilities that are either supposed to be paid within 12 months of the closing day or – in the case of business-related liabilities only – are expected to be paid within the operating cycle. Since the operating cycle is taken into account, no non-interest-bearing liabilities, such as trade accounts payable and accrued employee expenses, are recognized as non-current. Liabilities that are recognized as interest-bearing due to discounting are included among current liabilities, since they are paid within the operating cycle. Interest-bearing liabilities can be recognized as non-current even if they fall due for payment within 12 months of the closing day if the original maturity was longer than 12 months and the company reaches an agreement on long-term refinancing of the obligation before the end of the reporting period. Information on liabilities is provided in Notes 27 and 30.

In Note 32, liabilities are allocated between amounts for liabilities to be paid within 12 months of the closing day and liabilities to be paid later than 12 months from the closing day. Note 31 also provides information about the allocation between interest-bearing and non-interest-bearing liabilities.

IFRS 10 Consolidated Financial Statements

The consolidated financial statements cover the accounts of the Parent Company and the companies in which the Parent Company has a direct or indirect controlling interest. Under IFRS 10 a controlling interest exists when the investor has power over the business, or when it has rights to or is exposed to variable returns from its involvement with the investee and has the ability to affect those returns through its power over the investee. If, on the acquisition date, a subsidiary meets the conditions to be classified as held for sale in accordance with IFRS 5, it is reported according to that accounting standard.

The sale of a portion of a subsidiary is recognized as a separate equity transaction when the transaction does not result in a loss of controlling interest. If control of an operating Group company ceases, any remaining holding is to be recognized at fair value. Non-controlling interests may be recognized as a negative amount if a partly-owned subsidiary is operating at a loss.

Acquired companies are consolidated from the quarter within which the acquisition takes place. In a corresponding manner, divested companies are consolidated up to and including the final quarter before the divestment date.

Intra-Group receivables, liabilities, revenue and expenses are eliminated in their entirety when the consolidated financial statements are prepared.

Gains that arise from intra-Group transactions and that are unrealized from the standpoint of the Group on the closing day are eliminated in their entirety. Unrealized losses on intra-Group transactions are also eliminated in the same way as unrealized gains, to the extent that the loss does not correspond to an impairment loss.

Goodwill attributable to foreign operations is expressed in local currency. Translation to SEK is in accordance with IAS 21. Information on goodwill is provided in Note 18.

IFRS 3 Business Combinations

This accounting standard deals with business combinations, which are mergers of separate entities or operations. If the acquisition does not relate to business operations, as is normally the case when acquiring properties, IFRS 3 is not applied. In such cases, the acquisition cost is instead allocated among the individual identifiable assets and liabilities based on their fair values on the acquisition date, without recognizing goodwill and any deferred tax assets/tax liability resulting from the acquisition.

Acquisitions of businesses, regardless of whether the acquisitions are of holdings in another company or a direct acquisition of assets and liabilities, are recognized according to the purchase method of accounting. If the acquisition is of holdings in a company, the method involves regarding the acquisition as a transaction through which the Group indirectly acquires the assets of the subsidiary and assumes its liabilities and contingent liabilities. The cost of the acquisition recognized in the consolidated accounts is determined by means of an acquisition analysis in conjunction with the business combination transaction. The analysis establishes both the cost of the holdings or the business and the fair value of acquired identifiable assets plus the liabilities and contingent liabilities assumed. The difference between the cost of acquiring holdings in a subsidiary and the net fair value of acquired assets and of the liabilities and contingent liabilities assumed is goodwill on consolidation. If non-controlling interests remain after the acquisition, the calculation of goodwill is normally carried out based only on the Group's stake in the acquired business.

Transaction costs relating to business combinations are expensed immediately. In the case of step acquisitions, previous holdings are remeasured at fair value and recognized in profit or loss when a controlling interest is achieved. Contingent consideration is recognized on the acquisition date at fair value. If the amount of the contingent consideration changes in subsequent financial statements, the change is recognized in profit or loss.

Goodwill is carried at cost less accumulated impairment losses. Goodwill is allocated among cash-generating units and subject to annual impairment testing in compliance with IAS 36.

In the case of business combinations where the cost of acquisition is below the net value of acquired assets and the liabilities and contingent liabilities assumed, the difference is recognized directly in profit or loss.

IAS 21 The Effects of Changes in Foreign Exchange Rates

Foreign currency transactions

Foreign currency transactions are translated into an entity's functional currency at the exchange rate in effect on the transaction date. Monetary assets and liabilities in foreign currency are translated to the functional currency at the exchange rate in effect on the closing day. Exchange rate differences that arise in remeasurement are recognized in profit or loss. Non-monetary assets and liabilities recognized at historic cost are translated at the exchange rate in effect on the transaction date.

Functional currency is the currency of the primary economic environment where the companies in the Group conduct their business.

Financial statements of foreign operations

Assets and liabilities in foreign operations, including goodwill and other consolidated surpluses and deficits, are translated to Swedish kronor at the exchange rate in effect on the closing day. Revenue and expenses in foreign operations are translated to Swedish kronor at the average exchange rate.

Net investment in foreign operations

Translation differences that arise in connection with translation of a foreign net investment are recognized under "Other comprehensive income." Foreign currency loans and currency derivatives for hedging of translation exposure are carried at the exchange rate on the closing day. Exchange rate differences are recognized, taking into account the tax effect, under "Other comprehensive income."

Hedging of translation exposure reduces the exchange rate effect when translating the financial statements of foreign operations to SEK. Any forward contract premium is accrued until maturity and is recognized as interest income or interest expense.

Note 1. Continued

When divesting a foreign operation, the related accumulated translation differences and accumulated exchange rate differences from any currency hedges are transferred to the Group's profit or loss.

IFRS 5 Non-current Assets Held for Sale and Discontinued Operations

Discontinued operations constitute a portion of an entity's operations that represent a separate line of business or major operations in a geographical area and which are part of a single coordinated plan to dispose of a separate line of business or major operations in a geographical area, or constitute a subsidiary acquired exclusively with a view to resale.

Classification as discontinued operations occurs upon divestment, or at an earlier date when the operations meet the criteria to be classified as held for sale. A disposal group that is to be shut down can also qualify as discontinued operations if it meets the above criteria.

If a non-current asset or disposal group is to be classified as held for sale, the asset (disposal group) must be available for sale in its present condition. It must also be highly probable that the sale will occur. In order for a sale to be highly probable, a decision must have been made at management level, and active efforts to locate a buyer and complete the plan must have been initiated. The asset or disposal group must also be actively marketed at a price that is reasonable in relation to its fair value, and it must be probable that the sale will occur within one year. Skanska also applies the principle that with regard to a single non-current asset, its value must exceed EUR 100 M.

No depreciation or amortization of a non-current asset takes place as long as it is classified as held for sale.

Non-current assets classified as held for sale as well as disposal groups and liabilities attributable to them and discontinued operations are recognized separately in the statement of financial position.

IAS 28 Investments in Associates and Joint Ventures

Companies in which the Skanska Group exercises a significant but not a controlling influence, which is presumed to be the case when the Group's holding is between 20 and 50 percent of the voting power, are reported as associates. In addition, it is presumed that this ownership is one element of a long-term connection and that the holding will not be reported as a joint arrangement.

Associated companies are recognized according to the equity method, as are joint ventures. See IFRS 11 on joint ventures.

The equity method

From the date when Skanska gains a significant influence in an associated company, or a joint controlling interest in a joint venture, holdings in associated companies and joint ventures are recognized in the consolidated financial statements according to the equity method. Any difference upon acquisition between the cost of the holding and Skanska's share of the net fair value of the associated company's or joint venture's identifiable assets, liabilities and assumed contingent liabilities is recognized in compliance with IFRS 3. Under the equity method, the recognized carrying amount of the Group's interest in associated companies and joint ventures is equivalent to the Group's share of the associated company's share capital, as well as goodwill on consolidation and any other remaining consolidated surpluses and deductions of internal profits. The Group's share of the associated company's or joint venture's income after tax is recognized as "Income from joint ventures and associated companies" in the income statement. Any depreciation, amortization and impairment losses on acquired surpluses have been taken into account. Dividends received from an associated company or joint venture reduce the carrying amount of the investment.

When the Group's share of recognized losses in an associated company or joint venture exceeds the carrying amount of the holdings in the consolidated financial statements, the value of the holding is reduced to zero. Settlement of losses also occurs against long-term unsecured financial assets (subordinated loans), which, in substance, form part of Skanska's net investment in the associated company or joint venture and are thus recognized as shares. Continued losses are only recognized if the Group has provided guarantees to cover losses arising in the associated company or joint venture, and then as a provision.

Elimination of intra-Group profits

When profits arise from transactions between the Group and an associated company or a joint venture, the portion equivalent to the Group's share of ownership is eliminated. If the carrying amount of the Group's holding in the associated company is less than the elimination of internal profit, the excess portion of the elimination is recognized as prepaid income. If a loss arises from a transaction between the Group and an associated company or a joint venture, the loss is eliminated only if it does not correspond to an impairment loss on the asset.

If a profit or loss has arisen in the associated company or in a joint venture, the elimination affects the income for the transaction year recognized under "Income from joint ventures and associated companies." The elimination of the internal profit is reversed in later financial statements based on how the asset is used or when it is divested.

The equity method is applied until the date when the significant influence in an associated company or the joint controlling interest in a joint venture ceases. The sale of an interest in an associated company or in a joint venture is recognized on the date that the Group no longer has control over the holding.

Note 20 B provides information about associated companies and joint ventures.

IFRS 11 Joint Arrangements

A joint arrangement exists when the co-owners are bound by a contractual arrangement, and the contractual arrangement gives those parties joint control of the arrangement. The joint arrangement may be either a joint operation or a joint venture. A joint operation exists where the co-owners have rights to the assets of the arrangement and obligations for the liabilities of the arrangement. A joint arrangement that is not structured through the formation of a separate company is a joint operation. Contracting projects executed in cooperation with outside contracting companies, with joint and several liability, are reported by Skanska as joint operations. If the joint arrangement is a separate company but the vast majority of the company's production is acquired by the co-owners and there is no obstacle to its sale to an external party, the joint arrangement is often considered to be a joint operation. In other cases the arrangement is a joint venture. If the co-owners of the joint arrangement only have rights to the net assets of the arrangement, it is a joint venture. Classification of a joint arrangement requires a determination of its legal form, the terms of the contractual arrangement between the co-owners and other circumstances.

For joint operations the revenue, costs, assets and liabilities of the joint operation are included line by line in the consolidated financial statements according to Skanska's interest in the joint operation. Joint operations are described in Note 20 C.

The equity method is used for joint ventures when preparing the consolidated financial statements. This method is described under the heading IAS 28.

In connection with infrastructure projects, the Group's investment may include either holdings in or subordinated loans to a joint venture. Both are treated in the accounts as shares in joint ventures.

Note 20 B provides information about joint ventures and a specification of significant holdings in joint operations is given in Note 20 C.

IFRIC 12 Service Concession Arrangements

IFRIC 12, which affects Skanska Infrastructure Development's joint ventures, deals with the question of how the operator of a service concession should account for the infrastructure, as well as the rights it receives and the obligations it undertakes under the agreement. The operator constructs or upgrades infrastructure (construction or upgrade services) used to provide a public service and maintains the infrastructure (operation services) for a specified period of time. Construction or upgrade services and operation services are reported in compliance with IFRS 15. The consideration may be rights to a financial asset or an intangible asset. If the operator has an unconditional right in specified or determinable amounts (the consideration model is based on availability through the provision of, for example, a hospital or an airport), a financial asset is recognized. IFRS 9 requires interest to be calculated on this financial receivable. The client does not pay until the facility is put into operation, and the payment received is then reported as a reduction in the financial receivable. If the operator is instead entitled to charge the user of the public service (the consideration model is based on market risk through, for example, road tolls) an intangible asset is recognized, which is amortized over the life cycle of the project. The road tolls received in payment are recognized as revenue.

Note 1. Continued

IFRS 15 Revenue from Contracts with Customers

Under IFRS 15 revenue is recognized based on a five-step model. Step one involves identifying the contract with a customer. If two or more contracts are entered into with a customer at the same time and the price of one contract is dependent on the other contract, the contracts are combined. A contract modification involves a change to the scope or price (or both) of a contract that has been approved by the contracting parties. A contract modification exists when the parties approve a change that either creates new or changes existing rights and responsibilities for the contracting parties. A contract modification is treated as a separate contract when the scope of the contract increases due to the addition of promised goods or services which are distinct and where the price of the contract is raised by an amount reflecting the company's stand-alone selling price for the additional goods or services promised. If the parties have not approved a contract modification the entity is to continue applying the standard for the existing contract until such time as the contract modification is approved.

Step two involves identifying the separate performance obligations in the contract. A performance obligation is a promise to the customer to transfer goods or services that are distinct, or a series of distinct goods or services that are essentially the same and follow the same model for transfer to the customer. Goods or services are distinct if the customer can benefit from the goods or services either on their own or in combination with other resources that are readily available to the customer and if the entity's promise to transfer the goods or services to the customer is separately identifiable from the other promises in the contract. Skanska's client contracts are usually of the type that do not require categorization into two or more performance obligations.

In step three the transaction price is determined. This determination involves establishing a fixed agreed price, variable consideration, any contingent considerations, bonuses and penalties. If there is variable consideration, an estimate is made of the highest amount of revenue that will likely not require a reversal of accumulated revenue in later reporting periods. If the contract includes a significant financing component, the transaction price is to be adjusted for the effect of the time value of the money. Changes to and supplementary orders in contracts that have not yet been approved by the client do not require an increase in the transaction price in the project's estimated income upon completion.

Where there is a non-cash consideration, this is measured at fair value. If a customer defers goods or services, an assessment is made as to whether it has gained control of these; if this is the case, they are recognized as non-cash revenue received from the customer.

The revenue/transaction price is allocated in step four over the separate performance obligations in the contract if more than one obligation exists. The allocated transaction price for each individual obligation is to reflect the consideration that the company is expecting to have the right to in exchange for the transfer of the promised goods or services to the customer, based on a relative, stand-alone selling price.

Revenue is recognized in step five when the performance obligation is satisfied, either over time or at a point in time, and when the customer obtains control of the asset. Revenue is recognized over time when the customer simultaneously receives and consumes the benefits provided through the entity's performance, when the entity's performance creates or enhances an asset that the customer controls, or when the entity's performance does not create an asset with an alternative use for the entity and the entity also has the right to payment for its performance completed to date. If a performance obligation is not satisfied over time as stated above, the entity fulfills the obligation at a certain point in time. This takes place at the point when the customer gains control of the promised asset. Indicators for determining control can be that the entity has the right to receive payment for the asset, the customer has the legal right of ownership of the asset, the entity has transferred the physical possession of the asset, the customer has the material risks and rewards associated with ownership of the asset or the customer has accepted the asset.

Costs relating to obtaining a contract, i.e., costs the entity would have had if it had not won the contract, are recognized as an asset only if the entity is expecting to have those expenses covered. Expenses to complete a contract that does not fall under a standard other than IFRS 15 are recognized as an asset if the expenses have a direct link to a contract or to an expected contract, if the expenses create or enhance resources that will be used to fulfill the performance obligation in the future and that are also expected to be recovered. These "Assets arising from expenses to obtain or complete a contract with a customer" are included in the line item "Contract assets" and are reported in Note 9.

Contract assets and contract liabilities are recognized net of revenue recognized and invoiced amounts per project. Construction contracts often allow for invoicing in advance. Once an amount has been invoiced, a trade account receivable is recognized.

Loss contracts are expensed immediately and provisions for losses are made for the remaining work to be done and recognized according to IAS 37.

(As stated under the heading "Segment reporting compared with IFRS reporting", a different principle is used to establish when revenue is recognized in segment reporting for the Residential Development and Commercial Property Development business streams.)

The Construction business stream builds and renovates buildings, industrial facilities and infrastructure. It also executes service-related assignments, in areas such as construction services and facility operations and maintenance. This business serves both public and private clients.

A combination of contracts happens rarely, but contract modifications, such as those related to additional orders, are common. In most cases the added goods or services are not distinct and therefore form part of a single performance obligation that is partially met at the time of the contract modification and is reported as being a part of the existing contract.

Most often the contracts, within this business stream, contain only one performance obligation. Performance obligations in the construction stream are the construction contract or the service that is to be delivered, for example the construction of a building on the customer's land or the maintenance of existing facilities, such as roads. If an agreement involves operations in different geographic locations, delivered during different time periods or with different risk exposures, the breakdown of several performance obligations may be relevant.

If there is a right to variable remuneration, such as incentive agreements, this is taken into account to the extent that it is highly unlikely it will be reversed at a later date.

Revenue is recognized over time in the construction stream, when the customer simultaneously receives and consumes the benefits provided through the entity's performance or when Skanska creates or enhances an asset that the customer controls.

Revenue is recognized over time, determined each quarter, on the basis of accumulated project expenses in relation to estimated accumulated project expenses upon completion.

The Residential Development business stream develops and sells new residential units. Its customers consist almost exclusively of private persons. The reason for recognizing revenue is usually an agreement to sell a specific unit, such as a residential apartment. Contract modifications are rare, but are included in the original contract if they do occur.

The performance obligation in the Residential Development business stream is the handing over of an apartment that is ready for occupation. The transaction price is a fixed price according to the terms of the sales agreement.

Revenue is recognized at the point in time when the keys to the home are handed over to the individual buyer. In other words, it is recognized when the buyer has taken possession of the apartment and has full control over it as the owner. This is based on Skanska being deemed not to be entitled to full payment until fulfillment of its contract obligation. Even if a certain advance payment is made by the buyer, Skanska is not entitled to full payment for the work completed to date. This is due to the fact that sales contracts contain clauses that allow the buyer in certain situations to withdraw from the contract during construction without reimbursing Skanska in the manner required for the recognition of revenue over time.

Skanska initiates and enters into agreements with newly formed Swedish cooperative housing associations or Finnish housing corporations for the construction of homes. Under the terms in these agreements Skanska has a controlling influence and thus consolidates the cooperative housing associations and housing corporations during the construction period and until the end-customer takes possession, at which point Skanska no longer has a controlling influence. Homes not yet transferred are recognized as current-asset properties.

Note 1. Continued

In the Commercial Property Development stream Skanska initiates, invests in, develops, and leases commercial properties that it sells to real estate investors. The combination of contracts rarely occurs.

Within this business stream the performance obligation to the customer (the property investor) is to deliver an investment holding in the form of a commercial property, usually with tenants. If land is sold prior to the commencement of construction work, the sale of land is a performance obligation on its own, which means that the construction work becomes a separate performance obligation within the construction stream.

The development of commercial projects is a continuous process with a number of clearly defined phases. The average development cycle from the initial project idea to its completion is five to seven years. Divestment normally occurs at the end of the cycle, when a project is completed. The performance obligation is to hand over a fully developed property that usually becomes an investment holding of the customer.

In some cases, Skanska also assists the investor with renting the property, an undertaking that may be a separate performance obligation.

The transaction price is usually a fixed price according to the terms of the contract.

When the contract with the customer is signed, there is no alternative use for the property. If Skanska is entitled to payment for any work performed to date, this would depend on the contractual terms and conditions and on the applicable legislation. Skanska's assessment is, however, that it usually assumes this right only when fulfilling a contract obligation. Prior to the completion of a project, Skanska normally only has the right to an indemnity not equal to work performed to date. Revenue is therefore recognized at a point in time when the property is handed over to the customer.

It is considered appropriate to recognize the sale of properties through divestment of companies according to IFRS 15 and not as divested companies under IFRS 10 as it is an asset that is being divested, not a company with a business.

The Infrastructure Development business stream develops hospitals, airports, roads and other necessary social structures. The accounting of the stream's projects complies with IFRIC 12 Service Concession Arrangements, which in turn accounts for revenue according to IFRS 15.

IAS 17 Leases

The accounting standard distinguishes between finance and operating leases. A finance lease is characterized by the fact that the economic risks and rewards incidental to ownership of the asset have substantially been transferred to the lessee. If this is not the case, the agreement is regarded as an operating lease.

Finance leases

Assets that are leased under a finance lease, as a lessee, are recognized as assets. The obligation to make future lease payments is recognized as a non-current or current liability. The leased assets are depreciated during their respective useful lives. When making payments on a finance lease, the minimum lease payment is divided between interest expense and reduction of the outstanding liability. Interest expense is allocated over the lease period in such a way that each reporting period is charged an amount equivalent to a fixed interest rate for the liability recognized during each respective period. Variable payments are recognized among expenses in the periods when they arise.

Assets leased under finance leases, as a lessor, are not recognized as property, plant and equipment, since the risks incidental to ownership have been transferred to the lessee. Instead a financial receivable is recognized for the future minimum lease payments.

Operating leases

As for operating leases, the lease payment is recognized as an expense/as revenue over the lease term on the basis of utilization, and taking into account the benefits that have been provided or received when signing the lease.

The Commercial Property Development business stream carries out operating lease transactions. Information on future minimum lease payments (rents) is provided in Note 40, which also contains other information about leases.

IFRS 16 Leases – Applies to the financial year beginning on January 1, 2019

Leases, with the exception of leases with a term of less than 12 months and leases where the underlying asset is of low value are recognized in the statement of financial position as property, plant and equipment right-of-use assets, current-asset properties right-of-use assets as well as interest-bearing lease liabilities.

A contract is a lease if it conveys the right to control the use of an identified asset for a period of time in exchange for consideration. Non-lease components in a contract, such as servicing costs, are separated out and not included in the calculation of the value of the right-of-use where it is possible to separate such costs. Contracts with subcontractors are generally considered to be service agreements since Skanska is requesting a service and the contract does not give Skanska control over a specific asset. Hire of tower cranes and scaffolding, which in large construction projects are generally hired for a long period, is reported as leases. When assessing whether an asset is of low value, the asset is grouped with assets on which it is heavily dependent or with which it is linked.

Where the asset can be substituted by the supplier and it is practically possible to do so, a lease is not considered to exist since Skanska does not have control over the specific asset.

The lease term is the non-cancellable period of the lease, taking into consideration any extension or termination option for the contract and whether it is reasonably certain that this option will be exercised. Current-asset properties right-of-use assets which are in practice always extended are considered to be perpetual rights of use and the lease term is then set at 100 years.

Rights of use of property, plant and equipment are depreciated over the lease term except in the case of perpetual rights of use of land, which are not depreciated at all since the remaining lease term is always a constant 100 years. Rights of use for current-asset properties – both those considered to be perpetual and those with a fixed lease term – are not depreciated at all since they are reported in accordance with IAS 2.

When making payments on a lease, the payment is divided between interest expense and reduction of the outstanding liability. Payments relating to rights of use that are not depreciated are recognized entirely as interest expense, since – as mentioned earlier – the liability is unchanged. The interest expense is capitalized during the construction period in the case of current-asset properties right of-use assets.

In the case of sale and leaseback transactions, the seller only recognizes the gain that relates to the rights transferred to the buyer, while a right of use is recognized for the rights retained.

IAS 16 Property, Plant and Equipment

Property, plant and equipment are recognized as assets if it is probable that future economic benefits from them will flow to the Group and the cost of the assets can be reliably calculated. Property, plant and equipment are recognized at cost minus accumulated depreciation and any impairment losses. Cost includes the purchase price plus expenses directly attributable to the asset in order to bring it to the location and condition to be used in the intended manner. Examples of directly attributable expenses are delivery and handling costs, installation, ownership documents, consultant fees and legal services. Borrowing costs are included in the cost of property, plant and equipment produced by the Group. Impairment losses are applied in compliance with IAS 36.

The cost of property, plant and equipment produced by the Group includes expenditures for materials and remuneration to employees, plus other applicable manufacturing costs that are considered attributable to the asset.

Further expenditures are added to cost only if it is probable that the Group will derive future economic benefits from the asset and the cost can be reliably calculated. All other further expenditures are recognized as expenses in the period when they arise.

The decisive factor in determining when a further expenditure is added to cost is whether the expenditure is related to replacement of identified components, or parts thereof, at which time such expenditures are capitalized. In cases where a new component is created, this expenditure is also added to cost. Any undepreciated carrying amounts for replaced components, or parts thereof, are disposed of and recognized as an expense at the time of replacement. If the cost of the removed component cannot be determined directly, its cost may be estimated

Note 1. Continued

as the cost of the new component adjusted by a suitable price index to take into account inflation. Repairs are recognized as expenses on a continuous basis.

Property, plant and equipment that consist of parts with different useful lives are treated as separate components of property, plant and equipment. Depreciation occurs on a straight-line basis during the estimated useful life, or based on degree of use, taking into account any residual value at the end of the period. Office buildings are divided into foundation and frame, with a depreciation period of 50 years, installations of 35 years, and non-weight-bearing parts of 15 years. In general, industrial buildings are depreciated over a 20-year period without allocation into different parts. Stone crushing and asphalt plants as well as concrete mixing plants are depreciated over 10 to 25 years depending on their condition when acquired and without being divided into different parts. For other buildings and equipment, division into different components occurs only if major components with different useful lives can be identified. For other machinery and equipment, the depreciation period is normally between five and 10 years. Minor equipment is recognized as an expense immediately. Gravel pits and stone quarries are depreciated as materials are removed. Land is not depreciated. Assessments of an asset's residual value and period of service are performed annually.

The carrying amount of a property, plant and equipment item is removed from the statement of financial position when it is disposed of or divested, or when no further economic benefits are expected from the use or divestment of the asset.

IAS 38 Intangible Assets

This accounting standard deals with intangible assets. Goodwill that arises upon acquisition of companies is recognized in accordance with the rules in IFRS 3.

An intangible asset is an identifiable non-monetary asset without physical substance that is used for producing or supplying goods or services or for leasing and administration. To be recognized as an asset, it is necessary both that it be probable that future economic benefits attributable to the asset will flow to the entity and that the cost can be reliably calculated. It is especially worth noting that expenditures recognized directly in prior annual or interim reporting periods may not subsequently be recognized as an asset.

Research expenses are recognized in the income statement as they arise. Development expenses, which are expenses for designing new or improved materials, structures, products, processes, systems and services by applying research findings or other knowledge, are recognized as assets if it is probable that the asset will generate future revenue. Other development expenses are expensed directly. Expenses for regular maintenance and modifications of existing products, processes and systems are not recognized as development expenses. Nor is work performed on behalf of a customer recognized as development expenses.

Intangible assets other than goodwill are recognized at cost minus accumulated amortization and impairment losses. Impairment losses are applied in compliance with IAS 36.

Amortization is recognized in the income statement on a straight-line basis, or based on the degree of use, over the useful life of intangible assets, to the extent such a period can be determined. Consideration is given to any residual value at the end of the period. Acquired customer contracts are amortized at the pace of completion and patents are amortized over 10 years. Investments in major computer systems are amortized over a maximum of seven years.

Further expenditures for capitalized intangible assets are recognized as an asset only when they increase the future economic benefits of the specific asset to which they are attributable.

IAS 36 Impairment of Assets

Assets covered by IAS 36 are tested on every closing day for indications of impairment. Exempted assets, for example inventories (including current-asset properties), assets arising when construction contracts are carried out and financial assets included within the scope of IAS 39, are measured according to the respective accounting standard.

Impairment losses are determined on the basis of the recoverable amount of assets, which is the higher of fair value less cost to sell and value in use. In calculating value in use, future cash flows are discounted using a discounting factor that takes into account risk-free interest and the risk associated with the asset. Estimated residual value at the end of the asset's useful life is included as part of value in use. For assets that do not generate cash flows that are essentially independent of other assets, the recovery value is calculated for the cash-generating unit to which the asset belongs. A cash-generating unit is the smallest group of assets that generates cash inflows that are independent of other assets or groups of assets. For goodwill, the cash-generating unit is mainly the same as the Group's business unit or other unit reporting to the Parent Company. If the business unit operates in more than one business stream, the cash-generating unit is no larger than the identified business stream to which goodwill has been allocated. Operations that are not integrated into the business unit's other operations are exempted from the main rule.

In Construction and Residential Development, the recoverable amount of goodwill is based on value in use, which is calculated by discounting expected future cash flows. The discounting factor is the weighted average cost of capital (WACC) applicable to the operation. See Note 18.

Impairment of assets attributable to a cash-generating unit is allocated mainly to goodwill. After that, a proportionate impairment loss is applied to other assets included in the unit.

Goodwill impairment is not reversed. A goodwill-related impairment loss recognized in a previous interim report is not reversed in a later full-year report or interim report.

Impairment losses on other assets are reversed if there has been a change in the assumptions on which the estimate of the recoverable amount was based.

An impairment loss is reversed only to the extent that the carrying amount of the asset after the reversal does not exceed the carrying amount that the asset would have had if no impairment loss had occurred, taking into account the amortization that would then have occurred.

IAS 23 Borrowing Costs

Borrowing costs are capitalized provided that it is probable that they will result in future economic benefits and the costs can be measured reliably. Generally speaking, capitalization of borrowing costs is limited to assets that take a substantial period of time for completion, which in the Group's case mainly means the construction of current-asset properties and properties for the Group's own use (non-current-asset properties). Capitalization occurs when expenditures included in acquisition cost have arisen and activities to complete the building have begun. Capitalization ceases when the building is completed. Borrowing costs during an extended period when work to complete the building is interrupted are not capitalized. If separate borrowing has occurred for the project, the actual borrowing cost is used. In other cases, the cost of the loan is calculated on the basis of the Group's borrowing cost.

IAS 12 Income Taxes

Income taxes consist of current tax and deferred tax. Income taxes are recognized in the income statement except when the underlying transaction is recognized directly under "Other comprehensive income," in which case the accompanying tax effect is also recognized there. Current tax is tax to be paid or received that is related to the year in question, applying the tax rates that have been decided or have effectively been decided as of the closing day; this also includes adjustment of current tax attributable to earlier periods.

Deferred tax is calculated according to the balance sheet method based on temporary differences arising between reported and fiscal values of assets and liabilities. The amounts are calculated based on how the temporary differences are expected to be settled and by applying the tax rates and tax rules that have been decided or announced as of the closing day. The following temporary differences are not taken into account: for a temporary difference that has arisen upon initial recognition of goodwill, the initial recognition of assets and liabilities that are not business combinations and which, on the transaction date, affect neither recognized profit nor taxable profit. Also not taken into account are temporary differences attributable to shares in subsidiaries and associated companies that are not expected to be reversed in the foreseeable future. Offsetting of deferred tax assets against deferred tax liabilities occurs when there is a right to settle current taxes between companies.

Deferred tax assets related to deductible temporary differences and loss carry-forwards are recognized only to the extent it is likely that they can be utilized. The value of deferred tax assets is reduced when it is no longer considered probable that they can be utilized.

Note 1. Continued

IAS 2 Inventories

Aside from customary inventories of goods, the Group's current-asset properties are also encompassed by this accounting standard. Both current-asset properties and inventories of goods are measured item by item in accordance with the lowest cost principle, which means that a property or item is measured either by its acquisition cost or net realizable value, whichever is lower. Net realizable value is the estimated selling price in the ordinary course of business less the estimated cost of completion and the estimated costs necessary to make the sale.

When item-by-item measurement cannot be applied, the cost of inventories is assigned by using the first-in, first-out (FIFO) formula and includes expenditures that have arisen from acquisition of inventory assets and from bringing them to their present location and condition. For manufactured goods, cost includes a reasonable share of indirect costs based on normal capacity utilization. Materials not yet installed at construction sites are not recognized as inventories, but are included among project expenses.

Except for properties that are used in Skanska's own business, the Group's property holdings are reported as current assets, since these holdings are included in the Group's operating cycle. The operating cycle for current-asset properties is around three to five years.

Acquisitions of properties are recognized in their entirety only upon the transfer of legal ownership, which normally occurs on completion of the purchase. Property acquisitions through purchases of property-owning companies are recognized when the shares have been taken over by Skanska.

Current-asset properties are divided up between Commercial Property Development and Residential Development. They are also categorized as "Development properties," "Properties under construction" or "Completed properties." Note 22 provides information about these properties.

Before impairment losses, properties both completed and under construction are valued based on costs paid directly, a reasonable proportion of indirect costs and interest expenses during the construction period. Information on market appraisal of properties is provided at the end of this note.

Information on customary inventories of goods is found in Note 23.

IAS 37 Provisions, Contingent Liabilities and Contingent Assets

Provisions

A provision is recognized when the Group has a legal or informal obligation as a result of a past event, and it is probable that an outflow of economic resources will be required to settle the obligation and a reliable estimate of the amount can be made.

Skanska makes provisions for future expenses relating to warranty obligations according to construction contracts that involve a liability for the contractor to remedy errors and omissions that are discovered within a certain period after the contractor has handed over the property to the client. Such obligations may also be required by law.

Loss contracts are recognized in the form of a provision for the remaining work to be done.

A provision is made for disputes related to completed projects if it is probable that a dispute will result in an outflow of resources from the Group.

Provisions for restructuring charges are recognized when a detailed restructuring plan has been adopted and the restructuring has either begun or been publicly announced.

When accounting for interests in joint ventures and associated companies, a provision is made when a loss exceeds the carrying amount of the holding and the Group has a payment obligation.

Contingent liabilities

Contingent liabilities are possible obligations arising from past events and whose existence will be confirmed only by the occurrence or non-occurrence of one or more future events not wholly within the control of the company. Also reported as contingent liabilities are obligations arising from past events that have not been recognized as a liability because it is not likely that an outflow of resources will be required to settle the obligation, or the size of the obligation cannot be estimated with sufficient reliability.

The amounts of contract fulfillment guarantees are included until the contracted work has been transferred to the customer, which normally occurs upon its approval in a final inspection. If the guarantee covers all or most of the contract sum, the amount of the contingent liability is calculated as the contract sum minus the value of the portion performed. In cases where the guarantee only covers a small portion of the contract sum, the guarantee amount remains unchanged until the contracted work is handed over to the customer. The guarantee amount is not reduced by being offset against payments not yet received from the customer. Guarantees that have been received from subcontractors and suppliers of materials are not taken into account, either. If the Group receives reciprocal guarantees related to external consortium members' share of joint and several liability, these are not taken into account. Tax cases, court proceedings and arbitration are not included in contingent liability amounts. Instead, a separate description is provided.

In connection with contracting assignments, security is often provided in the form of a completion guarantee from a bank or insurance institution. The issuer of the guarantee, in turn, normally receives an indemnity from the contracting company or other Group company. Such indemnities related to the Group's own contracting assignments are not reported as contingent liabilities, since they do not involve any increased liability compared to the contracting assignment.

Note 33 presents information about contingent liabilities.

Contingent assets

Contingent assets are possible assets arising from past events and whose existence will be confirmed only by the occurrence or non-occurrence of one or more uncertain future events not wholly within the control of the company.

In the Group's construction operations, claims for additional compensation from the customer are not uncommon. If the right to additional compensation is confirmed, this affects the valuation of the project when reporting according to IFRS 15. As for claims that have not yet been confirmed, it is not practicable to provide information about these, unless there is an individual claim of substantial importance to the Group.

Assets pledged

Shares in joint ventures within the Infrastructure Development business stream are reported as assets pledged when the shares in the project company, which may be directly owned by Skanska or owned via an intermediate holding company, are pledged as collateral for loans from banks or lenders other than the co-owners.

Note 33 provides information about assets pledged.

IAS 19 Employee Benefits

This accounting standard makes a distinction between defined-contribution and defined-benefit pension plans. Defined-contribution pension plans are defined as plans in which the company pays fixed contributions into a separate legal entity and has no obligation to pay further contributions, even if the legal entity does not have sufficient assets to pay all employee benefits relating to their service until the closing day. Other pension plans are defined-benefit plans. Calculation of defined-benefit pension plans according to IAS 19 is carried out in a way that often deviates from local rules in each country. Obligations and costs are to be calculated according to the projected unit credit method. The purpose is to recognize expected future pension disbursements as expenses in a way that yields more uniform expenses over the employee's period of employment. Actuarial assumptions about the discount rate, wage or salary increases, inflation and life expectancy are taken into account in the calculation. Pension obligations for post-employment benefits are discounted to present value. Discounts are calculated for all three countries where Skanska has defined-benefit pension plans using an interest rate based on the market return on high quality corporate bonds including mortgage bonds, with maturities matching the pension obligations. Pension plan assets are recognized at fair value on the closing day. In the statement of financial position, the present value of pension obligations is recognized after subtracting the fair value of plan assets. The pension expense and the return on plan assets recognized in the income statement refer to the pension expense and return estimated on January 1. The return on plan assets is calculated using the same interest rate as is used to discount the pension obligations. Any differences compared to actual pension expense and actual return, as well as effects of changed assumptions, together constitute remeasurement and are reported in "Other comprehensive income."

Note 1. Continued

If the terms of a defined-benefit plan are significantly amended, or the number of employees covered by a plan is significantly reduced, a curtailment occurs. Obligations are recalculated according to the new conditions. The effect of the curtailment is recognized in profit or loss.

When there is a difference between how pension expense is determined in a legal entity and the Group, a provision or receivable is recognized for the difference for taxes and social insurance contributions based on the company's pension expenses. The provision or receivable is not calculated at present value, since it is based on present-value figures.

Deferred taxes and social insurance contributions on remeasurements are recognized under "Other comprehensive income."

Obligations related to contributions to defined-contribution plans are recognized as expenses in the income statement as they arise.

The Group's net obligation related to other long-term employee benefits, aside from pensions, amounts to the value of future benefits that employees have earned as compensation for the services they have performed during the current and prior periods. The obligation is calculated using the projected unit credit method and is discounted to present value, and the fair value of any plan assets is subtracted. The discount rate is again based on the yield on high quality corporate bonds including mortgage bonds, or government bonds, with a maturity matching the maturity of the obligations.

A provision is recognized in connection with termination of employees' employment only if the company is obligated through its own detailed formal termination plan – and there is no realistic possibility of annulling the plan – to end employment before the normal date, or when benefits are offered in order to encourage voluntary resignation. In cases where the company terminates employees' employment, the provision is calculated on the basis of a detailed plan that includes at least the location, function and approximate number of employees affected, as well as the benefits for each job category or position and the time at which the plan will be implemented.

Only an insignificant percentage of the Group's defined-benefit pension obligations were financed by premiums to the retirement insurance company Alecta. Since the required figures cannot be obtained from Alecta, these pension obligations are reported as a defined-contribution plan. Since the same conditions apply to the AFP plan in Norway, this is also reported as a defined-contribution plan.

IFRS 2 Share-based Payment

The Seop 3 and Seop 4 employee ownership programs are recognized as share-based payment settled with equity instruments, in compliance with IFRS 2. This means that the fair value is calculated on the basis of market value at the time of investment and expected fulfillment of targets. This value is allocated over the respective vesting period. After the fair value is established, there is no reappraisal during the remainder of the vesting period, except in the case of changes in the number of shares because the condition of continued employment during the vesting period is no longer met.

Social insurance contributions

Social insurance contributions that are payable in connection with share-based payments are reported in compliance with statement UFR 7 from the Swedish Financial Reporting Board. The cost of social insurance contributions is allocated over the period when the services are performed. The provision that arises is reappraised on each financial reporting date to correspond to the estimated contributions that are due at the end of the vesting period.

IAS 7 Statement of Cash Flows

In preparing its cash flow statement, Skanska applies the indirect method in compliance with the accounting standard. Aside from cash and bank balance flows, cash and cash equivalents are to include short-term investments whose conversion into bank balances may occur in an amount most of which is known in advance. Short-term investments with maturities of less than three months are regarded as cash and cash equivalents. Cash and cash equivalents that are subject to restrictions are reported either as current receivables or as non-current receivables.

In addition to the cash flow statement prepared in compliance with the standard, the Report of the Directors presents an operating cash flow statement that does not conform to the structure specified in the standard. The operating cash flow statement was prepared on the basis of the operations that the different business streams carry out.

IAS 33 Earnings per Share

Earnings per share are reported directly below the consolidated income statement and are calculated by dividing the portion of profit for the year that is attributable to the Parent Company's equity holders (shareholders) by the average number of shares outstanding during the period.

For Seop 3 and Seop 4 employee ownership programs, the dilution effect is calculated by adding potential ordinary shares to the number of ordinary shares before dilution. The calculation of potential ordinary shares occurs in two stages. First there is an assessment of the number of shares that may be issued when established targets are reached. The number of shares for the respective program year is then determined the following year, provided that the condition of continued employment is met. In the next step, the number of potential ordinary shares is reduced by the value of the consideration that Skanska is expected to receive, divided by the average market price of a share during the period.

IAS 24 Related Party Disclosures

According to this accounting standard, information must be provided about transactions and agreements with related companies and physical persons. In the consolidated financial statements, intra-Group transactions fall outside this reporting requirement. Notes 36, 37 and 39 provide disclosures in accordance with the accounting standard. With respect to the Parent Company, this information is provided in Notes 62 and 63.

IAS 40 Investment Property

Skanska is not reporting any investment properties. Properties that are used in the Group's own operations are reported in compliance with IAS 16. The Group's holdings of current-asset properties are covered by IAS 2 and thus fall outside the application of IAS 40.

IFRS 8 Operating Segments

According to this standard, an operating segment is a component of the Group carrying out business operations whose operating income is evaluated regularly by the highest executive decision-maker and about which separate financial information is available.

Skanska's operating segments consist of its business streams: Construction, Residential Development, Commercial Property Development and Infrastructure Development.

The Group Leadership Team is the Group's highest executive decision-maker.

The principle for segment reporting of Residential Development and Commercial Property Development in the income statement deviates from IFRS on two points. In segment reporting, a divestment gain is recognized on the date a sales contract is signed. In segment reporting joint ventures are recognized within Residential Development line by line according to the proportional method of accounting. This means that Construction's revenue from joint ventures within Residential Development operations is eliminated in segment reporting. Note 4 presents a reconciliation between segment reporting and the income statement in compliance with IFRS.

Note 4 provides information about operating segments. Financial reporting to the Group Leadership Team focuses on the areas for which each respective operating segment is operationally responsible: operating income in the income statement and capital employed. For each respective operating segment, the note thus reports external and internal revenue, cost of production, selling and administrative expenses and capital employed. Capital employed refers to total assets minus tax assets and receivables invested in Skanska's treasury unit ("internal bank") less non-interest-bearing liabilities excluding tax liabilities. In the calculation of capital employed, a capitalized interest expense is removed from total assets for the Residential Development and Commercial Property Development segments. Acquisition goodwill has been reported in the operating segment to which it relates.

Note 1. Continued

In transactions between operating segments, pricing occurs on market terms. Certain parts of the Group do not belong to any operating segment. These are reported in Note 4 under the heading "Central and eliminations." Operating segment income includes intra-Group profits and, consequently, these are eliminated during reconciliation with the consolidated income statement and the consolidated statement of financial position.

In addition to information about operating segments, Note 4 provides disclosures on external revenue for the entire Group and disclosures on the allocation of certain assets divided by countries with more than ten percent of the Group's total items.

IAS 10 Events After the Reporting Period

Events after the end of the reporting period may, in certain cases, confirm a situation that existed on the closing day. Such events are taken into account when the financial reports are prepared. Information is provided about other events that occur after the closing day and before the financial report is signed if the omission of such information would affect the ability of a reader to make an accurate assessment and a sound investment decision.

Such information is provided in Note 41.

IAS 32 Financial Instruments: Presentation

Offsetting of financial assets and financial liabilities occurs when an entity has a legal right to offset items against each other and intends to either settle these items on a net basis or simultaneously divest the asset and settle the liability.

Prepaid income and expenses are not financial instruments. Accrued income and expenses that are related to the business are not recognized as financial instruments. Thus, contract assets and contract liabilities are not included under financial instruments. Obligations for employee benefit plans in compliance with IAS 19, such as pension plans, are exempt from IAS 32 and are thus not recognized as financial instruments. Assets and liabilities that are not based on contracts, such as income taxes, are not considered financial instruments.

Information in compliance with the accounting standard is provided mainly in Notes 6, 21 and 27.

IFRS 9 Financial Instruments

IFRS 9 Financial Instruments addresses the recognition of financial assets and liabilities. Categories exempt from application according to IFRS 9 include holdings in subsidiaries, associated companies and joint ventures, leases, rights under employment contracts, treasury shares, financial instruments as described in IFRS 2, and rights and responsibilities within IFRS 15 except for the rights in IFRS 15 where an impairment requirement according to IFRS 9 applies. All financial instruments, including derivatives, are recognized as a financial asset or financial liability in the statement of financial position when the entity becomes a party to the contractual provisions of the instrument. A regular way purchase or sale of a financial asset is recognized in and derecognized from the statement of financial position using trade date accounting. A financial asset is derecognized from the statement of financial position when the contractual rights to cash flows from the financial asset expire or when the entity transfers the contractual rights to receive cash flows from the financial asset or retains the contractual rights to receive cash flows, but assumes a contractual obligation to pay cash flows to one or more recipients. A financial liability is derecognized from the statement of financial position only when the contractual obligation is fulfilled, cancelled or expires.

Presentation of financial assets is based on the entity's business model and the contractual cash flows of the asset.

A financial asset is measured at amortized cost if the asset is held within the framework of a business model the objective of which is to hold financial assets in order to collect contractual cash flows, and the cash flows on specified dates are solely payments of principal and interest on the principal amount outstanding.

A financial asset is measured at fair value through other comprehensive income if the asset is held according to a business model the objective of which can be achieved both by collecting contractual cash flows and selling financial assets, and the cash flows are solely payments of principal and interest on the principal amount outstanding. A financial asset is measured at fair value though profit or loss if it is not measured at amortized cost or at fair value through other comprehensive income.

All financial assets are measured at amortized cost with the exception of:

a) financial liabilities measured at fair value through profit or loss (such liabilities, including derivatives that are liabilities, are thereafter to be measured at fair value);
b) financial liabilities arising when a transfer of a financial asset does not meet the criteria for derecognition from the statement of financial position or where a continued commitment is appropriate;
c) financial guarantee contracts;
d) a loan commitment with interest that is below the market interest rate; and
e) a contingent consideration acknowledged by an acquiring party in connection with a business combination covered by IFRS 3 (such contingent consideration is thereafter measured at fair value with changes recognized through profit or loss).

An entity is only entitled to reclassify all relevant financial assets when the entity changes its business model for managing financial assets. Reclassification of financial liabilities is not permitted.

Financial assets and liabilities are initially measured at fair value plus or minus transaction costs upon acquisition of a financial asset or financial liability for a financial asset or financial liability that is not measured at fair value through profit or loss. Trade receivables that do not contain a significant financing component are measured upon initial recognition at their transaction price (as defined in IFRS 15). After initial recognition, financial assets are measured at amortized cost, fair value through other comprehensive income or fair value through profit or loss. Subsequent measurement of financial liabilities is at amortized cost or fair value through profit or loss.

An entity is to apply the impairment requirement to expected credit losses on financial assets and a loss provision for these is to be recognized as a deduction from the asset. On every closing day the loss provision is to be equivalent to an amount reflecting the expected credit losses for the remaining time until maturity if the credit risk has increased significantly since it was initially recognized. If the credit risk has not increased significantly since it was first recognized, the loss provision is to be equivalent to 12 months of expected credit losses. For trade receivables, contractual assets and lease receivables, the loss provision is always to be at an amount equivalent to the remaining time to maturity. An entity is to measure expected credit losses taking into account an objective and probability-weighted amount, the time value of money, reasonable and supportable information about past events, current conditions and forecasts of future economic conditions.

The purpose of hedge accounting is so that, in its financial statements, an entity can report the effect of its risk management where financial instruments are used to manage exposure from specific risks that would impact results. A derivative that is measured at fair value through profit or loss can be identified as a hedging instrument. A financial asset or liability that is not a derivative measured at fair value through profit or loss can be identified as a hedging instrument unless it is a financial liability identified as measured at fair value through profit or loss for which the amount of the change in fair value arising from changes in credit risk for the liability is recognized in other comprehensive income. In hedge accounting, only contracts with an external party outside the Group can be identified as hedging instruments. A hedged item may be a recognized asset or liability, an unrecognized binding commitment, a highly likely forecast transaction or a net investment in foreign operations. A hedging relationship only qualifies for hedge accounting when the following criteria have been met: the hedging relationship consists only of eligible hedging instruments and eligible hedged items, where there is a formal designation and documentation for the hedging relationship and the entity's risk management objective and strategy for undertaking the hedge, and where the effectiveness requirement for the hedges has been met. The effectiveness requirement is met when there is an economic relationship between the hedged item and the hedging instrument, the effect of credit risk does not dominate the value changes that result from the economic relationship, and the hedge ratio of the hedging relationship is the same as the ratio between the quantity of the hedged item that the entity actually hedges and the quantity that the entity actually uses to hedge that quantity of hedged items.

Skanska uses hedge accounting for cash flow hedging and hedging of net investment in foreign operations. Hedge accounting is used for cash flow hedges when a future cash flow is attributable to a recognized asset or liability or a highly probable future transaction. Hedge accounting for hedging of net investments in foreign operations is applied when the net investment is in line with IAS 21.

Note 1. Continued

A cash flow hedge is recognized as follows:

a) the separate component in equity, cash flow hedge reserve, which is linked to the hedged item is to be adjusted to the lower of the following: the cumulative gains or losses from the hedging instrument from the date the hedge was entered into or the cumulative change in fair value for the hedged item from the date the hedge was entered into;

b) the portion of the gain or loss for a hedging instrument that has been determined to be an effective hedge is recognized in other comprehensive income;

c) the remaining gain or loss for the hedge instrument is hedging ineffectiveness that is to be recognized through profit or loss;

d) the amount accumulated in cash flow hedge reserve derived from the cash flow hedged in accordance with a) is to be recognized as follows:

i) if a hedged forecast transaction subsequently leads to recognition of a non-financial asset or liability, or a hedged forecast transaction for a non-financial asset or liability becomes a binding commitment for which hedge accounting of fair value is used, the entity is to deduct this from the reserve originating from the cash flow hedge and include it directly in the initial cost or other recognized value for the asset or liability;

ii) for all cash flow hedges except those covered by i) this amount is to be reclassified from the reserve originating from the cash flow hedge to profit or loss as a reclassification adjustment in the same period or periods during which the hedged expected future cash flows affect profit or loss;

iii) if this amount is a loss and an entity is expecting all or part of the loss not to be recovered during one or more future periods, the amount not expected to be recovered is to be immediately reclassified to profit or loss as a reclassification adjustment.

Hedging of net investments in foreign operations, including a hedge of a monetary item that is recognized as part of a net investment, is to be recognized in a similar way to cash flow hedges: the portion of the gain or loss for the hedging instrument that is determined to be an effective hedge is to be recognized through other comprehensive income, and the remainder is to be recognized through profit or loss. The cumulative gain or loss for the hedging instrument that is attributable to the effective portion of the hedge and that has accumulated in the currency translation reserve is to be reclassified from equity to profit or loss upon disposal or partial disposal of the foreign operations.

IFRS 7 Financial Instruments: Disclosures

The company provides disclosures that enable the evaluation of the significance of financial instruments for the entity's financial position and performance. The disclosures also enable an evaluation of the nature of financial instruments and risks associated with them to which the company has been exposed during the period and is exposed to at the end of the reporting period. These disclosures also provide a basis for assessing how these risks are managed by the company. This standard supplements the principles for recognizing, measuring and classifying financial assets and liabilities in IAS 32 and IFRS 9.

The standard applies to all types of financial instruments, with the primary exception of holdings in subsidiaries, associated companies and joint ventures, as well as obligations for employee benefit plans in compliance with IAS 19, such as pension plans. The disclosures that are provided thus include accrued interest income, deposits and accrued interest expense. Accrued income relating to contracting assignments is not a financial instrument.

The disclosures provided are supplemented by reconciliation with other items in the income statement and in the statement of financial position.

Disclosures in compliance with this accounting standard are presented in Note 6.

IAS 20 Accounting for Government Grants and Disclosure of Government Assistance

"Government assistance" refers to action by the government designed to provide an economic benefit specific to one company or a category of companies that qualify based on certain criteria. Government grants are assistance from the government in the form of transfers of resources to a company in return for past or future compliance with certain conditions relating to its operations.

Government grants are recognized as prepaid income or a reduction of an investment when there is reasonable assurance that the grants will be received and that the Group will meet the criteria for receiving the grant.

The Swedish Financial Reporting Board's recommendation RFR 1 Supplementary Accounting Rules for Groups

The recommendation specifies what further disclosures must be provided in order for the annual accounts to comply with Sweden's Annual Accounts Act. The additional information mainly relates to disclosures on employees.

Disclosures on the number of employees, gender distribution and distribution among countries are provided in Note 36. The number of employees during the year was calculated as an average of the average number of employees during the quarters in the year. In this calculation, part-time employment is equivalent to 60 percent of full-time employment. Employees belonging to operations divested during the year are included up until the date of divestment. Employees of acquired companies are included from the date of acquisition.

Information on the gender distribution among senior executives refers to the situation on the closing day. "Senior executives" in the various subsidiaries refers to the members of the management teams of the respective business units. This information is provided in Notes 36 and 37.

In addition to Board members and the President and CEO, all other persons in the Group Leadership Team must be included in the group for which a separate account is to be provided of the total amounts of salaries and other remuneration, as well as expenses and obligations related to pensions and similar benefits. Furthermore, the same disclosures must be provided individually for each of the Board members and for the President and CEO, as well as individuals previously holding these positions. Employee representatives are exempted.

Note 36 provides information about loans, assets pledged and contingent liabilities on behalf of Board members and of Presidents and CEOs within the Group.

Information must also be provided on fees to auditors and the accounting firms where the auditors work. See Note 38.

Order bookings and order backlog

In contracting assignments, an order booking refers to a written order confirmation or signed contract, provided that financing has been arranged and construction is expected to commence within 12 months. If a previously received order is canceled in a subsequent quarter, the cancellation is recognized as a negative item when reporting order bookings for the quarter when the cancellation occurs. Reported order bookings also include orders from Residential Development and Commercial Property Development, which presupposes that building permits are in place and construction is expected to begin within three months. For services related to fixed-price work, the order booking is recorded when the contract is signed, and for services related to cost-plus work, the order booking corresponds to revenue. For service agreements, a maximum of 24 months of future revenue is included.

No order bookings are reported in Residential Development and Commercial Property Development.

Order backlog refers to the difference between order bookings for a period and accrued revenue (accrued project expenses plus accrued project revenue adjusted for loss provisions) plus order backlog at the beginning of the period.

The order backlog in the accounts of acquired subsidiaries on the date of acquisition is not reported as order bookings, but is included in order backlog amounts.

Market appraisal

Commercial Property Development

Note 22 provides the estimated market value of Skanska's current-asset properties. For completed commercial properties and for development properties, the market value for the majority of properties has been calculated in cooperation with external appraisers. The value of ongoing projects is measured internally. The calculated market value of ongoing projects refers to each property once it is completed and fully occupied.

Residential Development

In appraising properties in Residential Development, market value is calculated taking into account the value that can be obtained within the usual economic cycle and refers to properties once they are completed.

Note 1. Continued

Infrastructure Development

Skanska obtains an estimated value for infrastructure projects by discounting estimated future cash flows in the form of dividends and repayments of loans and equity by a discount rate based on country, risk model and project phase for the various projects. The discount rate chosen is applied to all future cash flows starting on the appraisal date. This is based on the most recently updated financial model. This financial model describes all cash flows in the project and serves as the ultimate basis for financing, which is carried out with full project risk and without guarantees from Skanska.

An estimated value is stated solely for projects that have reached contractual and financial close. All flows are appraised: investments in the project (equity and subordinated debenture loans), interest on repayments of subordinated loans, as well as dividends to and from the project company. Today all investments except New Karolinska Solna are denominated in currencies other than Swedish kronor, and there is thus also an exchange rate risk.

Estimated values have in part been calculated in cooperation with external appraisers and are stated in Note 20 B.

Note 1. Parent Company accounting and valuation principles

The Parent Company has prepared its annual accounts in compliance with the Annual Accounts Act and the Swedish Financial Reporting Board's Recommendation RFR 2, "Accounting for Legal Entities." According to RFR 2, the annual accounts of the legal entity must apply the International Financial Reporting Standards (IFRS) and International Accounting Standards (IAS) issued by the International Accounting Standards Board (IASB), to the extent these have been approved by the EU, as well as the interpretations by the IFRS Interpretations Committee and its predecessor the Standing Interpretations Committee (SIC), as far as this is possible within the framework of the Annual Accounts Act and taking into account the connection between accounting and taxation. A presentation of the various accounting standards can be found in the Group Note 1. The statements of the Swedish Financial Reporting Board must also be applied.

In accordance with RFR 2, IFRS 9 is not applied to financial guarantee agreements benefiting subsidiaries, associated companies and joint ventures. Instead, IAS 37 is applied, which normally means that provisions for these measures are not recognized since it is unlikely that an outflow of resources will be required to settle the obligation.

No reserves for future credit losses, under IFRS 9, are made as the Parent Company's trade accounts receivable – with only one small exception – are Group company receivables over which Skanska AB exercises control. The credit risk is therefore minimal.

Group contributions are recognized in accordance with the general rule in RFR 2.

The Seop 3 and Seop 4 employee ownership programs are recognized as share-based payment settled with equity instruments, in compliance with IFRS 2. The portion of the Group's expense for these employee ownership programs that relates to employees of subsidiaries is recognized in the Parent Company as an increase in the carrying amount of holdings in subsidiaries and an increase in equity. When the amount to be debited to the subsidiary is established, a transfer is made to "Receivables from subsidiaries." Where compensation from subsidiaries for shares that have been allocated deviates from the previously reported increase in the carrying amount of holdings in subsidiaries, the carrying amount of holdings in subsidiaries is reduced to the portion of the amount that does not exceed the previously reported increase. Any remaining portion of the compensation is recognized directly in equity.

Important differences compared to consolidated accounting principles

The income statement and balance sheet conform to the presentation formats in the Annual Accounts Act.

Defined-benefit pension plans are reported according to the regulations in the Pension Obligations Vesting Act. Pension obligations secured by assets in pension funds are not recognized in the balance sheet.

Similar to holdings in subsidiaries, holdings in associated companies and joint arrangements are also carried at cost before any impairment losses.

Note 2. Key estimates and judgments

Key estimates and judgments

The Group Leadership Team has discussed with the Board and the Audit Committee the developments and disclosures relating to the Group's important accounting principles and estimates, as well as the application of these principles and estimates.

Some important accounting-related estimates that were made when applying the Group's accounting principles are described below.

Goodwill impairment testing

When calculating the recoverable amount of cash-generating units to determine if there is any goodwill impairment, several assumptions about future conditions and estimates of parameters have been made. These are presented in Note 18. As understood from the description in this note, important changes in the basis for these assumptions and estimates might have a substantial effect on the value of goodwill.

Pension assumptions

Skanska has defined-benefit pension plans in a number of countries. The plans are recognized according to IAS 19, which means that pension commitments are calculated using actuarial assumptions and that plan assets are measured at market value on the closing day. The effects of changed actuarial assumptions and changes in the market value of plan assets are recognized as remeasurements in other comprehensive income. The remeasurements impact interest-bearing pension liabilities and equity.

The assumptions and prerequisites that provide the basis for recognition of pension liability, including a sensitivity analysis, are presented in Note 28.

Revenue recognition over time

Skanska applies revenue recognition over time in the construction stream. On the basis of an estimated final outcome of the project, revenue and costs are recognized over time during the duration of the project based on the stage of completion. In order to do this, the amount of project revenue and project expenses must be able to be reliably determined. This in turn requires that the Group has efficient, coordinated systems for calculation, forecasting and revenue/expense reporting. The method also requires consistent assessment (forecasts) of the final outcome of the project, including analysis of deviations from earlier assessments. This critical assessment is performed at least once every quarter. However, actual future project outcomes may deviate, either positively or negatively, from this assessment.

Disputes

Although management's best judgment is used in reporting disputed amounts, the actual future outcomes may deviate from the judgment made. See Note 33 and Note 29.

Investments in Infrastructure Development

The estimated investment amounts are provided in Note 20 B. Estimated market value is based on discounting anticipated cash flows for each respective investment. Estimated yield requirements on investments of this type have been used as discount rates. Changes in anticipated cash flows, which in a number of cases extend 20 to 30 years into the future, and/or changes in yield requirements, may materially affect both estimated values and carrying amounts for each investment.

Current-asset properties

The stated combined market value in Note 22 is calculated on the basis of prevailing price levels in the respective location of the individual properties. Changes in the supply of similar properties, as well as changes in demand due to changed yield requirements, may materially affect both estimated market values and carrying amounts for each property.

In Commercial Property Development, the estimated market value for ongoing projects is assessed for each property once it is completed and fully occupied.

In Residential Development the supply of capital and the price of capital for financing home buyers' investments are critical factors. The market value assessed here too is the value of the properties once they are completed and taking into account the value that may be added in a normal economic cycle.

Prices of goods and services

In the Skanska Group's operations there are many different forms of contractual mechanisms. The degree of risk associated with the price of goods and services varies greatly depending on the contract type.

Sharp increases in material prices may pose a risk, particularly to long-term projects with fixed-price commitments. A shortage of human resources and certain input goods may also adversely impact operations. Delays in the design phase or changes in design are other circumstances that may adversely affect projects.

Note 3. Effects of changes in accounting principles

As of January 1, 2018 the IFRS accounting rules have changed for revenue recognition (IFRS 15 replaces the previous IAS 11, IAS 18 and IFRIC 15) and recognition of financial assets and liabilities (IFRS 9 replaces the previous IAS 39).

For Skanska, IFRS 15 involves a reclassification from contract liabilities and from other operating liabilities to provisions for losses, on the line "Current provisions." This standard will not require any change in segment reporting for Residential Development and Commercial Property Development. IFRS 9 requires a new impairment model for anticipated credit losses due to the possible future inability of customers to pay.

The change in the accounting principles was made in compliance with the transition rules.

IFRS 15

IFRS 15 has been implemented with full retrospective effect, i.e. the consolidated financial statements have been restated for 2017 due to the implementation of IFRS 15.

The effects on the opening balance for 2017 are presented in the following table.

Effect on the Group, January 1, 2017

	Before the change	Change	After the change
Contract liabilities (Gross amount due to customers for contract work)	18,473	–151	18,322
Trade and other payables	36,080	–236	35,844
Current provisions	7,227	387	7,614

IFRS 9

The effects of IFRS 9 were reported upon its implementation on January 1, 2018 and are presented in the following table.

Effect on the Group, January 1, 2018

	Before the change	Change	After the change
Deferred tax assets	1,757	40	1,797
Current financial assets	6,671	–30	6,641
Trade and other receivables	27,778	–150	27,628
Equity	27,185	–140	27,045

Note 4. Operating segments

Skanska's business streams – Construction, Residential Development, Commercial Property Development and Infrastructure Development – are recognized as operating segments. These business streams coincide with Skanska's operational organization, used by the Group Leadership Team to monitor operations. The Group Leadership Team is also Skanska's "chief operating decision maker."

Each business stream carries out distinct types of operations with different risks. Construction includes both building construction and civil construction. Residential Development develops residential projects for immediate sale. Homes are adapted for selected customer categories. The units in this segment are responsible for planning and selling projects. The construction assignments are performed by construction units in the Construction business stream in each respective market. Commercial Property Development initiates, develops, leases and divests commercial property projects. Project development focuses on office buildings, retail and logistics properties. Construction assignments are performed in most markets by Skanska's Construction segment. Infrastructure Development specializes in identifying, developing and investing in privately financed infrastructure projects, such as highways, hospitals and airports. The business stream focuses on creating new potential projects, mainly in the markets where the Group has operations. Construction assignments are performed by the construction units where Skanska has construction operations. Intra-Group pricing between operating segments occurs on market terms. Central Segment includes the cost of Group headquarters, earnings of central companies and operations that are being discontinued. Eliminations consist mainly of profits in Construction operations related to property projects. See also note 1.

Revenue and expenses by operating segment

Each business stream has operating responsibility for its income statement down through "operating income."

Assets and liabilities by operating segment

Each business stream has operating responsibility for its capital employed. The capital employed by each business stream consists of its total assets minus tax assets and intra-Group receivables invested in Skanska's treasury unit ("internal bank") less non-interest-bearing liabilities excluding tax liabilities. In the calculation of capital employed, a capitalized interest expense is removed from total assets for the Residential Development and Commercial Property Development segments.

Acquisition goodwill has been reported in the business stream to which it belongs.

Cash flow by segment is presented as a separate statement: Consolidated operating cash flow statement and change in interest-bearing net receivables.

Note 4. Continued

2018	Construction	Residential Development	Commercial Property Development	Infrastructure Development	Total operating segments	Central	Eliminations	Total segments	Difference in accounting principles	Total IFRS
External revenue	143,264	10,739	16,248	105	170,356	138		170,494	1,236	171,730
Revenue from internal customers	14,630		23		14,653	412	–15,065	0		0
Total revenue	**157,894**	**10,739**	**16,271**	**105**	**185,009**	**550**	**–15,065**	**170,494**	**1,236**	**171,730**
Cost of sales	–149,849	–8,558	–12,335	–139	–170,881	–605	14,994	–156,492	–973	–157,465
Gross income	**8,045**	**2,181**	**3,936**	**–34**	**14,128**	**–55**	**–71**	**14,002**	**263**	**14,265**
Selling and administrative expenses	–6,998	–676	–928	–116	–8,718	–756		–9,474	1	–9,473
Income from joint ventures and associated companies	52		61	181	294		5	299	556	855
Operating income	**1,099**	**1,505**	**3,069**	**31**	**5,704**	**–811**	**–66**	**4,827**	**820**	**5,647**
of which depreciation/amortization	–1,700	–1	–6	–2	–1,709	–71		–1,780		–1,780
of which impairment losses/reversals of impairment losses										
Goodwill	–393				–393			–393		–393
Other assets	–102	–72	–107	–9	–290		6	–284		–284
of which gains from sale of commercial properties			4,005		4,005		321	4,326	150	4,476
of which gains from sale of infrastructure projects				58	58			58		58
Employees	37,006	542	414	61	38,023	627		38,650		
Gross margin, %	5,1	20,3								
Selling and administrative expenses, %	–4,4	–6,3								
Operating margin, %	0,7	14,0								
Assets, of which										
Property, plant and equipment	7,570	7	20	1	7,598	60	–13	7,645		7,645
Intangible assets	4,598	421	9		5,028	271		5,299		5,299
Investments in joint ventures and associated companies	244	470	337	2,248	3,299	4	–15	3,288		3,288
Current-asset properties	11	16,712	26,301		43,024		–633	42,391		42,391
Capital employed	–6,148	13,605	26,672	2,234	36,363	9,824		46,187		46,187
Investments	–2,526	–10,542	–11,452	–63	–24,583	–48	91	–24,540		–24,540
Divestments	430	12,146	15,275	80	27,931	88	–179	27,840		27,840
Net investments	**–2,096**	**1,604**	**3,823**	**17**	**3,348**	**40**	**–88**	**3,300**	**0**	**3,300**
Reconciliation from segment reporting to IFRS										
Revenue according to segment reporting – upon signing of contracts	157,894	10,739	16,271	105	185,009	550	–15,065	170,494		
Plus properties sold before the period		14,646	5,116		19,762			19,762		
Less properties not yet occupied by the buyer on closing day		–13,247	–5,708		–18,955		–79	–19,034		
Plus revenue of joint ventures in Residential Development		–160			–160		303	143		
Exchange-rate differences		228	137		365			365		
Revenue according to IFRS – handover	**157,894**	**12,206**	**15,816**	**105**	**186,021**	**550**	**–14,841**	**171,730**		
Operating income according to segment reporting – upon signing of contracts	1,099	1,505	3,069	31	5,704	–811	–66	4,827		
Plus properties sold before the period		2,315	950		3,265		12	3,277		
Less properties not yet occupied by the buyer on closing day		–2,012	–888		–2,900		–43	–2,943		
Plus operating income of joint ventures in Residential Development		36	324		360		18	378		
New intra-Group profits							27	27		
Exchange-rate differences		33	48		81			81		
Operating income according to IFRS – handover	**1,099**	**1,877**	**3,503**	**31**	**6,510**	**–811**	**–52**	**5,647**		

Note 4. Continued

2017	Construction	Residential Development	Commercial Property Development	Infrastructure Development	Total operating segments	Central	Eliminations	Total segments	Difference in accounting principles	Total IFRS
External revenue	135,997	13,158	11,255	81	160,491	332		160,823	–2,946	157,877
Revenue from internal customers	14,053	79	185		14,317	1,032	–15,349	0		0
Total revenue	**150,050**	**13,237**	**11,440**	**81**	**174,808**	**1,364**	**–15,349**	**160,823**	**–2,946**	**157,877**
Cost of sales	–141,751	–10,855	–8,451	–177	–161,234	–1,275	15,209	–147,300	2,197	–145,103
Gross income	**8,299**	**2,382**	**2,989**	**–96**	**13,574**	**89**	**–140**	**13,523**	**–749**	**12,774**
Selling and administrative expenses	–7,132	–666	–899	–121	–8,818	–1,033		–9,851		–9,851
Income from joint ventures and associated companies	38		624	1,142	1,804		28	1,832	–177	1,655
Operating income	**1,205**	**1,716**	**2,714**	**925**	**6,560**	**–944**	**–112**	**5,504**	**–926**	**4,578**
of which depreciation/amortization	–1,478	–1	–6	–3	–1,488	–99		–1,587		–1,587
of which impairment losses/reversals of impairment losses										
Goodwill	–592				–592			–592		–592
Other assets	–265	–14	–6	–11	–296		13	–283		–283
of which gains from sale of commercial properties			2,879		2,879		197	3,076	–370	2,706
of which gains from sale of infrastructure projects				985	985			985		985
Employees	39,002	482	389	94	39,967	792		40,759		
Gross margin, %	5,5	18,0								
Selling and administrative expenses, %	–4,8	–5,0								
Operating margin, %	0,8	13,0								
Assets, of which										
Property, plant and equipment	6,771	5	19	9	6,804	86	–16	6,874		6,874
Intangible assets	4,770	409	7		5,186	330		5,516		5,516
Investments in joint ventures and associated companies	218	527	658	1,944	3,347	3	–36	3,314		3,314
Current-asset properties	11	15,505	24,043		39,559		–549	39,010		39,010
Capital employed	–2,761	12,652	24,481	1,809	36,181	7,930		44,111		44,111
Investments	–2,062	–11,093	–10,716	–449	–24,320	–67	202	–24,185		–24,185
Divestments	237	11,773	9,341	1,950	23,301	112	–314	23,099		23,099
Net investments	**–1,825**	**680**	**–1,375**	**1,501**	**–1,019**	**45**	**–112**	**–1,086**	**0**	**–1,086**
Reconciliation from segment reporting to IFRS										
Revenue according to segment reporting – upon signing of contracts	150,050	13,237	11,440	81	174,808	1,364	–15,349	160,823		
Plus properties sold before the period		14,070	3,120		17,190			17,190		
Less properties not yet occupied by the buyer on closing day		–14,646	–5,116		–19,762		79	–19,683		
Plus revenue of joint ventures in Residential Development		–875			–875		313	–562		
Exchange-rate differences		37	72		109			109		
Revenue according to IFRS – handover	**150,050**	**11,823**	**9,516**	**81**	**171,470**	**1,364**	**–14,957**	**157,877**		
Operating income according to segment reporting – upon signing of contracts	1,205	1,716	2,714	925	6,560	–944	–112	5,504		
Plus properties sold before the period		2,237	627		2,864		2	2,866		
Less properties not yet occupied by the buyer on closing day		–2,316	–951		–3,267		–12	–3,279		
Plus operating income of joint ventures in Residential Development		–78	–338		–416		–18	–434		
New intra-Group profits					0		–47	–47		
Exchange-rate differences		–51	15		–36	1	3	–32		
Operating income according to IFRS – handover	**1,205**	**1,508**	**2,067**	**925**	**5,705**	**–943**	**–184**	**4,578**		

Note 4. Continued

External revenue according to IFRS by geographical area

	Sweden		UK		USA		Other items [1]		Total	
	2018	2017	2018	2017	2018	2017	2018	2017	2018	2017
Construction	29,932	27,801	22,161	19,568	61,936	58,781	29,538	30,160	143,567	136,310
Residential Development	6,684	7,291					5,443	4,533	12,127	11,824
Commercial Property Development	3,845	5,010		1,082	4,301	103	7,648	3,136	15,794	9,331
Infrastructure Development	13	12	22	28	38	41	32		105	81
Central and eliminations	4						133	331	137	331
Total operating segments	**40,478**	**40,114**	**22,183**	**20,678**	**66,275**	**58,925**	**42,794**	**38,160**	**171,730**	**157,877**

1 No geographical area with revenue accounting for 10 percent or more of the Group's revenue is included.

The Group has no customers that account for 10 percent or more of its revenue.

Non-current assets and current-asset properties by geographic area

	Property, plant and equipment		Intangible assets		Investments in joint ventures and associated companies		Current-asset-properties	
	2018	2017	2018	2017	2018	2017	2018	2017
Norway	1,496	235	1,379	4	156		4,034	5,824
Poland	327	2,084	13	635		1,312	5,884	12,704
Sweden	2,326	1,054	668	1,344	1,392	159	12,609	3,426
UK	205	224	1,503	1,503	65		418	284
USA	2,362	2,320	653	984	1,588	1,765	9,543	7,383
Other [1]	938	957	1,083	1,046	87	78	9,903	9,389
	7,654	**6,874**	**5,299**	**5,516**	**3,288**	**3,314**	**42,391**	**39,010**

1 No geographical area with revenue accounting for 10 percent or more of the Group's total items is included.

Note 5. Non-current assets held for sale and discontinued operations

Non-current assets held for sale and discontinued operations are recognized in compliance with IFRS 5, see Note 1. No operations were recognized as discontinued in 2018 or 2017.

At the end of 2018, there were no non-current assets that were recognized in compliance with IFRS 5 as current assets and specified as assets held for sale. Nor were there any such non-current assets in 2017.

Note 6. Financial instruments and financial risk management

Financial instruments are reported in compliance with IFRS 9 Financial Instruments,IAS 32 Financial Instruments: Presentation and IFRS 7 Financial Instruments: Disclosures.

Skanska's contract assets and contract liabilties are not recognized as a financial instrument and the risk associated with these receivables and liabilities is thus not reported in this note.

Risks in partly-owned joint venture companies in Infrastructure Development are managed within each respective joint venture company. Skanska's aim is to ensure that financial risk management within these companies is equivalent to that which applies to the Group's wholly owned companies. Management of the interest rate risk in financing is essential in each respective joint venture company, because the contract period in many cases amounts to decades. This risk is managed with the help of long-term interest rate swaps. These holdings are reported according to the equity method of accounting. As a result, the financial instruments in each joint venture company are included under the item "Income from joint ventures and associated companies." Disclosures on financial instruments in joint ventures and associated companies are not included in the following disclosures.

Financial risk management

Through its operations, aside from business risk, Skanska is exposed to various financial risks such as credit risk, liquidity risk and market risk. These risks are associated with the Group's reported financial instruments such as cash and cash equivalents, interest-bearing receivables, trade accounts receivable, trade accounts payable, borrowings and derivatives.

Objectives and policy

The Group endeavors to achieve a systematic assessment of both financial and business risks. To do this a common risk management model is used. The risk management model does not involve avoidance of risk, but is instead aimed at identifying and managing the risks.

Through the Group's Financial Policy, each year the Board establishes guidelines, objectives and limits for financial management and administration of financial risk within the Group. The Financial Policy stipulates the division of responsibility between Skanska's Board of Directors, Skanska's Group Leadership Team, Skanska Financial Services (SFS) and thebusiness units.

Within the Group, SFS has operational responsibility for securing Group financing and for managing liquidity, financial assets and financial liabilities. A centralized financial unit enables Skanska to take advantage of economies of scale and synergies.

The objectives and policy for each type of risk are described in the respective sections below.

Credit risk

Credit risk describes the Group's risk from financial assets and arises if a counterparty does not fulfill its contractual payment obligations to Skanska. Credit risk is divided into financial credit risk, which is risk associated with interest-bearing assets and derivatives, and customer credit risk, which refers to the risk from trade accounts receivable.

Financial credit risk – risk in interest-bearing assets and derivatives

Financial credit risk is the risk that the Group is exposed to in its relationships with financial counterparties when investing surplus funds and with respect to bank account balances and investments in financial assets. Credit risk in the form of counterparty risk also arises when using derivatives and is the risk that a potential gain will not be realized if the counterparty does not fulfill its part of the contract.

According to the policy, Skanska must limit its exposure to financial counterparties by using banks and financial institutions assigned a high credit rating by rating agencies Standard & Poor's, Moody's or Fitch. The permitted exposure volume per counterparty is dependent on the counterparty's credit rating and the maturity of the exposure. To reduce the credit risk associated with derivative instruments, the Group has also signed standardized netting agreements (ISDA agreements) with all financial counterparties with whom Skanska has entered into derivative contracts.

When investing in surplus funds the objective is to always achieve good risk diversification. As of the end of the year the surplus funds were primarily invested with larger banks with a global presence, mainly from the Nordic region, Europe, USA and Japan. Skanska currently uses around 10 banks for derivative transactions.

Maximum exposure is equivalent to the fair value of the assets and amounts to SEK 19,272 M (15,212). The average maturity of interest-bearing assets amounted to 0.3 (0.3) years as of December 31, 2018.

The Group's financial interest-bearing assets as of December 31, 2018, primarily consisting of bank balances and investments in short-term debt instruments, were still considered to have a low credit risk as of the closing day as the assets have a high credit rating and thus the lost provision for the assets is based on 12 months of expected credit losses.

Interest-bearing assets and derivatives	Dec 31, 2018	Dec 31, 2017
Maximum exposure in outstanding receivables	19,272	15,903
of which derivatives	72	103
Less adjustment from fair value	–8	
Loss provision for expected credit losses according to IFRS 9	–25	
Carrying amount	**19,239**	**15,903**

Change in impairment losses on interest-bearing assets and derivatives	2018	2017
January 1	0	0
Changed accounting principle, Note 3	30	
Adjusted amount at beginning of year	**30**	**0**
Adjustment loss provision according to IFRS 9	–5	
December 31	**25**	**0**

Customer credit risk – risk in trade accounts receivable

Customer credit risk is managed using the Skanska Group's common procedures for identifying and managing risks: the Skanska Tender Approval Procedure (STAP) and Project Scrutiny and Approval Procedure (PSAP).

Skanska's credit risk with regard to trade accounts receivable has a high degree of risk diversification, due to the large number of projects of varying sizes and types with numerous different customer categories, of which a big part in the public sector, in a large number of geographical markets.

The portion of Skanska's operations related to construction projects extends only limited credit, since projects are invoiced in advance as much as possible. In other operations, the extension of credit is limited to customary invoicing periods.

The impairment loss on trade accounts receivable amounts to SEK 447 M (435), of which SEK 150 M (0) is for the loss provision for expected credit losses according to IFRS 9.

Trade accounts receivable	Dec 31, 2018	Dec 31, 2017
Outstanding receivables	20,726	20,684
Impairment losses	–447	–435
Carrying amount	**20,279**	**20,249**

Change in impairment losses, trade accounts receivable	2018	2017
January 1	435	545
Changed accounting principle, Note 3	150	
Adjusted amount at beginning of year	**585**	**545**
Impairment losses for the year	40	172
Reversals of impairment losses	–3	–2
Impairment losses settled	–189	–287
Exchange-rate differences	14	7
December 31	**447**	**435**

Note 6. Continued

Risk in other operating receivables including shares

Other financial operating receivables consist of receivables for properties divested, accrued interest income, deposits etc.

On the closing day no operating receivables were past due and there were no impairment losses.

Holdings with less than 20 percent of voting power in a company are reported as shares. Their carrying amount is SEK 41 M (42).

Other financial operating receivables are reported by time interval with respect to when the amounts fall due in the future.

	2018	2017
Due within 30 days	57	22
Due in over 30 days but within one year	147	1,028
Due after one year	151	14
Total	**355**	**1,064**

Liquidity and refinancing risk

Liquidity and financing risk is defined as the risk of Skanska not being able to meet its payment obligations due to lack of liquidity or due to difficulties in obtaining or rolling over external loans.

The Group uses liquidity forecasting as a means of identifying and managing the fluctuations in short-term liquidity.

Surplus liquidity is, if possible, to be used primarily to repay the principal on loan liabilities.

Financing

Skanska has several borrowing programs, both committed bank credit facilities and market funding programs, which provide good preparedness for temporary fluctuations in the Group's short-term liquidity requirements and ensure long-term funding.

In 2018 Skanska issued green bonds for the second time under the Medium Term Note (MTN) program for a total of SEK 1,000 M, of which SEK 500 M will mature in 2.5 years and SEK 500 M in 5 years.

Skanska also exercised its option in the syndicated credit facilities – both of which were negotiated in 2017 – of a one-year extension after the end of the first year.

Short-term liquidity requirements due to seasonal variations in cash flow were covered during the year by short-term bank loans in SEK and USD.

At the end of the year the central debt portfolio amounted to SEK 4.3 (4.6) billion. The unutilized credit facilities of just over SEK 8.6 M (8.3) in combination with the operating financial net assets of SEK 14.2 (9.7) billion ensure that the Group has sufficient financial capacity.

				2018		2017	
	Maturity	Currency	Limit in currency	Limit in SEK	Utilized	Limit in SEK	Utilized
Market funding programs							
Commercial paper (CP) program, maturities 0–1 years		SEK/EUR	SEK 6,000 M	6,000		6,000	
Medium-term note (MTN) program, maturities 1–10 years		SEK/EUR	SEK 8,000 M	8,000	1,852	8,000	2,350
				14,000	**1,852**	**14,000**	**2,350**
Committed credit facilities							
Green syndicated bank loan	2020	SEK/EUR/USD	EUR 200 M	2,051		1,967	
Syndicated bank loan	2023	SEK/EUR/USD	EUR 600 M	6,152		5,901	
Bilateral loan agreement	2020	EUR	EUR 60 M	615	615	590	590
Bilateral loan agreements	2023/2024	USD	USD 200 M	1,786	1,786	1,638	1,638
Other credit facilities				428	17	413	
				11,031	**2,418**	**10,509**	**2,228**

At year-end 2018, the Group's unutilized confirmed credit facilities totaled SEK 8,613 M (8,281).

Note 6. Continued

Liquidity reserve and maturity structure

The objective is to have a liquidity reserve of at least SEK 4 billion available within one week in the form of cash liquidity or unutlized confirmed credit facilities. At year-end, cash and cash equivalents and unutlized confirmed credit facilities amounted to SEK 19 (15) billion, of which SEK 14 (12) billion is, or is expected to be, available within one week.

The Group's policy is for the central borrowing portfolio's maturity structure to be distributed over time and for the portfolio to have a weighted average residual term of three years, including unutilized committed credit facilities, with authorization to deviate within a two to four year interval. On December 31, 2018 the average maturity of the borrowing portfolio was 3.6 (3.5) years, if unutilized credit facilities are taken into account.

Including interest payments, the maturity structure of the Group's financial interest-bearing liabilities and derivatives is distributed over the next few years according to the following table.

2018			Maturity			
Maturity period	**Carrying amount**	**Future payment amount**	**Within 3 months**	**After 3 months within 1 year**	**After 1 year within 5 years**	**After 5 years**
Interest-bearing financial liabilities	11,744	12,238	70	7,381	3,152	1,635
Derivatives: Currency forward contracts	39	39	39			
Derivatives: Interest rate swaps	12	12	2	10		
Trace accounts payable	16,262	16,262	16,262			
Other operating liabilities	322	322	311	9	2	
Total	**28,379**	**28,873**	**16,684**	**7,400**	**3,154**	**1,635**

2017			Maturity			
Maturity period	**Carrying amount**	**Future payment amount**	**Within 3 months**	**After 3 months within 1 year**	**After 1 year within 5 years**	**After 5 years**
Interest-bearing financial liabilities	12,161	12,638	1,300	6,743	2,752	1,843
Derivatives: Currency forward contracts	100	100	96	4		
Derivatives: Interest rate swaps	58	58	24	29	5	
Trade accounts payable	15,638	15,638	15,638			
Other operating liabilities	496	496	494		2	
Total	**28,453**	**28,930**	**17,552**	**6,776**	**2,759**	**1,843**

The average maturity of interest-bearing liabilities amounted to 1.7 (1.8) years.

Market risk

Market risk is the Group's risk that the fair value of financial instruments or future cash flows from financial instruments will fluctuate due to changes in market prices. The main market risks in the consolidated accounts are interest rate risk and foreign exchange rate risk.

Note 6. Continued

Interest rate risk

Interest rate risk is the risk that changes in interest rates will adversely affect the Group's financial items and cash flow (cash flow risk) or the fair value of financial assets and liabilities (fair value interest risk).

In 2018 the Board adopted a new strategy and policy for risk management involving a transition to management of net debt instead of using duration measurement for borrowing at the central level. As a consequence of the policy change, interest rate swaps that matured in 2018 were not extended.

To limit the risk, the interest-rate maturities for financial assets and liabilities are to match to the greatest extent possible in the respective borrowing currencies. When calculating the Group's sensitivity to changes in interest rates, all interest-bearing assets, liabilities and derivatives are included, with the exception of pensions and taxes. The analysis is based on the assumption that the position as of December 31, 2018 will remain the same in terms of the size of net debt, the ratio of fixed and variable interest rates, and the percentage of financial instruments in foreign currencies.

Fair value sensitivity is measured using three different scenarios: a base scenario with an interest rate increase of one percentage point across all maturities, or an increase or decrease in the base scenario rate of one half of a percentage point over all maturities. According to this policy, the change in fair value may not exceed SEK 150 M in any of these interest scenarios.

As of December 31, 2018 the change in fair value estimated using the scenarios above would impact net financial items in the range of SEK 35–56 M (20–24) and other comprehensive income in the range of SEK 5–7 M (18–37) where hedge accounting is applied. All amounts are stated before tax. Equity would thus be affected by SEK 28–45 M (30–48) taking tax into account.

The Group's cash flow risk must not exceed SEK 150 M over a 12-month period in the event of an increase of one percentage point in market interest rates. Assuming the volume and fixed interest period are the same at year-end, an average increase in the market interest rate of one percentage point from the level at the end of the year would result in an estimated positive effect on the Group's financial items of around SEK 38 M (41) for 2018.

The deviation of cash flow risk, fair value interest rate risk and the fixed interest period are all within the authorized limits for the Group as of December 31, 2018.

The average fixed interest period for all of the Group's interest-bearing assets was 0.1 (0.1) years, taking derivatives into account. The interest rate for these was 0.83 (0.63) percent at year-end. Of the Group's total interest-bearing financial assets, 43 (23) percent carry fixed interest rates and 57 (77) percent variable interest rates.

The average fixed interest period for all interest-bearing liabilities, taking into account derivatives but excluding pension liabilities, was 0.3 (0.5) years.

The interest rate for interest-bearing liabilities amounted to 1.52 (1.43) percent at year-end. Taking into account derivatives, the interest rate was 1.59 (1.75) percent.

Of total interest-bearing financial liabilities, after taking into account derivatives, 17 (33) percent carry fixed interest rates and 83 (67) percent variable interest rates. As of December 31, 2018 there were outstanding interest rate swap contracts amounting to a nominal SEK 1,610 M (3,585). All of the contracts were entered into in order to swap the Group's borrowing from variable to fixed interest.

Hedge accounting is applied for interest rate swaps with terms that match the hedged loan with respect to nominal amounts, reference interest rate, date of maturity, and the payment and interest rate adjustment date. The efficiency is evaluated when the hedging relationship is entered into and on an ongoing basis. Inefficiency may arise if the creditworthiness of the contracting party affects fair value changes to the hedge and the hedged loan differently.

As of December 31, 2018 Skanska is applying hedge accounting for three interest rate swaps in a nominal amount of SEK 810 M. These meet the efficiency criteria. The fair value of these hedges amounts to SEK –8 M (–36) and this is recognized in other comprehensive income.

The fair value of interest rate swaps for which hedge accounting is not applied totaled SEK –4 M (–22) on December 31, 2018. For these interest rate swaps, changes in fair value are recognized through profit or loss.

There were also interest rate swap contracts in partly owned joint venture companies, for which hedge accounting is applied for all of them.

Foreign exchange rate risk

Foreign exchange rate risk is defined as the risk of a negative impact on the Group's income statement and statement of financial position due to exchange rate fluctuations. This risk can be divided into transaction exposure, i.e. net operating and financial (interest/principal payment) flows, and translation exposure related to net investments in foreign subsidiaries.

Transaction exposure

Transaction exposure arises in a local unit when the unit's inflows and outflows of foreign currencies are not matched.

Although the Group has a large international presence, its operations are mainly of a local nature in terms of foreign exchange rate risks, because project revenue and costs are mainly denominated in the same currency. If this is not the case, the objective is for each respective Business Unit to hedge its exposure in contracted cash flows against its functional currency in order to minimize the effect on earnings caused by shifts in exchange rates. The main tool for this purpose is currency forward contracts.

The foreign exchange rate risk for the Group may amount to a total of SEK 50 M, with risk calculated as the effect on earnings of a 5 percentage point shift in exchange rates. As of December 31, 2018 foreign exchange rate risk accounted for SEK 29 M (35) of transaction exposure before tax, which would affect other comprehensive income in the amount of SEK 23 M (27) after tax.

Contracted net flows in currencies that are foreign to the respective Group company, and hedges relating to these, are distributed among currencies and maturities as follows.

Dec 31, 2018	The Group's contracted net foreign currency flows			Hedging of foreign currency flows			
SEK M [1]	2019	2020	2021 and later		2019	2020	2021 and later
PLN	–3,768	–165		PLN	3,202	281	0
EUR	–992	–102	1	EUR	1,008	84	1
CZK	–331	–109		CZK	370	53	
HUF	–193	–44		HUF	197	51	
RON	–17	–1		RON			
GBP	–2			GBP	2		
USD	37	0		USD	–26		
Other currencies	3	1		Other currencies			
Total equivalent value	**–5,262**	**–421**	**1**	**Total equivalent value**	**4,753**	**469**	**1**

Dec 31, 2017	The Group's net foreign currency flows			Hedging of foreign currency flows			
SEK M [1]	2018	2019	2020 and later		2019	2020	2021 and later
PLN	–2,729	–102		PLN	2,052	578	
EUR	–504	–135	19	EUR	506	133	17
CZK	–308	–82		CZK	313	58	
USD	–19	–6		USD	27	5	
RON	–10	–9		RON			
HUF	123			HUF			
GBP	225	–1		GBP	–225	1	
Other currencies	–8	4		Other currencies	32	–9	
Total equivalent value	**–3,231**	**–332**	**19**		**2,705**	**765**	**17**

1 Flows in PLN, CZK, HUF and RON are mainly in the form of property development project costs. Flows in EUR are mainly attributable to construction operations in Sweden, Norway and Poland.

Note 6. Continued

Skanska hedges foreign currency flows by matching critical terms such as nominal amount, currency and maturity date. A qualitative evaluation of the relationship's efficiency is made in this way. The efficiency of a hedge is evaluated when the hedging relationship is entered into and on an ongoing basis. A currency hedge may become inefficient if the timing of the transaction differs from that which was initially estimated and if the credit risk associated with the derivative counterparty is changed.

Skanska mainly uses hedge accounting to hedge expenses in currencies other than the EUR in its European property development operations. The fair value of these hedges totaled SEK 15 M (70) on December 31, 2018. The hedges fulfill effectiveness requirements, which means that unrealized gains or losses are recognized under "Other comprehensive income." The fair value of currency hedges for which hedge accounting is not applied totaled SEK 4 M (31) on December 31, 2018, including the fair value of embedded derivatives. Changes in fair value are recognized through profit or loss.

Information on the changes recognized in the consolidated income statement and in other comprehensive income during the period can be found in the table "Impact of financial instruments on the consolidated income statement, other comprehensive income and equity" below.

Translation exposure

Skanska's policy stipulates that net investments in Commercial Property Development and Infrastructure Development are to be currency-hedged since the intention is to sell these assets over time. These hedges consist of forward currency contracts and foreign currency loans. The positive fair value of the forward currency contracts amounted to SEK 6 M (14) and their negative fair value amounted to SEK 0 M (0). The fair value of foreign currency loans is SEK 626 M (607).

Net investments in other foreign subsidiaries are not normally hedged, unless the Board of Skanska AB decides otherwise.

In 2018 the Infrastructure Development business stream was restructured and hedge accounting in GBP for assets in PPP projects in the UK was therefore discontinued. At year-end 2018, 5 (19) percent of equity was currency hedged. A change in the exchange rate where the Swedish krona falls/rises by 10 percent against other currencies would have an effect of SEK +/–2.2 (2,2) billion on other comprehensive income after tax and taking and hedges into account.

Hedging of net investments outside Sweden	2018					2017				
Currency	Net investments	Hedges [1]	Hedged portion, %	Net investments [2]	Net investments % [2]	Net investments	Hedges [1]	Hedged portion, %	Net investments [2]	Net investments % [2]
CZK	2,292	0		2,292	8	2,505			2,505	9
DKK	882	0		882	3	531			531	2
EUR	4,602	–966	21	3,636	12	6,868	–4,324	63	2,544	9
GBP	1,628	–90	6	1,538	5	1,679	–255	15	1,424	5
NOK	4,447	0		4,447	15	4,149			4,149	15
PLN	–516	0		–516	–2	615			615	2
USD	9,127	0		9,127	31	8,912	–204	2	8,708	32
Other foreign	63	0		63	0	82			82	
Total foreign currencies	**22,525**	**–1,056**	**5**	**21,469**	**73**	**25,341**	**–4,783**	**19**	**20,558**	**76**
SEK and eliminations				7,781	27				6,506	24
Total				**29,250**	**100**				**27,064**	**100**

1 Hedged amount before subtracting tax portion.
2 After subtracting hedged portion.

Hedge accounting is applied in those cases net investments outside Sweden are hedged. The hedges fulfill effectiveness requirements, which means that unrealized gains or losses are recognized under other comprehensive income until the hedged transaction takes place, at which point the accumulated change in value is transferred to the income statement.

The efficiency of the hedge is evaluated on an ongoing basis to ensure that the relationship meets the criteria. Inefficiency may arise in connection with a change in net investments and if the credit risk associated with the derivative counterparty is changed.

Information on the changes recognized in the consolidated income statement and in "Other comprehensive income" during the period can be found in the table "Impact of financial instruments on the consolidated income statement, other comprehensive income and equity" below.

See also Note 34.

Note 6. Continued

The significance of financial instruments to the group's financial position and income

Financial instruments in the statement of financial position

The table below shows the carrying amount and fair value of financial instruments by category, as well as a reconciliation with total assets and liabilities in the statement of financial position.

See also Note 21, Note 24, Note 27 and Note 30.

Fair value relating to hedged transaction exposure is reported under Contract assets/contract liabilities or under "Other operating receivables/liabilities."

Fair value

There are three different levels for establishing fair value. The first level uses the official price quotation in an active market. The second level, which is used when a price quotation in an active market does not exist, calculates fair value by remeasuring at observable exchange rates and discounting future cash flows based on observable market interest rates for each respective maturity and currency. The third level uses substantial elements of input data that are not observable in the market.

All fair value items in the table below have been calculated at the second level above , except a portion of the liabilities for the contingent considerations which are measured at fair value according to level three. See footnote 1 under the table for financial liabilities below. In calculating fair value in the borrowing portfolio, Skanska takes into account current market interest rates, which include the credit risk premium that Skanska is estimated to pay for its borrowing.

The fair value of financial instruments with option elements is calculated using the Black-Scholes model. As of December 31, 2018, Skanska had no instruments with option elements.

For financial instruments recognized at amortized cost; cash, shares, trade accounts receivable, other operating receivables, trade accounts payable and other operating liabilities, the fair value is considered the same as the carrying amount.

Assets	Measurement level	At fair value through profit/loss	At fair value in other comprehensive income	At amortized cost	Total carrying amount	Total fair value
2018						
Financial instruments						
Interest-bearing assets and derivatives						
Financial assets [1]	2	72		8,445	8,517	8,550
Cash	–			10,722	10,722	10,722
		72	**0**	**19,167**	**19,239**	**19,272**
Trade accounts receivable [2]				**20,279**	**20,279**	**20,429**
Other operating receivables including shares						
Shares recognized at fair value [3]	–			41	41	41
Other operating receivables [2, 4]	–			355	355	355
		0	**0**	**396**	**396**	**396**
Total financial instruments		**72**	**0**	**39,842**	**39,914**	**40,097**
2017						
Financial instruments						
Interest-bearing assets and derivatives						
Financial assets [1]	2	103		8,109	8,212	8,214
Cash	–			6,998	6,998	6,998
		103	**0**	**15,107**	**15,210**	**15,212**
Trade accounts receivable [2]				**20,249**	**20,249**	**20,249**
Other operating receivables including shares						
Shares [3]	–			42	42	42
Other operating receivables [2, 4]				1,064	1,064	1,064
		0	**0**	**1,106**	**1,106**	**1,106**
Total financial instruments		**103**	**0**	**36,462**	**36,565**	**36,567**

1 The carrying amount of financial assets excluding shares, totaling SEK 8,517 M (8,212), can be seen in Note 21.
2 See Note 24.
3 Shares are reported in the consolidated statement of financial position among financial assets. See also Note 21.
4 In the consolidated statement of financial position, SEK 27,243 M (27,778) was reported as other operating receivables. See Note 24. Of this amount, trade accounts receivable accounted for SEK 20,279 M (20,249). These were reported as financial instruments. The remaining amount is SEK 6,964 M (7,529) and breaks down as SEK 355 M (1,064) for financial instruments and SEK 6,609 M (6,465) for non-financial instruments. The amount reported as financial instruments includes accrued interest income, deposits etc. Amounts reported as non-financial instruments include, for example, interim items other than accrued interest, VAT receivables, pension-related receivables and other employee-related receivables.

Note 6. Continued

Reconciliation with statement of financial position	Dec 31, 2018	Dec 31, 2017
Assets		
Financial instruments according to the categories in IFRS 9	39 914	36 565
Other assets		
Property, plant and equipment and intangible assets	12,944	12,390
Investments in joint ventures and associated companies	3,288	3,314
Net assets in funded pension plans	904	693
Tax assets	2,329	2,945
Current-asset properties	42,391	39,010
Inventories	1,256	1,058
Contract assets	6,661	6,997
Other operating receivables [1]	6,609	6,465
Total assets	**116,296**	**109,437**

1 In the consolidated statement of financial position, SEK 27,243 M (27,778) was reported as other operating receivables. See Note 24. Of this amount, trade accounts receivable accounted for SEK 20,279 M (20,249). These were reported as financial instruments. The remaining amount is SEK 6,964 M (7,529) and breaks down as SEK 355 M (1,064) for financial instruments and SEK 6,609 M (6,465) for non-financial instruments. The amount reported as financial instruments includes accrued interest income, deposits etc. Amounts reported as non-financial instruments include, for example, interim items other than accrued interest, VAT receivables, pension-related receivables and other employee-related receivables.

Liabilities	Mearurement level	At fair value through profit/loss	At amortized cost	Total carrying amount	Total fair value
2018					
Financial instruments					
Interest-bearing liabilities and derivatives					
Financial liabilities [1]	2, 3	391	11,404	11,795	11,825
		391	**11,404**	**11,795**	**11,825**
Operating liabilities					
Trade accounts payable	–		16,262	16,262	16,262
Other operating liabilities [2]	–		322	322	322
		0	**16,584**	**16,584**	**16,584**
Total financial instruments		**391**	**27,988**	**28,379**	**28,409**
2017					
Financial instruments					
Interest-bearing liabilities and derivatives					
Financial liabilities [1]	2, 3	763	11,556	12,319	12,401
		763	**11,556**	**12,319**	**12,401**
Operating liabilities					
Trade accounts payable	–		15,638	15,638	15,638
Other operating liabilities [2]	–		496	496	496
		0	**16,134**	**16,134**	**16,134**
Total financial instruments		**763**	**27,690**	**28,453**	**28,535**

1 The carrying amount for financial liabilities totaling SEK 11,795 M (12,319) is reported in the statement of financial position along with financial liabilities of SEK 11,222 M (11,481) from Note 27 and contingent consideration of SEK 573 M (838) from Note 29. Contingent consideration is included in financial liabilities measured at fair value at SEK 340 M (605) and in financial liabilities measured at amortized cost at SEK 233 M (233). In 2018 SEK 263 M (9) of the contingent consideration was paid out and SEK 47 (49) accrued as interest expense, and an additional 9 (265) in contingent consideration was added and an adjustment has been made in the amount of SEK –58 M (0).

2 Other financial operating liabilities, totaling SEK 16,584 M (16,134), are reported in the statement of financial position together with trade accounts payable of SEK 16,262 M (15,638) and other financial instruments of SEK 322 M (496). The total item in the statement of financial position amounts to SEK 38,072 M (38,224). See Note 30. Accrued interest expense, checks issued but not cashed, liabilities for unpaid properties etc. are recognized as other financial operating liabilities. Other non-financial operating liabilities are, for example, interim items other than accrued interest, VAT liabilities, pension-related liabilities and other employee-related liabilities. Operating liabilities are measured at amortized cost.

Note 6. Continued

Reconciliation with statement of financial position	Dec 31, 2018	Restated Dec 31, 2017
Equity and liabilities		
Financial instruments	28,379	28,453
Other liabilities		
Equity	29,347	27,185
Pensions	5,669	5,603
Tax liabilities	1,326	1,547
Provisions	9,349	8,293
Contract liabilities	20,738	16,266
Other operating liabilities [1]	21,488	22,090
Total equity and liabilities	**116,296**	**109,437**

	2018		2017	
Disclosures concerning offsetting of financial instruments	Financial assets	Financial liabilities	Financial assets	Financial liabilities
Gross amounts	39,914	28,379	36,565	28,453
Recognized in balance sheet	**39,914**	**28,379**	**36,565**	**28,453**
Amounts covered by netting arrangements	–42	-42	–53	–53
Net amount after netting arrangements	**39,872**	**28,337**	**36,512**	**28,400**

Note 6. Continued

Impact of financial instruments on the consolidated income statement, other comprehensive income and equity

Revenue and expenses from financial instruments recognized in the income statement	2018	2017
Recognized in operating income		
Interest expense on financial liabilities at cost		–1
Cash flow hedges removed from equity and recognized in the income statement	154	226
Total income and expenses in operating income	**154**	**225**
Recognized in financial items		
Interest income on assets measured at amortized cost	6	10
Interest income on cash and bank balances	138	79
Dividends	32	33
Changes in market value of financial assets measured at fair value through profit or loss	13	1
Changes in market value of financial liabilities measured at fair value through profit or loss	5	25
Total income in financial items	**194**	**148**
Interest expense on financial liabilities measured at fair value through profit or loss	–52	–47
Interest expense on financial liabilities measured at amortized cost	–283	–219
Changes in market value of financial liabilities measured at fair value through profit or loss	–2	–2
Net exchange rate differences		23
Expenses for borrowing programs	–14	–15
Bank-related expenses and other	–26	2
Total expenses in financial items	**–377**	**–258**
Net income and expenses from financial instruments recognized in the income statement	**–29**	**115**
of which interest income on financial assets not measured at fair value through profit or loss	144	89
of which interest expenses on financial liabilities not measured at fair value through profit or loss	–283	–220

Reconciliation with financial items	2018	2017
Total income from financial instruments in financial items	194	148
Total expense from financial instruments in financial items	–377	–258
Net interest income on pensions	–103	–102
Capitilized interest expense	325	257
Total financial items	**39**	**45**

See also Note 14.

Income and expenses from financial instruments recognized under other comprehensive income	2018	2017
Cash flow hedges recognized directly in equity	88	–5
Cash flow hedges removed from equity and recognized in the income statement	154	226
Translation differences	1,299	–599
Hedging of exchange rate risk in foreign operations	–183	–125
Total	**1,358**	**–503**
of which recognized in cash flow hedge reserve	242	221
of which recognized in translation reserve	1,116	–724
	1,358	**–503**

Collateral

The Group has provided collateral (assets pledged) in the form of financial receivables amounting to SEK 824 M (940). Also see Note 33.

These assets may be utilized by customers if Skanska does not fulfill its obligations according to the respective construction contract.

To a varying extent, the Group has obtained collateral for trade accounts receivable in the form of guarantees issued by banks and insurance companies and, in some cases, in the form of guarantees from the parent companies of customers.

Note 7. Business combinations

Business combinations are reported in compliance with IFRS 3 Business Combinations, see Note 1.

Acquisitions of Group companies/operations

On January 8, 2018, 60 percent of the shares in the Norwegian company LA Pukk AS, were acquired. According to IFRS 10 Skanska has a controlling influence over the company, see Note 1. Skanska will therefore consolidate the company as a subsidiary into the consolidated accounts. The portion included in other shareholders' holdings is recognized as a non-controlling interest. LA Pukk AS operates a stone crushing company in Løiten, Norway. With this acquisition Skanska will strengthen it's Norwegian mining materials operations. The acquisition is included in the Construction business stream.

In connection with the acquisition SEK 21 million was allocated to intangible assets in the form of withdrawal rights. No goodwill has been reported for Skanska. The total investment was SEK 16 M, with a consideration of NOK 10 M and a contingent consideration of NOK 6 M. As of December 31, 2018 the entire consideration of NOK 16 M had been paid.

Acquired assets and liabilities on the acquisition date as well as surplus values in SEK M

Assets	Acquired balance sheet	Surplus value	Total
Intangible assets		21	21
Property, plant and equipment	7		7
Non-interest-bearing assets	1		1
Cash and cash equivalents			0
Total	**8**	**21**	**29**
Liabilities			
Interest-bearing liabilities	7		7
Non-interest-bearing liabilities	1	5	6
Total	**8**	**5**	**13**
Net assets	0	16	16

The consolidated income statement for 2018 included net sales of SEK 26 M and net profit of SEK 2 M for LA Pukk AS. If the acquisition had occurred on January 1, the company's net sales and net profits would have remained unchanged.

Direct acquisition expenditures amounting to SEK 0.3 M, consisting of attorney and consultant expenses have been charged to selling and administrative expenses in the consolidated income statement.

No acquisition was made during the comparative year.

Note 8. Revenue

Revenue is recognized according to IFRS 15 Revenue from Contracts with Customers and IAS 17 Leases, see Note 1. For revenue according to IFRS 15, see also Note 9.

Revenue from contracts with customers amounted to SEK 171,201 M (157,326) and rental income from leases amounted to SEK 529 M (551). As for other types of revenue, dividends and interest income are recognized in financial items. See Note 14 .

Revenue by business stream	2018	2017
Construction	157,894	150,050
Residential Development	12,206	11,823
Commercial Property Development	15,816	9,516
Infrastructure Development	105	81
Other		
Central	550	1,364
Eliminations, see below	–14,841	–14,957
Total	**171,730**	**157,877**

Reported as eliminations

	2018	2017
Intra-Group construction for		
Construction	–449	–317
Residential Development	–5,220	–5,817
Commercial Property Development	–8,479	–7,603
Infrastructure Development [1]		
Intra-Group property divestments	–91	–179
Other	–602	–1,041
	–14,841	**–14,957**

1 Construction includes SEK 8,173 M (9,405) in intra-Group construction for Infrastructure Development. Elimination does not occur since this revenue consists of invoices issued to joint ventures, which are recognized according to the equity method of accounting.

Other

For other transactions with related parties, see Note 39.

Note 9. Contract assets and contract liabilities

Contract assets and contract liabilities are recognized according to IFRS 15 Revenue from Contracts with Customers, see Note 1.

For risks in ongoing assignments, see Note 2 and the Report of the Directors.

Information from the income statement

Revenue accrued during the year amounted to SEK 136,340 M (131,510).

Information from the statement of financial position	Dec 31, 2018	Restated Dec 31, 2017
Contract assets	6,661	6,997
Contract liabilities	20,738	16,266

Contract assets	Dec 31, 2018	Dec 31, 2017
January 1	6,997	5,751
Revenue accrued during the year, not yet invoiced	6,964	5,434
Revenue accrued during the year, invoiced during the year	35,892	28,376
Invoiced	–43,466	–32,416
Exchange rate differences for the year	274	–148
Carrying amount, December 31	**6,661**	**6,997**

Assets from contract costs are included in contract assets and amount to SEK 0 M (0).

Depreciation amounted to SEK 0 M (0) and depreciation, which is charged to the project, to SEK 0 M (0).

Contract liabilities	2018	Restated 2017
January 1	16,266	18,473
Changed accounting principle, Note 3		–151
Adjusted opening balance	**16,266**	**18,322**
Invoiced revenue	97,151	96,508
Revenue accrued during the year, invoiced during the year	–83,348	–82,434
Revenue accrued during the year, invoiced in previous year	–10,399	–15,393
Revenue adjustment	263	127
Exchange rate differences for the year	805	–864
Carrying amount, December 31	**20,738**	**16,266**

Future revenue for remaining performance obligations breaks down between the following years.

Expected revenue recognition for remaining performance obligations

	2019	2020	2021	2022	≥2023	Total
Construction	104,655	48,500	30,753	4,750	3,384	192,042
Residential Devel-opment	7,884	4,633	608	122		13,247
Commercial Proper-ty Development	2,900	628	2,180			5,708
Infrastructure Development	35	35				70
Total	**115,474**	**53,796**	**33,541**	**4,872**	**3,384**	**211,067**

Note 10. Operating expenses by category of expense

In 2018, revenue increased by SEK 13,853 M to SEK 171,730 M (157,877). Operating income increased by SEK 1,069 M to SEK 5,647 M (4,578). Personnel expenses for the year amounted to SEK –27,476 M (–27,933).

Other operating expenses adjusted for current-asset properties divested and income in joint ventures and associated companies amounted to SEK –118,144 M (–109,283).

	2018	2017
Revenue	**171 730**	**157,877**
Personnel expenses [1]	–27 476	–27,933
Depreciation/amortization	–1 780	–1,587
Impairment losses	–677	–875
Carrying amount of current-asset properties divested	–19 000	–15,276
Income from joint ventures and associated companies	855	1,655
Income from property, plant and equipment sold	139	121
Other operating expenses [2]	–118 144	–109,404
Total expenses	**–166 083**	**–153,299**
Operating income	**5 647**	**4 578**

1 Personnel expenses include salaries and other remuneration of SEK 21,619 M (22,002), social insurance contributions of SEK 5,294 M (5,415) recognized according to Note 36, as well as non-monetary remuneration such as company car benefits and shares received under Seop amounting to SEK 563 M (516).
2 Other operating expenses include purchased materials, machinery rentals and subcontractors.

Note 11. Selling and administrative expenses

Selling and administrative expenses are recognized as one item, see Note 1.

Selling and administrative expenses	2018	2017
Construction	–6 998	–7,132
Residential Development	–675	–666
Commercial Property Development	–928	–899
Infrastructure Development	–116	–121
Central expenses [1]	–756	–1,033
Total	**–9 473**	**–9,851**

1 Including eliminations.

Note 12. Depreciation/amortization

Depreciation and amortization are carried out in compliance with IAS 16 Property, Plant and Equipment, and IAS 38 Intangible Assets, see Note 1.

Depreciation and amortization are presented below by business stream.

For further information about depreciation and amortization, see Note 17 and Note 19.

Depreciation/amortization by asset class and business stream	Construction	Residential Development	Commercial Property Development	Infrastructure Development	Central and eliminations	Total
2018						
Intangible assets	–150		–1		–58	–209
Property, plant and equipment						
Buildings and land	–89				–1	–90
Plant and equipment	–1,461	–1	–5	–2	–12	–1,481
Total	**–1,700**	**–1**	**–6**	**–2**	**–71**	**–1,780**
2017						
Intangible assets	–103				–73	–176
Property, plant and equipment						
Buildings and land	–88				–1	–89
Plant and equipment	–1,287	–1	–6	–3	–25	–1,322
Total	**–1,478**	**–1**	**–6**	**–3**	**–99**	**–1,587**

Note 13. Impairment losses/reversals of impairment losses

Impairment losses/reversals of impairment losses are recognized in compliance with IAS 36 Impairment of Assets, see Note 1. Impairment losses/reversals of impairment losses on current-asset properties are recognized in compliance with IAS 2 Inventories.

Impairment loss/reversals of impairment losses are presented below by business stream.

For further information on impairment losses/reversals of impairment losses, see Note 17 Note 18, Note 19 and Note 22.

Impairment losses/reversals of impairment losses by asset class and business stream

	Construction	Residential Development	Commercial Property Development	Infrastructure Development	Central and eliminations	Total
2018						
Recognized in operating income						
Intangible assets						
Goodwill	–393					–393
Other intangible assets	–45					–45
Property, plant and equipment						
Buildings and land	3					3
Plant and equipment	–60					–60
Investments in joint ventures and associated companies				–9		–9
Current-asset properties						
Commercial Property Development			–107		6	–101
Residential Development		–72				–72
Total	**–495**	**–72**	**–107**	**–9**	**6**	**–677**
2017						
Recognized in operating income						
Intangible assets						
Goodwill	–592					–592
Other intangible assets	–129					–129
Property, plant and equipment						
Buildings and land	–106					–106
Plant and equipment	–12					–12
Investments in joint ventures and associated companies	–2		–6	–11		–19
Current-asset properties						
Commercial Property Development	–16				13	–3
Residential Development		–14				–14
Total	**–857**	**–14**	**–6**	**–11**	**13**	**–875**

Note 14. Financial items

	2018	2017
Financial income		
Interest income	144	89
Income from sale of shares		2
Dividends	32	31
Change in fair value	11	25
Net exchange rate differences		23
Reversal of possible future credit losses	5	
	192	**170**
Financial expense		
Interest expense	–335	–266
Net interest income on pensions	–103	–102
Capitalized interest expense	325	257
Change in fair value		–1
Other financial items	–40	–13
	–153	**–125**
Total	**39**	**45**

Disclosures on how large a portion of income and expenses in financial items comes from financial instruments are presented in Note 6.

Net interest items

Financial items amounted to SEK 39 M (45). Net interest items improved to SEK 31 M (–22). Interest income increased to SEK 144 M (89), mainly due to higher market interest rates in the US market. Interest expense before capitalized interest decreased to SEK –335 M (–266), which is mainly explained by an increased share of borrowing in USD to finance increased investment in property development in the USA, and increased market interest rates on the USD loans.

In 2018 Skanska capitalized interest expense of SEK 325 M (257) in ongoing projects for its own account.

Interest income was received at an average interest rate of 0.94 percent (0.63).

Interest expense, excluding interest on pension liabilities, was paid at an average interest rate of 1.47 percent (1.26) during the year. Taking into account derivatives, the average interest rate was 1.82 percent (1.60).

Net interest on pensions, which is the net amount of interest expense for pension obligations calculated at the beginning of the year, based on the 2018 outcome, and the expected return on plan assets, increased to SEK –103 M (–102), see also Note 28.

The Group had net interest items of SEK 0 M (–1) that were recognized in operating income. See accounting and valuation principles, Note 1.

Change in fair value

The change in market value amounted to SEK 11 M (24) and the increase is mainly due to positive change in the market value of interest rate swap contracts.

Other financial items

Other financial items totaled SEK –40 M (–13) and mainly related to various fees for credit facilities and bank guarantees.

Note 15. Borrowing costs

Borrowing costs related to investments that require a substantial period for completion are capitalized, see Note 1.

In 2018 borrowing costs were capitalized at an interest rate of around 1.8 (1.7) percent.

	Capitalized interest during the year		Total accumulated during the year included in	
	2018	2017	2018	2017
Current-asset properties	325	257	391	366
Total	**325**	**257**	**391**	**366**

Note 16. Income taxes

Income taxes are reported in compliance with IAS 12 Income Taxes. See Note 1.

Tax expense	2018	2017
Current taxes	–1,623	–537
Deferred tax income/expenses from change in temporary differences	276	–142
Deferred tax income from change in loss carry-forwards	155	68
Change in provision for tax risk	100	99
Total	**–1,092**	**–512**

Tax items recognized under other comprehensive income	2018	2017
Deferred taxes attributable to cash flow hedges	7	–25
Deferred taxes attributable to pensions [1]	59	69
Total	**66**	**44**

1 The amount for 2018 includes SEK –75 M for a change in the tax rate in Sweden.

Relationship between taxes calculated after aggregating nominal tax rates and recognized taxes

The Group's recognized tax rate amounted to 19 percent (11).

The Group's aggregated nominal tax rate was estimated at 21 percent (20).

The average nominal tax rate in Skanska's home markets in Europe amounted to 20 percent (21), and in the USA, to 27 percent (40), depending on the distribution of income between the different states.

The relationship between taxes calculated after aggregating nominal tax rates of 21 percent (20) and recognized taxes of 19 percent (11) is explained in the table below.

Note 16. Continued

	2018	2017
Income after financial items	5 686	4,623
Tax according to aggregation of nominal tax rates, 21 percent (20)	–1 194	–925
Tax effect of:		
Property divestments [1]	522	663
Divestment of infrastructure projects [2]	12	219
Losses in Poland [3]	–315	–190
Changed tax rate in Sweden [4]	26	
Changed tax rate in Norway [5]	23	
Changed tax rate in USA		–121
Other	–166	–158
Recognized tax expense	**–1 092**	**–512**

1 In a number of the markets where Skanska operates, the sale of real estate projects via the divestment of companies is tax-free.
2 In a number of the markets where Skanska operates, the sale of infrastructure projects via the divestment of companies is tax-free.
3 The possibility of utilizing loss carryforwards in Poland is limited, as regards both amounts and time. Since it is uncertain whether Skanska will be able to utilize the losses within the construction operations in Poland, SEK –315 M (–190) has been charged to tax expense for the year.
4 The tax rate in Sweden has been changed to 21.4 percent for 2019 and 2020, and to 20.6 percent as of January 1, 2021. The net effect in the income statement of the adjusted carrying amount for deferred tax assets and deferred tax liabilities from the reduced tax rate amounts to SEK 26 M.
5 The tax rate in Norway was changed to 22 percent as of January 1, 2019. The net effect in the income statement of the adjusted carrying amount from the reduced tax rate amounts to SEK 23 M.

Income taxes paid in 2018 amounted to SEK 490 M (968).

Income taxes paid can vary greatly from year to year for the countries where the Group operates. Income taxes are often calculated based on different principles to those that apply to the preparation of the consolidated income statement. If the final income tax is less than the amount provisionally withdrawn in previous years, income taxes paid for the year may be substantially reduced.

The table below shows a breakdown by country of income taxes paid:

Income taxes paid

	2018		2017
Sweden	325	Sweden	736
Poland	132	Norway	140
Finland	109	Finland	57
Norway	97	Czech Republic	27
Czech Republic	33	UK	24
Other [1]	–206	Other	–16
Total	**490**	**Total**	**968**

1 For 2018, mainly refers to USA.

Tax assets and tax liabilities

	Dec 31, 2018	Dec 31, 2017
Tax assets	396	1,188
Tax liabilities	615	312
Net tax assets (+), tax liabilities (–)	**–219**	**876**

Tax assets and tax liabilities refer to the difference between estimated income tax for the year and preliminary tax paid, as well as income taxes for prior years that have not yet been paid.

Deferred tax assets and deferred tax liabilities

	Dec 31, 2018	Dec 31, 2017
Deferred tax assets according to the statement of financial position	1 933	1,757
Deferred tax liabilities according to the statement of financial position	711	1,235
Net deferred tax assets (+), deferred tax liabilities (–)	**1 222**	**522**

	Dec 31, 2018	Dec 31, 2017
Deferred tax assets for loss carryforwards	401	237
Deferred tax assets for other assets	403	271
Deferred tax assets for provisions for pensions	1 311	1,297
Deferred tax assets for ongoing projects	805	713
Other deferred tax assets	1 266	1,253
Total before net accounting	**4 186**	**3,771**
Net accounting of offsettable deferred tax assets/liabilities	–2 253	–2,014
Deferred tax assets according to the statement of financial position	**1 933**	**1,757**

	Dec 31, 2018	Dec 31, 2017
Deferred tax liabilities for non-current assets	260	207
Deferred tax liabilities for ongoing projects	1 477	1,769
Deferred tax liabilities for other current assets	127	200
Other deferred tax liabilities	1 100	1,073
Total before net accounting	**2 964**	**3,249**
Net accounting of offsettable deferred tax assets/liabilities	–2 253	–2,014
Deferred tax liabilities according to the statement of financial position	**711**	**1,235**

Change in net deferred tax assets (+), liabilities (–)

	2018	2017
Net deferred tax assets, January 1	522	158
Changed accounting principle, Note 3	40	
Adjusted net deferred tax assets, January 1	**562**	**158**
Acquisition of companies	–5	
Divestments	9	
Recognized under other comprehensive income	66	44
Deferred tax income/expenses	531	25
Reclassifications	10	290
Exchange-rate differences	49	5
Net deferred tax assets, December 31	**1,222**	**522**

Note 16. Continued

Deferred tax assets other than for loss carryforwards refer to temporary differences between carrying amounts for tax purposes and carrying amounts recognized in the statement of financial position. These differences arise, for example, when the Group's valuation principles deviate from those applied locally by a Group company. These deferred tax assets are mostly expected to be realized within five years.

Deferred tax assets arise, for example, when a recognized depreciation/amortization/impairment loss on assets becomes tax-deductible only in a later period, when eliminating intra-Group profits, when there are differences with respect to provisions for defined-benefit pensions between local rules and IAS 19, when the required provisions become tax-deductible in a later period and when advance payments for ongoing projects are taxed on a cash basis.

Deferred tax liabilities for other assets and other deferred tax liabilities refer to temporary differences between carrying amounts for tax purposes and carrying amounts in the statement of financial position. These differences arise, for example, when the Group's valuation principles deviate from those applied locally by a Group company. For the most part, these deferred tax liabilities are expected to be realized within five years.

For example, deferred tax liabilities arise when depreciation/amortization for tax purposes in the current period is larger than the required economic depreciation/amortization and when accrued profits in ongoing projects are taxed only when the project is completed.

Temporary differences attributable to investments in Group companies, branches, associated companies and joint ventures for which deferred tax liabilities were not recognized amount to SEK 0 M (0).

In Sweden and a number of other countries, divestments of holdings in limited companies are tax-exempt under certain circumstances. Temporary differences thus do not normally exist for the shareholdings of the Group's companies in these countries.

Deferred tax liabilities for future dividends from subsidiaries amount to SEK 0 M (0) because dividends from subsidiaries in the markets where Skanska is currently active do not have any consequences with respect to taxes.

Temporary differences and loss carryforwards that are not recognized as deferred tax assets

	Dec 31, 2018	Dec 31, 2017
Loss carryforwards that expire within one year	52	1
Loss carryforwards that expire in more than one year but within three years	411	523
Loss carryforwards that expire in more than three years	3,092	2,241
Total	**3,555**	**2,765**

Skanska has loss carryforwards in a number of countries. In some of these countries the likelihood that a loss carryforward will be able to be used is difficult to assess, and therefore no deferred tax asset is reported.

Note 17. Property, plant and equipment

Property, plant and equipment are reported in compliance with IAS 16 Property, Plant and Equipment. See Note 1.

Office buildings and other buildings used in the Group's operations are recognized as property, plant and equipment. Machinery and equipment are recognized as a single item.

Property, plant and equipment by asset class

	Dec 31, 2018	Dec 31, 2017
Buildings and land	1,594	1,610
Plant and equipment	5,921	5,126
Property, plant and equipment under construction	130	138
Total	**7,645**	**6,874**

Depreciation of property, plant and equipment by asset class and function

	Production and management		Selling and administration		Total	
	2018	2017	2018	2017	2018	2017
Buildings and land	–59	–57	–31	–32	–90	–89
Plant and equipment	–1,302	–1,176	–179	–146	–1,481	–1,322
Total	**–1,361**	**–1,233**	**–210**	**–178**	**–1,571**	**–1,411**

Impairment losses/reversals of impairment losses on property, plant and equipment

In 2018 net impairment losses/reversals of impairment losses in the amount of SEK –57 M (–118) were recognized. Impairment losses/reversals of impairment losses were recognized in Poland and the USA during the year. Impairment losses were recognized in the comparative year in Poland. Impairment losses/reversals of impairment losses were recognized as cost of production and management in the amount of SEK –51 M and sales and administrative costs in the amount of SEK –6 M.

Impairment losses/reversals of impairment losses	Property (buildings and land)		Plant and equipment		Total	
	2018	2017	2018	2017	2018	2017
Impairment losses		–106	–75	–12	–75	–118
Reversals of impairment losses	3		15		18	0
Total	**3**	**–106**	**–60**	**–12**	**–57**	**–118**

Amount of impairment losses/reversals of impairment losses based on	Property (buildings and land)		Plant and equipment		Total	
	2018	2017	2018	2017	2018	2017
Fair value less selling expenses/costs of disposals	3	–106	–60	–12	–57	–118
Value in use					0	0
Total	**3**	**–106**	**–60**	**–12**	**–57**	**–118**

Information about cost, accumulated depreciation and accumulated impairment losses

	Buildings and land		Plant and equipment		Property, plant and equipment under construction	
	2018	2017	2018	2017	2018	2017
Accumulated cost						
January 1	3,633	3,597	23,208	21,472	138	117
Investments	83	27	2,221	1,764	47	85
Acquisitions of companies			7			
Divestments	–112	–51	–533	–97	–7	–11
Reclassifications	–2	43	–38	323	–46	–58
Exchange rate differences for the year	132	17	580	–254	–2	5
	3,734	**3,633**	**25,445**	**23,208**	**130**	**138**
Accumulated amortization according to plan						
January 1	–1,632	–1,458	–17,888	–16,424		
Divestments and disposals	10		337	55		
Reclassifications		–59	156	–260		
Depreciation for the year	–90	–89	–1,481	–1,322		
Exchange rate differences for the year	–47	–26	–394	63		
	–1,759	**–1,632**	**–19,270**	**–17,888**		
Accumulated impairment losses						
January 1	–391	–284	–194	–183		
Divestments	14	12	2			
Impairment losses for the year		–106	–75	–12		
Reversals of impairment losses	3		15			
Exchange rate differences for the year	–7	–13	–2	1		
	–381	**–391**	**–254**	**–194**		
Carrying amount, December 31	**1,594**	**1,610**	**5,921**	**5,126**	**130**	**138**
Carrying amount, January 1	1,610	1,855	5,126	4,865	138	117

Other items

Information about capitalized interest is presented in Note 15. For information on finance leases, see Note 40. Skanska has obligations to acquire property, plant and equipment in the amount of SEK 0 M (0).

Skanska did not receive any significant compensation from third parties for property, plant and equipment that was damaged or lost during the year or in the comparative year.

Note 18. Goodwill

Goodwill is recognized in compliance with IFRS 3 Business Combinations. For key judgments, see Note 2.

Goodwill amounted to SEK 4 324 M (4,554). In 2018 goodwill decreased by SEK 230 M net due to exchange rate differences and impairment losses. During the comparative year, goodwill decreased by SEK 716 M.

Goodwill amounts by cash-generating units

	Dec 31, 2018	Dec 31, 2017	Change during the year	Of which impairment losses	Of which exchange rate differences
Construction					
Sweden	51	49	2		2
Norway	971	947	24		24
Finland	449	431	18		18
Czech Republic/Slovakia	537	519	18		18
UK	1 503	1 468	35		35
USA Building	363	333	30		30
USA Civil	32	400	–368	–393	25
Residential Development					
Norway	408	397	11		11
Finland	10	10	0		0
Total	**4 324**	**4 554**	**–230**	**–393**	**163**

The goodwill recoverable amount is based exclusively on value in use. The amounts of goodwill together with other non-current assets, current-asset properties and net working capital are tested annually.

Expected cash flows are based on forecasts for the development of the construction investments and residential development in each market in the countries where the Group has operations. The forecasts are based on the units' two-year forecasts and the established five-year business plan. Future macroeconomic development and changes in interest rates are also important variables. The forecast period is 10 years, which is the period used in models for measurement of other types of assets, for example commercial projects. Using 10-year models it is easier to make assumptions concerning cycles, and there is less reliance on residual values.

The growth rate used to extrapolate cash flow forecasts beyond the period covered by the 10-year forecasts is the normal growth rate for the industry in each respective country.

Each business unit uses a unique discount factor based on weighted average cost of capital (WACC). Parameters that affect the WACC are interest rates for borrowing, market risks and the ratio between borrowed funds and equity. The WACC interest rate is stated both before and after taxes.

The following table shows how the carrying amount relates to the recoverable amount for the respective business units for Skanska's largest goodwill items. The recoverable amount is expressed as 100. The tests are based on an assessment of anticipated development over the next 10-year period.

	Norway	Finland	Czech Republic	UK
Recoverable amount, 100	100	100	100	100
Carrying amount [1]	33	n.a	12	n.a
Carrying amount, previous year	49	21	24	7
Interest rate, percent (WACC), before taxes	9	8	9	11
Interest rate, percent (WACC), after taxes	8	7	8	8
Expected growth, %	2	2	3	1
Interest rate, percent (WACC), previous year (before taxes)	10	8	7	8
Interest rate, percent (WACC), previous year (after taxes)	8	7	7	7
Expected growth, %, previous year	2	2	3	2
Carrying amount in relation to recoverable amount, 100 in case of increase in interest rate by + 1 percentage point [1]	41	n.a	15	n.a
+ 5 percentage points [1]	91	n.a	25	n.a
Carrying amount, previous year, in relation to recoverable amount 100 in case of increase in interest rate by + 1 percentage point	61	26	29	8
+ 5 percentage points	122	52	49	14

1 Value > 100 indicates that the recoverable amount is less than the carrying amount and an impairment loss needs to be recognized. For Skanska's operations in Finland and the UK, the carrying amount was negative due to negative working capital exceeding the value of non-current assets.

Goodwill impairment losses

Changed market conditions for the operations in USA Civil have resulted in decisions on impairment of goodwill in the amount of SEK 393 M (592).

Note 19. Intangible assets

Intangible assets are recognized in compliance with IAS 38 Intangible Assets. See Note 1.

Intangible assets and useful life applied

	Dec 31, 2018	Dec 31, 2017	Useful life applied
Intangible assets, externally generated	412	438	3–10 years
Intangible assets, internally generated	563	524	3–7 years
Total	**975**	**962**	

Internally generated intangible assets consist of business systems. Externally acquired intangible assets include acquired software in the USA, Sweden and Finland, and licenses and right-of-use assets in Sweden.

Business systems are amortized over a maximum of seven years. Customer contracts are amortized as projects progress to completion and patents are amortized over 10 years.

Amortization of other intangible assets by function

All intangible assets are amortized as they have a limited useful life.

Amortization by function	2018	2017
Production and management	–97	–58
Selling and administration	–112	–118
Total	**–209**	**–176**

Impairment losses/reversals of impairment losses on other intangible assets

In 2018 impairment losses/reversals of impairment losses in the net amount of SEK –45 M (–129) were recognized. Impairment losses were applied in UK and Poland during the year. For the comparative year impairment losses were applied in Poland.

Information about cost, accumulated depreciation and accumulated impairment losses

	Intangible assets, externally acquired		Intangible assets, internally generated [1]	
	2018	2017	2018	2017
Accumulated cost				
January 1	1,577	1,594	683	552
Investments	96	131	129	124
Acquisition of companies	21			
Divestments	–12	–30		
Reclassifications	–78	–99		7
Exchange rate differences for the year	70	–19		
	1,674	**1,577**	**812**	**683**
Accumulated amortization				
January 1	–953	–977	–159	–85
Divestments	6	29		
Depreciation for the year	–119	–108	–90	–68
Reclassifications	78	97		–4
Exchange rate differences for the year	–43	6		–2
	–1,031	**–953**	**–249**	**–159**
Accumulated impairment losses				
January 1	–186	–50	0	0
Impairment losses for the year	–64	–129		
Reversals of impairment losses	19			
Exchange rate differences for the year		–7		
	–231	**–186**	**0**	**0**
Carrying amount, December 31	**412**	**438**	**563**	**524**
Carrying amount, January 1	438	567	524	467

1 Internally generated intangible assets consist of business systems.

Other items

Information about capitalized interest is presented in Note 15.

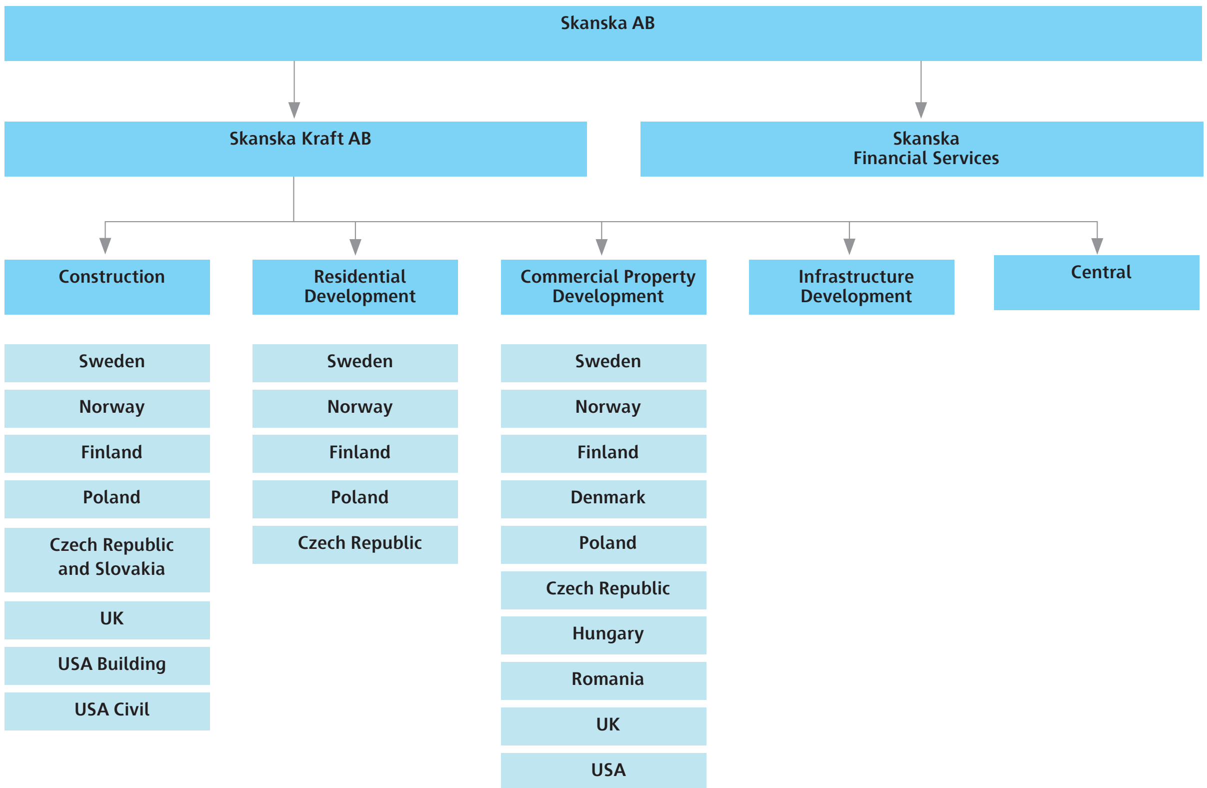
Direct research and development expenses amounted to SEK 275 M (253).

Note 20 A. Subsidiaries

The Parent Company Skanska AB holds 100 percent of the shares in Skanska Financial Services AB and Skanska Kraft AB. Skanska Kraft AB in turn directly or indirectly owns the subsidiaries in the countries in which Skanska has operations.

All subsidiaries are independent limited companies, partnerships or equivalent legal forms in each country. Regarding the companies' domicile, see the Parent Company notes, Note 52.

Skanska's Company Structure



According to Note 26, there are only minor interests in non-controlling interests.

Note 20 B. Investments in joint ventures and associated companies

For all joint arrangements an assessment is made of their legal form, agreements between the owning parties and other circumstances. In compliance with IFRS 11, the joint arrangement is reported as a joint venture if the owning parties only have rights to the net assets. See also Note 1.

Investments in joint ventures and associated companies are reported according to the equity method of accounting. Income from joint ventures and associated companies after tax is reported on a separate line in operating income. This income consists of the Group's share of the income in joint ventures and associated companies after tax, adjusted for any impairment losses on consolidated goodwill and intra-Group profits.

Income from joint ventures and associated companies is presented in the following table.

	2018	2017
Share of income in joint ventures according to the equity method	822	386
Share of income in associated companies according to the equity method		2
Divestments of joint ventures	42	1,286
Impairment losses in joint ventures	–9	–19
Total	**855**	**1,655**

The carrying amount according to the statement of financial position and the change that occurred can be seen in the following table:

	2018			2017		
	Joint ventures	Associated companies	Total	Joint ventures	Associated companies	Total
January 1	3,291	23	3,314	4,137	23	4,160
New acquisitions	99		99	603		603
Divestments	–56		–56	–1,019		–1,019
Reclassifications	152		152	–376		–376
Exchange rate differences for the year	160		160	–223	–1	–224
The year's provision for intra-Group profit on contracting work			0	–9		–9
Changes in fair value of derivatives	272		272	83		83
Impairment losses for the year	–9		–9	–19		–19
The year's change in share of income in joint ventures and associated companies after subtracting dividends received	–642	–2	–644	114	1	115
Carrying amount, December 31	**3,267**	**21**	**3,288**	**3,291**	**23**	**3,314**

Joint ventures

Joint ventures are recognized in compliance with IAS 28 Investments in Associates and Joint Ventures, see Note 1.

The Group has holdings in joint ventures with a carrying amount of SEK 3,267 M (3,291).

Infrastructure Development includes carrying amounts in joint ventures totaling SEK 2,248 M (1,944).

Income from joint ventures

The share of income in joint ventures, after tax, is reported in operating income, because these holdings are an element of Skanska's business.

Share of income in joint ventures according to the equity method comes mainly from Infrastructure Development operations.

Note 20 B. Continued

Infrastructure Development

Infrastructure Development specializes in identifying, developing and investing in privately financed infrastructure projects, such as highways, hospitals and airports in the public sector. This business stream is focused on creating new project opportunities, mainly in the markets where the Group already has operations. Public-private partnerships (PPP) are a type of public procurement where a project company owned by a private company has overall responsibility for developing, financing, building, operating and maintaining public facilities.

The type of payment for the investments may either be based on market risk, for example road fees, or based on accessibility, see note 1, IFRIC 12. The concession periods for current investments varies between 30 and 58 years and the portions owned in the current portfolio are between 32 and 80 percent. At this time Infrastructure Development has investments in Sweden, the UK and USA.

Specification of major holdings of shares and participations in joint ventures

					Consolidated carrying amount [1]		of which cash flow hedges	
	Type	Country	Percentage of capital	Percentage of votes	Dec 31, 2018	Dec 31, 2017	Dec 31, 2018	Dec 31, 2017
Joint ventures in Infrastructure Development [2]								
Bristol LEP Ltd [3]	Education	UK	80	80	8	6		
Elizabeth River Crossings LLC	Highway/tunnel	USA	50	50				
Elizabeth River Crossings Holdco LLC	Highway/tunnel	USA	50	50	1,267	1,236		
Essex LEP Ltd [3]	Education	UK	70	70	12	12		
Hedmarksvegen AS	Highway	Norway	50	50			–17	
I-4 Mobility Partners Holdco LLC	Highway	USA	50	50	78		–6	–22
NPH Healthcare (Holdings) Limited shares	Healthcare	UK	50	50	45		–27	–31
Swedish Hospital Partners Holding AB	Healthcare	Sweden	50	50	819	677	–233	–499
LaGuardia Gateway Partners LLC	Airport	USA	32	32	19	13		
Total joint ventures in Infrastructure Development					**2,248**	**1,944**	**–283**	**–552**
AB Sydsten	Construction	Sweden	50	50	138	112		
SKPR 1350 Boylston LP	Commercial Property Development	USA	50	50	224	210		
SKPR Watermark Seaport Operating Company LLC	Commercial Property Development	USA	50	50		184		
T-C/SK 400 Fairview Holding LLC	Commercial Property Development	USA	10	10		122		
Tiedemannsbyen DA	Residential Development	Norway	50	50	57	79		
Botkyrka Södra Porten Holding AB	Construction	Sweden	50	50	101	102		
Nacka 13:79 JV AB	Residential Development	Sweden	50	50	162	98		
Sjöstadsbo AB	Residential Development	Sweden	50	50	100	131		
Järvastaden AB	Residential Development	Sweden	50	50	53	119		
Other joint ventures					184	190		
Total joint ventures, Group					**3,267**	**3,291**	**–283**	**–552**

1 Consolidated carrying amounts represent the Group's share of the equity including results achieved, Group adjustments and deductions for dividends provided.
2 Carrying amounts for joint ventures in Infrastructure Development are affected by cash flow hedges. The value of these cash flow hedges amounts to –283 M (–552). When joint ventures where the carrying amount is affected by cash flow hedges are sold, the income from the sale will be affected as the effect of the cash flow hedges is rebooked against income.
3 For the companies Bristol LEP Ltd and Essex LEP Ltd shareholder agreements exist between the co-owners stating, among other things, that key issues such as budgets and investments must be determined jointly; Skanska has concluded that this means Skanska does not have a controlling interest, despite having a high percentage of the capital and voting rights.

Unrealized development gain in Infrastructure Development

SEK bn	Dec 31, 2018	Dec 31, 2017
Present value of cash flow from projects	4.7	3.8
Present value of remaining investments	–1.1	–0.8
Net present value of projects	**3.6**	**3.0**
Carrying amount before cash flow hedging	–2.5	–2.5
Unrealized development gain	**1.1**	**0.5**
Cash flow hedge	0.3	0.6
Effect in unrealized equity [1]	**1.4**	**1.1**

1 Tax effects not included.

Note 20 B. Continued

Details of Skanska's joint ventures

All significant joint ventures are within Infrastructure Development, and all are reported in compliance with IFRIC 12 Service Concession Arrangements. Joint ventures are reported below. The amounts correspond to 100 percent of the joint venture's income statement and statement of financial position.

	Infrastructure development		Other Joint ventures		Total all joint ventures	
Income statement	**2018**	**2017**	**2018**	**2017**	**2018**	**2017**
Revenue	9,162	11,707	6,410	1,925	15,572	13,632
Depreciation/amortization	–207		–62	–79	–269	–79
Impairment losses			–572	–17	–572	–17
Other operating expenses	–8,703	–11,503	–4,105	–1,446	–12,808	–12,949
Operating income	**252**	**204**	**1,671**	**383**	**1,923**	**587**
Interest income	1,428	1,293	6	41	1,434	1,334
Interest expense	–1,413	–1,199	–56	–64	–1,469	–1,263
Financial items	3			5	3	5
Income after financial items [1]	**270**	**298**	**1,621**	**365**	**1,891**	**663**
Taxes	–20	–94	–13	–14	–33	–108
Profit for the year	**250**	**204**	**1,608**	**351**	**1,858**	**555**
Comprehensive income for the year	**250**	**204**	**1,608**	**351**	**1,858**	**555**
Statement of financial position	**Dec 31, 2018**	**Dec 31, 2017**	**Dec 31, 2018**	**Dec 31, 2017**	**Dec 31, 2018**	**Dec 31, 2017**
Non-current assets	51,029	27,111	1,511	4,614	52,540	31,725
Current assets	1,047	14,916	1,796	2,472	2,843	17,388
Cash	11,390	15,730	537	605	11,927	16,335
Total assets	**63,466**	**57,757**	**3,844**	**7,691**	**67,310**	**65,448**
Equity attributable to equity holders [2]	4,493	4,119	1,612	4,300	6,105	8,419
Non-current financial liabilities	52,512	50,874	484	647	52,996	51,521
Other non-current liabilities			345	584	345	584
Current financial liabilities	6,223		842	1,528	7,065	1,528
Other current liabilities	238	2,764	561	632	799	3,396
Total equity and liabilities	**63,466**	**57,757**	**3,844**	**7,691**	**67,310**	**65,448**
Skanska received the following dividend [3]	233	16	1,230	240	1,463	256
Equity attributable to the investors in joint ventures, 100%	4,493	4,119	1,612	4,300	6,105	8,419
Less equity attributable to investors other than Skanska	–2,250	–2,213	–613	–2,920	–2,863	–5,133
Skanska's portion of equity in joint ventures, adjusted for surplus value and goodwill	**2,243**	**1,906**	**999**	**1,380**	**3,242**	**3,286**
+ Losses recognized as provisions	14	31	35	29	49	60
– Impairment losses	–9	–11		–8	–9	–19
+/– Elimination of intra-Group profit			–15	–36	–15	–36
Carrying amount of Skanska's holdings	**2,248**	**1,926**	**1,019**	**1,365**	**3,267**	**3,291**
of which cash flow hedges	–283	–552			–283	–552

1 The amount includes impairment losses in the consolidated accounts.
2 Equity includes subordinated loans from the owners.
3 Dividends include interest paid on the subordinated loans.

Note 20 B. Continued

Assets pledged

Shares in joint ventures pledged as collateral for loans and other obligations amount to SEK 2,229 M (1,925).

Other items

Skanska's joint ventures are owned by Skanska and other investors. They are financed in part by capital from the owning parties, but the majority are financed via banks or credit institutions. The assets of the respective joint ventures are used as collateral for the liabilities. According to agreements with the banks, the ability to access bank account funds from these joint ventures is restricted.

Skanska's portion of the total investment obligations of partly owned joint ventures amounts to SEK 2,878 M (2,677), of which Skanska has remaining obligations to invest SEK 1,291 M (1,183) in Infrastructure Development in the form of equity holdings and loans. The remaining portion is expected to be financed mainly in the form of bank loans or bonds in the respective joint ventures and in the form of participations and loans from other co-owners.

Contingent liabilities for joint ventures amounted to SEK 747 M (814).

Associated companies

Associated companies are recognized in compliance with IAS 28 Investments in Associates and Joint Ventures, see Note 1.

The carrying amount of associated companies is SEK 21 M (23).

Information on the Group's share of revenue, income, assets, liabilities and equity in associated companies

	2018	2017
Revenue	25	26
Profit/loss	–2	2
Assets	**26**	**25**
Equity [1]	21	23
Liabilities	5	2
	26	**25**

1 Reconciliation between equity and carrying amount of holdings, in accordance with the equity method of accounting.

	2018	2017
Equity in associated companies	21	23
Carrying amount	**21**	**23**

Other items

The associated companies have no liabilities or contingent liabilities which the Group may become responsible for paying.

Nor are there any obligations for further investments.

Note 20 C. Joint operations

Skanska executes certain projects with a joint party without a separate legal company being formed for the purpose. These projects are then classified as joint operations in compliance with IFRS 11. Joint operations without the formation of a separate company are found mainly in the USA.

Skanska also executes certain projects with a joint party where a separate company is formed for the purpose. These projects are classified as joint operations provided that the other criteria in IFRS 11 are fulfilled.

Specification of significant holdings in joint operations, according to sales in current year

Name of joint operation	Type	Country	Percentage of capital
Costain Skanska Balfour Beatty A14 Joint Venture	Highway	UK	34
Costain Skanska C405 Joint Venture	Public transit	UK	50
Costain Skanska C412 Joint Venture	Public transit	UK	50
Costain Skanska HS2 South EW Joint Venture	Public transit	UK	50
Mid-Coast Transit Constructors	Public transit	USA	33
Regional Connector Constructors	Public transit	USA	63
Skanska Gates	Hospital	USA	89
Skanska Koch - Kiewit	Highway/bridge	USA	54
Skanska/Walsh	Airport	USA	70
Skanska-Traylor-Shea	Public transit	USA	50
SMB Joint Venture	Water maintenance	UK	33
tRIIO	Gas maintenance	UK	50

There are 120 other small joint operations in the above countries, as well as in Sweden, Norway and the Czech Republic.

Note 21. Financial assets

Financial investments, financial receivables and shareholdings where ownership is less than 20 percent and the Group has no significant influence are recognized as non-current financial assets.

Financial investments and financial receivables are recognized as current financial assets. See also Note 6.

Non-current financial assets	Dec 31, 2018	Dec 31, 2017
Non-current financial assets at fair value through profit or loss		
Derivatives	2	6
	2	**6**
Non-current financial assets at fair value through other comprehensive income		
Shares [1]	41	42
Non-current financial assets at amortized cost		
Receivables from joint ventures	121	98
Restricted cash	585	361
Other interest-bearing receivables	692	1,076
	1,398	**1,535**
Net assets in funded pension plans	904	693
Total	**2,345**	**2,276**
of which interest-bearing non-current financial assets	2,302	2,228
of which non-interest-bearing non-current financial assets	43	48

Current financial assets	Dec 31, 2018	Dec 31, 2017
Current financial assets at fair value through profit or loss		
Derivatives	70	97
	70	**97**
Current financial assets at amortized cost		
Restricted cash	5,356	4,748
Receivables from joint ventures	74	86
Other interest-bearing receivables	1,617	1,740
	7,047	**6,574**
Total	**7,117**	**6,671**
of which interest-bearing current financial assets	7,047	6,574
of which non-interest-bearing current financial assets	70	97
Total carrying amount, financial assets	**9,462**	**8,947**
of which financial assets excluding shares and pensions	8,517	8,212

1 In 2018, shareholdings were affected by impairment losses of SEK 0 M (0).

Note 22. Current-asset properties/Project development

Current-asset properties are recognized in compliance with IAS 2 Inventories. See Note 1.

The allocation of items in the statement of financial position by business stream is presented below.

Business stream	Dec 31, 2018	Dec 31, 2017
Commercial Property Development	25,829	23,615
Residential Development	16,562	15,395
Total	**42,391**	**39,010**

For a further description of the respective business streams, see Note 4.

Current-asset properties are divided into completed properties, properties under construction and development properties.

Impairment losses/reversals of impairment losses

Current-asset properties are valued in compliance with IAS 2 Inventories, and are thus carried at cost or net realizable value, whichever is lower. Adjustment to net realizable value via an impairment loss is recognized, as are reversals of previous impairment losses, in the income statement under "Cost of production and management." Net realizable value is affected by the type and location of the property and by the yield requirement in the market.

	Impairment losses		Reversals of impairment losses		Total	
	2018	2017	2018	2017	2018	2017
Commercial Property Development	–101	–3			–101	–3
Residential Development	–72	–14			–72	–14
Total	**–173**	**–17**	**0**	**0**	**–173**	**–17**

Carrying amounts

	Completed properties		Properties under construction		Development properties		Current-asset properties	
	Dec 31, 2018	Dec 31, 2017	Dec 31, 2018	Dec 31, 2017	Dec 31, 2018	Dec 31, 2017	Dec 31, 2018	Dec 31, 2017
Commercial Property Development	2,127	3,255	16,247	13,097	7,455	7,263	25,829	23,615
Residential Development	903	655	8,213	7,750	7,446	6,990	16,562	15,395
Total	**3,030**	**3,910**	**24,460**	**20,847**	**14,901**	**14,253**	**42,391**	**39,010**

	Commercial Property Development		Residential Development		Total current-asset properties	
	2018	2017	2018	2017	2018	2017
Carrying amount						
January 1	23,615	19,728	15,395	13,950	39,010	33,678
Investments	11,401	10,650	10,449	10,801	21,850	21,451
Carrying amount sold properties	–9,620	–5,862	–9,380	–9,414	–19,000	–15,276
Impairment losses	–101	–3	–72	–14	–173	–17
Reversals of impairment losses						
The year's provision for intra-Group profits in contracting work	–423	–340	–121	–104	–544	–444
Reclassifications	–148	–164	30	43	–118	–121
Exchange rate differences for the year	1,105	–394	261	133	1,366	–261
December 31	**25,829**	**23,615**	**16,562**	**15,395**	**42,391**	**39,010**

The carrying amount of current-asset properties is allocated between properties carried at cost and properties carried at net realizable value as shown in the following table.

	Cost		Net realizable value		Total	
	Dec 31, 2018	Dec 31, 2017	Dec 31, 2018	Dec 31, 2017	Dec 31, 2018	Dec 31, 2017
Commercial Property Development	25,750	22,893	79	722	25,829	23,615
Residential Development	16,290	15,123	272	272	16,562	15,395
Total	**42,040**	**38,016**	**351**	**994**	**42,391**	**39,010**

Note 22. Continued

Difference between fair value and carrying amount for current-asset properties

SEK bn	Surplus value Dec 31, 2018	Surplus value Dec 31, 2017
Commercial Property Development		
Completed projects	0.2	0.8
Development properties	0.8	0.6
Ongoing projects [1]	8.2	7.4
	9.2	**8.8**
Residential Development		
Undeveloped land and development properties	4.0	3.6
Total	**13.2**	**12.4**

1 Estimated market value. Internal appraisal, with valuation on respective completion dates.

Assets pledged

Current-asset properties pledged as collateral for loans and other obligations amount to SEK 0 M (0), see Note 33.

Other items

Information about capitalized interest is presented in Note 15 Borrowing costs.

Skanska has committed to investing SEK 1,807 M (1,330) in current-asset properties.

Note 23. Inventories etc.

Inventories are reported in compliance with IAS 2 Inventories.

	Dec 31, 2018	Dec 31, 2017
Raw materials and supplies	467	392
Products being manufactured	126	114
Finished products and merchandise	663	552
Total	**1,256**	**1,058**

There are no significant differences between the carrying amount for inventories and their fair value.

No portion of inventories was adjusted due to an increase in net realizable value.

No merchandise was used as collateral for loans and other obligations.

Note 24. Trade and other receivables

Non-interest-bearing business receivables are reported as "Other operating receivables." Other operating receivables are part of the Group's operating cycle and are recognized as current assets.

	Dec 31, 2018	Dec 31, 2017
Trade accounts receivable, others	20,279	20,249
Other operating receivables	3,500	4,558
Prepaid expenses and accrued income	3,464	2,971
Total	**27,243**	**27,778**
Of which financial instruments reported in Note 6		
Trade accounts receivable	20,279	20,249
Other operating receivables including accrued interest income	355	1,064
	20,634	**21,313**
Of which non-financial instruments	6,609	6,465

Note 25. Cash and bank balances

"Cash and bank balance" consists of cash and available funds at banks and equivalent financial institutions. Cash and bank balances totaled SEK 10,722 M (6,998). The Group had no short-term investments on the closing day, or on the previous year's closing day.

Note 26. Equity/earnings per share

Equity is allocated between equity attributable to equity holders (shareholders) and non-controlling interests (minority interests).

Non-controlling interests account for 1 percent of total equity.

Equity changed during the year as follows:

	2018	2017
January 1	**27,185**	**27,506**
of which non-controlling interests	121	156
Changed accounting principle, Note 3	–140	
Adjusted opening balance	**27,045**	**27,506**
Comprehensive income for the year		
Profit for the year attributable to		
Equity holders	4,571	4,095
Non-controlling interests	23	16
Other comprehensive income		
Items that will not be reclassified to profit or loss		
Remeasurement of defined-benefit pension plans [1]	–478	–399
Tax related to items that will not be reclassified to profit or loss	59	69
Total	**–419**	**–330**
Items that have been or will be reclassified to profit or loss		
Translation differences attributable to equity holders [2]	1,299	–599
Translation differences attributable to non-controlling interests	3	8
Hedging of exchange rate risk in foreign operations [2]	–183	–125
Effect of cash flow hedges [3]	242	221
Tax related to items that have been or will be reclassified to profit or loss	7	–25
Total	**1,368**	**–520**
Other comprehensive income after tax	**949**	**–850**
Comprehensive income for the year	**5,543**	**3,261**
of which attributable to equity holders	5,517	3,237
of which attributable to non-controlling interests	26	24
Other changes in equity not included in total comprehensive income for the year		
Dividend to shareholders	–3,373	–3,380
Dividend to non-controlling interests	–27	–59
Change in Group composition	–23	
Effects of equity-settled share-based payments	254	297
Shares repurchased	–72	–440
Total	**–3,241**	**–3,582**
Equity, December 31	**29,347**	**27,185**
of which non-controlling interests	97	121

1 Remeasurement of defined benefit pension plans, SEK –478 M (–399), together with tax, SEK 59 M (69), totaling SEK –419 M (–330), constitutes the Group's total effect on other comprehensive income of remeasurement of pensions recognized in compliance with IAS 19 and is recognized in retained earnings.

2 Translation differences attributable to equity holders, SEK 1,299 M (–599), plus hedging of exchange rate risk in foreign operations, SEK –183 M (–125), totaling SEK 1,116 M (–724), constitute the change in the Group's in translation reserve.

3 Effect on cash flow hedges, SEK 242 M (221), together with taxes 7 M (–25), totaling SEK 249 M (196), constitutes a change in the Group's cash flow hedge reserve.

Equity attributable to equity holders is allocated as follows:

	Dec 31, 2018	Dec 31, 2017
Share capital	1,260	1,260
Paid-in capital	2,782	2,528
Reserves	2,509	1,144
Retained earnings	22,699	22,132
Total	**29,250**	**27,064**

Paid-in capital

Paid-in capital in excess of quota (par) value from historical issues of new shares is recognized as "Paid-in capital."

The change in 2018 and 2017 was attributable to share-based payments and amounted to SEK 254 M (297).

Reserves

	Dec 31, 2018	Dec 31, 2017
Translation reserve	2,875	1,759
Cash flow hedge reserve	–366	–615
Total	**2,509**	**1,144**

Reconciliation of reserves

	2018	2017
Translation reserve		
January 1	1,759	2,483
Translation differences for the year	1,299	–599
Less hedging on foreign exchange rate risk in operations outside Sweden	–183	–125
December 31	**2,875**	**1,759**
Cash flow hedge reserve		
January 1	–615	–811
Cash flow hedges recognized in other comprehensive income		
Hedges for the year	88	–5
Transferred to the income statement	154	226
Taxes attributable to hedging for the year	7	–25
December 31	**–366**	**–615**
Total reserves	**2,509**	**1,144**

Translation reserve

The translation reserve consists of accumulated translation differences from the translation of financial reports for foreign operations. The translation reserve also includes exchange rate differences that have arisen when hedging net investments in foreign operations. The translation reserve was reset at zero upon the transition to IFRS on January 1, 2004.

Translation differences for the year amount to SEK 1,299 M (–599) and consist of positive translation differences in USD and EUR. For currency abbreviations, see Note 34.

In 2018 the translation reserve was affected by exchange rate differences of SEK –183 M (–125) due to currency hedging. The Group has currency hedges against net investments mainly in EUR. The accumulated translation reserve totaled SEK 2,875 M (1,759).

Note 26. Continued

Cash flow hedge reserve

Hedge accounting is applied mainly for Infrastructure Development. Unrealized gains and losses on hedging instruments are recognized in the cash flow hedge reserve. The change during the year amounts to SEK 249 M (196), which is explained by changes in exchange rates where forward contracts have been entered into for future transactions in foreign currencies and hedge accounting is applied, as well as the fact that interest rate swaps have matured and been realized, which to a certain extent is countered by changes in market interest rates. The reserve at year-end amounted to SEK –366 M (–615).

Retained earnings

Retained earnings include the profit for the year plus undistributed Group profits earned in prior years. The Parent Company's statutory reserve is part of retained earnings, along with remeasurements of pension liabilities, which in compliance with IAS 19 are recognized only under "Other comprehensive income."

Remeasurement of defined-benefit pension plans

Equity was affected by remeasurement of defined–benefit plans in the amount of SEK –419 M (–330) after taking into account social insurance contributions and taxes. Remeasurement of pension commitments amounts to SEK –340 M (–1,024) and is largely due to an increased discount rate for pension plans in Norway and the UK, which was to some extent offset by a reduced discount rate for pension plans in Sweden. Remeasurement of plan assets during the year amounted to SEK –611 M (690), which is mainly due to the return on shares in 2018 being lower than the expected return. See also Note 28.

	2018	2017
Remeasurement of pension liabilities	340	–1,024
Difference between expected and actual return on plan assets	–611	690
Social insurance contributions including special payroll tax	–207	–65
Taxes	59	69
Total	**–419**	**–330**

IFRS 2 Share-based payment

The share incentive programs introduced in 2014 and 2017 respectively are recognized as share-based payment, which is settled with an equity instrument in compliance with IFRS 2. This means that fair value is calculated on the basis of estimated fulfillment of established performance targets during the measurement period. This value is allocated over the three-year vesting period. There is no reappraisal after fair value is established during the remainder of the vesting period, aside from changes in the number of shares because the condition of continued employment during the vesting period is no longer fulfilled.

Dividend paid

After the closing day, the Board of Directors proposed a regular dividend of SEK 6.00 (8.25) per share for the 2018 financial year. The dividend for 2018 amounts to SEK 2,458 M (3,373). No dividend is paid for the Parent Company's holding of Series B shares. The total dividend amount may change by the record date, depending on repurchases of shares and the transfer of Series B shares to participants in Skanska's long-term employee ownership programs. The dividend is subject to the approval of the Annual General Meeting on March 28, 2019.

Shares

Information on the number of shares as well as earnings and equity per share is presented in the table below.

	2018	2017
Number of shares at year-end	419,903,072	419,903,072
of which Series A shares	19,725,759	19,755,414
of which Series B shares	400,177,313	400,147,658
Average price, repurchased shares, SEK	137.54	137,31
of which repurchased during the year	435,000	2,350,000
Number of Series B treasury shares, December 31	10,224,634	11,190,028
Number of shares outstanding, December 31	409,678,438	408,713,044
Average number of shares outstanding	409,130,770	409,447,407
Average number of shares outstanding after dilution	411,415,278	411,905,245
Average dilution, %	0.56	0.60
Earnings per share, SEK	11.17	10.00
Earnings per share after dilution, SEK	11.11	9.94
Equity per share, SEK	71.40	66.22

Change in number of shares	2018	2017
Number on January 1	408,713,044	409,308,428
Number of total Series B shares repurchased	–435,000	-2,350,000
Number of shares transferred to employees	1,400,394	1,754,616
Number on December 31	**409,678,438**	**408,713,044**

Dilution effect

In the employee ownership programs introduced in 2014 and 2017 the number of potential ordinary shares is calculated during the measurement period based on the estimated number of shares that will be issued upon fulfillment of the established targets. After the end of the measurement period, Skanska establishes the number of shares that may be issued, provided that the requirement of continued employment is fulfilled. The number of potential ordinary shares thus calculated is then reduced by the difference between the payment Skanska is expected to receive and the average share price during the period.

Excluding social insurance contributions, the cost of both employee ownership programs is estimated at a total of SEK 1,269 M, allocated over three years, equivalent to 7,303,011 shares. The maximum dilution at the end of the vesting period is estimated at 1.01 percent.

In 2018 the cost of both programs amounted to SEK 254 M, excluding social insurance contributions. Share awards earned but not yet allocated by the end of 2018 totaled 2,308,756 shares. The dilution effect up to and including 2018 totaled 0.57 percent.

Capital management

Capital requirements vary between business streams. Skanska's construction projects are mainly based on customer funding. As a result, in its Construction business stream, the company can operate with negative (free) working capital. The free working capital in the Construction business stream combined with the profits from the Group's operations as well as the possibility of increasing borrowing through credit financing, make it possible for Skanska to finance investments in inhouse project development.

In light of the Construction business stream's large volumes with differentiated risk in various types of assignments and client demands for guarantees, such as performance guarantees in publicly procured projects in US market, the equity requirement is significant. It is also necessary to take into account financing of goodwill and future investments in project development.

A number of financial targets have been established that are deemed to best reflect the profitability of the operations and best demonstrate the financial

Note 26. Continued

scope for investments and growth. The return on equity and on capital employed is a measure of how well the capital provided by the shareholders and lenders is being used.

The target for 2016–2020 is a return on the Group's equity of at least 18 percent and a return on capital employed, calculated jointly for the business streams within project development, of at least 10 percent. Skanska's dividend policy is to pay out 40–70 percent of net profit for the year after tax to the shareholders, provided that the company's overall financial situation is stable.

The Board has determined that the Group's equity is at a reasonable level based on what Skanska's financial position and market circumstances require.

Note 27. Financial liabilities

Financial liabilities are allocated between non-current and current liabilities. Normally, a maturity date within one year is required if a liability is to be treated as current. This does not apply to discounted operating liabilities, which are part of Skanska's operating cycle and are therefore recognized as current liabilities regardless of their maturity date.

For information on financial risks and financial policy, see Note 6.

Non-current financial liabilities	Dec 31, 2018	Dec 31, 2017
Financial liabilities at fair value through profit or loss		
Derivatives	3	21
Financial liabilities at amortized cost		
Liabilities to credit institutions	2,401	2,265
Other liabilities	1,508	1,571
Total	**3,912**	**3,857**
of which interest-bearing non-current financial liabilities	3,909	3,836
of which non-interest-bearing non-current financial liabilities	3	21
Current financial liabilities		
Financial liabilities at fair value through profit or loss		
Derivatives	48	137
Financial liabilities at amortized cost		
Construction loans, cooperative housing associations	6,242	5,961
Other liabilities	1,020	1,526
Total	**7,310**	**7,624**
of which interest-bearing current financial liabilities	7,262	7,487
of which non-interest-bearing current financial liabilities	48	137
Total carrying amount for financial liabilities	**11,222**	**11,481**

Note 28. Pensions

Pension provisions are recognized in accordance with IAS 19 Employee Benefits. See Note 1.

Pension liability according to the statement of financial position

According to the statement of financial position, interest-bearing pension liabilities amounted to SEK 5,669 M (5,603) and interest-bearing pension receivables amounted to SEK 904 M (693). The net amount of interest-bearing pension liabilities and interest-bearing pension receivables was SEK 4,765 M (4,910).

Skanska has defined-benefit pension plans in Sweden, Norway and the UK. The pension in these plans is mainly based on final salary or average earnings during the term of employment. The plans include a large number of employees, but Skanska also has defined-contribution plans in these countries. Group companies in other countries have pension plans reported as defined-contribution plans.

Defined-benefit plans

The pension plans mainly consist of retirement pensions. Each respective employer usually has an obligation to pay a lifetime pension. Benefits are based on the number of years of employment. The employee must belong to the plan for a certain number of years to earn a full retirement pension entitlement. For each year, the employee earns increased pension entitlements, which are reported as pension earned during the period plus an increase in pension obligation.

Pension plans are funded by securing pension obligations with assets in pension funds and provisions in the accounts.

The plan assets in Sweden and the UK are smaller than the pension obligations. The difference is therefore recognized as a liability in the statement of financial position. The plan assets in Norway exceed the pension obligations. The difference is therefore recognized as a receivable. The ceiling rule which, in some cases, limits the value of these assets in the accounts does not apply according to the existing pension foundation statutes, with the exception of one of the plans in Norway and one of the smaller plans in the UK. The carrying amount of the plan assets was reduced by SEK 18 M (20) due to the limit in the ceiling rule.

On the closing day the pension obligations amounted to SEK 23,275 M (23,271). The pension obligations were affected by remeasurements made during the year. The reduced discount rate for Sweden has increased the pension obligations, while the raised discount rate for Norway and the UK has reduced the pension obligations. The remeasurements are included in other comprehensive income in a net amount of SEK 340 M (–1,024). The pension obligations were also affected by the cost of vested pensions and interest expense exceeding pensions paid. The pension obligations were increased by higher exchange rates for the Norwegian krona (NOK) and British pound (GBP). This was offset by reductions mainly from the closure of the largest of the pension plans in the UK.

Plan assets amounted to SEK 18,510 M (18,361). The plan assets were affected during the year by remeasurements that were made mainly due to the actual return on equities being lower than the estimated return. The remeasurements are included in other comprehensive income in the amount of SEK –611 M (690). The plan assets were also affected by the fact that the amount of paid benefits was higher than the amount of funds added. The plan assets increased due to higher exchange rates for NOK and GBP.

The return on plan assets recognized in the income statement amounted to SEK 491 M (472), while the actual return amounted to SEK –120 M (1,162). The return was lower for pension plans in all three countries.

The plan assets mainly consist of equities, interest-bearing securities, mutual fund units and investments in properties and infrastructure projects. No assets are used in Skanska's operations. The number of directly owned shares in Skanska AB totaled 0 (370,000) Series B shares. There is also an insignificant percentage of indirectly owned shares in Skanska AB via investments in various mutual funds.

There are various types of risk inherent in the company's defined-benefit pension plans. Pension obligations are mainly affected by the relevant discount rate, wage increases, inflation and life expectancy. The risk inherent in the plan assets is mainly market risk. Overall, these risks may result in volatility in the company's equity and in increased future pension costs and higher than estimated pension disbursements. Skanska continually monitors changes in its pension obligations and updates the most important assumptions every quarter and other assumptions at least once a year. Pension commitments are calculated by independent

Note 28. Continued

actuaries. The company has prepared policy documents for the management of plan assets in the form of investment guidelines regulating permitted investments and allocation frameworks for these. In addition, the company uses external investment advisors who continually monitor development of the plan assets. The long duration of the pension obligations is partly matched by long-term investments in infrastructure projects and property investments, and investments in long-term interest-bearing securities.

The largest defined-benefit plan for Skanska in Sweden is the ITP 2 plan, in which pensions are based on final salary on retirement. ITP 2 covers salaried employees born in 1978 or earlier. The pension obligations are secured through assets in a pension foundation and through credit insurance with PRI Pensionsgaranti. The pension commitment is lifelong and sensitive to changes in the discount rate, pay increases, inflation and life span.

A small portion of the ITP 2 plan is secured by insurance from the retirement insurance company Alecta. This is a multi-employer insurance plan, and there is insufficient information to report these obligations as a defined-benefit plan. Pensions secured by insurance from Alecta are therefore reported as defined-contribution plans. Contributions paid in 2018 amounted to SEK 3 M (3). At the end of 2018, the collective consolidated level of defined-benefit plans in Alecta totaled a preliminary 142 percent (154). The collective consolidated level consists of assets as a percentage of actuarial obligations.

Within Skanska Norway, the largest defined-benefit pension plan is the Skanska Norge Pensionskassa pension fund. This plan covered almost all employees of Skanska in Norway and the pension is based on final salary and number of years of employment with Skanska. The pension obligations are secured through assets in the pension fund. The Skanska Norge Pensionskassa pension fund has been closed for new members since mid-2018. The pension commitment is lifelong and sensitive to changes in the discount rate, pay increases, inflation and life span.

The largest of Skanska's defined-benefit pension plans in the UK is the Skanska Pension Fund. The plan covers salaried employees and is based on average earnings over the period of employment. The pension is remeasured following changes in inflation (index-linked). The pension obligations are secured through assets in the pension fund. Skanska Pension Fund has been closed for vesting and new members since end of the first quarter of 2018. The pension commitment is sensitive to changes in the discount rate, inflation and life span.

Net liability related to employee benefits, defined-benefit plans

	2018	2017
Pension obligations, funded plans, present value, December 31	23,275	23,271
Plan assets, fair value, December 31	–18,510	–18,361
Net pension liability according to the statement of financial position	**4,765**	**4,910**

Pension obligations and average duration by country

	Sweden	Norway	UK	Total
2018				
Pension obligations	9,767	3,957	9,551	23,275
Plan assets	–4,388	–4,861	–9,261	–18,510
Net pension liability according to the statement of financial position	**5,379**	**–904**	**290**	**4,765**
2017				
Pension obligations	8,781	3,941	10,549	23,271
Plan assets	–4,392	–4,634	–9,335	–18,361
Net pension liability according to the statement of financial position	**4,389**	**–693**	**1,214**	**4,910**

Interest-bearing pension liability, net

	2018	2017
Net pension liability, January 1	4,910	4,537
Pension expenses	632	861
Benefits paid by employers	–229	–226
Funds contributed by employers	–533	–571
Remeasurements [1]	271	334
Curtailments and settlements	–326	–49
Exchange-rate differences	40	24
Net pension liability according to the statement of financial position	**4,765**	**4,910**

1 See also Note 26, which shows the tax portion and social insurance contributions recognized under in comprehensive income.

Pension obligations

	2018	2017
January 1	23,271	21,803
Pensions earned during the year	535	768
Interest on obligations	594	574
Benefits paid by employers	–229	–226
Benefits paid from plan assets	–622	–364
Remeasurements:		
– Actuarial gains (–), losses (+) changed financial assumptions	–357	1,123
– Actuarial gains (–), losses (+) changed demographic assumptions [1]	–279	–97
– Experience-based changes	296	–2
Curtailments and settlements [2]	–326	–49
Exchange-rate differences	392	–259
Pension obligations, present value	**23,275**	**23,271**

1 For 2018, refers to changed life expectancy assumptions in the UK.
2 For 2018, refers to reductions in Sweden and the UK.

Pension obligations and plan assets by country

	Sweden	Norway	UK
2018			
Active members' portion of obligations	39%	47%	4%
Dormant pension rights	25%	17%	57%
Pensioners' portion of obligations	36%	36%	39%
Weighted average duration	20 years	20 years	20 years
2017			
Active members' portion of obligations	37%	48%	17%
Dormant pension rights	25%	11%	48%
Pensioners' portion of obligations	38%	41%	35%
Weighted average duration	19 years	20 years	21 years

Not 28. Continued

Plan assets

	2018	2017
January 1	18,361	17,266
Estimated return on plan assets	491	472
Funds contributed by employers	533	571
Funds contributed by employees	6	9
Benefits paid	–622	–364
Difference between actual return and estimated return	–611	690
Exchange-rate differences	352	–283
Plan assets, fair value	**18,510**	**18,361**

Amounts contributed are expected to total SEK 400 M in 2019.

Plan assets not included in carrying amount due to the limit in the ceiling rule

	2018	2017
January 1	20	48
Change for the year	–2	–28
Plan assets not included in carrying amount	**18**	**20**

Plan assets and return by country

	Sweden	Norway	UK
2018			
Shares	27%	38%	29%
Interest-bearing securities	32%	42%	37%
Alternative investments	41%	20%	34%
Estimated return	2.50%	2.75%	2.50%
Actual return	0.20%	–1.00%	–0.40%
2017			
Shares	29%	39%	29%
Interest-bearing securities	28%	42%	41%
Alternative investments	43%	19%	30%
Estimated return	2.50%	3.00%	2.75%
Actual return	4.20%	9.40%	6.40%

Total plan assets by asset class

	2018	2017
Equities and mutual funds:		
Swedish equities and mutual funds	381	408
Norwegian equities and mutual funds	697	692
UK equities and mutual funds	967	840
Global mutual funds	3,692	3,825
Total equities and mutual funds	**5,737**	**5,765**
Interest-bearing securities:		
Swedish bonds	1,090	925
Norwegian bonds	881	907
UK bonds	2,155	2,934
Bonds in other countries	2,710	2,197
Total interest-bearing securities	**6,836**	**6,963**
Alternative investments:		
Hedge funds	322	385
Property investments	1,666	1,573
Infrastructure projects	1,909	1,844
Other items	2,040	1,831
Total alternative investments	**5,937**	**5,633**
Total plan assets	**18,510**	**18,361**

Equities and mutual funds, interest-bearing securities and hedge funds were measured at current market prices. Property investments and infrastructure projects were measured by discounting future cash flows. 75 percent of total plan assets have a quoted price on an active market.

Not 28. Continued

Actuarial assumptions

	Sweden	Norway	UK
2018			
Financial assumptions			
Discount rate, January 1	2.50%	2.75%	2.50%
Discount rate, December 31	2.25%	3.00%	2.75%
Estimated return on plan assets for the period	2.50%	2.75%	2.50%
Expected pay increase, December 31	3.00%	2.25%	3.50%
Expected inflation, December 31	2.00%	1.50%	3.25%
Demographic assumptions			
Life expectancy after age 65, men	23 years	21 year	23 year
Life expectancy after age 65, women	25 year	24 year	25 year
Life expectancy table	PRI	K2013	S2 2017
2017			
Financial assumptions			
Discount rate, January 1	2.50%	3.00%	2.75%
Discount rate, December 31	2.50%	2.75%	2.50%
Estimated return on plan assets for the period	2.50%	3.00%	2.75%
Expected pay increase, December 31	3.00%	2.25%	3.50%
Expected inflation, December 31	2.00%	1.75%	3.25%
Demographic assumptions			
Life expectancy after age 65, men	23 years	21 years	24 years
Life expectancy after age 65, women	25 years	24 years	25 years
Life expectancy table	PRI	K2013	S2 2015

All three countries where Skanska has defined-benefit plans have an extensive market for high-grade long-term corporate bonds, including mortgage bonds. The discount rate is established on the basis of the market yield for these bonds on the closing day.

Sensitivity of pension obligations to changes in assumptions

	Sweden	Norway	UK	Total [1]
Pension obligations, December 31, 2018	9,767	3,957	9,551	23,275
Discount rate increase of 0.25%	–475	–200	–475	–1,150
Discount rate decrease of 0.25%	475	200	475	1,150
Increase of 0.25% in expected pay increase	125	75	0	200
Reduction of 0.25% in expected pay increase	–125	–75	0	–200
Increase of 0.25% in expected inflation	350	125	325	800
Decrease of 0.25% in expected inflation	–350	–125	–325	–800
Life expectancy increase of 1 year	400	175	300	875

1 Estimated change in pension obligation/pension liability if the assumption is increased or decreased for all three countries. If the pension liability is increased for all three countries the Group's equity would be reduced by 90 percent of the increased pension liability, after taking into account deferred tax and social insurance contributions.

Sensitivity of plan assets to deviations between estimated return and actual return

	Sweden	Norway	UK	Total [1]
Plan assets, December 31, 2018	4,388	4,861	9,261	18,510
Return increase of 5%	220	240	460	920
Return decrease of 5%	–220	–240	–460	–920

1 If actual return exceeds the estimated return by 5 percent, the gain upon remeasurement is expected to amount to SEK 920 M. If actual return falls below the estimated return by 5 percent, the loss upon remeasurement is expected to amount to SEK 920 M.

The sensitivity analyses are based on existing circumstances, assumptions and populations. Application at other levels may produce different effects of changes.

Defined-contribution plans

These plans mainly cover retirement pension, disability pension and family pension. The premiums are paid regularly during the year by the respective Group company to separate legal entities, for example insurance companies. The size of the premium is based on salary. The pension expense for the period is included in the income statement.

Total pension expenses in the income statement for defined-benefit plans and defined-contribution plans

	2018	2017
Defined-benefit pensions vested during the year	–535	–768
Less: Funds contributed by employees	6	9
Interest on obligations	–594	–574
Estimated return on plan assets	491	472
Curtailments and settlements	326	49
Pension expenses, defined-benefit plans	**–306**	**–812**
Pension expenses, defined-contribution plans	–1,673	–1,393
Social insurance contributions, defined-benefit and defined-contribution plans [1]	–145	–139
Total pension expenses	**–2,124**	**–2,344**

1 Refers to special payroll tax in Sweden and employer fee in Norway.

Allocation of pension expenses in the income statement

	2018	2017
Cost of production and management	–1,639	–1,731
Selling and administrative expenses	–382	–511
Financial items	–103	–102
Total pension expenses	**–2,124**	**–2,344**

Note 29. Provisions

Provisions are reported in compliance with IAS 37 Provisions, Contingent Liabilities and Contingent Assets, see Note 1.
Provisions are allocated in the statement of financial position between non-current liabilities and current liabilities. Provisions are both interest-bearing and non-interest-bearing. Provisions that are part of the operating cycleare recognized as current. Interest-bearing provisions that fall due within a year are treated as current.

	Dec 31, 2018	Restated Dec 31, 2017
Current provisions		
Non-interest-bearing	9,922	9,131
Total	**9,922**	**9,131**

The change in provisions broken down into reserve for legal disputes, provisions for warranty obligations and other provisions is presented in the following table.

	Reserve for legal disputes		Provision for warranty obligations		Other provisions		Total	
	2018	2017 [1]	2018	2017	2018	2017 [1]	2018	2017
January 1	1,377	950	3,300	2,938	4,454	3,340	9,131	7,228
Changed accounting principle, Note 3						387		387
Adjusted opening balance	**1,377**	**950**	**3,300**	**2,938**	**4,454**	**3,727**	**9,131**	**7,615**
Provisions for the year	555	1,036	1,144	1,248	2,552	1,144	4,251	3,428
Provisions utilized	–455	–394	–704	–660	–1,676	–380	–2,835	–1,434
Unutilized amounts that were eversed,change in value	–140	–180	–446	–309	–353	–71	–939	–560
Exchange-rate differences	19	7	59	39	116	–5	194	41
Reclassifications	–29	–42	–117	44	266	39	120	41
December 31	**1,327**	**1,377**	**3,236**	**3,300**	**5,359**	**4,454**	**9,922**	**9,131**

Specification of "Other provisions"

	2018	2017 [1]
Provisions for restructuring measures	579	603
Employee-related provisions	362	334
Environmental obligations	106	108
Provision for social insurance contributions for pensions and share-based payments	1,246	1,086
Contingent considerations [2]	573	838
Provisions for commitments in joint ventures	49	60
Provisions for losses	1,366	574
Provisions for completed projects	504	254
Damage restoration	140	131
Other provisions	434	466
Total	**5,359**	**4,454**

1 Amounts for the comparative year are corrected for the categories "Reserve for legal disputes" and "Other provisions." The correction means that disputes other than those relating to projects in the Contruction business stream will also be recognized under the heading "Reserve for legal disputes."
2 Acquisitions of current-asset properties. These are reported as financial instruments. See Note 6.

The normal cycle time for "Other provisions" is one to three years.

Provisions for legal disputes are provisions in the Construction business stream for projects that have been completed as well as other disputes.

Provisions for warranty obligations are for expenses that may arise during the warranty period and for rent guarantees for properties in the Commercial Property Development business stream. Such provisions in Construction are based on individual assessments of each project or average experience-based cost, expressed as a percentage of sales during a five-year period. The expenses are charged to each project on a continuous basis. Provisions for warranty obligations in other business streams are based on individual assessments of each projects. The change in 2018 was mainly related to Construction.

Provisions for restructuring measures mainly consist of items related to Poland, Sweden and the discontinuation of operations in Latin America.

Employee-related provisions consist of items such as the cost of profit-sharing, certain bonus programs and other obligations to employees.

Provisions for environmental obligations include the costs of restoring gravel pits to their natural state in Swedish operations.

Note 30. Trade and other payables

Non-interest-bearing liabilities in business operations are recognized as "Other operating liabilities." Such liabilities are part of the Group's operating cycle and are recognized as current liabilities.

	Dec 31, 2018	Restated Dec 31, 2017
Trade accounts payable	16,262	15,638
Other operating liabilities to associated companies		15
Other operating liabilities [1]	4,855	7,454
Accrued expenses and prepaid income	16,955	15,117
Total	**38,072**	**38,224**
Of which financial instruments reported in Note 6 Financial instruments and financial risk management		
Trade accounts payable	16,262	15,638
Other operating liabilities including accrued interest expense	322	496
	16,584	**16,134**
Of which non-financial instruments	21,488	22,090

1 "Other operating liabilities" includes SEK 307 M (491) for checks issued but not yet cashed, mainly in the USA. See Note 1.

Note 31. Specification of interest-bearing net receivables/net liabilities per asset and liability

	Dec 31, 2018			Restated Dec 31, 2017		
	Interest-bearing	Non-interest bearing	Total	Interest-bearing	Non-interest bearing	Total
ASSETS						
Non-current assets						
Property, plant and equipment		7,645	7,645		6,874	6,874
Goodwill		4,324	4,324		4,554	4,554
Other intangible assets		975	975		962	962
Investments in joint ventures and associated companies		3,288	3,288		3,314	3,314
Non-current financial assets	2,302	43	2,345	2,228	48	2,276
Deferred tax assets		1,933	1,933		1,757	1,757
Total non-current assets	**2,302**	**18,208**	**20,510**	**2,228**	**17,509**	**19,737**
Current assets						
Current-asset properties		42,391	42,391		39,010	39,010
Inventories		1,256	1,256		1,058	1,058
Current financial assets	7,047	70	7,117	6,574	97	6,671
Tax assets		396	396		1,188	1,188
Contract assets		6,661	6,661		6,997	6,997
Trade and other receivables		27,243	27,243		27,778	27,778
Cash	10,722		10,722	6,998		6,998
Total current assets	**17,769**	**78,017**	**95,786**	**13,572**	**76,128**	**89,700**
TOTAL ASSETS	**20,071**	**96,225**	**116,296**	**15,800**	**93,637**	**109,437**
LIABILITIES						
Non-current liabilities						
Non-current financial liabilities	3,909	3	3,912	3,836	21	3,857
Pensions	5,669		5,669	5,603		5,603
Deferred tax liabilities		711	711		1,235	1,235
Total non-current liabilities	**9,578**	**714**	**10,292**	**9,439**	**1,256**	**10,695**
Current liabilities						
Current financial liabilities	7,262	48	7,310	7,487	137	7,624
Tax liabilities		615	615		312	312
Current provisions		9,922	9,922		9,131	9,131
Contract liabilities		20,738	20,738		16,266	16,266
Trade and other payables		38,072	38,072		38,224	38,224
Total current liabilities	**7,262**	**69,395**	**76,657**	**7,487**	**64,070**	**71,557**
TOTAL LIABILITIES	**16,840**	**70,109**	**86,949**	**16,926**	**65,326**	**82,252**
Total equity			**29,347**			**27,185**
EQUITY AND LIABILITIES			**116,296**			**109,437**
Interest-bearing net receivables/net liabilities	3,231			–1,126		

Note 32. Expected recovery periods of assets and liabilities

	Dec 31, 2018			Restated Dec 31, 2017		
Amounts expected to be recovered	**Within 12 months**	**After 12 months**	**Total**	**Within 12 months**	**After 12 months**	**Total**
ASSETS						
Non-current assets						
Property, plant and equipment [1]	1,571	6,074	7,645	1,415	5,459	6,874
Goodwill		4,324	4,324		4,554	4,554
Other intangible assets [1]	209	766	975	175	787	962
Investments in joint ventures and associated companies [2]		3,288	3,288		3,314	3,314
Non-current financial assets		2,345	2,345		2,276	2,276
Deferred tax assets [3]		1,933	1,933		1,757	1,757
Total non-current assets	**1,780**	**18,730**	**20,510**	**1,590**	**18,147**	**19,737**
Current assets						
Current-asset properties [4]	19,900	22,491	42,391	19,000	20,010	39,010
Inventories	512	744	1,256	474	584	1,058
Current financial assets	7,065	52	7,117	6,671		6,671
Tax assets	396		396	1,188		1,188
Contract assets [5]	6,145	516	6,661	5,909	1,088	6,997
Trade and other receivables [5]	24,271	2,972	27,243	23,843	3,935	27,778
Cash	10,722		10,722	6,998		6,998
Total current assets	**69,011**	**26,775**	**95,786**	**64,083**	**25,617**	**89,700**
TOTAL ASSETS	**70,791**	**45,505**	**116,296**	**65,673**	**43,764**	**109,437**
LIABILITIES						
Non-current liabilities						
Non-current financial liabilities		3,912	3,912	180	3,677	3,857
Pensions [6]	258	5,411	5,669	249	5,354	5,603
Deferred tax liabilities		711	711		1,235	1,235
Total non-current liabilities	**258**	**10,034**	**10,292**	**429**	**10,266**	**10,695**
Current liabilities						
Current financial liabilities	4,527	2,783	7,310	5,636	1,988	7,624
Tax liabilities	615		615	312		312
Current provisions	3,908	6,014	9,922	3,983	5,148	9,131
Contract liabilities	18,018	2,720	20,738	13,817	2,449	16,266
Trade and other payables	36,367	1,705	38,072	36,718	1,506	38,224
Total current liabilities	**63,435**	**13,222**	**76,657**	**60,466**	**11,091**	**71,557**
TOTAL LIABILITIES	**63,693**	**23,256**	**86,949**	**60,895**	**21,357**	**82,252**
Total equity			**29,347**			**27,185**
EQUITY AND LIABILITIES			**116,296**			**109,437**

1 In case of amounts expected to be recovered within 12 months, the expected annual depreciation/amortization has been recognized.
2 The breakdown cannot be estimated.
3 Deferred tax assets are expected to be recovered in their entirety after 12 months.
4 Recovery of current-asset properties within one year is based on a historical assessment from the past three years.
5 Current receivables that fall due in more than 12 months' time are part of the operating cycle and are thus recognized as current.
6 "Within 12 months" refers to expected benefit payments (payments from funded plans are not included).

Note 33. Assets pledged, contingent liabilities and contingent assets

Assets pledged

	Dec 31, 2018	Dec 31, 2017
Shares and participations	2,229	1,925
Receivables	824	940
Total	**3,053**	**2,865**

Joint ventures within the Infrastructure Development business stream are reported as pledged assets when the holdings in the project company, which may be owned directly by Skanska or owned through intermediary holding companies, are provided as security for loans from banks or lenders other than the co-owners.

Assets pledged for liabilities

	Shares and receivables	
	Dec 31, 2018	Dec 31, 2017
Own obligations		
Other liabilities	824	940
Total own obligations	**824**	**940**
Other obligations	2,229	1,925
Total	**3,053**	**2,865**

Assets pledged for other liabilities, SEK 0.8 (1.0) billion, relate predominantly to financial instruments pledged as collateral to clients in conjunction with contracting work in the USA.

Contingent liabilities

Contingent liabilities are reported in compliance with IAS 37 Provisions, Contingent Liabilities and Contingent Assets. See Note 1.

	Dec 31, 2018	Dec 31, 2017
Contingent liabilities related to joint operations within the Construction business stream	44,286	46,830
Contingent liabilities related to other joint operations	31	28
Contingent liabilities related to joint ventures	747	814
Other contingent liabilities	2,585	1,260
Total	**47,649**	**48,932**

The Group's contingent liabilities related to contracting work executed jointly with other contractors totaled SEK 44.3 (46.8) billion. This amount refers to the portion of the joint and several liability relating to the obligations of the joint operation in question that affect other participants in the joint operation. Such liability is often required by the customer. To the extent it is deemed likely that Skanska will be subject to liability claims, the obligation is reported as a liability.

Contingent liabilities related to joint ventures refer mainly to guarantees issued for joint ventures belonging to the Residential Development and Commercial Property Development business streams.

In the Group's other contingent liabilities, just over SEK 2.6 (1.3) billion related mainly to obligations attributable to residential projects.

Skanska selectively forms joint operations and joint ventures when this is beneficial in view of project size and/or the type of commitments involved in the project. Combining expertise and resources with other construction companies is then a means of optimizing project planning and execution as well as managing specific project risks. "External partners in these arrangements are scrutinized in accordance with the tender approval process. For more information regarding joint operations and joint ventures, see Note 20 B and Note 20 C. "

In December 2016 Skanska received a claim from the Maltese government, which in July 2018 led to commencement of arbitration, regarding the Mater Dei hospital on Malta. The Government alleges defects in certain concrete works performed in 1996 and errors in seismic design. Skanska is contesting the claims on both formal and material grounds. The arbitration tribunal has decided that it during 2019 will decide on a partial award on the formal grounds.

A Skanska subsidiary in Finland has been prosecuted for a corporate fine in connection to a bribery investigation involving a former real estate manager in another company. The judgement from the court is expected in 2019, but will likely be subject to appeals. Skanska consider such fine to be unjustified and a ruling will be made in a now on-going trial. A Skanska Finland manager is defendant in the case. Several Finnish companies and individuals are involved. Skanska has actively cooperated with the prosecutor and police since the start of the investigation.

The Brazilian competition authority, the Administrative Council of Economic Defense, (CADE) and the Ministry of Transparency Inspection and Control (MoT) initiated in the end of 2015 administrative procedures against Skanska Brazil in relation to certain Petrobras projects. In June 2016 MoT decided that Skanska Brazil shall be excluded from public tenders during no less than two years. Skanska Brazil´s appeal is still pending. CADE has still to decide on the cartel case. Other authorities have initiated procedures related to the same transactions. Skanska informed in April 2016 that the Attorney General of the Brazilian government (AGU) commenced a lawsuit against seven companies including Skanska Brazil. The charges focused on claims of inappropriate payments by a joint venture partner. Both courts of first and second instance have rejected the claim against Skanska Brazil. AGU has appealed to the Superior Court and this appeal is pending. The Federal Audit Court (TCU) is an authority auditing public contract, including those of Petrobras, and Skanska Brazil has some contracts under TCU review.

Early 2006 tax authorities in Argentina started investigating about 120 companies, including Skanska S.A in Argentina, for use of fake invoices. Skanska cooperated with the authorities and rectified its tax returns. The Appeal Court found in 2011 no evidence of wrongdoings and no convictions were made. However, the lower court decided in October 2017 to once again indict a large number of individuals including 9 former Skanska employees. Trial is expected to begin 2019. Skanska sold its Argentine business 2015, but is managing the case due to an ongoing obligation to the buyer.

Contingent assets

The Group has no contingent assets of significant importance in assessing the position of the Group. See Note 1.

Note 34. Foreign exchange rates and effect of changes in foreign exchange rates

Exchange rates are dealt with in compliance with IAS 21 The Effect of Changes in Foreign Exchange Rates. See Note 1.

Exchange rates

In 2018 the Swedish krona fluctuated against currencies in countries in which the Group does business.

		Average exchange rate			Change, %	
Currency	Country	2018	2017	2016	2017–2018	2016–2017
CZK	Czech Republic	0.400	0.366	0.350	9	5
DKK	Denmark	1.377	1.296	1.272	6	2
EUR	EU	10.260	9.638	9.468	6	2
GBP	UK	11.597	11.002	11.587	5	–5
NOK	Norway	1.068	1.033	1.019	3	1
PLN	Poland	2.408	2.265	2.170	6	4
USD	USA	8.696	8.549	8.559	2	

		Closing day exchange rate			Change, %	
Currency	Land	2018	2017	2016	2017–2018	2016–2017
CZK	Czech Republic	0.398	0.384	0.354	3	9
DKK	Denmark	1.373	1.321	1.287	4	3
EUR	EU	10.253	9.834	9.571	4	3
GBP	UK	11.352	11.081	11.150	2	–1
NOK	Norway	1.027	1.000	1.053	3	–5
PLN	Poland	2.383	2.355	2.168	1	9
USD	USA	8.941	8.204	9.064	9	–9

Income statement

In 2018 the average exchange rate of the SEK against the Group's other currencies weakened against all currencies. The total exchange rate effect on the Group's revenue was SEK 4,671 M (–198), equivalent to 3.0 (–0.1) percent. The total exchange rate effect on the Group's operating income was SEK 114 M (–33), equivalent to 2.5 (–0.5) percent. See the table below.

	USD	EUR	GBP	NOK	CZK	PLN	Other	Total
2018								
Revenue	1,177	905	1,143	524	478	444		4 671
Operating income	13	98	29	23	6	–59	4	114
Income after financial items	8	93	28	26	5	–60	5	105
Profit for the year	4	70	27	22	3	–68	5	63

	USD	EUR	GBP	NOK	CZK	PLN	Other	Total
2017								
Revenue	–74	189	–1,113	196	235	370	–1	–198
Operating income		13	–12	8	4	–44	–2	–33
Income after financial items		12	–13	9	4	–44	–1	–33
Profit for the year		10	–11	7		–48	–1	–43

Note 34. Continued

Consolidated statement of financial position by functional currency

Consolidated total assets increased by SEK 6.9 billion, from SEK 109.4 billion to SEK 116.3 billion. The effect of changes in foreign exchange rates was SEK 4.5 billion. The closing exchange rate of the Swedish krona weakened against all currencies all currencies the Group uses in its operations.

Dec 31, 2018, SEK bn	USD	GBP	EUR	NOK	CZK	PLN	DKK	Other foreign currencies [1]	Hedges of foreign currency [2]	SEK	Total
Assets											
Property, plant and equipment	2.4	0.2	0.5	1.5	0.5	0.3		–0.1		2.3	7.6
Intangible assets	0.7	1.5	0.5	1.4	0.6			–0.1		0.7	5.3
Shares and participations	1.6	0.1		0.2	0.1			–0.1		1.4	3.3
Interest-bearing receivables	21.8	2.4	3.8	4.2	1.0	1.3		–23.6		–1.6	9.3
Current-asset properties	9.5	0.4	11.6	4.0	1.8	1.1	1.2	0.2		12.6	42.4
Non-interest-bearing receivables	17.5	4.1	2.6	3.8	0.9	1.4	0.1	0.2		7.1	37.7
Cash and cash equivalents	1.4	0.1	1.3		0.3	0.1				7.5	10.7
Total	**54.9**	**8.8**	**20.3**	**15.1**	**5.2**	**4.2**	**1.3**	**–23.5**	**0.0**	**30.0**	**116.3**
Equity and liabilities											
Equity attributable to equity holders [3]	9.1	1.6	4.6	4.5	2.3	–0.5	0.9		–1.0	7.7	29.2
Non-controlling interests					0.1						0.1
Interest-bearing liabilities	16.7	0.9	8.9	3.0	0.8	1.1	0.1	–23.9	1.0	8.2	16.8
Non-interest-bearing liabilities	29.1	6.3	6.8	7.6	2.0	3.6	0.3	0.4		14.1	70.2
Total	**54.9**	**8.8**	**20.3**	**15.1**	**5.2**	**4.2**	**1.3**	**–23.5**	**0.0**	**30.0**	**116.3**

Dec 31, 2017, SEK bn	USD	GBP	EUR	NOK	CZK	PLN	DKK	Other foreign currencies [1]	Hedges of foreign currency [2]	SEK	Total
Assets											
Property, plant and equipment	2.3	0.2	0.4	1.1	0.5	0.2		0.1		2.1	6.9
Intangible assets	1.0	1.5	0.5	1.3	0.5			0.1		0.6	5.5
Shares and participations	1.8		0.1	0.2	0.1			–0.2		1.3	3.3
Interest-bearing receivables	21.1	3.4	2.2	3.8	1.1	2.1		–26.8	–0.4	2.3	8.8
Current-asset properties	7.4	0.3	11.1	3.4	1.7	0.9	1.5			12.7	39.0
Non-interest-bearing receivables	17.3	4.9	2.5	4.0	1.2	2.1		0.4		6.5	38.9
Cash and cash equivalents	1.1		0.1	0.1	0.7	0.1	0.1	0.1		4.7	7.0
Total	**52.0**	**10.3**	**16.9**	**13.9**	**5.8**	**5.4**	**1.6**	**–26.3**	**–0.4**	**30.2**	**109.4**
Equity and liabilities											
Equity attributable to equity holders [3]	8.9	1.7	6.9	4.1	2.5	0.6	0.5	0.1	–4.8	6.6	27.1
Non-controlling interests					0.1						0.1
Interest-bearing liabilities	17.1	2.4	4.7	2.7	0.6	1.1	0.7	–26.8	4.4	10.0	16.9
Non-interest-bearing liabilities	26.0	6.2	5.3	7.1	2.6	3.7	0.4	0.4		13.6	65.3
Total	**52.0**	**10.3**	**16.9**	**13.9**	**5.8**	**5.4**	**1.6**	**–26.3**	**–0.4**	**30.2**	**109.4**

1 Including elimination of intra-Group receivables and liabilities.
2 Amount refers to hedges before tax deduction. Net investments abroad are currency-hedged to a certain extent through foreign currency loans and forward currency contracts. See also Note 6. Hedging of net investments through foreign currency loans mainly in EUR amounts to SEK 1.0 (4.4) billion. Hedging of net investments through foreign currency contracts amounts to SEK 0.0 (0.4) billion, which breaks down as USD 0.0 (0.2), and GBP 0.0 (0.2).
3 The respective currencies are calculated including goodwill on consolidation and the net amount of Group surpluses after deducting deferred taxes.

Effect on the Group of a change in SEK against other currencies and change in USD against SEK

The following sensitivity analysis, based on the 2018 income statement and statement of financial position, shows the sensitivity of the Group to a unilateral 10-percent change in the SEK against all currencies, as well as a unilateral 10-percent change in the USD against the SEK (+ indicates a weakening of the Swedish krona, – indicates a strengthening of the Swedish krona).

SEK bn	+/–10%	of which USD +/–10%
Revenue	+/– 12.8	+/– 7.0
Operating income	+/– 0.3	+/– 0.1
Equity	+/– 2.2	+/– 0.9
Net receivables/net liabilities	+/– 0.6	+/– 0.7

Other items

For information on the change in the translation reserve in equity, see Note 26.

Note 35. Cash flow statement

Aside from the cash flow statement prepared in compliance with IAS 7 Statement of Cash Flows, Skanska prepares a cash flow statement based on the operations carried out by the respective business streams. This cash flow statement is called the "Consolidated operating cash flow statement." The connection between the respective cash-flow statements is explained below.

Adjustments for items not included in cash flow

	2018	2017
Depreciation/amortization and impairment losses/reversals of impairment losses	2,457	2,462
Income from divestments of non-current assets and current-asset properties	–8,479	–5,323
Income after financial items from joint ventures and associated companies	–821	–388
Dividends from joint ventures and associated companies	1,465	256
Provision for the year, intra-Group profits on contracting work	543	452
Pensions recognized as expenses but not related to payments	203	710
Pensions paid	–851	–590
Cost of Seop, employee ownership programs	254	297
Gain on joint ventures divested	–42	–1,362
Other items that have not affected cash flow from operating activities	18	–35
Total	**–5,253**	**–3,521**

Taxes paid

Taxes paid are divided into operating activities, investing activities and financing activities.

Total taxes paid for the Group during the year amounted to SEK –490 M (–968).

Information about interest and dividends

	2018	2017
Interest income received during the year	134	87
Interest paid during the year	288	–237
Dividend received during the year	1,497	287

Cash and cash equivalents

Cash and cash equivalents in the cash-flow statement consist of cash and bank balances as well as short-term investments. The definition of cash and bank balances in the statement of financial position can be found in Note 1.

The same rule that has been used in determining cash and cash equivalents in the statement of financial position has been used in determining cash and cash equivalents according to the cash flow statement. Only amounts that can be used without restrictions are recognized as cash and bank balances.

	2018	2017
Cash	10,722	6,998
Total	**10,722**	**6,998**

Other items

At year-end, the Group's unutilized credit facilities amounted to SEK 8,613 M (8,281).

Information about assets and liabilities in acquired Group companies/businesses

	2018	2017
Assets		
Intangible assets	21	
Property, plant and equipment	7	
Non-interest-bearing assets	1	
Total	**29**	**0**
Liabilities		
Interest-bearing liabilities	7	
Non-interest-bearing liabilities	6	
Total	**13**	**0**
Paid consideration	–16	
Effect on cash and cash equivalents, acquisitions	**–16**	**0**

Acquired Group companies/operations are described in Note 7.

Connection between "Consolidated operating cash flow statement" and "Consolidated cash flow statement"

The difference between the consolidated operating cash flow statement and the consolidated cash flow statement in compliance with IAS 7 Statement of Cash Flows is presented below.

The consolidated cash flow statement prepared in compliance with IAS 7 recognizes cash flow divided into:
Cash flow from operating activities
Cash flow from investing activities
Cash flow from financing activities

The consolidated operating cash flow statement recognizes cash flow divided into:
Cash flow from business operations
Cash flow from financing activities
Cash flow from strategic investments
Dividend etc.
Change in interest-bearing receivables and liabilities

The consolidated operating cash flow statement refers to operating activities as "business operations." Unlike the cash flow statement in compliance with IAS 7, "business operations" also includes net investments, which are regarded as an element of business operations, together with tax payments on these. Such net investments are net investments in property, plant and equipment and intangible non-current assets as well as net investments in Infrastructure Development.

Investments of a strategic nature are recognized under cash flow from strategic investments.

Under cash flow from financing activities, the operating cash flow statement recognizes only interest and other financial items as well as taxes paid on these. Dividends are recognized separately. Loans provided and repayment of loans are also recognized separately along with changes in interest-bearing receivables at the bottom of the operating cash flow statement, resulting in a subtotal in that statement that shows cash flow before changes in interest-bearing receivables and liabilities.

Note 35. Continued

Cash flow for the year

	2018	2017
Cash flow from business operations including taxes paid according to operating cash flow	7,268	2,702
Less net investments in property, plant and equipment and intangible assets	2,157	112
Less tax payments on property, plant and equipment and intangible assets divested, and divestment of assets in Infrastructure Development	29	32
Cash flow from operating activities	**9,454**	**2,846**
Cash flow from strategic investments according to operating cash flow	–16	
Net investments in property, plant and equipment and intangible assets	–2,157	–112
Increase and decrease in interest-bearing receivables	–165	1,734
Taxes paid on property, plant and equipment and intangible assets and assets in Infrastructure Development	–29	–32
Cash flow from investing activities	**–2,367**	**1,590**
Cash flow from financing activities according to operating cash flow statement, including changes in interest-bearing receivables and liabilities	–202	2,796
Increase and decrease in interest-bearing receivables	165	–1,734
Dividend etc. [1]	–3,472	–3,879
Cash flow from financing activities	**–3,509**	**–2,817**
Cash flow for the year	**3,578**	**1,619**

1 Of which shares repurchased –72 –440

Relation between the Group's investments in the cash flow statement and investments in the operating cash flow statement

Total net investments are recognized in the cash flow statement divided into operating activities and investing activities, taking into account the settlement of payments for investments and divestments.

Purchases and sales of current-asset properties are recognized under operating activities, while other net investments are recognized under investing activities.

	2018	2017
Net investments in operating activities	5,434	–1,217
Net investments in investing activities	–2,173	–112
	3,261	**–1,329**
Less accrual adjustments, cash flow effect of investments	39	243
Total net investments	**3,300**	**–1,086**

The consolidated operating cash flow statement recognizes net investments divided into net investments in operations and strategic net investments as follows.

Investments/divestments

	2018	2017
Operations – investments		
Intangible assets	–225	–255
Property, plant and equipment	–2,351	–1,876
Assets in Infrastructure Development	–62	–449
Shares	–37	–154
Current-asset properties	–21,849	–21,451
of which Residential Development	–10,449	–10,801
of which Commercial Property Development	–11,400	–10,650
	–24,524	**–24,185**
Operations – divestments		
Intangible assets	6	1
Property, plant and equipment	420	213
Assets in Infrastructure Development	80	1,950
Shares	12	458
Current-asset properties	27,322	20,477
of which Residential Development	12,068	11,767
of which Commercial Property Development	15,254	8,710
	27,840	**23,099**
Net investments in operations	3,316	–1,086
Strategic investments		
Business combinations	–16	
Net strategic investments	**–16**	**0**
Total net investments	**3,300**	**–1,086**

The change in interest-bearing liabilities belonging to financing activities is presented in the following table.

Interest-bearing liabilities

	2018	2017
January 1	11,323	10,172
Items affecting cash flow from financing activities	–146	885
Acquisition of companies	7	
Exchange-rate differences	–13	266
December 31	**11,171**	**11,323**

Note 36. Personnel

Wages, salaries, other remuneration and social insurance contributions

	2018	2017
Wages, salaries and other remuneration		
Board members, Presidents, Executive Vice Presidents and other executive team members [1]	551	554
of which variable remuneration	209	213
Other employees	21,068	21,448
Total wages, salary and other remuneration	**21,619**	**22,002**
Social insurance contributions	5,294	5,415
of which pension expenses	2,021	2,130

1 The amount related to Board members, Presidents, Executive Vice Presidents and other executive team members includes remuneration to former Board members, Presidents and Executive Vice Presidents in all Group companies during the financial year.

Of the Group's total pension expenses, SEK 43 M (49) relates to the category "Board members, Presidents, Executive Vice Presidents and other executive team members." The amount includes remuneration to former Board members, Presidents and Executive Vice Presidents.

Average number of employees

Personnel is calculated as the average number of employees, see Note 1.

	2018	Of which men	%	Of which women	%	2017	Of which men	%	Of which women	%
Sweden	9,458	7,328	77	2,130	23	9,304	7,500	81	1,804	19
Norway	3,855	3,474	90	381	10	3,867	3,472	90	395	10
Denmark	17	10	59	7	41	15	10	67	5	33
Finland	2,176	1,840	85	336	15	2,091	1,740	83	351	17
UK	5,650	4,364	77	1,286	23	5,813	4,586	79	1,227	21
Poland	4,306	3,278	76	1,028	24	5,598	4,378	78	1,220	22
Czech Republic	2,652	2,226	84	426	16	3,039	2,528	83	511	17
Slovakia	830	732	88	98	12	838	718	86	120	14
USA	8,957	7,653	85	1,304	15	9,350	7,975	85	1,375	15
Other countries	749	663	89	86	11	844	775	92	69	8
Total	**38,650**	**31,568**	**82**	**7,082**	**18**	**40,759**	**33,682**	**83**	**7,077**	**17**

The number of employees at the end of the years was 37,450 (40,400).

Men and women on Boards of Directors and in executive teams on closing day

	2018		2017	
	Of which men , %	Of which women, %	Of which men , %	Of which women, %
Number of Board members	82	18	84	16
Number of Presidents and members of executive teams of Business Units	77	23	77	23

Other items

No loans, assets pledged or contingent liabilities have been provided for the benefit of any Board member or President in the Group.

Note 37. Remuneration to senior executives and Board members

The Group Leadership Team consisted of the President and CEO and the five Executive Vice Presidents. Of these six individuals at the end of 2018, two were women and four were men.

Senior executives are defined as the members of the Group Leadership Team.

Preparation and decision-making processes

Principles for senior executive remuneration are established annually by the Annual General Meeting. Salary and other benefits for the President and CEO are established by the Board of Directors of Skanska AB following recommendations from the Board's Compensation Committee. The Committee sets salaries, variable remuneration and other benefits for the senior executives. The President and CEO regularly informs the Compensation Committee about the salaries, variable remuneration and other benefits of the heads of group functions units and business units. In 2018 the Compensation Committee consisted of Hans Biörck, Chairman of the Board, and Board members Pär Boman and Jayne McGivern. The Compensation Committee met seven times during the year. The Annual General Meeting approves the directors' fees and remuneration for committee work for members of the Board, following recommendations from the Nomination Committee.

Senior executive remuneration

Principles for remuneration

The 2018 Annual General Meeting approved the following guidelines for salaries and other remuneration for senior executives:

Remuneration for senior executives of Skanska AB is to consist of a fixed salary, possible variable remuneration, other customary benefits and pension. The senior executives include the President and CEO and the other members of the Group Leadership Team.

The combined remuneration for each executive must be market-based and competitive in the job market in which the executive works, and outstanding performance should be reflected in the total remuneration package.

Fixed salary and variable remuneration are to be linked to the level of responsibility and authority of the senior executive. The variable remuneration is to be payable in cash and/or shares, and it is to have a ceiling and be related to the fixed salary. To receive shares a three-year vesting period is required and the shares are to be part of a long-term incentive program. Variable remuneration is to be based on performance in relation to established targets and designed to achieve better alignment between the interests of the executive and of the company's shareholders. The terms of variable remuneration should be designed in such a way that if exceptional economic conditions exist, the Board has the ability to limit or refrain from paying variable remuneration if such payment is deemed unreasonable and incompatible with the company's general responsibility to shareholders, employees and other stakeholders. With respect to the annual bonus, the Board has the possibility of limiting or refraining from paying this variable remuneration if it deems such action reasonable for other reasons.

If a Board member performs work on behalf of the company in addition to his or her Board duties, a consultant fee and other compensation for such work may be payable.

In case of termination, the normal notice period is six months combined with severance pay equivalent to a maximum of 18 months of fixed salary or, alternatively, a notice period of a maximum of 12 months combined with severance pay equivalent to a maximum of 12 months of fixed salary.

Pension benefits are to be either defined-benefit or defined-contribution plans, or a combination of both, and entitle the executive to receive an occupational pension from the age of 65. In individual cases, however, the retirement age may be as low as 60. To earn full defined-benefit pension, the individual is required to have been employed for as long a period as is required under the company's general pension plan in each respective country.

Variable remuneration is not pensionable except in cases where this is stipulated in the rules for a general pension plan (e.g., Sweden's ITP occupational pension plan.)

The Board may deviate from these guidelines if there are special reasons to do so in an individual case.

The President and CEO's salary and other remuneration are reviewed by the Compensation Committee in preparation for decisions by the Board. The salary and other remuneration for other senior executives are determined by the Compensation Committee.

Financial targets for variable salary components 2018

	Measure of earnings	Starting point	Outperform	Outcome	Percentage fulfilled [2]
Group	Income after financial items, SEK bn [1]	4.2	6.7	4.9	29%
Construction	Operating income, SEK bn	2.6	4.2	1.1	44%
	Skanska Value Added, SEK bn [3]	3.4	4.7	2.7	61%
Residential Development	Operating income, SEK bn	1.2	1.6	1.5	51%
	Return on capital employed, %	9	12	13	88%
	Units sold, thousands [4]	1.8	2.2	1.8	16%
Commercial Property Development	Operating income, SEK bn	1.1	2.0	3.1	100%
	Return on capital employed, % [5]	6	8	13	100%
	Leasing, thousands of sqm [6]	146	371	456	100%

1 The income excludes eliminations at the Group level. The outperform target at the Group level constitutes 95 percent of the business stream's total outperform target and the starting point target constitutes 105 percent of the business stream's total starting point target.
2 Percentage fulfilled is based on the outcomes for the respective business units, which are weighed together. As the amount fulfilled per business unit cannot be less than 0 percent, negative earnings from the business units may affect the comparison with the business stream's total earnings.
3 The Skanska Value Added (SVA) target corresponds to operating income less cost of capital employed. Cost of capital refers to the estimated cost of borrowed capital and equity before tax.
4 Encompasses the Residential Development business units in Central Europe and BoKlok.
5 Including unrealized development gains and changes in market value. Encompasses the Commercial Property Development business units in the Nordic region, Europe and the USA.
6 Encompasses the Commercial Property Development business units in the Nordic region, Europe and the USA.

Note 37. Continued

Targets and performance relating to variable remuneration

Variable remuneration may consist of two parts: cash-based annual variable remuneration and the share incentive program, which provides compensation in the form of shares.

The long-term share programs are described in the sections under the headings "Long-term share programs" and "Previous long-term share programs" in this note. The table below presents, by business stream, the starting point and outperform targets that were decided by the Board for the 2018 cash-based variable remuneration.

In addition to the financial performance targets, the senior executives have non-financial targets that may reduce the outcome measured only according to the financial targets. The non-financial targets mainly relate to strategic initiatives linked to the business plan. The outcome is reduced in cases where the operations for which the person is responsible have not reached the non-financial targets.

Annual variable remuneration for the senior executives, excluding the President and CEO, is mainly tied to the Group targets and/or to the business units they are directly responsible for. The non-financial targets are connected to the business units and/or operations for which the senior executives are responsible. The preliminary outcome for the other senior executives averaged 34 percent (27) of fixed annual salary. This calculation is preliminary insofar as any deductions as a consequence of non-financial targets have not yet been taken into account. The Board will determine the final outcome of variable remuneration in the first quarter of 2019 after reviewing operational performance.

Targets and performance related to variable remuneration for the President and CEO

The financial targets for the President and CEO were the same as the Group targets according to the table on the previous page. The Board has the option of reducing the final outcome of variable remuneration measured solely on the financial targets by a maximum of 50 percent, based on the outcome of the Group's non-financial targets. The preliminary outcome for the President and CEO's variable remuneration (i.e., excluding the employee ownership program) shows an outcome of 22 percent of fixed annual salary, based on financial targets with a target fulfillment of 29 percent. This calculation is preliminary insofar as any deductions as a consequence of non-financial targets have not yet been taken into account. The Board will determine the final outcome in the first quarter of 2019 after reviewing operational performance.

Pension benefits

The retirement age for senior executives is 62 to 65 years. Employees in Sweden are entitled to pension benefits according to the ITP occupational pension plan. The ITP plan encompasses the defined-contribution ITP 1 pension system and the defined-benefit ITP 2 pension system. Employees outside Sweden are covered by local pension plans. The ITP 1 contribution is 4.5 percent of gross cash salary up to 7.5 base amounts of income per year and 30 percent of gross cash salary above that. The defined-benefit ITP 2 plan guarantees a lifetime pension from age 55. The pension amount is a certain percentage of the employee's final salary, and the service period to qualify for a full pension is 30 years. The pension entitlement is 10 percent for salary components up to 7.5 base amounts, 65 percent for components between 7.5 and 20 base amounts and 32.5 percent for salary components between 20 and 30 base amounts. For salary components exceeding 30 base amounts, this ITP 2 group is covered by a supplementary pension entitlement, with a premium of 20 percent.

Severance pay

The notice period for the senior executives, in the case of termination by the company, is six months with retention of fixed salary and benefits, excluding variable remuneration. After the notice period, severance pay is disbursed for 12 to 18 months. When payments are disbursed after the notice period other income must normally be subtracted from the amount payable.

A mutual notice period of 12 months applies between Skanska and the President and CEO, with retention of fixed salary and benefits, excluding variable remuneration. After the notice period, severance pay is disbursed for 12 months. When payments are disbursed after the notice period other income must normally be subtracted from the amount payable.

Board of Directors

	Director's fee		Audit Committee		Compensation Committee		Project Review Committee		Total	
SEK thousand	2018	2017	2018	2017	2018	2017	2018	2017	2018	2017
Chairman of the Board										
Hans Biörck	2,040	2,040	158	158	110	110	205	205	2,513	2,513
Other Board members										
John Carrig	–	680	–	158	–	105	–	205	–	1,148
Nina Linander	680	680	158	158			205	205	1,043	1,043
Fredrik Lundberg	680	680					205	205	885	885
Charlotte Strömberg	680	680	220	220			205	205	1,105	1,105
Pär Boman	680	680	158	158	105	105	205	205	1,148	1,148
Jayne McGivern	680	680			105	105	205	205	990	990
Catherine Marcus	680	680					205	205	885	885
Board of Directors	**6,120**	**6,800**	**693**	**850**	**320**	**425**	**1,435**	**1,640**	**8,568**	**9,715**

Remuneration and benefits recognized as expenses in 2018

Directors' fees

The 2018 Annual General Meeting resolved that fees would be paid to the Board members elected by the Meeting totaling SEK 8,568 thousand (9,715), including a special allowance for committee work. See the table above.

Chairman of the Board

During the 2018 financial year the Chairman of the Board, Hans Biörck, received a director's fee totaling SEK 2,513 thousand (2,513), of which SEK 473 thousand (473) was for committee work.

Board members

Members of the Board did not receive any remuneration for their role as Board members beyond their regular directors' fees and remuneration for committee work.

For Board members appointed by the employees, no disclosures are made concerning salaries and remuneration or pensions as they do not receive these in their capacity as Board members. For Board members who were employees of the company before the beginning of the financial year, disclosures are made concerning pension obligations in their former role as employees.

Note 37. Continued

Group Leadership Team

	Annual salary		Variable remuneration [1]		Allocated value of employee ownership programs [2]		Other remuneration and benefits [3]		Pension expense		Total	
SEK thousand	2018	2017	2018	2017	2018	2017	2018	2017	2018	2017	2018	2017
President and CEO												
Anders Danielsson	10,500	–	2,318	–		–	375	–	3,675	–	16,868	–
Johan Karlström	–	12,670	–	628	–	1,532	–	84	–	6,335	–	21,248
Other senior executives (5 individuals) [4]	26,419	40,854	8,990	10,224	583	4,166	1,126	42,914	5,899	17,018	43,017	115,176
Total	**36,919**	**53,524**	**11,308**	**10,852**	**583**	**5,698**	**1,501**	**42,998**	**9,574**	**23,353**	**59,885**	**136,424**

1 Variable remuneration relating to the 2018 financial year is preliminary and will be finally determined and disbursed after the outcome is established in the first quarter of 2019. The variable remuneration agreements include a general clause stipulating that the Board and the Compensation Committee are entitled to wholly or partly reduce variable remuneration. The amounts included under the heading "Variable remuneration" for 2017 in the table above refer to actual disbursements for the 2017 financial year.

2 The value stated refers to a preliminary allotment of matching shares and performance shares for 2018, at the share price on December 28, 2018 (SEK 141). The senior executives will receive an estimated 4,134 (6,445) matching shares and 0 (27,070) performance shares. The Board will determine the final outcome in the first quarter of 2019 after reviewing operational performance. In order to receive matching shares and performance shares, an additional three years of service are required. The total cost has not yet been expensed as the cost is allocated over three years in accordance with IFRS 2. See the section under the heading "Long-term share programs." The President and CEO as well as some other senior executives received remuneration related to the 2015 financial year. After a three-year lock-up period as part of the previous employee ownership program, Seop 3, the President and CEO received 12,683 shares, equivalent to SEK 1,788 thousand in 2018, for shares acquired for the financial year 2015. In 2018, as part of Seop 3, the other senior executives, after a three-year lock-up period, received 24,338 (80,403) Series B Skanska shares, equivalent to SEK 3,432 thousand (13,669), for shares allotted for the 2015 financial year. The amounts stated for 2017 under the heading "Allocated value of employee ownership programs" in the table above have been calculated based on the actual outcome following reduction due to the cost limits for the employee ownership program being exceeded for 2017.

3 The amount for 2017 includes the maximum cost of salaries during the notice period and severance pay for five individuals who left the company and the Senior Executive Team in 2017 and early 2018. These costs were charged to the accounts in 2017 but are being disbursed in 2018–2020.

4 During the period January 1 – January 16 this group consisted of six individuals. In 2017 other senior executives consisted of nine individuals during the period January 16 – May 31, and of eight individuals during the rest of the year.

President and CEO

On January 1, 2018 Anders Danielsson took up the position of President and CEO. In 2018 Anders Danielsson received a fixed salary of SEK 10,500,000 plus an estimated variable salary component of SEK 2,318,000 based on a preliminary figure of financial targets being 29 percent fulfilled. Variable remuneration is maximized at 75 percent of fixed annual salary. The final outcome of variable remuneration for the President and CEO will be established by the Board in the first quarter of 2019 following a review of operational performance. The preliminary outcome was equivalent to 22 percent of fixed annual salary. Disbursement normally occurs in May of the year following the performance year.

The President and CEO is also participating in the Group's ongoing employee ownership program, Seop 4, which involves an allocation of matching shares and performance shares. See the section under the heading "Long-term share programs" in this note. Within the framework of Seop 4, Anders Danielsson acquired 6,486 Series B Skanska shares, which is not expected to result in the allocation of matching shares. No performance shares are expected to be allocated since the outperform targets were preliminarily 0 percent fulfilled. The allocation of matching and performance shares will be finally determined in the first quarter of 2019 after reviewing operational performance.

Annual pension provisions will total 35 percent of fixed annual salary. The cost in 2018 amounted to SEK 3,675 thousand.

Other senior executives

In 2018 three individuals joined and four individuals left the Group Leadership Team. At the end of 2018 the other senior executives consisted of five individuals.

The senior executives received a fixed salary and variable remuneration based on the Group's earnings and/or the earnings of the business units for which they are directly responsible. In addition, the senior executives were covered by the Group's ongoing employee ownership program, Seop 4, involving an allocation of matching shares and performance shares. See the section under the heading "Long-term share programs" in this note. A total of 16,535 (18,851) Series B Skanska shares were purchased by the senior executives in 2018 under the Seop 4 program, which resulted in 4,134 (4,713) matching shares, equivalent to SEK 583 thousand (801). The amount stated is based on the share price on December 28, 2018 (SEK 141). An estimated 0 (19,792) performance shares may be allocated, since the outperform targets were preliminarily 0 percent (18) fulfilled. Variable remuneration and the outcome of performance shares for 2018 are preliminary. The final outcome will be established in the first quarter of 2019 after a review of operational performance. Disbursement of the cash-based variable remuneration normally occurs in May of the year following the performance year. All above-mentioned remuneration and benefits were charged to Skanska AB, except for SEK 10,948 thousand (10,739) to other senior executives, which was charged to other Group companies.

Pension obligations to current and former senior executives

In 2018, outstanding pension obligations to Presidents and CEOs, including former Presidents and CEOs, amounted to SEK 158,067 thousand (151,393). Outstanding obligations to other current and former senior executives amounted to SEK 107,411 thousand (109,782).

Long-term share programs

Share incentive program – Skanska employee ownership program, Seop 4 (2017–2019)

In 2016 the Annual General Meeting approved the introduction of the Seop 4 long-term employee ownership program for employees of the Group. This is essentially an extension of the earlier Seop 3 employee ownership program that ran from 2014–2016. The terms and conditions are the same in all material respects as those of the earlier Seop 3 program.

The program is aimed at about 40,000 permanent employees of the Skanska Group, of whom some 2,000 are key employees and about 300 are executives, including the President and CEO and other senior executives.

The program offers employees, key employees and executives the opportunity – provided they have made their own investment in Series B Skanska shares during a given financial year – to receive Series B Skanska shares from Skanska free of charge. For each four Series B investment shares purchased, the employee will be entitled, after a three-year lock-up period, to receive one Series B Skanska share free of charge. In addition, after the lock-up period, the employee will be able to receive additional Series B Skanska shares free of charge contingent upon the fulfillment of certain earnings-based performance criteria during the purchase period.

The purchase period covers the years 2017–2019 and the lock-up period runs for three years from the month in which the investment shares are acquired. For each four investment shares purchased, employees may, in addition to one matching share, receive a maximum of three performance shares. For each four investment shares, key employees may, in addition to one matching share, receive a maximum of seven performance shares. For each four investment shares, executives (split into three subcategories) may, in addition to one matching share, receive a maximum of 15, 19 or 23 performance shares. The maximum number of investment shares that each employee participating in the program may acquire, through monthly saving, depends on the employee's salary and whether the employee is participating in the program as an employee, a key employee or an executive.

Note 37. Continued

Financial targets for the employee ownership program, Seop 4, 2018 [1]

	Measure of earnings	Starting point	Outperform	Outcome	Percentage fulfilled [2]
Group	Earnings per share, SEK [3]	12.1	13.3	9.5	0%
Construction	Operating income, SEK bn	3.2	4.2	1.1	35%
Residential Development	Operating income, SEK bn	1.4	1.6	1.5	51%
	Return on capital employed, % [4]	10	13	12	64%
Commercial Property Development	Operating income, SEK bn	1.4	2.0	3.1	100%
	Leasing, thousands of sqm[2,5]	146	371	456	100%

1 For further information, see the table "Financial targets for variable salary components" in Note 37 on page 172.
2 Percentage fulfilled is based on the outcomes for the respective business units, which are weighed together. As the amount fulfilled per business unit cannot be less than 0 percent, negative earnings from the business units may affect the comparison with the business stream's total earnings.
3 Profit for the period attributable to equity holders divided by the average number of outstanding shares during the year.
4 Encompasses the Residential Development business units in Central Europe and BoKlok.
5 Encompasses the Commercial Property Development business units in the Nordic region, Europe and the USA.

To qualify to receive matching and performance shares, a participant must be employed within the Group throughout the lock-up period and must have retained his or her investment shares during this lock-up period.

The program has two cost ceilings. The first ceiling depends on the extent to which financial Seop-specific outperform targets are met, which limits Skanska's total cost per year to SEK 208–655 M, related to fulfillment of the financial Seop-specific outperform targets at the Group level. The first cost ceiling is adjusted in accordance with the Consumer Price Index, with 2016 as the base year for Seop 4. The other cost ceiling is that Skanska's total cost per year may not exceed 15 percent of earnings before interest and taxes (EBIT) at the Group level. The actual cost ceiling will be the lower of these two cost ceilings. The cost for the outcomes of stock purchase programs from previous years is included in annually established performance targets. In addition to the cost ceilings, the number of shares that may be repurchased as part of the three-year program is also limited to 13,500,000 shares. A preliminary assessment of the outcome for 2018 indicates that the first cost ceiling was exceeded, which means that the allotment level will be preliminarily reduced proportionately for the program participants. The outcome is finally established by the Board after reviewing the business in the first quarter of 2019.

The table above shows Seop 4 target fulfillment in 2018 for each business stream.

In the Skanska Group, a total of 34 (32) percent of permanent employees participated in Seop 4 in 2018.

Excluding social insurance contributions, the cost of Seop 4 for investments in 2018 is preliminarily estimated at SEK 426 M, of which SEK 63 M was expensed in 2017 while this year's cost is SEK 111 M. The remaining cost of Seop 4 up to and including 2022 is estimated at SEK 252 M.

The dilution effect through 2018 of Seop 4 for the 2018 program is estimated at 926,980 shares or 0.23 percent of the number of Series B Skanska shares outstanding. Maximum dilution for the program in 2018 is expected to be 2,387,593 shares or 0.58 percent.

The number of issued shares will not change; instead the matching and performance shares will be allocated from repurchased shares. Repurchasing is normally evenly distributed over time. There will therefore be essentially no dilution effect.

Previous long-term share programs

Share incentive program – Skanska employee ownership program, Seop 3 (2014–2016)

Shares for the previous Skanska employee ownership program, which ran from 2014 to 2016, were distributed in 2018. These were shares that were earned in 2015, which, after a three-year lock-up period, were distributed to those who had been employed by the Group throughout the lock-up period and who had retained their investment shares during this lock-up period.

Excluding social insurance contributions, the cost of Seop 3 is estimated to amount to SEK 843 M, of which SEK 654 M was expensed in 2014–2017, while the cost for 2018 amounts to SEK 143 M. The remaining cost of Seop 3 up to and including 2019 is estimated at SEK 46 M.

The dilution effect through 2018 for Seop 3 is estimated at 1,381,776 shares or 0.34 percent of the number of Series B Skanska shares outstanding. The maximum dilution for the program at the end of the vesting period in 2019 is expected to be 4,915,418 shares or 0.43 percent.

Local incentive programs

Salaries and other remuneration are established taking into account conditions prevailing in the rest of the construction industry and customary practices in each local market. The Skanska Group applies a remuneration model for the relevant executives and managers that consists of a fixed annual salary plus variable remuneration based on financial targets reached.

Note 38. Fees and other remuneration to auditors

Ernst & Young	2018	2017
Audit assignments	50	49
Audit work in addition to the audit assignment	3	5
Tax advisory services	2	1
Other services	3	3
Total	**58**	**58**

For the Parent Company, fees for audit assignments during the year amounted to SEK 6 M and audit work in addition to the audit assignment amounted to SEK 1 M.

"Audit assignments" refers to the statutory audit of the annual accounts and accounting documents as well as the administration of the company by the Board of Directors and the President and CEO, as well as audit and other review work conducted according to agreements or contracts. This includes other tasks that are incumbent upon the company's auditors as well as advisory services or other assistance required as a result of observations made during such review work or the completion of such other tasks.

"Other services" refers to advisory services relating to accounting issues, advisory services concerning the divestment and acquisition of businesses and advisory services relating to processes and internal control.

Note 39. Related party disclosures

Joint ventures and associated companies are companies related to Skanska. Information on transactions with these is presented in the following tables.

Information on remuneration and transactions with senior executives is found in Note 36 and Note 37.

Transactions with joint ventures	2018	2017
Sales to joint ventures	8 249	9,454
Purchases from joint ventures	85	38
Dividends from joint ventures	1 463	256
Receivables from joint ventures	194	184
Contingent liabilities for joint ventures		814

Transactions with associated companies	2018	2017
Liabilities to associated companies		15

L E Lundbergföretagen AB group has assigned Skanska to undertake five construction contracts for a total order backlog SEK 51 M (246). Sales in 2018 amounted to SEK 245 M (236) and order bookings were SEK 50 M (17).

Skanska's pension fund directly owns 0 (370,000) Series B shares in Skanska. There is an insignificant percentage of indirectly owned shares via investments in various mutual funds.

In 2018 Skanska Norges Konsernpensjonskasse invested NOK 3 M in Skanska's Rv3 project and NOK 72 M in Skanska's Prost Stabels vei project, in addition to which Skanska received indemnification from the pension funds and billed for services performed by Skanska.

Note 40. Leases

Skanska is a lessee in both finance and operating leases.

When Skanska is a lessee, finance lease assets are recognized as a non-current asset in the statement of financial position, while the future obligation to the lessor is recognized as a liability in the statement of financial position.

Skanska is not a financial lessor.

As an operating lessor, Skanska leases properties to tenants mainly via its Commercial Property Development business stream.

A. Skanska as a lessee

Finance leases

Leased property, plant and equipment including buildings and land ("Property") as well as machinery and equipment ("Plant and equipment") are recognized in the consolidated financial statements as finance leases.

Of the amount in the statement of financial position for finance leases, most relates to car leases in Sweden.

Agreements with lease companies in other countries are operating leases.

Finance leases, carrying amount	2018	2017
Property, plant and equipment		
Plant and equipment	282	274
Total	**282**	**274**
Acquisition cost	1,033	1,215
Depreciation for the year	–82	–88
Accumulated depreciation, January 1	–669	–853
Carrying amount	**282**	**274**

Variable fees for finance leases included in 2018 income amounted to SEK 0 M (0). No property leased to Skanska has been subleased to others.

Future minimum lease payments and their present value are presented in the following table.

	Future minimum lease payments		Present value of future minimum lease payments	
Expenses, due date	2018	2017	2018	2017
Within one year	–66	–65	–65	–52
Later than one year but within five years	–70	–209	–69	–163
Later than five years	–2		–2	
Total	**–138**	**–274**	**–136**	**–215**

Reconciliation, future minimum lease payments and their present value	2018	2017
Future minimum lease payments	–138	–274
Less interest charges	2	59
Present value of future minimum lease payments	**–136**	**–215**

Note 40. Continued

Operating leases

Most of the amounts for future minimum lease payments are related to leased cars and office space in the UK, Poland and the USA. Also included are site leasehold agreements for land.

The Group's lease expenses related to operating leases in 2018 totaled SEK –2,464 M (–994), of which SEK –2,071 M (–967) relates to minimum lease payments and SEK –393 M (–27) to variable payments. The Group had SEK 16 M (12) in lease income related to subleasing of operating leases.

The due dates of future minimum lease payments for non-cancellable operating leases break down as follows:

Expenses, due date	2018	2017 [1]
Within one year	–2,495	–2,404
Later than one year but within five years	–3,178	–3,302
Later than five years	–16,308	–15,803
Total	**–21,981**	**–21,509**

1 The amounts for the comparative year are corrected due to the fact that several real property right-of-use-assets were identified upon implementation of IFRS 16.

Of this amount, SEK 20 M (34) relates to properties that were subleased.

B. Skanska as lessor

Finance leases

Skanska is not a financial lessor.

Operating leases

Operating leases in the form of property leases are mainly entered into by the Commercial Property Development business stream. These properties are recognized as current assets in the statement of financial position. See Note 4.

Lease income for Commercial Property Development in 2018 amounted to SEK 494 M (510).

The Group's variable lease income related to operating leases amounted to SEK 161 M (88) during the year.

The due dates of future minimum lease payments for non-cancellable operating leases break down as follows:

Revenue, due date	2018	2017
Within one year	349	171
Later than one year but within five years	3,314	2,040
Later than five years	6,817	3,748
Total	**10,480**	**5,959**

Carrying amount for current-asset properties in Commercial Property Development amounted to SEK 25,829 M (23,615).

Note 41. Events after the reporting period

There were no events after the end of the reporting period.

Note 42. Five-year Group financial summary

Income statements, in compliance with IFRS

	2018	2017	2016	2015	2014
Revenue	171,730	157,877	145,365	153,049	143,325
Cost of sales	–157,465	–145,103	–131,119	–139,160	–130,215
Gross income	**14,265**	**12,774**	**14,246**	**13,889**	**13,110**
Selling and administrative expenses	–9,473	–9,851	–9,152	–8,869	–8,370
Income from joint ventures and associated companies	855	1,655	2,126	1,270	669
Operating income	**5,647**	**4,578**	**7,220**	**6,290**	**5,409**
Financial items	39	45	–119	–314	–280
Income after financial items	**5,686**	**4,623**	**7,101**	**5,976**	**5,129**
Taxes	–1,092	–512	–1,366	–1,185	–1,279
Profit for the year	**4,594**	**4,111**	**5,735**	**4,791**	**3,850**
Profit for the year attributable to					
Equity holders	4,571	4,095	5,722	4,780	3,843
Non-controlling interests	23	16	13	11	7
Other comprehensive income					
Items that will not be reclassified to profit or loss					
Remeasurement of defined-benefit pension plans	–478	–399	–1,127	785	–2,299
Tax on items that will not be reclassified to profit and loss	59	69	189	–175	509
	–419	**–330**	**–938**	**610**	**–1,790**
Items that have been or will be reclassified to profit or loss					
Translation differences attributable to equity holders	1,299	–599	1,165	71	1,817
Translation differences attributable to non-controlling interests	3	8	8	–3	6
Hedging of exchange rate risk in foreign operations	–183	–125	36	–21	–325
Effect of cash flow hedges	–30	138	31	54	–75
Share of other comprehensive income for joint ventures and associated companies	272	83	855	281	–748
Tax related to items that have been or will be reclassified to profit and loss	7	–25	–4	–15	23
	1,368	**–520**	**2,091**	**367**	**698**
Other comprehensive income after tax	**949**	**–850**	**1,153**	**977**	**–1,092**
Comprehensive income for the year	**5,543**	**3,261**	**6,888**	**5,768**	**2,758**
Comprehensive income for the year attributable to					
Equity holders	5,517	3,237	6,867	5,760	2,745
Non-controlling interests	26	24	21	8	13
Cash flow					
Cash flow from operating activities	9,454	2,846	–883	8,584	4,756
Cash flow from investing activities	–2,367	1,590	–1,593	–1,385	238
Cash flow from financing activities	–3,509	–2,817	–4,090	–4,544	–3,615
Cash flow for the year	**3,578**	**1,619**	**–6,566**	**2,655**	**1,379**

Note 42. Continued

Income statement, in compliance with Segment Reporting

	2018	2017	2016	2015	2014
Revenue					
Construction	157,894	150,050	138,001	140,648	128,663
Residential Development	10,739	13,237	13,264	12,298	9,558
Commercial Property Development	16,271	11,440	10,226	9,034	10,228
Infrastructure Development	105	81	237	106	163
Central and eliminations	–14,515	–13,985	–10,421	–7,151	–3,583
Group	**170,494**	**160,823**	**151,307**	**154,935**	**145,029**
Operating income					
Construction	1,099	1,205	3,546	3,874	4,508
Residential Development	1,505	1,716	1,605	1,174	683
Commercial Property Development	3,069	2,714	2,336	1,947	1,700
Infrastructure Development	31	925	1,818	863	463
Central	–811	–944	–1,140	–1,346	–1,604
Eliminations	–66	–112	34	–51	16
Operating income	**4,827**	**5,504**	**8,199**	**6,461**	**5,766**
Financial items	36	45	–118	–313	–293
Income after financial items	**4,863**	**5,549**	**8,081**	**6,148**	**5,473**
Taxes	–934	–615	–1,555	–1,219	–1,365
Profit for the year	**3,929**	**4,934**	**6,526**	**4,929**	**4,108**
Earnings per share, segment, SEK	9.55	12.01	15.89	11.96	9.98
Earnings per share after dilution, segment, SEK	9.49	11.94	15.80	11.87	9.88

Note 42. Continued

Statements of financial position

	Dec 31, 2018	Restated 1 Jan, 2018	Restated Dec 31, 2017	Restated 1 Jan, 2017	Dec 31, 2016	Dec 31, 2015	Dec 31, 2014
ASSETS							
Non-current assets							
Property, plant and equipment	7 645	6,874	6,874	6,837	6,837	6,504	7,122
Goodwill	4 324	4,554	4,554	5,270	5,270	5,256	5,276
Intangible assets	975	962	962	1,034	1,034	754	464
Investments in joint ventures and associated companies	3 288	3,314	3,314	4,160	4,160	2,852	2,618
Non-current financial assets [1, 3]	2 345	2,276	2,276	1,016	1,016	1,357	1,302
Deferred tax assets	1 933	1,797	1,757	1,649	1,649	1,384	1,225
Total non-current assets	**20 510**	**19,777**	**19,737**	**19,966**	**19,966**	**18,107**	**18,007**
Current assets							
Current-asset properties [2]	42 391	39,010	39,010	33,678	33,678	27,020	26,115
Inventories	1 256	1,058	1,058	1,042	1,042	944	1,017
Current financial assets [3]	7 117	6,641	6,671	10,095	10,095	7,496	5,839
Tax assets	396	1,188	1,188	784	784	691	929
Contract assets	6 661	6,997	6,997	5,751	5,751	5,692	5,472
Trade and other recievables	27 243	27,628	27,778	29,759	29,759	25,877	26,288
Cash	10 722	6,998	6,998	5,430	5,430	11,840	9,107
Total current assets	**95 786**	**89,520**	**89,700**	**86,539**	**86,539**	**79,560**	**74,767**
TOTAL ASSETS	**116 296**	**109,297**	**109,437**	**106,505**	**106,505**	**97,667**	**92,774**
of which interest-bearing	20 071	15,770	15,800	16,318	16,318	20,511	16,049
EQUITY							
Equity attributable to equity holders	29 250	26,924	27,064	27,350	27,350	24,079	21,251
Non-controlling interests	97	121	121	156	156	127	154
Total equity	**29 347**	**27,045**	**27,185**	**27,506**	**27,506**	**24,206**	**21,405**
LIABILITIES							
Non-current liabilities							
Non-current financial liabilities [3]	3 912	3,857	3,857	3,656	3,656	3,874	7,112
Pensions	5 669	5,603	5,603	4,901	4,901	3,969	4,655
Deferred tax liabilities	711	1,235	1,235	1,491	1,491	1,286	966
Non-current provisions				1	1		
Total non-current liabilities	**10 292**	**10,695**	**10,695**	**10,049**	**10,049**	**9,129**	**12,733**
Current liabilities							
Current financial liabilities [3]	7 310	7,624	7,624	6,681	6,681	6,555	4,086
Tax liabilities	615	312	312	489	489	560	504
Current provisions	9 922	9,131	9,131	7,614	7,227	6,432	6,005
Contract liabilities	20 738	16,266	16,266	18,322	18,473	15,821	14,545
Trade and other payables	38 072	38,224	38,224	35,844	36,080	34,964	33,496
Total current liabilities	**76 657**	**71,557**	**71,557**	**68,950**	**68,950**	**64,332**	**58,636**
TOTAL EQUITY AND LIABILITIES	**116 296**	**109,297**	**109,437**	**106,505**	**106,505**	**97,667**	**92,774**
of which interest-bearing	16 840	16,926	16,926	15,099	15,099	14,194	15,351
1 Of which shares	41	42	42	44	44	61	35
2 Current-asset properties							
Commercial Property Development	25 829	23,615	23,615	19,728	19,728	16,650	14,956
Residential Development	16 562	15,395	15,395	13,950	13,950	10,370	11,159
	42 391	**39,010**	**39,010**	**33,678**	**33,678**	**27,020**	**26,115**
3 Items related to non-interest-bearing unrealized changes in the value of derivatives/securities are included as follows:							
Non-current financial assets	2	6	6	2	2	1	
Current financial assets	70	97	97	177	177	120	164
Non-current financial liabilities	3	21	21	116	116	173	202
Current financial liabilities	48	137	137	49	49	72	335

Note 42. Continued

Financial ratios [4]

	Dec 31, 2018	Restated 1 Jan, 2018	Restated Dec 31, 2017	Restated 1 Jan, 2017	Dec 31, 2016	Dec 31, 2015	Dec 31, 2014
Order bookings [5]	151,719		151,811		170,244	122,104	146,939
Order backlog [5]	192,042		188,411		196,254	158,248	170,498
Average number of employees	38,650		42,903		42,903	48,470	57,858
Regular dividend per share, SEK [6]	6.00		8.25		8.25	7.50	6.75
Earnings per share, SEK	11.17	10.00	10.00	13.96	13.96	11.63	9.35
Earnings per share after dilution, SEK	11.11	9.94	9.94	13.88	13.88	11.53	9.25
Operating financial assets	14,238	9,715	9,745		10,595	13,818	8,356
Capital employed	46,187	43,971	44,111		42,605	38,400	36,756
Interest-bearing net receivables/net liabilities	3,231	–1,156	–1,126		1,219	6,317	698
Equity per share, SEK	71.40		66.22		66.82	58.58	51.73
Equity/assets ratio, %	25.2		24.8		25.8	24.8	23.1
Debt/equity ratio	-0.1		0.0		0.0	-0.3	0.0
Interest cover	-245.8		288		88.7	57.9	59.5
Return on equity, %	16.4		15.5		24.9	21.9	18.8
Return on capital employed, %	13.0		11.1		19.2	17.4	15.5
Return on equity, segments, %	14.1		18.6		28.3	22.5	20.1
Return on capital employed in project development units, segments, %	13.0		14.5		18.4	14.9	10.4
Operating margin, %	3.3		2.9		5.0	4.1	3.8
Operating margin, Construction, %	0.7		0.8		2.6	2.8	3.5
Cash flow per share, SEK	9.51		–2.44		–10.16	11.90	2.20
Number of shares at year-end	419,903,072		419,903,072		419,903,072	419,903,072	419,903,072
of which Series A shares	19,725,759		19,755,414		19,793,202	19,859,200	19,901,355
of which Series B shares	400,177,313		400,147,658		400,109,870	400,043,872	400,001,717
Average price, repurchased shares	137.54		137.31		132.18	121.02	113.81
Number of Series B shares repurchased during the year	435,000		2,350,000		4,345,000	2,340,000	2,484,648
Number of Series B shares in Skanska's own custody, December 31	10,224,634		11,190,028		10,594,644	8,866,223	9,113,814
Number of shares outstanding, December 31	409,678,438		408,713,044		409,308,428	411,036,849	410,789,258
Average number of shares outstanding	409,130,770		409,447,407		409,896,419	411,059,056	411,088,591
Average number of shares outstanding after dilution	411,415,278		411,905,245		412,174,095	414,445,854	415,286,339
Average dilution, %	0.56		0.60		0.55	0.82	1.01

4 For definitions, see Note 43 and 44.
5 Refers to Construction.
6 Proposed by the Board of Directors: Regular dividend of SEK 6.00 per share.

Note 43. Definitions

Cash flow per share	Cash flow before change in interest-bearing receivables and liabilities divided by the average number of shares outstanding.
Comprehensive income	Change in equity not attributable to transactions with owners.
Consolidated return on capital employed	Operating income plus financial income as a percentage of average capital employed.
Earnings per share	Profit for the period attributable to equity holders divided by the average number of shares outstanding.
Earnings per share after dilution	Profit for the year attributable to equity holders divided by the average number of shares outstanding after dilution.
Equity per share	Visible equity attributable to equity holders divided by the number of shares outstanding at year-end.
Interest cover	Operating income and financial income plus depreciation/amortization divided by net interest items.
Order backlog	Contracting assignments: The difference between order bookings for the period and accrued revenue (accrued project costs plus accrued project income adjusted for loss provisions) plus order backlog at the beginning of the period.
Order bookings	Contracting assignments: Upon written order confirmation or signed contract, where financing has been arranged and construction is expected to begin within 12 months. If a previously received order is canceled in a subsequent quarter, the cancellation is recognized as a negative item when reporting order bookings for the quarter when the cancellation occurs. Reported order bookings also include orders from Residential Development and Commercial Property Development, which assumes that a building permit has been obtained and construction is expected to begin within three months. Services: For fixed-price assignments, upon signing of contract. For cost-plus assignments, order bookings coincide with revenue. For service agreements, a maximum of 24 months of future revenue is included. No order bookings are reported in Residential Development and Commercial Property Development.
Other comprehensive income	Comprehensive income minus profit according to the income statement. The item includes translation differences, hedging of exchange-rate risk in foreign operations, remeasurements of defined-benefit pension plans, effects of cash flow hedges and tax attributable to other comprehensive income.
Return on equity	Profit attributable to equity holders as a percentage of average visible equity attributable to equity holders.

Note 44. Definitions – Non IFRS financial measures

Non-IFRS financial measures	Definition	Reason for use
		The following financial measures are used as they are viewed as the best and most accurate ways to measure Skanska's operations; reflecting its business model and strategy. Thus assisting investors and management in analyzing trends and performance in Skanska.
Revenue, segments	Revenue, segments, is the same as revenue IFRS in all streams except for Residential Development and Commercial Property Development, where revenue is recognized for when signing binding agreement for sale of homes and properties. As segment reporting of joint ventures in Residential Development applies the proportional method, revenue segment is affected byt his.	Measures revenue generated in current market situation.
Gross income	Revenue minus cost of sales.	Measures profit generated from projects.
Gross margin	Gross income as a percentage of revenue.	Measures profitability in projects.
Selling and administrative expenses, %	Selling and administrative expenses as a percentage of revenue.	Measures cost effectiveness in selling and administrative expenses.
Operating income	Revenue minus the cost of sales, selling and administrative expenses and income from joint ventures and associated companies.	Measures profit generated from operations.
Operating income, segments	Revenue minus the cost of of sales, selling and administrative expenses and income from joint ventures and associated companies, according to segment reporting and where Residential Development uses the proportional method for joint ventures.	Measures profit generated from operations in current market situation.
Operating income, rolling 12-month basis	Revenue minus the cost of of sales, selling andadministrative expenses and income from joint ventures and associated companies, rolling 12-month basis.	Measures profit generated from operations.
Operating margin	Operating income as a percentage of revenue.	Measures profitability in operations.
Net financial items	The net of interest income, financial net,pension cost, interest expense,capitalized interest expense, change in fair value and other financial items.	Measures total net for financial activities.
Income after financial items	Operating income minus net financial items.	Measures profit generated before taxes.
Earnings per share, segments	Profit for the period, segments, attributable to equity holders divid-ed by average number of shares outstanding.	Measures earnings per share, segments.
Book-to-build rolling 12-month basis	Order bookings divided by construction revenue, rolling 12-months.	Measures to which extent new orders are replac-ing work put in place.
Unrealized development gains, Commercial Property Development	Market value minus investment value upon completion for ongoing projects, completed projects and land. Excluding projects sold according to segment reporting.	Measures potential realization of future gains in Commercial Property Development.
Consolidated capital employed	Total assets minus non-interest-bearing liabilities.	Measures capital usage and efficiency.
Capital employed, business streams, markets and business/reporting units.	Total assets less tax assets, deposits in Skanska's treasury unit and pension receivable minus non-interest-bearing liabilities excluding tax liabilities. Capitalized interest expense is removed from total assets for the Residential Development and Commercial Property Development segments.	Measures capital usage and efficiency in stream.

Note 44. Continued

Non-IFRS financial measures	Definition		Reason for use
Capital employed Residential Development SEK M	Total assets	20,813	Measures capital usage and efficiency in Residential Development.
	– tax assets	–318	
	– deposits in internal bank	–388	
	– pension receivables	–28	
	– non-interest-bearing liabilities (excluding tax liabilities)	–6,395	
	– capitalized interest expense	–79	
		13,605	
Capital employed Commercial Property Development SEK M	Total assets	30,782	Measures capital usage and efficiency in Commercial Property Development.
	– tax assets	–362	
	– deposits in from internal bank	–19	
	– pension receivables		
	– non-interest-bearing liabilities (excluding tax liabilities)	–3,417	
	– capitalized interest expense	–312	
		26,672	
Capital employed Infrastructure Development SEK M	Total assets	2,455	Measures capital usage and efficiency in Infrastructure Development.
	– tax assets	–50	
	– deposits in from internal bank		
	– pension receivables		
	– non-interest-bearing liabilities (excluding tax liabilities)	–171	
		2,234	
Capital employed average	Calculated on the basis of five measuring points, see below.		
Return on capital employed in Residential Development segment, rolling 12-month basis excluding Residential Development in the UK (as this is closing down) SEK M	Operating income	1,505	Measures the performance (profitability and capital efficiency) in Residential Development.
	+ capitalized interest expense	71	
	+/– financial income and other financial items	22	
	– interest income from the internal bank		
	Adjusted profit	**1,598**	
	Average capital employed [1]	13,972	
	Average capital employed in Residential Development	11,4%	

1 Average capital employed

Q4 2018	13,636	x,0.5	6,818	
Q3 2018	14,693		14,693	
Q2 2018	14,091		14,091	
Q1 2018	13,942		13,942	
Q4 2017	12,686	x,0.5	6,343	
			55,887 / 4	**13,972**

Note 44. Continued

Non-IFRS financial measures	Definition	Reason for use
Return on capital employed in Commercial Property Development segment, rolling 12-month basis SEK M Starting January 1, 2019, return in Commercial Property Development business stream will be based on yearly earnings and not on successive value creation.	For Commercial Property Development the profit is adjusted so that change value of projects in progress and the difference between the market value and selling price for the year are reflected.	Measures the performance (profitability and capital efficiency) in Commercial Property Development.

Operating income	3,069
+/– adjustments as mentioned above	137
+ capitalized interest expense	164
+/– financial income and other financial items	–2
–interest income from the internal bank	–1
Adjusted earnings	**3,367**
Capital employed average [1]	26,364
Return on capital employed in Commercial Property Development	12.8%

1 Average capital employed

Q4 2018	26,672	x,0.5	13,336	
Q3 2018	27,116		27,116	
Q2 2018	26,742		26,742	
Q1 2018	26,021		26,021	
Q4 2017	24,481	x,0.5	12,240	
			105,455 / 4	**26,364**

Non-IFRS financial measures	Definition	Reason for use
Return on capital employed in Infrastructure Development segment, rolling 12-month basis SEK M	For Infrastructure Development the profit is adjusted so that the change in value of projects in progress and the difference between the market value and selling price for the year is reflected.	Measure the performance (profitability and capital efficiency) in Infrastructure Development.

Operating income	31
+/– adjustments according to the above	560
Adjusted profit	**591**
Capital employed average [1]	2 041
+/– adjustments according to the above	358
Adjusted capital employed	**2 399**
Return on capital employed in Infrastructure Development	24.6%

1 Average capital employed

Q4 2018	2,234	x 0.5	1,117	
Q3 2018	2,156		2,156	
Q2 2018	2,216		2,216	
Q1 2018	1,770		1,770	
Q4 2017	1,809	x 0.5	904	
			8,163 / 4	**2,041**

Note 44. Continued

Non-IFRS financial measures	Definition	Reason for use
Return on capital employed in Project development, segments SEK M Starting January 1, 2019, Infrastructure Development will be excluded and return in Commercial Property Development business stream will be based on yearly earnings and not on successive value creation	Is calculated as the summarized adjusted profit in Residential Development, Commercial Property Development and Infrastructure Development divided by the summarized capital employed average for Residential Development, Commercial Property Development and Infrastructure Development. The total return on capital employed in Residential Development, Commercial Property Development and Infrastructure Development	Measures the performance (profitability and capital efficiency) in project development operations.

	Adjusted profit	Average capital employed	Return on capital employed
Residential Development	1 598	13 972	11,4%
Commercial Property Development	3 367	26 364	12,8%
Infrastructure Development	591	2 399	24,6%
	5 556	**42 734**	**13,0%**

Non-IFRS financial measures	Definition	Reason for use
Return on equity, segments, rolling 12-month basis SEK M	Profit attributable to equity holders as a percentage of average equity attributable to equity holders. 3,906 / 27,790 = 14.1%	Measures profitability in invested capital.
Equity average attributable to equity holders SEK M	Calculated on the basis of five measuring points.	

Q4 2018	29,250	x 0.5	14,625	
Q3 2018	27,943		27,943	
Q2 2018	27,049		27,049	
Q1 2018	28,011		28,011	
Q4 2017	27,064	x 0.5	13,532	
			111,160 / 4	**27,790**

Non-IFRS financial measures	Definition	Reason for use
Cash flow from operations	Cash flow from business operations including taxes paid and cash flow from financing activities. See Note 35.	Measures total cash flow generated in business operations.
Net divestments/investments	Total investments minus total divestments.	Measures the balance between investments and divestments.
Free working capital	Non-interest-bearing receivables less non-interest-bearing liabilities excluding taxes.	Measures the funding stemming from negative working capital in Construction.

Note 44. Continued

Non-IFRS financial measures	Definition	Reason for use
Average free working capital in Construction SEK M	Calculated on the basis of five measurement points. Q4 2018 –25,641 x 0.5 –12,821 Q3 2018 –23,209 –23,209 Q2 2018 –23,359 –23,359 Q1 2018 –23,211 –23,211 Q4 2017 –21,849 x 0.5 –10,924 **–93,524 / 4** **–23,381**	Measures financial capacity generated from negative working capital in Construction.
Interest-bearing net receivables/net liabilities	Interest-bearing assets minus interest-bearing liabilities.	Measures financial position.
Operating net financial assets/liabilities (ONFAL)	Interest-bearing net receivables/liabilities excluding construction loans by cooperative housing associations and interest-bearing net pension liabilities.	Measures financial position and investment capacity. The latter is determined in a comparison with ONFAL against limits set by the Board of Directors.
Equity/assets ratio	Equity including non-controlling interests as a percentage of total assets.	Measures financial position.
Net debt/equity ratio	Interest-bearing net liabilities divided by equity including non-controlling interests.	Measures leverage effect of financial position.
Adjusted equity attributable to equity holders SEK bn	Equity attributable to equity holders 29.3 Unrealized surplus value in land in Residential Development 4.0 Unrealized development gains, Commercial Property Development 9.4 Effect on unrealized equity in Infrastructure Development 1.4 Less standard corporate tax, 10% –1.5 **Adjusted equity** **42.6**	Measure financial position adjusted surplus values in Project Development net of taxes. The standard corporate tax represents an approximation of the average corporate income tax within group.

Parent company notes

Note 45. Financial instruments, Parent Company

Financial instruments are presented in compliance with IFRS 7 Financial Instruments: Disclosures. This note contains figures for the Parent Company's financial instruments. See also Note 1 to the consolidated financial statements, Accounting and valuation principles, and Note 6 Financial instruments and financial risk management.

Financial instruments in the balance sheet	2018	2017
Assets		
Non-current receivables in Group companies	301	247
Current receivables in Group companies	12	18
Total financial instruments, assets	**313**	**265**
Liabilities		
Non-current liabilities to Group companies	3,500	4,177
Trade accounts payable and current liabilities to Group companies	44	46
Total financial instruments, liabilities	**3,544**	**4,223**

The fair value of the Parent Company's financial instruments does not deviate significantly in any case from the carrying amount. All assets belong to the category "Carried at amortized cost" No assets have been carried at fair value through profit or loss. All financial liabilities belong to the category "Carried at amortized cost."

Reconciliation with the balance sheet	2018	2017
Assets		
Financial instruments	313	265
Other assets		
Property, plant and equipment and intangible assets	14	18
Holdings in Group companies, joint ventures and other securities	11,286	11,208
Other non-current receivables	107	107
Tax assets	88	85
Other current receivables and accrued receivables	123	137
Total assets	**11,931**	**11,820**
Equity and liabilities		
Financial instruments	3,544	4,223
Other liabilities		
Equity	7,996	7,213
Provisions	315	307
Other current liabilities and accrued liabilities	76	77
Total equity and liabilities	**11,931**	**11,820**

Impact of financial instruments on the Parent Company income statement

Financial income and expenses recognized in financial items	2018	2017
Interest expense on financial liabilities carried at amortized cost	–51	–63
Total	**–51**	**–63**

The Parent Company has no income or expense from financial instruments that are recognized directly in equity.

Risks attributable to financial instruments

The Parent Company holds financial instruments almost exclusively in the form of intra-Group receivables and liabilities. All external management of lending, borrowing, interest and currencies is handled by the Group's treasury unit (internal bank), the subsidiary Skanska Financial Services AB. See also Note 6.

Credit risk

The carrying amount of financial instruments, assets, corresponds to the maximum credit exposure on the closing day.

There were no impairment losses on financial instruments as of the closing day.

No reserves for future credit losses under IFRS 9 are made as the Parent Company's trade accounts receivable, with only a few exceptions, are receivables from Group companies over which Skanska AB exercises control. The credit risk is therefore minimal.

Note 46. Revenue, Parent Company

The Parent Company's revenue consists mainly of amounts billed to Group companies.

The amount includes SEK 736 M (693) in sales to subsidiaries. For other transactions with related parties, see Note 63.

Note 47. Financial items, Parent Company

	Earnings from holdings in Group companies	Interest expenses and similar items	Total
2018			
Dividend paid	3,982		3,982
Interest expense		–51	–51
Total	**3,982**	**–51**	**3,931**
2017			
Dividend paid	4,466		4,466
Interest expense		–63	–63
Total	**4,466**	**–63**	**4,403**

Dividends

The amount for dividends consists of dividends in accordance with a decision by the Annual General Meeting, SEK 4,400 M (4,400) and Group contributions received, SEK –18 M (66).

Net interest items

Of interest expense, SEK –51 M (–63) relates to Group companies.

Note 48. Income taxes, Parent Company

	2018	2017
Current taxes		
Tax due to changed taxation		–6
Deferred tax expenses/income from change in temporary differences	–3	17
Total	**–3**	**11**

The Swedish tax rate of 22.0 percent in relation to taxes recognized is explained in the table below.

	2018	2017
Income after financial items	3 973	4,310
Tax at tax rate of 22.0 percent (22.0)	–874	–948
Tax effect of:		
Dividends from subsidiaries	880	968
Effect of changed corporate tax rate in Sweden on deferred tax assets	–4	
Non-deductible expenses	–5	–9
Recognized tax expense/income	**–3**	**11**

Non-deductible expenses refers mainly to employee-related costs and costs for the Group's foreign operations.

Deferred tax assets	2018	2017
Deferred tax assets for employee-related provisions	74	78
Minus deferred tax liabilities for holdings		–1
Total	**74**	**77**

Change in deferred taxes in balance sheet	2018	2017
Deferred tax assets, January 1	77	60
Deferred tax expense/income	–3	17
Deferred tax assets, December 31	**74**	**77**

The Parent Company expects to be able to utilize deferred tax assets to offset Group contributions from Swedish operating subsidiaries.

Note 49. Intangible assets, Parent Company

Intangible assets are recognized in compliance with IAS 38 Intangible Assets, see Note 1. Amortization of intangible assets for the year according to plan amounts to SEK –3 M (–3) and is included in selling and administrative expenses. In determining the amortization amount, the Parent Company has paid particular attention to estimated residual value at the end of useful life.

	Intangible assets	
	2018	2017
Accumulated cost		
January 1	27	27
	27	**27**
Accumulated amortization according to plan		
January 1	–11	–8
Amortization for the year	–3	–3
	–14	**–11**
Accumulated impairment losses		
January 1	0	0
	0	**0**
Carrying amount, December 31	**13**	**16**
Carrying amount, January 1	16	19

Note 50. Property, plant and equipment, Parent Company

Property, plant and equipment are reported in compliance with IAS 16 Property, Plant and Equipment. See Note 1 Accounting and valuation principles.

Machinery and equipment owned by the Parent Company are recognized as property, plant and equipment. Depreciation on property, plant and equipment for the year according to plan amounts to SEK –1 M (0).

	Plant and equipment	
	2018	2017
Accumulated cost		
January 1	7	7
	7	**7**
Accumulated amortization according to plan		
January 1	–5	–5
Amortization for the year	–1	
	–6	**–5**
Carrying amount, December 31	**1**	**2**
Carrying amount, January 1	2	2

Note 51. Non-current financial assets, Parent Company

Holdings and receivables are reported as non-current financial assets. Holdings are allocated between holdings in Group companies and joint arrangements. See Note 52 Holdings in Group companies and Note 53 Holdings in joint arrangements. Receivables are allocated between receivables from Group companies, deferred tax assets and other non-current receivables. Tax assets are described in Note 48 Income taxes. All receivables except deferred tax assets are interest-bearing.

	Holdings in Group companies		Holdings in joint arrangements		Other non-current holdings of securities	
Holdings	**2018**	**2017**	**2018**	**2017**	**2018**	**2017**
Accumulated cost						
January 1	11,206	11,094	2	2	0	0
Share-based payments to employees of subsidiaries [1]	77	112				
Share of income			1			
	11,283	**11,206**	**3**	**2**	**0**	**0**
Accumulated impairment losses						
January 1	0	0	0	0	0	0
	0	**0**	**0**	**0**	**0**	**0**
Carrying amount, December 31	**11,283**	**11,206**	**3**	**2**	**0**	**0**
Carrying amount, January 1	11,206	11,094	2	2	0	0

1 Equivalent to the portion of the Group's cost for Seop 3 and Seop 4 related to employees of subsidiaries and recognized in the Parent Company accounts as an increase in the carrying amount of holdings in Group companies and an increase in equity. If a decision is later made requiring a subsidiary to compensate the Parent Company for the value of the shares issued, receivables are transferred to the Group company. The amount for 2018 was thus reduced by SEK 160 M (163).

	Receivables from Group companies		Other non-current receivables and deferred tax assets	
Receivables	**2018**	**2017**	**2018**	**2017**
Accumulated cost				
January 1	247	253	184	155
Receivables added/settled	54	–6	–2	29
	301	**247**	**182**	**184**
Carrying amount, December 31	**301**	**247**	**182**	**184**
Carrying amount, January 1	247	253	184	155

Note 52. Holdings in Group companies, Parent Company

Skanska AB owns shares in two subsidiaries. The subsidiary Skanska Kraft AB is a holding company that owns the Group's shareholdings in Skanska Group operating companies. Skanska Financial Services AB is the Group's treasury unit (internal bank).

	Corp. ID No.	Registered office	No. of shares	Carrying amount	
Company				**2018**	**2017**
Swedish subsidiaries					
Skanska Financial Services AB	556106-3834	Stockholm	500,000	67	67
Skanska Kraft AB	556118-0943	Stockholm	4,000,000	11,216	11,139
Total				**11,283**	**11,206**

Both subsidiaries are 100-percent owned by the Parent Company.

Note 53. Holdings in joint arrangements, Parent Company

Holdings in joint arrangements are reported in compliance with IFRS 11 Joint Arrangements. See Note 1.

Company	Corp. ID No.	Registered office	Percentage of capital and votes	Carrying amount 2018	Carrying amount 2017
Swedish joint arrangements					
Sundlink Contractors HB	969620–7134	Malmö	37	3	2
Total				**3**	**2**

The company has no operations other than fulfilling guarantee undertakings.

Note 54. Prepaid expenses and accrued income, Parent Company

The Parent Company has prepaid expenses and accrued income of SEK 7 M (13). This amount consists of SEK 1 M (2) in prepaid insurance premiums and SEK 6 M (11) in other accrued receivables.

Note 55. Equity, Parent Company

Restricted and unrestricted equity

According to Swedish law, equity must be allocated between restricted and unrestricted equity. Share capital and the statutory reserve constitute restricted equity.

Unrestricted equity consists of retained earnings and profit for the year.

The equity of the Parent Company was allocated among SEK 1,260 M (1,260) in share capital, SEK 598 M (598) in the statutory reserve, SEK2,168 M (1,034) in retained earnings and SEK 3,970 M (4,321) in profit for the year.

The Board of Directors proposes a dividend of SEK 6.00 (8.25) per share for the 2018 financial year.

The dividend for the year is expected to amount to SEK 2,458 M (3,372).

No dividend is paid for the Parent Company's holding of Series B shares. The total dividend amount may change by the record date, depending on repurchases of shares and the transfer of Series B shares to participants in Skanska employee ownership programs.

Number of shares

	2018	2017
Average number of shares outstanding		
after repurchases and conversion	409,130,770	409,447,407
after repurchases, conversion and dilution	411,415,278	411,905,245
Total number of shares	**419,903,072**	**419,903,072**

The number of shares amounted to 419,903,072 (419,903,072), divided into 19,725,759 (19,755,414) Series A shares and 400,177,313 (400,147,658) Series B shares.

During the year 29,655 (37,788)) Series A shares were converted into the same number of Series B shares.

A total of 435,000 (2,350,000) Series B shares were repurchased. After distribution of 1,400,394 (1,754,616) shares, there were 10,224,634 (11,190,028) Series B treasury shares remaining.

The quota value per share amounts to SEK 3.00 (3.00). All shares are fully paid up.

Each Series A share carries 10 votes and each Series B share carries one vote.

Series B shares are listed on Nasdaq Stockholm.

According to the Articles of Association, Skanska's share capital may not fall below SEK 1,200 M nor exceed SEK 4,800 M.

Note 56. Provisions, Parent Company

Provisions are reported in compliance with IAS 37 Provisions, Contingent Liabilities and Contingent Assets, see Note 1.

	Provisions for pensions and similar obligations		Other provisions	
	2018	2017	2018	2017
January 1	174	172	133	111
Provisions for the year	15	15	102	95
Provisions utilized	–13	–13	–96	–73
December 31	**176**	**174**	**139**	**133**

"Other provisions" consists of employee-related provisions.

The normal cycle time for "Other provisions" is about one to three years.

Employee-related provisions includes such items as social insurance contributions for share investment programs, bonus programs and other obligations to employees.

Note 57. Provisions for pensions and similar obligations, Parent Company

Provisions for pensions and similar obligations are reported in compliance with the Pension Obligations Vesting Act.

Pension liabilities according to the balance sheet

	2018	2017
Interest-bearing pension liabilities [1]	118	119
Other pension obligations	58	55
Total	**176**	**174**

1 Liabilities in compliance with the Pension Obligations Vesting Act.

	2018	2017
The company's total pension obligations	888	909
Less pension obligations secured through pension funds	–712	–735
Provisions for pensions and similar obligations [1]	**176**	**174**

1 Of which SEK 11 M (12) is secured through credit insurance. Other pension obligations are largely secured through pledged endowment policies.

Of the company's total pension obligations SEK 638 M (657) is for ITP plans.

No payments to pensions funds are expected to be made in 2019.

Reconciliation, provisions for pensions

	2018	2017
January 1	119	108
Pension expenses	23	15
Benefits paid	–24	–4
Provisions for pensions according to the balance sheet	**118**	**119**

Note 58. Liabilities, Parent Company

Liabilities are allocated between non-current and current liabilities in compliance with IAS 1 Presentation of Financial Statements, see Note 1.

Accrued expenses and prepaid income

The Parent Company has accrued expenses and prepaid income of SEK 70 M (72). This relates to accrued vacation pay of SEK 26 M (30), accrued special payroll tax on pensions of SEK 22 M (22), accrued social insurance contributions of SEK 9 M (10) and other accrued expenses of SEK 13 M (10).

Note 59. Expected recovery period of assets, provisions and liabilities, Parent Company

	2018				2017			
Amounts expected to be recovered	**Within 12 months**	**After 12 months**	**After five years (liabilities)**	**Total**	**Within 12 months**	**After 12 months**	**After five years (liabilities)**	**Total**
Intangible non-current assets [1]	**3**	**10**		**13**	**3**	**13**		**16**
Property, plant and equipment [1]		**1**		**1**		**2**		**2**
Non-current financial assets								
Holdings in Group companies and joint arrangements [2]		11,286		11,286		11,208		11,208
Receivables in Group companies [3]		301		301		247		247
Other non-current receivables		107		107		107		107
Deferred tax assets		74		74		77		77
	0	**11,768**	**0**	**11,768**	**0**	**11,639**	**0**	**11,639**
Current receivables								
Current receivables in Group companies	12			12	18			18
Tax assets	14			14	8			8
Other current receivables	116			116	124			124
Prepaid expenses and accrued income	7			7	13			13
	149	**0**	**0**	**149**	**163**	**0**	**0**	**163**
Total assets	**152**	**11,779**	**0**	**11,931**	**166**	**11,654**	**0**	**11,820**

	2018				2017			
Amounts expected to be paid	**Within 12 months**	**After 12 months**	**After five years (liabilities)**	**Total**	**Within 12 months**	**After 12 months**	**After five years (liabilities)**	**Total**
Provisions								
Provisions for pensions and similar obligations	13	163		176	13	161		174
Other provisions	117	22		139	77	56		133
	130	**185**	**0**	**315**	**90**	**217**	**0**	**307**
Liabilities								
Non-current liabilities								
Liabilities to Group companies [4]			3,500	3,500			4,177	4,177
	0	**0**	**3,500**	**3,500**	**0**	**0**	**4,177**	**4,177**
Current liabilities								
Trade accounts payable	16			16	20			20
Liabilities to Group companies	28			28	26			26
Tax liabilities	0			0				0
Other liabilities	6			6	5			5
Accrued expenses and prepaid income	70			70	72			72
	120	**0**	**0**	**120**	**123**	**0**	**0**	**123**
Total liabilities and provisions	**250**	**185**	**3,500**	**3,935**	**213**	**217**	**4,177**	**4,607**
Total equity				**7,996**				**7,213**
Equity and liabilities				**11,931**				**11,820**

1 In case of amounts expected to be recovered within 12 months, expected annual depreciation/amortization has been recognized.
2 No portion of the amount is expected to be recovered within 12 months.
3 No portion of the amount is expected to be recovered within 12 months, since the lending is considered to be non-current.
4 Intra-Group non-current interest-bearing liabilities are treated as having a maturity of more than five years from the closing day.

Note 60. Assets pledged and contingent liabilities, Parent Company

Assets pledged

Assets pledged by the Parent Company totaled SEK 107 M (107), which relates to assets in the form of non-current receivables.

These assets were pledged as collateral for some of the Parent Company's pension obligations.

Contingent liabilities

Contingent liabilities are reported in compliance with IAS 37 Provisions, Contingent Liabilities and Contingent Assets. Note 1 Accounting and valuation principles, section IAS 37, describes the accounting principles

	2018	2017
Contingent liabilities on behalf of Group companies	144,033	129,318
Other contingent liabilities	23,806	26,435
	167,839	**155,753**

Of the Parent Company's contingent liabilities on behalf of Group companies, almost SEK 121 (113) billion relates to obligations for construction operations, mainly guarantees provided when Group companies were awarded contracts. The remaining contingent liabilities for Group companies relate to guarantees for borrowing by Group companies from credit institutions, guarantee undertakings in connection with divestment of properties by Group companies, guaranteeing Group company undertakings to supply capital to their joint ventures and guarantees for Group company pension obligations.

Of other contingent liabilities, SEK 14.6 (16.5) billion relates to liability for external entities' portion of ongoing contracting work. Of the remaining SEK 9.2 (9.9) billion, SEK 0.6 (0.6) billion is attributable to guarantees provided for financing of joint arrangements in which Group companies are co-owners and SEK 8.6 (9.3) billion is for guarantees in connection with financing of residential projects in Sweden.

The amounts in the table above include SEK 1 M (1) in Parent Company contingent liabilities relating to construction consortia. The company's contingent liabilities relate entirely to guarantees originating from surety provided or responsibilities as a shareholder in companies.

Note 61. Cash flow statement, Parent Company

Adjustments for items not included in cash flow

	2018	2017
Depreciation/amortization	4	3
Cost of Seop	16	22
Total	**20**	**25**

Tax paid

Total taxes paid in the Parent Company during the year amount to SEK –6 M (0).

Information about interest and dividends

	2018	2017
Interest paid during the year	51	63

The change in interest-bearing liabilities belonging to financing activities is shown in the following table.

	2018	2017
January 1	4,177	4,918
Items affecting cash flow from financing activities	–677	–741
December 31	**3,500**	**4,177**

Note 62. Personnel, Parent Company

Wages, salaries, other remuneration and social insurance contributions

	2018		2017	
SEK M	Salaries and remuneration	Pension expenses	Salaries and remuneration	Pension expenses
Total salaries and remuneration, Board, President and other senior executives	52.0	9.2	148.8	23.1
of which variable remuneration	9.3		12.5	
of which severance related compensation			50.5	
Other employees	103.1	99.8	94.6	90.9
Less indemnification from pension fund		–86.0		–99.0
Total	**155.1**	**23.0**	**243.4**	**15.0**
Social insurance contributions		79.0		102.0
of which pension expenses		23.0		15.0

For disclosures of individual remuneration to each Board member and the President and CEO, see Note 37. For Board members appointed by the employees, no disclosures are made concerning salaries and remuneration or pensions since they do not receive these in their capacity as Board members. For Board members who were employees of the company prior to the beginning of the financial year, disclosures are made concerning pension obligations in their former role as employees.

In 2018, bonuses paid to the President and CEO and other senior executives amounted to SEK 7.7 M (32.9).

In 2018, an allotment of shares occurred under the employee ownership program, Seop 3. The value of shares allotted amounted to SEK 39.7 M (33.7), of which SEK 17.3 M (23.0) was for Board members, the President and CEO and other members of the Senior Executive Team. The Parent Company's pension expenses are calculated in compliance with the Pension Obligations Vesting Act.

In 2018, Skanska's Swedish pension funds reimbursed Skanska AB in the amount of around SEK 86 M (99).

The company's outstanding pension obligations to Presidents and CEOs, including former Presidents and CEOs, amounted to SEK 159.2 M (152.7). The company's outstanding pension obligations to Executive Vice Presidents, including former Executive Vice Presidents, amounted to SEK 88.0 M (89.8).

The cost in 2018 for defined-contribution pension plans was SEK 38.8 M (36.5) excluding indemnification.

Average number of employees

Personnel is calculated as the average number of employees. See Note 1.

	2018	of which men	of which women	2017	of which men	of which women
Sweden	118	45	73	124	52	72

Men and women on the Board of Directors and Group Leadership Team on closing day

	2018	of which men	of which women	2017	of which men	of which women
Number of Board members and deputy members	12	58%	42%	13	69%	31%
President and CEO and other members of the Group Leadership Team	6	67%	33%	9	67%	33%

Note 63. Related party disclosures, Parent Company

Through its ownership and percentage of voting power, AB Industrivärden has a significant influence as defined in IAS 24 Related Party Disclosures.

Information on personnel expenses is found in Note 62. For transactions with senior executives, see Note 37.

	2018	2017
Sales to Group companies	736	693
Purchases from Group companies	–219	–241
Interest income from Group companies	0	
Interest expense for Group companies	–51	–63
Dividends from Group companies	3,982	4,466
Non-current receivables in Group companies	301	247
Current receivables in Group companies	12	18
Non-current liabilities to Group companies	3,500	4,177
Current liabilities to Group companies	28	26
Contingent liabilities on behalf of Group companies	144,033	129,318

Note 64. Disclosures in compliance with the Annual Accounts Act, Chapter 6, Section 2 a, Parent Company

Due to the requirements in the Swedish Annual Accounts Act, Chapter 6, Section 2 a, concerning disclosures on certain circumstances that may affect the possibility of a takeover of the company through a public takeover bid for the shares in the company, the following disclosures are hereby provided:

1. The total number of shares in the company on December 31, 2018 was 419,903,072, of which 19,725,759 were Series A shares with 10 votes each and 400,177,313 Series B shares with one vote each.
2. There are no restrictions on the transferability of shares due to provisions in the law or the Articles of Association.
3. Of the company's shareholders, only AB Industrivärden and Lundbergs directly or indirectly have a shareholding that represents at least one tenth of the voting power of all shares in the company. On December 31, 2018, AB Industrivärden's holding amounted to 23.9 percent of total voting power in the company and Lundbergs' holding to 12.8 percent of total voting power in the company.
4. Skanska's pension fund does not own any shares in Skanska directly. There is however an insignificant percentage of indirectly owned shares via investments in various mutual funds.
5. There are no restrictions on the number of votes each shareholder may cast at an Annual General Meeting.
6. The company is not aware of any agreements between shareholders that may result in restrictions on the right to transfer shares.
7. The Articles of Association state that the appointment of Board members is to take place at the Company's Annual General Meeting. The Articles of Association contain no stipulations on dismissal of Board members or on amendments to the Articles of Association.
8. The 2018 Annual General Meeting voted in favor of authorizing the company's Board of Directors to decide on acquisitions of Skanska's Series B treasury shares through a regulated market on the following conditions:
   - A. Skanska Series B shares may only be acquired on Nasdaq Stockholm.
   - B. The authorization may be used on one or more occasions until the 2019 Annual General Meeting.
   - C. A maximum of 3,000,000 Skanska Series B shares may be acquired to secure the allotment of shares to participants in the Skanska employee ownership program, Seop 4, and for subsequent transfer on a regulated market to cover certain costs associated with Seop 4.
   - D. Skanska Series B shares on Nasdaq Stockholm may only be acquired at a price within the applicable price interval at any given time, meaning the interval between the highest purchase price and lowest selling price.
9. Skanska AB or its Group companies are not party to any material agreement that will go into effect, be amended or cease to apply if control over the company or Group companies changes as a consequence of a public takeover bid.
10. There are agreements between Skanska AB or its Group companies and employees that prescribe remuneration if employment is terminated without reasonable grounds. Such remuneration may not exceed 18 months' fixed salary after the end of the notice period or, in the case of the CEO, a maximum of 12 months' severance pay and a maximum of 12 months' fixed salary after the end of the notice period.

There are no agreements prescribing termination of employment as a consequence of a public takeover bid for the shares in the company.

Note 65. Supplementary information, Parent Company

Skanska AB, Swedish corporate identity number 556000-4615, is the Parent Company of the Group.

The company has its registered office in Stockholm, Sweden, and is a limited company in compliance with Swedish legislation.

The company's headquarters are located in Stockholm, Sweden.

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For questions concerning financial information, please contact
Skanska AB, Investor Relations, SE-112 74 STOCKHOLM, Sweden
Tel: +46-10-448 00 00
E-mail: investor.relations@skanska.se

Note 66. Events after the reporting period

There are no material events to report for the Parent Company during the period.

Note 67. Allocation of earnings

The Board of Directors and the President and CEO propose that the profit for 2018 SEK ,3,970,328,181, plus the retained earnings of SEK 2,167,502,398 carried forward from the previous year, totaling 6,137,830,579 be allocated as follows:

A dividend to the shareholders of [1]	SEK 6.00 per share	2,458,070,628
To be carried forward		3,679,759,951
Total		6,137,830,579

The consolidated annual accounts and the annual accounts, respectively, have been prepared in compliance with the international accounting standards referred to in Regulation (EC) No. 1606/2002 of the European Parliament and of the Council of July 19, 2002 on the application of IFRS and generally accepted accounting principles, and provide a true and fair view of the position and results of the Group and the Parent Company. The Report of the Directors for the Group and the Parent Company provides a true and fair view of the operations, financial position and results of the Group and the Parent Company, and describes the principal risks and uncertainties facing the Parent Company and the companies included in the Group.

Stockholm, February 7, 2019

Hans Biörck
Chairman

Pär Boman
Board member

Charlotte Strömberg
Board member

Fredrik Lundberg
Board member

Catherine Marcus
Board member

Jayne McGivern
Board member

Nina Linander
Board member

Richard Hörstedt
Board member

Yvonne Stenman
Board member

Ola Fält
Board member

Anders Danielsson
President and Chief Executive Officer

Our Auditor's Report was submitted on March 5, 2019

Ernst & Young AB

Hamish Mabon
Authorized Public Accountant

Jonas Svensson
Authorized Public Accountant

1 Based on the total number of shares outstanding on December 31, 2018. The total dividend amount may change by the record date, depending on repurchases of shares and the transfer of shares to participants in Skanska employee ownership programs.

Auditor´s report

This is a translation from the Swedish original.

To the general meeting of the shareholders of Skanska AB (publ), corporate identity number 556000-4615

Report on the annual accounts and consolidated accounts

Opinions

We have audited the annual accounts and consolidated accounts of Skanska AB (publ) for the year 2018 except for the corporate governance statement on pages 56–69 and the statutory sustainability report on pages 70–93 and 210–213. The annual accounts and consolidated accounts of the company are included on pages 20–24, 56–197 and 210–213 in this document.

In our opinion, the annual accounts have been prepared in accordance with the Annual Accounts Act and present fairly, in all material respects, the financial position of the parent company as of December 31st, 2018 and its financial performance and cash flow for the year then ended in accordance with the Annual Accounts Act. The consolidated accounts have been prepared in accordance with the Annual Accounts Act and present fairly, in all material respects, the financial position of the group as of December 31st, 2018 and their financial performance and cash flow for the year then ended in accordance with International Financial Reporting Standards (IFRS), as adopted by the EU, and the Annual Accounts Act. Our opinions do not cover the corporate governance statement on pages 56-69 and the statutory sustainability report on pages 70-93 and 210-213. The statutory administration report is consistent with the other parts of the annual accounts and consolidated accounts.

We therefore recommend that the general meeting of shareholders adopts the income statement and balance sheet for the parent company and the income statement and the statement of financial position for the group.

Basis for Opinions

We conducted our audit in accordance with International Standards on Auditing (ISA) and generally accepted auditing standards in Sweden. Our responsibilities under those standards are further described in the Auditor's Responsibilities section. We are independent of the parent company and the group in accordance with professional ethics for accountants in Sweden and have otherwise fulfilled our ethical responsibilities in accordance with these requirements. This includes that, based on the best of our knowledge and belief, no prohibited services referred to in the Audit Regulation (537/2014) Article 5.1 have been provided to the audited company or, where applicable, its parent company or its controlled companies within the EU.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinions.

Key audit matters

Key audit matters of the audit are those matters that, in our professional judgment, were of most significance in our audit of the annual accounts and consolidated accounts of the current period. These matters were addressed in the context of our audit of, and in forming our opinion thereon, the annual accounts and consolidated accounts as a whole, but we do not provide a separate opinion on these matters. For each matter below, our description of how our audit addressed the matter is provided in that context.

We have fulfilled the responsibilities described in the Auditor's responsibilities for the audit of the financial statements section of our report, including in relation to these matters. Accordingly, our audit included the performance of procedures designed to respond to our assessment of the risks of material misstatement of the financial statements. The results of our audit procedures, including the procedures performed to address the matters below, provide the basis for our audit opinion on the accompanying financial statements.

Description	How our audit addressed this key audit matter
Revenue recognition over time in Construction contracts From 2018 the Company has applied IFRS 15 Revenue from Contracts with Customers. The main portion of the company's income relates to construction contracts. For 2018 the revenues from construction contracts amount to MSEK 143,567. Usually a performance obligation is satisfied over time which means that revenue should be recognized over time by measuring the progress towards complete satisfaction of that performance obligation. Revenue is recognized on the basis of Skanska's efforts to the satisfaction of a performance obligation relative to the total expected efforts. This requires the entity to be able to measure its progress towards complete satisfaction of the performance obligation and determine the transaction price. This in turn requires that the Group has effective, coordinated systems for cost estimation, forecasting and revenue/expense reporting. Also, a consistent process is required to assess the final outcome of the project, including analysis of differences compared with earlier assessment dates. This critical judgment is performed at least once per quarter.	Our audit procedures include, among others, audit of material contracts including significant judgements relating to profit recognition and allocation of costs. We have audited material contracts to identify potential penalties due to any delays in the projects. We also assessed the historical accuracy of management's estimates of the final outcomes of projects and evaluated the adequacy of the Company's disclosures included in Note 3 Effects of changes in accounting principles, Note 4 Operating Segments, Note 9 Contract assets and contract liabilities.
Valuation of Investments in project development The book value of investments in property development projects (current asset properties) amounts to MSEK 42,391 as shown in note 22 Current-asset properties/Project development. The book value of investments in property development projects through joint ventures amounts to MSEK 3,267 as shown in note 20 B Investments in joint ventures and associated companies in the annual report. As shown in note 22 the current-asset properties are carried at cost or net realizable value, whichever is lower, and the company therefore makes calculations of the net realizable value. As outlined in Note 20 B, the company determines an estimated value for infrastructure projects by discounting estimated future cash flows in the form of dividends and repayments of loans and equity. Potential impairment in development projects under construction and completed projects, which are directly owned or in a joint venture ownership structure, could have significant impact on Skanska's net income. Changes in the supply of similar projects, as well as changes in demand may materially affect both estimated market values and carrying amounts for each project. These projects vary in size and the investment cycle could be either short or long.	Our audit procedures include assessing budgets and financial projections and reviewing other financial input used to determine the value in use models. We have also audited work performed by external appraisers. We specifically focused on the sensitivity in the difference between the net realizable value/estimated value and book values of the projects, where a reasonably possible change in assumptions could cause the carrying amount to exceed its estimated present value. We also assessed the historical accuracy of management's estimates. We evaluated the adequacy of the Company's disclosures included in Note 20 B and Note 22.
Claims and litigations The provision for legal disputes amounts to MSEK 1,327. As outlined in Note 29 "Provisions" of the Annual Report, the Company is exposed to potential claims and disputes in the Construction business stream for projects that have been completed. Claims and disputes including any provisions is a key audit matter to our audit because management judgement is required. The assessment process is complex and entails assessing future developments. In addition, some of the claims are in countries where the legal proceedings can stretch out over an extended period of time.	We have gained an understanding of the claims and litigations through discussions with the responsible persons within the Company. We have read the internal position papers prepared by the Company. We also obtained lawyers' letters to the extent considered necessary for our audit. For all potentially material claims we tested the underlying facts and circumstances considered relevant for the legal advisors to reach their conclusions and assessed the best estimate of outflows as determined by the Company.

Other Information than the annual accounts and consolidated accounts

This document also contains other information than the annual accounts and consolidated accounts and is found on pages 1-19, 25-55, 204-219 and 214-217. The Board of Directors and the Managing Director are responsible for this other information.

Our opinion on the annual accounts and consolidated accounts does not cover this other information and we do not express any form of assurance conclusion regarding this other information.

In connection with our audit of the annual accounts and consolidated accounts, our responsibility is to read the information identified above and consider whether the information is materially inconsistent with the annual accounts and consolidated accounts. In this procedure we also take into account our knowledge otherwise obtained in the audit and assess whether the information otherwise appears to be materially misstated.

If we, based on the work performed concerning this information, conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

Responsibilities of the Board of Directors and the Managing Director

The Board of Directors and the Managing Director are responsible for the preparation of the annual accounts and consolidated accounts and that they give a fair presentation in accordance with the Annual Accounts Act and, concerning the consolidated accounts, in accordance with IFRS as adopted by the EU. The Board of Directors and the Managing Director are also responsible for such internal control as they determine is necessary to enable the preparation of annual accounts and consolidated accounts that are free from material misstatement, whether due to fraud or error.

In preparing the annual accounts and consolidated accounts, The Board of Directors and the Managing Director are responsible for the assessment of the company's and the group's ability to continue as a going concern. They disclose, as applicable, matters related to going concern and using the going concern basis of accounting. The going concern basis of accounting is however not applied if the Board of Directors and the Managing Director intends to liquidate the company, to cease operations, or has no realistic alternative but to do so.

The Audit Committee shall, without prejudice to the Board of Director's responsibilities and tasks in general, among other things oversee the company's financial reporting process.

Auditor's responsibility

Our objectives are to obtain reasonable assurance about whether the annual accounts and consolidated accounts as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinions. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs and generally accepted auditing standards in Sweden will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these annual accounts and consolidated accounts.

As part of an audit in accordance with ISAs, we exercise professional judgment and maintain professional scepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the annual accounts and consolidated accounts, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinions. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of the company's internal control relevant to our audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the company's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the Board of Directors and the Managing Director.
- Conclude on the appropriateness of the Board of Directors' and the Managing Director's use of the going concern basis of accounting in preparing the annual accounts and consolidated accounts. We also draw a conclusion, based on the audit evidence obtained, as to whether any material uncertainty exists related to events or conditions that may cast significant doubt on the company's and the group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the annual accounts and consolidated accounts or, if such disclosures are inadequate, to modify our opinion about the annual accounts and consolidated accounts. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause a company and a group to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the annual accounts and consolidated accounts, including the disclosures, and whether the annual accounts and consolidated accounts represent the underlying transactions and events in a manner that achieves fair presentation.
- Obtain sufficient and appropriate audit evidence regarding the financial information of the entities or business activities within the group to express an opinion on the consolidated accounts. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our opinions.

We must inform the Board of Directors of, among other matters, the planned scope and timing of the audit. We must also inform of significant audit findings during our audit, including any significant deficiencies in internal control that we identified.

We must also provide the Board of Directors with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

From the matters communicated with the Board of Directors, we determine those matters that were of most significance in the audit of the annual accounts and consolidated accounts, including the most important assessed risks for material misstatement, and are therefore the key audit matters. We describe these matters in the auditor's report unless law or regulation precludes disclosure about the matter.

Report on other legal and regulatory requirements

Opinions

In addition to our audit of the annual accounts and consolidated accounts, we have also audited the administration of the Board of Directors and the Managing Director of Skanska AB (publ) for the year 2018 and the proposed appropriations of the company's profit or loss.

We recommend to the general meeting of shareholders that the profit be appropriated (loss be dealt with) in accordance with the proposal in the statutory administration report and that the members of the Board of Directors and the Managing Director be discharged from liability for the financial year.

Basis for opinions

We conducted the audit in accordance with generally accepted auditing standards in Sweden. Our responsibilities under those standards are further described in the Auditor's Responsibilities section. We are independent of the parent company and the group in accordance with professional ethics for accountants in Sweden and have otherwise fulfilled our ethical responsibilities in accordance with these requirements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinions.

Responsibilities of the Board of Directors and the Managing Director

The Board of Directors is responsible for the proposal for appropriations of the company's profit or loss. At the proposal of a dividend, this includes an assessment of whether the dividend is justifiable considering the requirements which the company's and the group's type of operations, size and risks place on the size of the parent company's and the group's equity, consolidation requirements, liquidity and position in general.

The Board of Directors is responsible for the company's organization and the administration of the company's affairs. This includes among other things continuous assessment of the company's and the group's financial situation and ensuring that the company's organization is designed so that the accounting, management of assets and the company's financial affairs otherwise are controlled in a reassuring manner. The Managing Director shall manage the ongoing administration according to the Board of Directors' guidelines and instructions and among other matters take measures that are necessary to fulfill the company's accounting in accordance with law and handle the management of assets in a reassuring manner

Auditor's responsibility

Our objective concerning the audit of the administration, and thereby our opinion about discharge from liability, is to obtain audit evidence to assess with a reasonable degree of assurance whether any member of the Board of Directors or the Managing Director in any material respect:

- has undertaken any action or been guilty of any omission which can give rise to liability to the company, or
- in any other way has acted in contravention of the Companies Act, the Annual Accounts Act or the Articles of Association.

Our objective concerning the audit of the proposed appropriations of the company's profit or loss, and thereby our opinion about this, is to assess with reasonable degree of assurance whether the proposal is in accordance with the Companies Act.

Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with generally accepted auditing standards in Sweden will always detect actions or omissions that can give rise to liability to the company, or that the proposed appropriations of the company's profit or loss are not in accordance with the Companies Act.

As part of an audit in accordance with generally accepted auditing standards in Sweden, we exercise professional judgment and maintain professional scepticism throughout the audit. The examination of the administration and the proposed appropriations of the company's profit or loss is based primarily on the audit of the accounts. Additional audit procedures performed are based on our professional judgment with starting point in risk and materiality. This means that we focus the examination on such actions, areas and relationships that are material for the operations and where deviations and violations would have particular importance for the company's situation. We examine and test decisions undertaken, support for decisions, actions taken and other circumstances that are relevant to our opinion concerning discharge from liability. As a basis for our opinion on the Board of Directors' proposed appropriations of the company's profit or loss we examined the Board of Directors' reasoned statement and a selection of supporting evidence in order to be able to assess whether the proposal is in accordance with the Companies Act.

The auditor's examination of the corporate governance statement

The Board of Directors is responsible for that the corporate governance statement on pages 56-69 has been prepared in accordance with the Annual Accounts Act.

Our examination of the corporate governance statement is conducted in accordance with FAR´s auditing standard RevU 16 The auditor´s examination of the corporate governance statement. This means that our examination of the corporate governance statement is different and substantially less in scope than an audit conducted in accordance with International Standards on Auditing and generally accepted auditing standards in Sweden. We believe that the examination has provided us with sufficient basis for our opinions.

A corporate governance statement has been prepared. Disclosures in accordance with chapter 6 section 6 the second paragraph points 2-6 of the Annual Accounts Act and chapter 7 section 31 the second paragraph the same law are consistent with the other parts of the annual accounts and consolidated accounts and are in accordance with the Annual Accounts Act.

The auditor´s opinion regarding the statutory sustainability report

The Board of Directors is responsible for the statutory sustainability report on pages 70-93 and 210-213, and that it is prepared in accordance with the Annual Accounts Act.

Our examination has been conducted in accordance with FAR's auditing standard RevR 12 The auditor´s opinion regarding the statutory sustainability report. This means that our examination of the statutory sustainability report is different and substantially less in scope than an audit conducted in accordance with International Standards on Auditing and generally accepted auditing standards in Sweden. We believe that the examination has provided us with sufficient basis for our opinion.

A statutory sustainability report has been prepared.

Ernst & Young AB, Box 7850, 103 99 Stockholm, was appointed auditor of Skanska AB by the general meeting of the shareholders on April 13th, 2018 and has been the company's auditor since 2016.

Stockholm March 5, 2019

Ernst & Young AB

Hamish Mabon	Jonas Svensson
Authorized Public Accountant	Authorized Public Accountant

Independent Practitioner's Review Report on Skanska AB's Greenhouse Gas Reporting

This is the translation of the auditor's report in Swedish.
To Skanska AB

We have undertaken a limited assurance engagement of the accompanying Greenhouse gas reporting of Skanska AB for the year ended December 31, 2018, comprising the scope 1 and 2 emissions inventory, the scope 3 emissions inventory for Skanska Sweden and Skanska UK, and the explanatory notes on pages 79-80 of the Skanska Annual and Sustainability Report 2018 (hereafter: "Greenhouse gas reporting").

Skanska AB's Responsibility for the Greenhouse gas reporting

Skanska AB is responsible for the preparation of the Greenhouse gas reporting in accordance with the Greenhouse Gas Protocol (published by the World Resources Institute (WRI) and the World Business Council for Sustainable Development (WBCSD)), applied as explained in the Greenhouse gas reporting section of the Sustainability report section on pages 70-91 of the Skanska Annual and Sustainability Report 2018. This responsibility includes the design, implementation and maintenance of internal control relevant to the preparation of a greenhouse gas reporting that is free from material misstatement, whether due to fraud or error.

As discussed in the Greenhouse gas emissions section of the Sustainability report, greenhouse gas quantification is subject to inherent uncertainty because of incomplete scientific knowledge used to determine emissions factors and the values needed to combine emissions of different gases.

Our Independence and Quality Control

We have complied with the independence and other ethical requirements of the Code of Ethics for Professional Accountants issued by the International Ethics Standards Board for Accountants, which is founded on fundamental principles of integrity, objectivity, professional competence and due care, confidentiality and professional behavior.

The firm applies International Standard on Quality Control 1, ISQC 1, Quality Control for Firms that Perform Audits and Reviews of Financial Statements, and Other Assurance and Related Services Engagements and accordingly maintains a comprehensive system of quality control including documented policies and procedures regarding compliance with ethical requirements, professional standards and applicable legal and regulatory requirements.

Our Responsibility

Our responsibility is to express a limited assurance conclusion on the Greenhouse gas reporting based on the procedures we have performed and the evidence we have obtained. We conducted our limited assurance engagement in accordance with International Standard on Assurance Engagements 3410, Assurance Engagements on Greenhouse Gas Statements ("ISAE 3410"), issued by the International Auditing and Assurance Standards Board. That standard requires that we plan and perform this engagement to obtain limited assurance about whether the Greenhouse gas reporting is free from material misstatement.

A limited assurance engagement undertaken in accordance with ISAE 3410 involves assessing the suitability in the circumstances of Skanska's use of the Greenhouse Gas Protocol as the basis for the preparation of the Greenhouse gas reporting, assessing the risks of material misstatement of the Greenhouse gas reporting whether due to fraud or error, responding to the assessed risks as necessary in the circumstances, and evaluating the overall presentation of the Greenhouse gas reporting. A limited assurance engagement is substantially less in scope than a reasonable assurance engagement in relation to both the risk assessment procedures, including an understanding of internal control, and the procedures performed in response to the assessed risks.

The procedures we performed were based on our professional judgment and included inquiries, observation of processes performed, inspection of documents, analytical procedures, evaluating the appropriateness of quantification methods and reporting policies, and agreeing or reconciling with underlying records.

The procedures performed in a limited assurance engagement vary in nature and timing from, and are less in extent than for, a reasonable assurance engagement. Consequently, the level of assurance obtained in a limited assurance engagement is substantially lower than the assurance that would have been obtained had we performed a reasonable assurance engagement. Accordingly, we do not express a reasonable assurance opinion about whether Skanska's Greenhouse gas reporting has been prepared, in all material respects, in accordance with the Greenhouse Gas Protocol applied as explained in the Greenhouse gas emissions section of the Sustainability report.

Conclusion

Based on the procedures we have performed and the evidence we have obtained, nothing has come to our attention that causes us to believe that Skanska's Greenhouse gas reporting for the year ended December 31, 2018 is not prepared, in all material respects, in accordance with the Greenhouse Gas Protocol applied as explained in the Greenhouse gas emissions section of the Sustainability report.

Stockholm March 5, 2019

Ernst & Young AB

Hamish Mabon Authorized Public Accountant	Jonas Svensson Authorized Public Accountant	Ingrid Cornander Specialist, Climate Change and Sustainability Services

Creating the world's first emission-free quarry

Electric Site
Gothenburg, Sweden

With 103 quarries across Sweden, Skanska is the country's largest producer of crushed stone products, material essential for building cities. Yet those quarries – and the many others around the world – don't operate much differently than they did decades before.

Enter Electric Site, a research collaboration between Skanska, Volvo, the Swedish Energy Agency and two Swedish universities. It involves switching quarry equipment from diesel to electric power, including creating such new concepts as battery powered autonomous haulers, and developing smarter ways of working. And charging? It's wireless. The project's aim is threefold: up to 25 percent reduction in total operating costs; up to 95 percent lower carbon emissions; and a safer and healthier work environment.

During fall 2018, this quarry hosted a full production test of Electric Site. Results exceeded expectations, including carbon emissions reduced by 98 percent, and discussions are underway on how to take this initiative further. Such values-based partnerships are necessary for creating the innovative solutions needed for achieving a carbon neutral and injury-free construction industry, and for providing the greatest value for customers.

Major orders, investments and divestments

Orders

Q1 2018

Skanska builds a new hospital building in Karlskrona, Sweden, for SEK 330 M.

Skanska builds National Emergency Response Center in Ski Municipality, Norway, for NOK 1.5 billion, about SEK 1.5 billion.

Skanska to build the Urban Environment House in Helsinki, Finland, for EUR 83 M, about SEK 800 M.

Skanska builds mixed-use development in London, UK, for GBP 140 M, about SEK 1.6 billion.

Skanska reconstructs highway outside Prague, Czech Republic, for CZK 787 M, about SEK 300 M.

Skanska builds new electricity generating facility in Northeast USA for USD 68 M, about SEK 550 M.

Skanska builds new schools in Silverdale, USA, for USD 78 M, about SEK 630 M.

Skanska builds a new office building in Oslo, Norway, for NOK 418 M, about SEK 430 M.

Skanska signs contract extension for mixed-use project in Nashville, USA, for USD 163 M, about SEK 1.3 billion.

Skanska builds an office building in Helsinki, Finland, for EUR 86 M, about SEK 860 M.

Skanska builds apartments in Jätkäsaari, Finland, for EUR 41.5 M, about SEK 415 M.

Skanska builds engineering school facility in North Carolina, USA, for USD 85 M, about SEK 690 M.

Skanska builds medical school facility in Tampa, Florida, USA, for USD 63 M, about SEK 510 M.

Skanska builds engineering school facility in North Carolina, USA, for USD 106 M, about SEK 860 M.

Skanska builds school facility in New Hampshire, USA, for USD 44 M, about SEK 360 M.

Skanska improves office buildings in Redmond, Washington, USA, for USD 38 M, about SEK 310 M.

Q2 2018

Skanska builds production and storage facility in Gliwice, Poland, for PLN 128 M, about SEK 300 M.

Skanska builds nursing home in Oslo, Norway, for NOK 440 M, about SEK 460 M.

Skanska builds mixed-use development in London, UK, for GBP 141 M, about SEK 1.6 billion.

Skanska builds part of Lahti Southern Ring Road, Finland, for about EUR 161 M, about SEK 1.6 billion.

Skanska builds education facilities for the University of Bergen, Norway, for NOK 295 M, about SEK 310 M.

Skanska builds new acute care hospital building in Hollywood, USA, for USD 188 M, about SEK 1.6 billion.

Skanska builds multi-purpose building at the University of Turku campus for EUR 69 M, about SEK 700 M.

Skanska builds the Vinsta interchange for the E4 Stockholm bypass, Sweden, for SEK 500 M.

Skanska replaces elevators at subway stations in New York, USA, for USD 62 M, about SEK 520 M.

Skanska improves office buildings in Redmond, Washington, USA, for USD 39 M, about SEK 320 M.

Skanska builds new high school in Sherwood, USA, for USD 77 M, about SEK 640 M.

Skanska builds metro station in Espoo, Finland, for EUR 51 M, about SEK 520 M.

Skanska builds new commercial office building in Boston, USA, for USD 76 M, about SEK 630 M.

Skanska signs additional contract for mixed-use project in Nashville, USA, for USD 74 M, about SEK 620 M.

Skanska renovates and expands manufacturing facility in Massachusetts, USA, for USD 55 M, about SEK 460 M.

Skanska builds patient bed tower in North Carolina, USA, for USD 189 M, about SEK 1.6 billion.

Orders

Q3 2018

Skanska awarded railway contract in Poland worth about PLN 132 M, about SEK 320 M.

Skanska to build residential block in Gothenburg, Sweden, for about SEK 500 M.

Skanska builds hydroelectric power plant in Norway for SEK 630 million.

Skanska builds school facility in Pullman, Washington, USA for USD 52 M, about SEK 470 M.

Skanska to renovate academic facility in Connecticut, USA, for USD 111 M, about SEK 1 billion.

Skanska signs construction contract for new college campus development in Texas, USA, for USD 131 million, about SEK 1.2 billion.

Skanska renovates the Metropolitan Museum of Art in New York, USA, for USD 118 M, about SEK 1 billion.

Skanska rehabilitates the Manhattan Bridge for the New York City Department of Transportation, for USD 76 M, about SEK 675 M.

Skanska has signed an additional contract with USF Health Morsani College of Medicine and Heart Inst in Tampa, USA for USD 36 M, about SEK 320M.

Skanska signs additional contract for mixed-use project in Nashville, USA, for USD 59 M, about SEK 534 M.

Skanska contracted by The Boeing Company, USA, for USD 70 M, about SEK 620 M, for constructions.

Skanska builds two schools in Vancouver, Washington, USA for USD 34 M, about SEK 300 M.

Q4 2018

Skanska plans tunnel and station for the Swedish Transport Administration (Trafikverket) for about SEK 300M.

Skanska develops and sells new office building in Jönköping, Sweden, for about SEK 500 M.

Skanska builds an office building in Warsaw, Poland for PLN 353 M, about SEK 850 M.

Skanska builds ESS Campus in Lund, Sweden, for SEK 475 M.

Skanska builds four new schools in Harrison, Ohio, USA, for USD 54 M, about SEK 495 M.

Skanska builds the office project Citygate in Gothenburg, Sweden for SEK 1.5 billion.

Skanska builds hydroelectric power plant in Norway for NOK 390 M, about SEK 424 M.

Skanska awarded a contract to provide facilities management services to the Ministry of Defence in Hertfordshire, UK for GBP 47 M, about SEK 550 M.

Skanska builds residential apartments in Aveny Vest in Lillestrøm, Norway, for NOK 304 M, about SEK 320 M.

Skanska builds the second and third phase of Campus 6 in Bucharest, Romania for EUR 46 M, about SEK 470 M.

Skanska rehabilitates Chelsea Viaduct Bridge in Boston, MA, USA for USD 85 M, about SEK 770 M.

Skanska builds campus Albano in Stockholm for SEK 1.3 billion.

Skanska contracted to begin freeway expansion in San Diego, USA, for USD 89 M, about SEK 810 M.

Skanska builds Fv. 659 Nordøyvegen in Norway for NOK 3 billion, about SEK 3.2 billion.

Skanska to renovate and expand Brookline High School in Massachusetts, USA, for USD 128 M, about SEK 1.1 billion.

Skanska builds new high school in Milwaukie, Oregon, USA, for USD 75 M, about SEK 670 M.

Skanska to renovate and expand school in Massachusetts, USA, for USD 237 M, about SEK 2.2 billion.

Skanska completes Croton-Harmon Shops and Yard project in New York, USA, for USD 365 M, about SEK 3.3 billion.

Skanska builds new Children's Eye Clinic in Portland, Oregon, USA, for USD 39 M, about SEK 350 M.

Skanska to build tunnel in New York City, USA, for USD 60 M, about SEK 535 M.

Skanska upgrades PATH's Exchange Place and Newport Stations in New Jersey, USA, for USD 36 M, about SEK 320 M.

Skanska builds New Public Safety Center in Beaverton, Oregon, USA, for USD 36 M, about SEK 320 M.

Skanska to complete renovation of Post Office in New York City, USA, for USD 339 M, about SEK 3 billion.

Skanska signs additional contract for high school in Sherwood, Oregon, USA, for USD 70 M, about SEK 620 M.

Skanska builds new Medical Center in Cincinnati, Ohio, USA, for USD 35 M, about SEK 310 M.

Skanska to build new STEM school in Cullowhee, North Carolina, USA, for USD 64 M, about SEK 570 M.

Skanska signs contract for new schools in Vancouver, Washington, USA, for USD 44 M, about SEK 390 M.

Investments

Q1 2018

Skanska invests EUR 50 M, about SEK 480 M, in the second phase of an office project in Warsaw, Poland.

Skanska invests another SEK 250 M in Täby Park in Stockholm, Sweden.

Skanska invests in land for housing in Gothenburg, Sweden, for SEK 290 M.

Skanska invests EUR 23 M, about SEK 230 M, in the second office building in a mixed-use project in Poznań, Poland.

Skanska invests EUR 41 M, about SEK 400 M, in the first phase of a new office project in Gdańsk, Poland.

Skanska invests NOK 566 M, about SEK 580 M, in a new office project in Oslo, Norway.

Skanska invests EUR 96 M, about SEK 960 M, in an office project in Helsinki, Finland.

Q2 2018

Skanska invests SEK 560 M in the office building Sthlm 04 in Stockholm, Sweden.

Skanska invests EUR 36 M, about SEK 360 M, in a new office building in Kraków, Poland.

Skanska invests USD 128 M, about SEK 1.1 billion, in a new office project in Boston, USA.

Q3 2018

Skanska invests EUR 52 M, about SEK 540 M, in the first phase of an office project in Wrocław, Poland.

Skanska invests EUR 44 M, about SEK 465 M, in a new office development in Prague, Czech Republic.

Skanska buys building plot in Oslo, Norway, for NOK 340 M, about SEK 370 million.

Skanska invests EUR 29 M, about SEK 308 M, in office project in Budapest, Hungary.

Skanska invests DKK 412 M, about SEK 570 M, in office project in Copenhagen, Denmark.

Q4 2018

Skanska invests in a new office building in Jönköping, Sweden.

Skanska invests EUR 170 M, about SEK 1.8 billion, in third phase of an office project in Warsaw, Poland.

Skanska invests SEK 1.8 billion in office project Citygate in Gothenburg, Sweden.

Skanska invests EUR 24 M, about SEK 250 M, in the second phase of office project in Łódź, Poland

Skanska invests EUR 76 M, about SEK 780 M, in the second and third phase of Campus 6 in Bucharest, Romania.

Skanska invests in land in Kraków, Poland, for PLN 86 M, about SEK 210 M.

Divestments

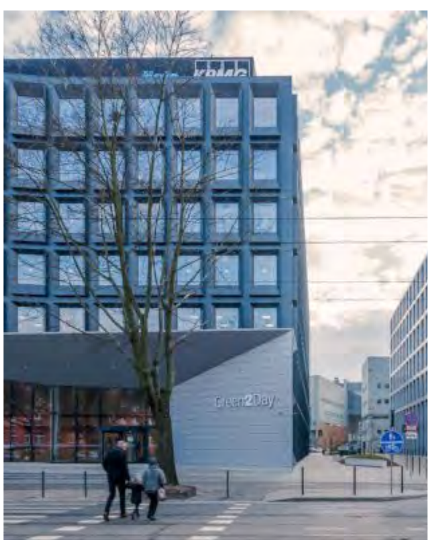
Q1 2018

Skanska sells office buildings in Gothenburg, Sweden, for SEK 1 billion.

Skanska sells hotel building in Jönköping, Sweden, for SEK 430 M.

Skanska sells office building in Lodz, Poland, for EUR 52 M, about SEK 510 M.

Skanska sells office building in Malmö, Sweden, for SEK 1 billion.



Skanska sells office building in Wrocław, Poland, for EUR 51 M, about SEK 510 M.

Q2 2018

Skanska sells office building in Solna, Sweden, for SEK 200 M.

Skanska sells an apartment hotel in Oslo, Norway, for NOK 418 M, about SEK 430 M.

Skanska sells pre-school and retirement home in Malmö, Sweden, for SEK 295 M.

Skanska sells office building in Bucharest, Romania, for EUR 53 M, about SEK 530 M.

Skanska sells commercial properties in Gothenburg and Mölndal, Sweden, for SEK 340 M.

Skanska sells logistics facility in Arlandastad, Sweden, for SEK 230 M.

Skanska sells retirement home and rental apartments in Älvängen, Sweden, for SEK 310 M.

Skanska sells office building in Helsinki, Finland, for EUR 53 M, about SEK 540 M.

Skanska sells office building in Prague, Czech Republic, for EUR 68 M, about SEK 690 M.

Q3 2018

Skanska divests remaining interest in 400 Fairview in Seattle, USA, for about USD 34 M, about SEK 304 M.

Skanska sells office project in Budapest, Hungary, for EUR 100 M, about SEK 1 billion.

Skanska sells office building in Warsaw, Poland, for EUR 48 M, about SEK 510 M.

Q4 2018

Skanska sells office tower in Boston, USA, for USD 455M, about SEK 4 billion.

Skanska develops and sells new office building in Jönköping, Sweden, for SEK 500 M.

Skanska sells two office buildings in Katowice, Poland, for EUR 59 M, about SEK 609 M

Skanska sells Bergskvadraten development project in Norrköping, Sweden, for SEK 490 M.

Skanska sells retirement home in Växjö, Sweden, for SEK 240 M.

Skanska divests hotel in Copenhagen, Denmark, for DKK 670 M, about SEK 920 M.

GRI Content Index

GRI Standard	Disclosure		Page	Omission/ Comments
General Disclosures				
GRI 102: General Disclosures 2016	102–1	Name of the organization	Cover, Note 65	
	102–2	Activities, brands, products, and services	34–53, Note 4	
	102–3	Location of headquarters	Note 65	
	102–4	Location of operations	1, 29	
	102–5	Ownership and legal form	7–8, 56–57, Note 64–65	
	102–6	Markets served	1, 29, 40–41, 44–45, 48–49	
	102–7	Scale of the organization	1	
	102–8	Information on employees and other workers		The data is not reported at Group level.
	102–9	Supply chain	74	
	102–10	Significant changes to the organization and its supply chain	–	
	102–11	Precautionary Principle or approach	72	
	102–12	External initiatives	72	
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	102–14	Statement from senior decision-maker	2–3	
	102–16	Values, principles, standards, and norms of behavior	3, 6, 10, 62–63, 70–91	
	102–18	Governance structure	56–64	
	102–40	List of stakeholder groups	71	
	102–41	Collective bargaining agreements		The data is not reported at Group level.
	102–42	Identifying and selecting stakeholders	91	
	102–43	Approach to stakeholder engagement	91	
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	102–50	Reporting period	57	
	102–51	Date of most recent report		March 12, 2018
	102–52	Reporting cycle		Annual
	102–53	Contact point for questions regarding the report		Lena Hök, SVP Sustainability
	102–54	Claims of reporting in accordance with the GRI Standards	Content page	
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GRI Standard		Disclosure	Page	Omission/ Comments	SDG	UN Global Compact
Material Topics						
Anti-corruption						
GRI 103: Management Approach 2016	103–1	Explanation of the material topic and its Boundary	20–24, 63, 73			**Principle 10, Anti-corruption:** Businesses should work against corruption in all its forms, including extortion and bribery.
	103–2	The management approach and its components	20–24, 62–64, 73, 90			
	103–3	Evaluation of the management approach	64, 73			
GRI 205: Anti-corruption 2016	205–2	Communication and training about anti-corruption policies and procedures	70, 73			
	205–3	Confirmed incidents of corruption and actions taken	73	The number and type of actions are not reported.		
Anti-competitive behavior						
GRI 103: Management Approach 2016	103–1	Explanation of the material topic and its Boundary	20–24, 63, 73			
	103–2	The management approach and its components	20–24, 62–64, 73, 90			
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GRI 206: Anti-competitive behavior 2016	206–1	Legal actions for anti-competitive behavior, anti-trust, and monopoly practices	73			
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	103–2	The management approach and its components	20–24, 62–64, 75–76, 90			
	103–3	Evaluation of the management approach	64, 75–76			
GRI 403: Management Approach 2018	403–1	Occupational health and safety management system	75–76			
	403–2	Hazard identification, risk assessment, and incident investigation	75–76			
	403–3	Occupational health services	75			
	403–4	Worker participation, consultation, and communication on occupational health and safety	75–76			
	403–5	Worker training on occupational health and safety	75–76			
	403–6	Promotion of worker health	75–76			
	403–7	Prevention and mitigation of occupational health and safety	75–76			
GRI 403: Occupational Health and Safety 2018	403–8	Workers covered by an occupational health and safety management system	75–76			
	403–9	Work-related injuries	76	The number of hours is not reported.		

GRI Standard		Disclosure	Page	Omission/ Comments	SDG	UN Global Compact
Diversity, inclusiveness and non-discrimination						
GRI 103: Management Approach 2016	103–1	Explanation of the material topic and its Boundary	14, 22–24, 88–89		5 Gender equality; 10 Reduced inequalities	**Principle 6, Labour:** Businesses should uphold the elimination of discrimination in respect of employment and occupation.
	103–2	The management approach and its components	14, 20–24, 62–64, 88–90			
	103–3	Evaluation of the management approach	14, 64, 74, 88–89			
GRI 405: Diversity and Equal Opportunity 2016	405–1	Diversity of governance bodies and employees	Note 36	The age groups are note reported.		
GRI 406: Non-discrimination 2016	406–1	Incidents of discrimination and corrective actions taken	74	The number and type of actions are not reported.		
Fair and decent employment						
GRI 103: Management Approach 2016	103–1	Explanation of the material topic and its Boundary	14, 22–24, 74, 88–89		8 Decent work and economic growth	**Principle 3, Labour:** Businesses should uphold the freedom of association and the effective recognition of the right to collective bargaining.
	103–2	The management approach and its components	14, 20–24, 62–64, 74, 88–90			
	103–3	Evaluation of the management approach	14, 64, 74, 88–89			
GRI 401: Employment 2016	401–1	New employee hires and employee turnover	Note 36	The age groups and turnover are not gathered at Group level.		**Principle 4, Labour:** Businesses should uphold the elimination of all forms of forced and compulsory labour.
GRI 409: Forced or compulsory labor 2016	409–1	Operations and suppliers at significant risk for incidents of forced or compulsory labor	74			
Responsible supply chain						
GRI 103: Management Approach 2016	103–1	Explanation of the material topic and its Boundary	22–24, 62–63, 73–74		8 Decent work and economic growth; 9 Industry, innovation and infrastructure	**Principle 1, Human rights:** Businesses should support and respect the protection of internationally proclaimed human rights.
	103–2	The management approach and its components	20–24, 62–64, 74,90			
	103–3	Evaluation of the management approach	64, 73–74			
GRI 308: Supplier environmental assessment 2016	308–1	New suppliers that were screened using environmental criteria	74			**Principle 2, Human rights:** Businesses should make sure that they are not complicit in human rights abuses
GRI 414: Supplier social assessment 2016	414–1	New suppliers that were screened using social criteria	74			
GRI 412: Human rights assessment 2016	412–2	Employee training on human rights policies or procedures	70	The number of hours is not reported.		**Principle 5, Labour:** Businesses should uphold the effective abolition of child labour.
	412–3	Significant investment agreements and contracts that include human rights clauses or that underwent human rights screening	74	The number and definition is not reported. The disclosure refers to the Supplier Code of Conduct.		

GRI Standard	Disclosure		Page	Omission/ Comments	SDG	UN Global Compact
Impact on climate change						
GRI 103: Management Approach 2016	103–1	Explanation of the material topic and its Boundary	22–24, 77–80		7, 13	**Principle 7, Environment:** Businesses should support a precautionary approach to environmental challenges. **Principle 8, Environment:** Businesses should undertake initiatives to promote greater environmental responsibility.
	103–2	The management approach and its components	20–24, 62–64, 77–80, 90			
	103–3	Evaluation of the management approach	64, 77–80			
GRI 305: Emissions 2016	305–1	Direct (Scope 1) GHG emissions	80			
	305–2	Energy indirect (Scope 2) GHG emissions	80			
	305–3	Other indirect (Scope 3) GHG emissions	80			
	305–4	GHG emissions intensity	80			
	305–5	Reduction of GHG emissions	80			
Sustainable materials						
GRI 103: Management Approach 2016	103–1	Explanation of the material topic and its Boundary	22–24, 77, 81		12	**Principle 9, Environment:** Businesses should encourage the development and diffusion of environmentally friendly technologies.
	103–2	The management approach and its components	20–24, 77, 81			
	103–3	Evaluation of the management approach	64, 77, 81			
GRI 301: Materials 2016	301–1	Materials used by weight or volume	81	The data is not reported at Group level.		
Energy efficiency						
GRI 103: Management Approach 2016	103–1	Explanation of the material topic and its Boundary	22–24, 77–79		7, 13	**Principle 8, Environment:** Businesses should undertake initiatives to promote greater environmental responsibility.
	103–2	The management approach and its components	20–24, 62–64, 77–79, 90			
	103–3	Evaluation of the management approach	64,77–79			
GRI 302: Energy 2016	302–1	Energy consumption within the organization	78			
	302–3	Energy intensity	78			
	302–4	Reduction of energy consumption	78			
	302–5	Reductions in energy requirements of products and services	78			
Waste management						
GRI 103: Management Approach 2016	103–1	Explanation of the material topic and its Boundary	22,24, 77, 81		8, 12	
	103–2	The management approach and its components	20–24, 62–64, 77, 81, 90			
	103–3	Evaluation of the management approach	64, 77,81			
GRI 306: Effluents and Waste 2016	306–2	Waste by type and disposal method	81	Hazardous waste is not reported.		
Sustainable industry						
GRI 103: Management Approach 2016	103–1	Explanation of the material topic and its Boundary	20–24, 84		9, 11, 17	
	103–2	The management approach and its components	62–64, 77, 84–87			
	103–3	Evaluation of the management approach	64, 77, 84–89			
Skanskas Own Disclosure	SoD–1	Green revenue and green market value from green projects, as defined by the Skanska Color Palette ™.	Cover, 77			

Consolidated quarterly results

In compliance with IFRS SEK M	2018				2017			
	Q4	Q3	Q2	Q1	Q4	Q3	Q2	Q1
Order bookings	**49,147**	**30,628**	**39,060**	**32,884**	**33,232**	**34,110**	**46,254**	**38,215**
Income statement								
Revenue	50,478	43,084	43,502	34,666	45,302	38,868	40,094	33,613
Cost of sales	–45,146	–40,028	–40,014	–32,277	–41,215	–35,762	–37,346	–30,780
Gross income	**5,332**	**3,056**	**3,488**	**2,389**	**4,087**	**3,106**	**2,748**	**2,833**
Selling and administrative expenses	–2,446	–2,358	–2,164	–2,505	–3,097	–2,091	–2,390	–2,273
Income from joint ventures and associated companies	177	218	61	399	390	129	95	1,041
Operating income	**3,063**	**916**	**1,385**	**283**	**1,380**	**1,144**	**453**	**1,601**
Interest income	43	44	37	20	23	13	35	18
Interest expense	–34	–24	–26	–29	–21	–20	–34	–36
Change in market value		4	3	4	4	6	5	9
Other financial items	–25	21	8	–7	7	3	17	16
Financial items	**–16**	**45**	**22**	**–12**	**13**	**2**	**23**	**7**
Income after financial items	**3,047**	**961**	**1,407**	**271**	**1,393**	**1,146**	**476**	**1,608**
Taxes	–664	–128	–245	–55	–208	–108	29	–225
Profit for the period	**2,383**	**833**	**1,162**	**216**	**1,185**	**1,038**	**505**	**1,383**
Profit for the period attributable to								
Equity holders	2,376	824	1,156	215	1,181	1,031	500	1,383
Non-controlling interests	7	9	6	1	4	7	5	
Other comprehensive income								
Items that will not be reclassified to profit and loss for the period								
Remeasurement of defined-benefit pension plans	–1,058	217	279	84	595	355	–1 529	180
Tax related to items that will not be reclassified to profit and loss for the period	218	–34	–106	–19	–143	–78	328	–38
	–840	**183**	**173**	**65**	**452**	**277**	**–1 201**	**142**
Items that have been or will be reclassified to profit and loss for the period								
Translation differences attributable to equity holders	–275	–292	911	955	288	–284	–438	–165
Translation differences attributable to non-controlling interests	–1	–3		7	4	2	3	–1
Hedging of exchange rate risk in foreign operations	6	47	–49	–187	–91	–5	–32	3
Effect of cash flow hedges	28	62	–114	–6	98	–54	9	85
Share of other comprehensive income for joint ventures and associated companies	–50	32	271	19	13	15	37	18
Tax related to items that have been or will be reclassified to profit for the period	–3	–12	19	3	–16	7	–3	–13
	–295	**–166**	**1,038**	**791**	**296**	**–319**	**–424**	**–73**
Other comprehensive income after tax for the period	**–1,135**	**17**	**1,211**	**856**	**748**	**–42**	**–1,625**	**69**
Comprehensive income for the period	**1,248**	**850**	**2,373**	**1,072**	**1,933**	**996**	**–1,120**	**1,452**
Comprehensive income for the period attributable to								
Equity holders	1,242	844	2,367	1,064	1,925	987	–1,128	1,453
Non-controlling interests	6	6	6	8	8	9	8	–1
Order backlog	192,042	186,328	197,552	190,933	188,411	194,743	202,214	200,792
Capital employed	46,187	45,591	44,511	44,247	44,111	42,589	41,594	42,773
Interest-bearing net receivables/net debt	3,231	–3,717	–4,041	–1,645	–1,126	–5,560	–4,323	2,917
Debt/equity ratio	–0.1	0.1	0.1	0.1	0.0	0.2	0.2	–0.1
Return on capital employed %	13.0	9.4	10.0	7.9	11.1	14.8	14.9	21.9
Cash flow								
Cash flow from operating activities	7,911	748	1,044	–249	4,059	–568	–1,233	588
Cash flow from investing activities	–568	–363	–1,031	–405	–809	726	–387	2,060
Cash flow from financing activities	–879	385	–2,158	–857	–560	–107	–1,046	–1,104
Cash flow for the year	**6,464**	**770**	**-2,145**	**-1,511**	**2,690**	**51**	**-2,666**	**1,544**

Consolidated quarterly results, continued

Business streams

In compliance with IFRS SEK M	2018				2017			
	Q4	Q3	Q2	Q1	Q4	Q3	Q2	Q1
Order bookings								
Construction	49,147	30,628	39,060	32,884	33,232	34,110	46,254	38,215
Total	**49,147**	**30,628**	**39,060**	**32,884**	**33,232**	**34,110**	**46,254**	**38,215**
Revenue								
Construction	42,580	40,261	40,422	34,631	41,074	38,208	38,681	32,087
Residential Development	4,580	2,632	2,502	2,492	3,422	2,167	3,633	2,601
Commercial Property Development	7,415	3,370	4,225	806	4,906	1,670	1,269	1,671
Infrastructure Development	19	52	18	16	22	20	18	21
Central and eliminations	–4,116	–3,231	–3,665	–3,279	–4,122	–3,197	–3,507	–2,767
Total	**50,478**	**43,084**	**43,502**	**34,666**	**45,302**	**38,868**	**40,094**	**33,613**
Operating income								
Construction	868	–310	582	–41	–221	918	116	392
Residential Development	697	509	301	370	482	205	514	307
Commercial Property Development	1,639	782	684	398	1,441	304	139	183
Infrastructure Development	42	64	41	–116	40	–25	–29	939
Central	–184	–173	–157	–298	–327	–200	–234	–182
Eliminations	1	44	–66	–30	–35	–58	–53	–38
Total	**3,063**	**916**	**1,385**	**283**	**1,380**	**1,144**	**453**	**1,601**

According to segment reporting, SEK M	2018				2017			
	Q4	Q3	Q2	Q1	Q4	Q3	Q2	Q1
Order bookings								
Construction	49,147	30,628	39,060	32,884	33,232	34,110	46,254	38,215
Total	**49,147**	**30,628**	**39,060**	**32,884**	**33,232**	**34,110**	**46,254**	**38,215**
Revenue								
Construction	42,580	40,261	40,422	34,631	41,074	38,208	38,681	32,087
Residential Development	4,120	2,453	2,282	1,884	3,136	2,033	4,716	3,352
Commercial Property Development	7,082	1,879	3,530	3,780	3,685	1,074	5,119	1,562
Infrastructure Development	19	52	18	16	22	20	18	21
Central and eliminations	–4,112	–3,308	–3,734	–3,361	–4,298	–3,249	–3,598	–2,840
Total	**49,689**	**41,337**	**42,518**	**36,950**	**43,619**	**38,086**	**44,936**	**34,182**
Operating income								
Construction	868	–310	582	–41	–221	918	116	392
Residential Development	383	504	398	220	394	219	665	438
Commercial Property Development	1,281	456	472	860	863	594	978	279
Infrastructure Development	42	64	41	–116	40	–25	–29	939
Central	–183	–174	–155	–299	–328	–199	–235	–182
Eliminations	–8	–33	–53	28	–10	–41	–44	–17
Total	**2,383**	**507**	**1,285**	**652**	**738**	**1,466**	**1,451**	**1,849**

Annual General Meeting

The Annual General Meeting of Skanska AB (publ) will be held at 10:00 a.m. on March 28, 2019, at the Stockholm Waterfront Congress Centre, Nils Ericsons Plan 4, Stockholm, Sweden.

Notification and registration

Shareholders who wish to participate in the Annual General Meeting must be listed in the register of shareholders maintained by Euroclear Sweden AB, the Swedish central securities depository and clearing organization, on Friday, March 22, 2019 and must notify Skanska by March 22, 2019, preferably before 12 noon, of their intention to participate in the Meeting.

Shareholders whose shares have been registered in the name of a trustee must have requested re-registration in their own name in the register of shareholders maintained by Euroclear Sweden AB to be entitled to participate in the Meeting. Such re-registration, which may be temporary, should be requested well in advance of, March 22, 2019, from the bank or brokerage house holding the shares in trust.

Notification may be made in writing to:

Skanska AB (publ), Årsstämman
c/o Euroclear Sweden AB, Box 191, SE-101 23 Stockholm, Sweden
Telephone: +46 8 402 92 81
Website: www.group.skanska.com

The notification must always state the shareholder's name, personal identification or corporate identity number, address and telephone number. For shareholders represented by proxy, a power of attorney should be sent to the company before the Meeting. Shareholders who have duly notified the company of their participation will receive an admittance card, which should be brought and shown at the entrance to the Meeting venue.

Dividend

The Board of Directors propose a dividend of SEK 6.00 (8.25) per share for the 2019 financial year. The proposal is equivalent to a regular dividend payout totalling SEK 2,458 M (3,373). The Board proposes April 1 as the record date for the dividend. Provided that the Meeting approves this proposal, the dividend is expected to be distributed by Euroclear AB on April 4, 2019.

The total dividend amount may change by the record date, depending on repurchases of shares and transfers of shares to participants in the company's long-term employee ownership programs.

Investors

Calendar
The Skanska Group's interim reports will be published on the following dates:

Three Month Report
April 26, 2019

Six Month Report
July 24, 2019

Nine Month Report
November 7, 2019

Year-end Report
February 7, 2020

Distribution and other information
The interim reports and the Annual Report can be read or downloaded from Skanska's website www.group.skanska.com/investors.

Those wishing to order the printed Annual Report can easily use the order form found on the above website, or contact Skanska AB, Investor Relations.

The website also contains an archive of interim reports and Annual Reports.

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