

## Interim report for the fourth quarter and full-year 2018

### Change process continues with focus on profitability

#### Fourth quarter

- Orders received amounted to SEK 17,750 M (16,223)
- Net sales totaled SEK 17,832 M (16,273).
- The result after financial items totaled SEK 229 M (-65).
- The result after tax amounted to SEK 160 M (-4)
- Earnings per share after dilution were SEK 1.47 (-0.04)

#### Full-year 2018

- Orders received amounted to SEK 61,842 M (56,777).
- Net sales totaled SEK 57,346 M (54,441).
- The result after financial items totaled SEK -849 M (983).
- The result after tax amounted to SEK -750 M (877)
- Earnings per share after dilution were SEK -7.00 (8.07)
- The Board proposes a dividend of SEK 4.00 (8.00) per share for 2018, divided into two payments (read more on page 11).

| Group, SEK M                              | 2018      | 2017      | 2018      | 2017      |
|---|-----------|-----------|-----------|-----------|
|   | Oct.-Dec. | Oct.-Dec. | Jan.-Dec. | Jan.-Dec. |
| Orders received                           | 17,750    | 16,223    | 61,842    | 56,777    |
| Order backlog                             | 56,837    | 51,734    | 56,837    | 51,734    |
| Net sales                                 | 17,832    | 16,273    | 57,346    | 54,441    |
| Operating profit/loss                     | 256       | -43       | -764      | 1,075     |
| Profit/loss after financial items         | 229       | -65       | -849      | 983       |
| Net profit/loss for the period            | 160       | -4        | -750      | 877       |
| Profit/loss per share after dilution, SEK | 1.47      | -0.04     | -7.00     | 8.07      |
| Cashflow before financing                 | 1,942     | 1,244     | -1,157    | 1,361     |
| Net cash +/-net indebtedness -            | -3,045    | -149      | -3,045    | -149      |

For definitions of key figures, see [www.ncc.group/Investor-relations/Financialdata/Financial-definitions](http://www.ncc.group/Investor-relations/Financialdata/Financial-definitions)

Comparative figures for NCC Building Sweden, NCC Building Nordics and NCC Infrastructure have been recalculated due to the introduction of new accounting policies according to IFRS 15, also refer to Note 1 Accounting Policies

## CEO Tomas Carlsson comments

At the Capital Markets Day in October, we presented an action plan aimed at strengthening profitability. During the fourth quarter, we took steps to create a basis for a strong future for NCC. For example, we divested a number of development properties and the ViaSafe business, which was part of NCC Road Service. The sale of the remaining parts of Road Service is proceeding according to plan.

The conditions are generally favorable in our markets, with the exception of housing in Sweden and Denmark. The economies in the Nordic countries are stable. NCC has offset lower orders for housing by securing a higher level of orders for such projects as public-sector buildings and offices. Similar to earlier quarters in 2018, orders received in the fourth quarter were at a high level. We added to the order backlog during the year, which was SEK 5 billion higher at December 31 compared with the corresponding date a year earlier.

The result after financial items was SEK 229 M (-65) in the fourth quarter. The result was charged with SEK 152 M of the additional restructuring costs of approximately SEK 200 M, which were announced in the previous quarter. Cash flow before financing improved in the fourth quarter compared with the preceding year.

Earnings for the construction and civil engineering operations were impacted by the revaluations of the project portfolio implemented in the third quarter and, in combination with a cautious recognition of profit, this yielded low profitability for the full year.

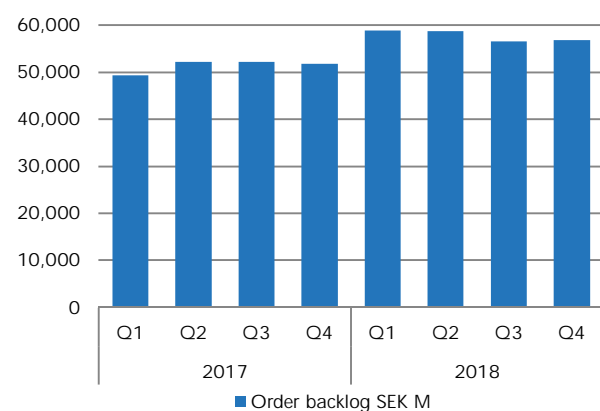
The NCC Industry and NCC Property Development business areas improved their quarterly earnings compared with the preceding year. More development projects recognized in profit and land sales supported higher earnings from the property development business. We also commenced construction on four new property projects, of which two were large projects in Sweden: Kineum in Gothenburg and Bromma Blocks in Stockholm.

For the full year, the result after financial items was SEK - 849 M (983). The negative figure is mainly attributable to the provisions, revaluations and impairments totaling SEK 1,565 M made in the third quarter.

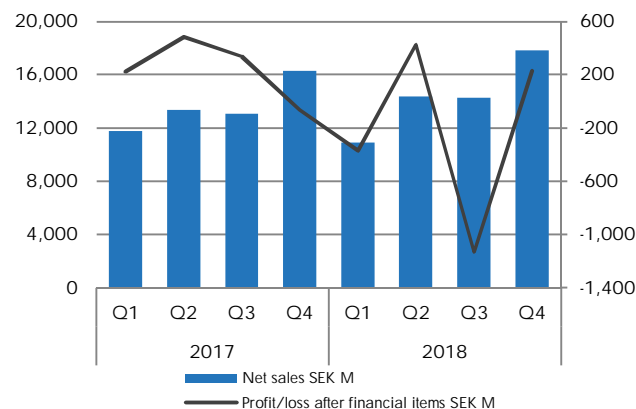
The core of NCC is strong. About two-thirds of the Group is performing well. We have successful operations in all countries and business areas, but we also have a number of operations that are not. We will further increase our focus on and proximity to our projects. We will be more meticulous in how we select projects, how we approach and implement them, and how we manage risk. We're on the right path. However, much work remains to be done and it will take time before the measures will have full effect.

Tomas Carlsson, President and CEO  
Solna, January 29, 2019

Order backlog



Net sales and result after financial items



# Group performance

## Fourth quarter and full-year 2018

### Market

The market conditions in 2018 were generally good. The economies in the Nordic countries are stable.

In the construction sector, a changed demography and expanding cities are driving the demand for schools, hospitals and homes for the elderly. Demand for newly produced housing has weakened from a high level in Sweden and toward the end of the year also in Denmark. The market for refurbishment is favorable in Denmark and Finland.

Public-sector infrastructure initiatives are fueling the Nordic infrastructure market and generating strong growth in Norway and Sweden. The share of major projects in excess of SEK 100 M is increasing.

In the industrial segment, a strong civil engineering market is driving demand for asphalt and stone materials in Norway and Sweden.

Low yield requirements from investors and high demand for modern and sustainable new premises provide favorable market conditions in the Nordic property market.

### Orders received and order backlog

Orders received amounted to SEK 17,750 M (16,223) in the fourth quarter and to SEK 61,842 M (56,777) for full-year 2018. The increase in orders received for the year is mainly attributable to NCC Infrastructure and NCC Building Nordics. Changes in exchange rates increased orders received by SEK 1,067 M (282) in 2018.

The Group's order backlog was SEK 56,837 M (51,734) at year-end, an increase that is mainly due to higher orders received in NCC Infrastructure and NCC Building Nordics in the first quarter. Changes in exchange rates increased the order backlog by SEK 542 M (144).

### Net sales and earnings

Net sales amounted to SEK 17,832 M (16,273) in the fourth quarter and to SEK 57,346 M (54,441) for full-year 2018. The higher net sales in the fourth quarter were mainly driven by NCC Property Development, which recognized projects in profit and carried out land sales. Changes in exchange rates increased net sales by SEK 1,077 M (309) in 2018.

NCC's operating result was SEK 256 M (-43) for the fourth quarter and SEK -764 M (1,075) for full-year 2018. Of the additional restructuring costs totaling SEK 200 M announced in the third quarter, SEK 152 M impacted earnings in the fourth quarter. The fourth quarter of 2017 was charged with SEK 75 M in restructuring costs. The higher operating result in the fourth quarter was mainly driven by transactions in NCC Property Development. The negative full-year result is mainly explained by the provisions, revaluations and impairments carried out in the third quarter.

Net financial items for full-year 2018 amounted to SEK -85 M (-91). Interest rate effects on loans and investments, lower credit margins and higher capitalization of interest rates for NCC Property Development had a positive effect, although this was offset by increased costs due to higher net debt during the year.

### Cash flow

Cash flow from operating activities was SEK -375 M (2,158) for full-year 2018. The deterioration was primarily the result of a lower operational result, increased investments in development properties and a lower result from the sale of property projects. The revaluations carried out during the year that adversely impacted earnings did not affect cash flow for the period. Total cash and cash equivalents at the end of the period amounted to SEK 1,269 M (3,104).

The Group's net debt at December 31 amounted to SEK -3,045 M (-149). The change was mainly the result of lower cash flow and higher pension debt.

|  | 2018<br>Jan.-Dec. | 2017<br>Jan.-Dec. |
|--|-------------------|-------------------|
| Net debt, SEK M  |                   |                   |
| Net debt, opening balance                                  | -149              | -222              |
| - Cash flow from operating activities                      | -375              | 2,158             |
| - Cash flow from investing activities                      | -782              | -797              |
| Cash flow before financing                                 | -1,157            | 1,361             |
| Acquisition/Sale of treasury shares                        | -11               | -4                |
| Change of provisions for pensions                          | -872              | -399              |
| Currency exchange differences in cash and cash equivalents | 8                 | -20               |
| Paid dividend  | -864              | -865              |
| Net cash + /net debt - closing balance                     | -3,045            | -149              |
| - Whereof provisions for pensions                          | -2,279            | -1,407            |
| - Net debt excluding provisions for pensions               | -766              | 1,258             |

The Group's total assets at December 31 amounted to SEK 27,001 M (27,018).

The average maturity period for interest-bearing liabilities, excluding pension debt according to IAS 19, was 34 months (34) at year-end. At December 31, 2018, NCC's unutilized committed lines of credit totaled SEK 3.6 billion (3.5), with an average remaining maturity of 33 (44) months.

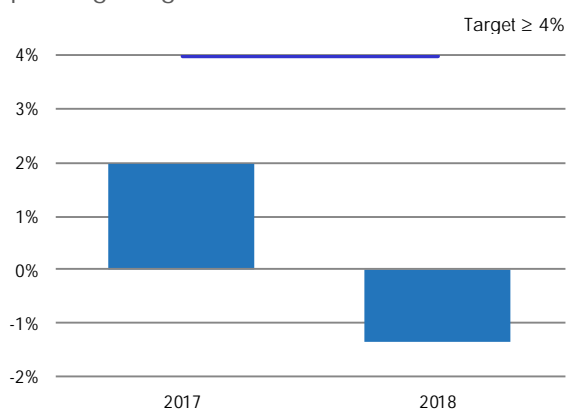
#### Capital employed

The capital employed at December 31 amounted to SEK 7,619 M (9,174), a decrease mainly due to higher interest-free debt. The return on capital employed was -9 percent (12) in the fourth quarter.

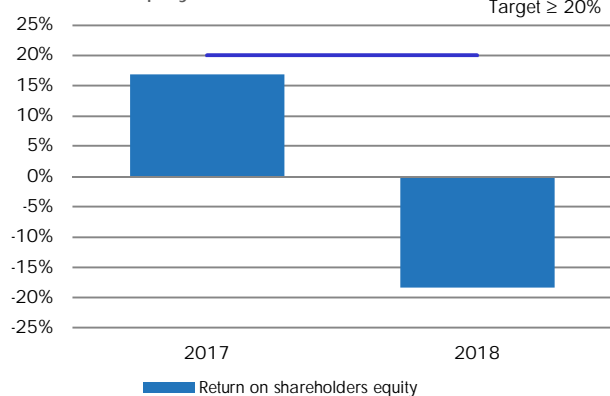
#### Financial objectives

On October 15, the Board of Directors resolved to reduce the number of objectives for the Group to give greater clarity and focus on profitability ahead of volume. The decided objectives and the dividend policy remain unchanged and are as follows: return on equity  $\geq 20\%$ , operating margin  $\geq 4\%$ , net debt  $< 2.5$  times EBITDA. Dividend policy: The Group's dividend policy is to distribute at least 40% of after-tax profit for the year. The financial objectives for the business areas are unchanged.

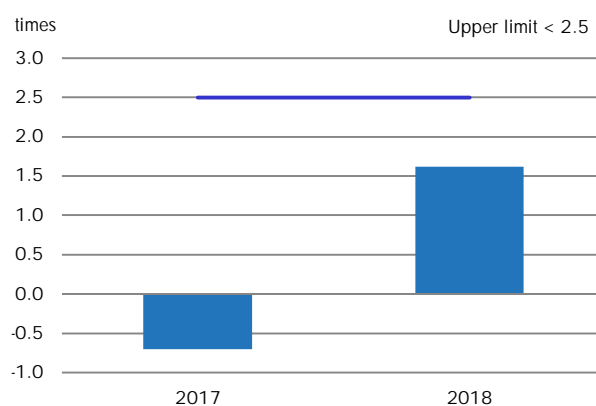
#### Operating margin



#### Return on equity



#### Net debt/EBITDA

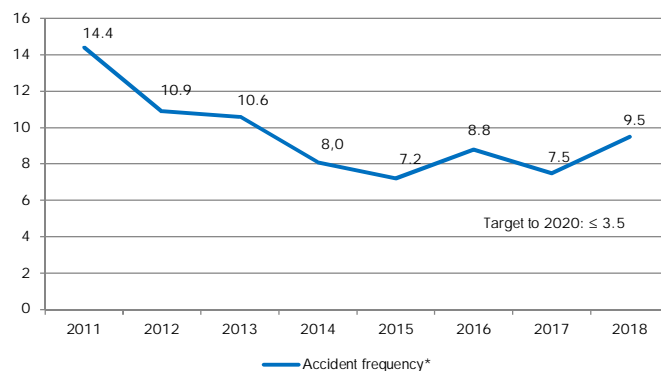


Net debt excludes pension liabilities. EBITDA refers to operating profit according to the income statement, with reversal of depreciation and write-downs according to note 2 and 3.

#### Safety

Safety has a high priority and NCC has a zero vision with respect to worksite accidents. NCC's target is for the accident frequency rate\* to be less than 3.5 in 2020. On a rolling 12-month basis, the accident frequency rate increased during the fourth quarter of 2018 compared with the corresponding period in 2017. No fatal accidents occurred in 2018. The most common injuries in 2018 were cuts, sprains, strains and fractures. The accident rate rose in all business areas except for NCC Building Sweden. Minor injuries were the main cause of the increase.

#### Accident frequency



\*Accident frequency: Worksite accidents resulting in several days of absence from work per million worked hours.

# NCC Infrastructure

## Fourth quarter and full-year 2018

### Orders received and order backlog

While orders received by NCC Infrastructure fell to SEK 5,796 M (6,559) in the fourth quarter, the full-year 2018 figure increased to SEK 21,271 M (19,278). The lower orders received in the fourth quarter was mainly attributable to the registration of the Korsvägen project (SEK 2.3 billion) among orders in the final quarter of 2017. Higher order intake in the Civil Engineering Norway division was behind the increase in orders received during the year. The order backlog increased to SEK 21,037 M (16,713) at the end of the year.

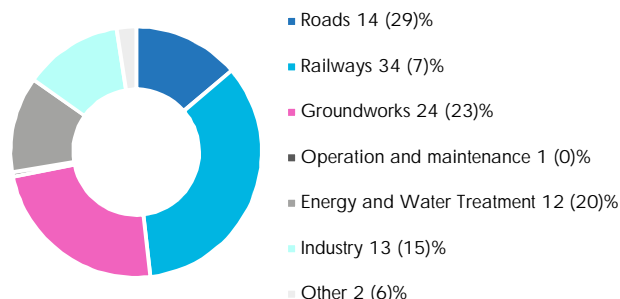
### Net sales and earnings

Net sales amounted to SEK 5,134 M (5,234) in the quarter and to SEK 16,936 M (15,750) for full-year 2018. Higher sales in the period were mainly the result of a high level of activity in a number of major projects in the Civil Engineering Sweden division.

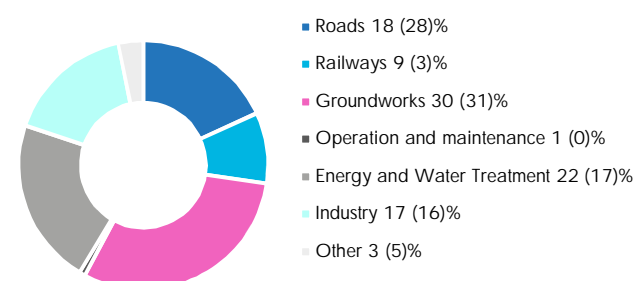
The operating result amounted to SEK -144 M (-64) in the quarter and SEK -698 M (-122) for full-year 2018. The operating result in the fourth quarter was charged with restructuring costs, as announced earlier, of about SEK 49 M. In addition to weak earnings from the project business, the result in the fourth quarter was impacted by increased zero recognition, meaning no recognition of earnings in early-stage projects where the risks in these projects are difficult to assess. The operating result in 2018 was lower in all divisions, with Civil Engineering Norway recording the largest decline. Much of the deterioration is attributable to the revaluations carried out in the third quarter.

### Product mix

#### Orders received Jan-Dec



#### Net sales Jan-Dec



| NCC Infrastructure, SEK M         | 2018      | 2017      | 2018      | 2017      |
|-----------------------------------|-----------|-----------|-----------|-----------|
|                                   | Oct.-Dec. | Oct.-Dec. | Jan.-Dec. | Jan.-Dec. |
| Orders received                   | 5,796     | 6,559     | 21,271    | 19,278    |
| Order backlog                     | 21,037    | 16,713    | 21,037    | 16,713    |
| Net sales                         | 5,134     | 5,234     | 16,936    | 15,750    |
| Operating profit/loss             | -144      | -64       | -698      | -122      |
| <b>Financial target:</b>          |           |           |           |           |
| Operating margin, % <sup>1)</sup> | -2.8      | -1.2      | -4.1      | -0.8      |

<sup>1)</sup> Target: operating margin  $\geq$  3.5%

A decision has been taken to divest the Road Service operation and accordingly, the division is presented separately from the fourth quarter of 2018. ViaSafe, a part of NCC Road Service, was divested in the fourth quarter.

| NCC Roads Service, SEK M            | 2018      | 2017      | 2018      | 2017      |
|-------------------------------------|-----------|-----------|-----------|-----------|
|                                     | Oct.-Dec. | Oct.-Dec. | Jan.-Dec. | Jan.-Dec. |
| Orders received                     | 424       | 531       | 3,609     | 2,450     |
| Order backlog                       | 3,749     | 2,969     | 3,749     | 2,969     |
| Net sales                           | 858       | 881       | 2,855     | 2,741     |
| Operating profit/loss <sup>1)</sup> | -6        | -73       | -296      | -76       |

<sup>1)</sup> Restructuring costs are charged to earnings by SEK 8 M (0).

# NCC Building Sweden

## Fourth quarter and full-year 2018

### Orders received and order backlog

Orders received increased to SEK 5,893 M (3,032) in the fourth quarter and to SEK 15,075 M (15,710) for full-year 2018. The increase in orders received in the fourth quarter was mainly due to a higher number of large projects.

Orders received for housing units declined during the quarter.

The order backlog decreased to SEK 18,709 M (19,340) at the end of the year.

### Net sales and earnings

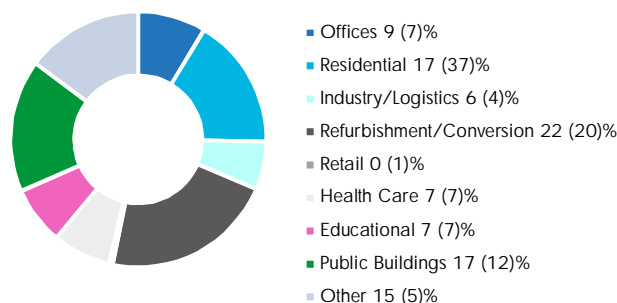
Net sales amounted to SEK 4,614 M (4,473) in the fourth quarter and to SEK 15,701 M (14,178) for full-year 2018.

The increase for the quarter and full year was the result of a higher work-up rate in a number of major projects.

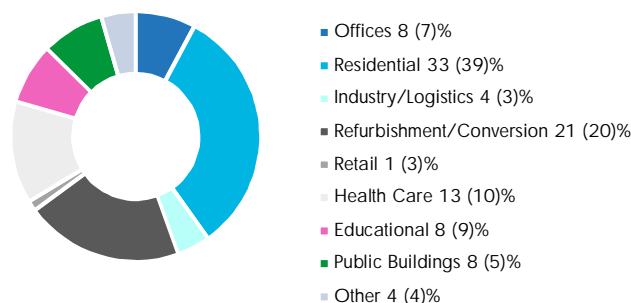
The operating result was SEK 109 M (186) in the fourth quarter and SEK 453 M (489) for full-year 2018. The operating result was charged with higher revaluations than in the preceding year, with most of the project adjustments impacting the third quarter but also to a certain extent the fourth quarter.

### Product mix

#### Orders received Jan-Dec



#### Net sales Jan-Dec



| NCC Building Sweden, SEK M        | 2018      |           | 2017      |           |
|-----------------------------------|-----------|-----------|-----------|-----------|
|                                   | Oct.-Dec. | Oct.-Dec. | Jan.-Dec. | Jan.-Dec. |
| Orders received                   | 5,893     | 3,032     | 15,075    | 15,710    |
| Order backlog                     | 18,709    | 19,340    | 18,709    | 19,340    |
| Net sales                         | 4,614     | 4,473     | 15,701    | 14,178    |
| Operating profit/loss             | 109       | 186       | 453       | 489       |
| <b>Financial target:</b>          |           |           |           |           |
| Operating margin, % <sup>1)</sup> | 2.4       | 4.2       | 2.9       | 3.4       |

<sup>1)</sup> Target: operating margin  $\geq$  3.5%

# NCC Building Nordics

## Fourth quarter and full-year 2018

### Orders received and order backlog

Orders received amounted to SEK 3,477 M (3,648) in the fourth quarter and to SEK 11,229 M (9,251) for full-year 2018. The decline in the fourth quarter is primarily attributable to lower orders received in both Norway and Denmark, while orders received in Finland increased compared with the year-earlier period. The increase in orders received for the full year was mainly attributable to Finland. Orders received remained strong for the refurbishment segment in the quarter and the largest segment for the full year.

The order backlog amounted to SEK 11,313 M (10,288) at year-end.

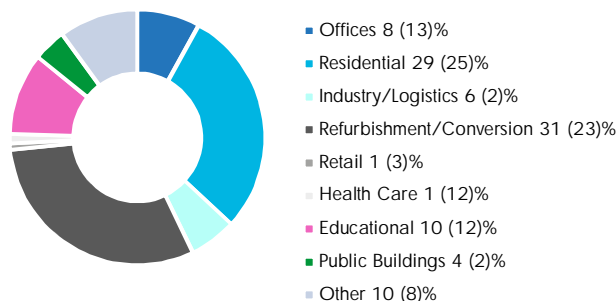
### Net sales and earnings

Net sales increased to SEK 3,162 M (3,065) in the fourth quarter and to SEK 10,753 M (10,444) for full-year 2018. The increase for both the quarter and the full year was attributable to Denmark.

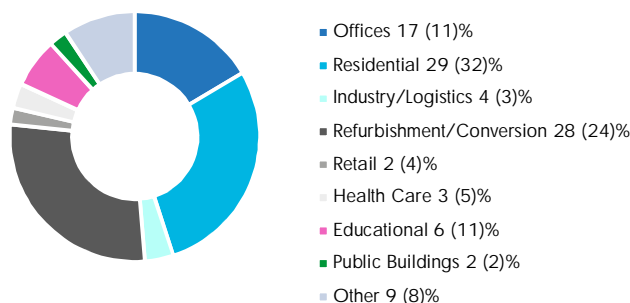
The operating result was SEK -78 M (-11) for the fourth quarter and SEK -227 M (-79) for full-year 2018. The result for the quarter was lower year on year, due mainly to previously announced restructuring costs of SEK 95 M and weak underlying operations, primarily in Norway. Both Finland and Denmark reported a positive operating profit in the quarter. The operating result for the full year was negative, impacted by revaluations in the third quarter.

### Product mix

#### Orders received Jan-Dec



#### Net sales Jan-Dec



| NCC Building Nordics, SEK M       | 2018      | 2017      | 2018      | 2017      |
|-----------------------------------|-----------|-----------|-----------|-----------|
|                                   | Oct.-Dec. | Oct.-Dec. | Jan.-Dec. | Jan.-Dec. |
| Orders received                   | 3,477     | 3,648     | 11,229    | 9,251     |
| Order backlog                     | 11,313    | 10,288    | 11,313    | 10,288    |
| Net sales                         | 3,162     | 3,065     | 10,753    | 10,444    |
| Operating profit/loss             | -78       | -11       | -227      | -79       |
| <b>Financial target:</b>          |           |           |           |           |
| Operating margin, % <sup>1)</sup> | -2.5      | -0.4      | -2.1      | -0.8      |

<sup>1)</sup> Target: operating margin  $\geq$  3.5%

# NCC Industry

## Fourth quarter and full-year 2018

### Net sales and earnings

Net sales increased to SEK 3,876 M (3,839) in the fourth quarter and to SEK 12,968 M (12,393) for full-year 2018. The increase was due to higher sales in the asphalt operations, but also a high level of activity in the Danish and Swedish stone materials operations. The higher sales in the asphalt operations were largely the result of higher asphalt prices, driven by higher bitumen and energy costs.

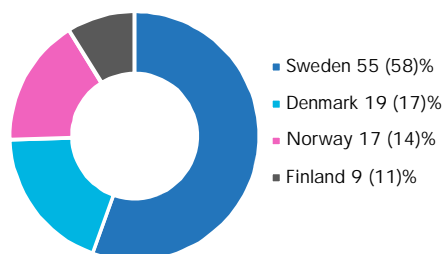
The operating result was SEK 155 M (142) in the fourth quarter and SEK 350 M (577) for full-year 2018. The result for the quarter improved year on year, primarily due to the Danish asphalt operations being charged with impairments for projects in the fourth quarter of 2017. Annual results in all divisions were lower than in the preceding year. The asphalt operations in Sweden and Norway improved their results, while Finland and Denmark's results declined due to intensified competition. The stone materials operations' results were at a healthy level, excluding revaluations. The results in foundation engineering were impacted not only by revaluations in the third quarter, but also by lower sales in Sweden.

### Capital employed

Capital employed increased as a result of higher investments and increased working capital and amounted to SEK 4.9 billion.

### Geographical breakdown

#### Net sales Jan-Dec



| NCC Industry, SEK M                         | 2018      | 2017      | 2018      | 2017      |
|---|-----------|-----------|-----------|-----------|
|   | Oct.-Dec. | Oct.-Dec. | Jan.-Dec. | Jan.-Dec. |
| Orders received                             | 3,058     | 3,077     | 12,943    | 12,522    |
| Order backlog                               | 3,092     | 3,059     | 3,092     | 3,059     |
| Net sales                                   | 3,876     | 3,839     | 12,968    | 12,393    |
| Operating profit/loss                       | 155       | 142       | 350       | 577       |
| Capital employed                            | 4,902     | 4,400     | 4,902     | 4,400     |
| Stone materials, tons <sup>1)</sup>         | 7,539     | 8,822     | 29,275    | 31,298    |
| Asphalt, tons <sup>1)</sup>                 | 1,788     | 1,797     | 6,415     | 6,509     |
| <b>Financial targets:</b>                   |           |           |           |           |
| Operating margin, % <sup>2)</sup>           | 4.0       | 3.7       | 2.7       | 4.7       |
| Return on capital employed, % <sup>3)</sup> |           |           | 7.1       | 13.1      |

1) Sold volume

2) Target: operating margin  $\geq$  4%

3) Target: return on capital employed  $\geq$  10%



# NCC Property Development

## Fourth quarter and full-year 2018

### Net sales and earnings

Net sales amounted to SEK 1,361 M (42) in the fourth quarter and to SEK 2,157 M (2,567) for full-year 2018. Four projects were recognized in profit in the fourth quarter: the Fredriksberg 1 office project and the Laajasalo 1 retail project in Finland, the Frederiks Plads 1 office project in Denmark and the Stavanger Business Park office project in Norway. No projects were recognized in profit in the fourth quarter of 2017. Nine (five) projects were recognized in profit for the full year. Land sales made a positive contribution to earnings in the quarter.

The operating result was SEK 144 M (-48) in the fourth quarter and SEK -181 M (601) for full-year 2018. The operating result for the full year was affected by the revaluation of development properties in Norway, Denmark and Finland with an amount of SEK 363 M as a result of the decision in the third quarter to discontinue these. The sales prices for Stavanger Business Park was SEK 39 M higher than the impaired carrying amount.

### Property projects

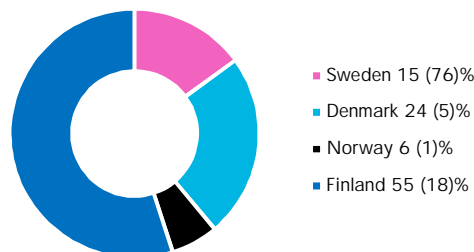
Four projects were recognized in profit in the fourth quarter. Four projects started construction during the period: the Fredriksberg B and Fredriksberg C office projects in Finland, and Kineum Gårda and Bromma Blocks in Sweden.

Leasing in the full-year 2018 totaled 71,200 square meters (69,700), of which 53,500 (29,200) in the fourth quarter.

At the end of the fourth quarter 18 (22) projects were either ongoing or completed but not yet recognized in profit. The costs incurred in all projects amounted to SEK 2.7 billion (2.4), corresponding to a completion rate of 35 (45) percent. The leasing rate was 49 (60) percent. The operating net was SEK 38 M (50) for the full year and SEK 5 M (10) for the fourth quarter.

### Geographical breakdown

#### Net sales Jan-Dec



### Capital employed

Capital employed totaled SEK 4.3 billion at the end of the quarter, which is a decline of SEK 0.1 billion, compared with the third quarter.

| NCC Property Development, SEK M             | 2018      | 2017      | 2018      | 2017      |
|---|-----------|-----------|-----------|-----------|
|   | Oct.-Dec. | Oct.-Dec. | Jan.-Dec. | Jan.-Dec. |
| Net sales                                   | 1,361     | 42        | 2,157     | 2,567     |
| Operating profit/loss                       | 144       | -48       | -181      | 601       |
| Capital employed                            | 4,314     | 4,086     | 4,314     | 4,086     |
| <b>Financial targets:</b>                   |           |           |           |           |
| Operating margin, % <sup>1)</sup>           | 10.6      | neg       | -8.4      | 23.4      |
| Return on capital employed, % <sup>2)</sup> |           |           | -3.9      | 15.7      |

1) Target: operating margin  $\geq$  10%

2) Target: return on capital employed  $\geq$  10%

# NCC Property Development

Property development projects as of 2018-12-31 <sup>1)</sup>

## Ongoing Property development projects

| Project              | Type   | Location   | Sold, estimated recognition in profit | Completion ratio, % | Lettable area (sqm) | Letting ratio, % |
|----------------------|--------|------------|---------------------------------------|---------------------|---------------------|------------------|
| Flintholm 2          | Office | Copenhagen |                                       | 59                  | 9,300               | 100              |
| Skejby CH Alfa       | Office | Århus      | Q1 2019                               | 72                  | 6,300               | 36               |
| Zleep Hotel          | Other  | Århus      | Q2 2019                               | 59                  | 3,200               | 100              |
| CH Vallensbæk 4.2    | Other  | Vallensbæk |                                       | 33                  | 4,500               | 25               |
| <b>Total Denmark</b> |        |            |                                       | <b>58</b>           | <b>23,300</b>       | <b>71</b>        |
| Fredriksberg B       | Office | Helsinki   |                                       | 2                   | 6,700               | 0                |
| Fredriksberg C       | Office | Helsinki   |                                       | 2                   | 4,300               | 0                |
| <b>Total Finland</b> |        |            |                                       | <b>2</b>            | <b>11,000</b>       | <b>0</b>         |
| Lysaker PP11         | Office | Bærum      | Q1 2019                               | 85                  | 6,700               | 77               |
| Valle 1              | Office | Oslo       |                                       | 63                  | 7,700               | 42               |
| <b>Total Norway</b>  |        |            |                                       | <b>75</b>           | <b>14,400</b>       | <b>59</b>        |
| Kineum Gårda         | Office | Gothenburg | <sup>2)</sup>                         | 2                   | 21,300              | 69               |
| K11                  | Office | Solna      |                                       | 52                  | 12,000              | 2                |
| K12                  | Office | Solna      |                                       | 54                  | 21,700              | 94               |
| Multihuset           | Other  | Malmö      |                                       | 66                  | 19,700              | 59               |
| Bromma Blocks        | Office | Stockholm  |                                       | 15                  | 51,600              | 31               |
| <b>Total Sweden</b>  |        |            |                                       | <b>27</b>           | <b>126,300</b>      | <b>48</b>        |
| <b>Total</b>         |        |            |                                       | <b>32</b>           | <b>175,000</b>      | <b>48</b>        |

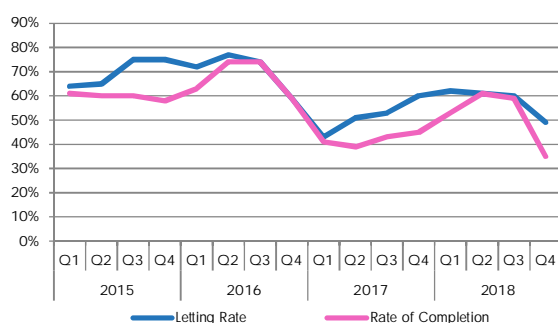
## Completed Property development projects

| Project              | Type      | Location     | Sold, estimated recognition in profit | Lettable area (sqm) | Letting ratio, % |
|----------------------|-----------|--------------|---------------------------------------|---------------------|------------------|
| Roskildevej          | Retail    | Taastrup     |                                       | 4,000               | 100              |
| Kolding Retailpark   | Retail    | Kolding      |                                       | 3,000               | 24               |
| Viborg Retail II+III | Retail    | Viborg       |                                       | 900                 | 0                |
| CH Vallensbæk 4.1    | Office    | Vallensbæk   |                                       | 6,100               | 40               |
| <b>Total Denmark</b> |           |              |                                       | <b>14,000</b>       | <b>49%</b>       |
| Brunna 4             | Logistics | Upplands Bro |                                       | 11,600              | 100              |
| <b>Total Sweden</b>  |           |              |                                       | <b>11,600</b>       | <b>100</b>       |
| <b>Total</b>         |           |              |                                       | <b>25,600</b>       | <b>65</b>        |

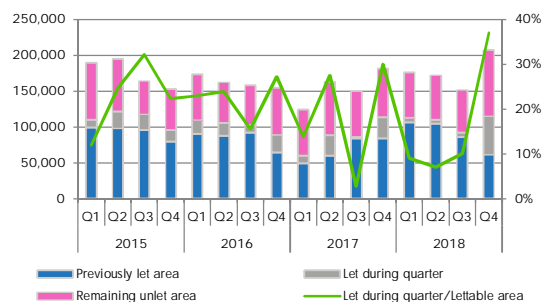
1) The table refers to ongoing or completed property projects that have not yet been recognized as revenue. In addition to these projects, NCC also focuses on rental (rental guarantees / additional purchase) in nine previously sold and revenue recognized property projects, a maximum of approximately 50 MSEK.

2) The project comprises rentable area of an existing building of approximately 16,000 square meters and an additional building right about 30,000 square meters of office space. The project is carried out together with Platzer, a Swedish listed real estate company, in a half-owned company. The information in the table refers to NCC's share of the project.

## Property projects



## Leasing



## Other

### Significant risks and uncertainties

An account of the risks to which NCC may be exposed is presented in the 2017 Annual Report (pages 46–47). This description remains relevant.

### Related-party transactions

Related parties are the Nordstjernen Group (including the associated company Bonava), NCC's subsidiaries, associated companies and joint arrangements. Related-party transactions were of a production nature. Related-company sales during the fourth quarter amounted to SEK 369 M (633) and purchases to SEK 0 M (61). Related-company sales for the full-year January-December period amounted to SEK 1,773 M (2,924) and purchases to SEK 21 M (224).

### Seasonal effects

NCC Industry's operations and certain operations in NCC Building and NCC Infrastructure are impacted by seasonal variations due to cold weather. Earnings in the first quarter are normally weaker than the rest of the year.

### Repurchase of shares

NCC AB holds 402,050 Series B treasury shares to meet its obligations pursuant to long-term incentive programs.

### New accounting policies

NCC is applying IFRS 15 Revenue from Contracts with Customers and IFRS 9 Financial Instruments effective January 1, 2018. Read more on page 17.

### Proposed dividend

The Board's proposal for the 2018 fiscal year is that a dividend of SEK 4.00 (8.00) be paid per share, divided between two payment occasions. The proposed record dates are April 11, 2019 for the first payment of SEK 2.00 and November 5, 2019 for the second payment of SEK 2.00.

### Annual General Meeting (AGM)

NCC's Annual General Meeting (AGM) will be held at Norra Latin, Drottninggatan 71 B in Stockholm on April 9, 2019. The Meeting will open at 4:30 p.m. A notice convening the AGM will be published in Post- och Inrikes Tidningar, and will be posted on NCC's website [www.ncc.se](http://www.ncc.se) on March 8. Confirmation of the notice convening the AGM will be announced in Dagens Nyheter and Svenska Dagbladet. Motions for resolution by the AGM from the Board and the Nomination Committee will be available on the website, where it will also be possible to register for the AGM.

### Changes in the business area structure

The NCC Building business area was split into two new business areas on October 1: NCC Building Sweden, with Henrik Landelius as Business Area Manager, and NCC Building Nordics, with Klaus Kaae as Business Area Manager.

### Changes in the Executive Team

Susanne Lithander took office as CFO of NCC on November 12 and Ylva Lageson took office as Head of Development and Operations Services on October 8.

### The Executive Team comprises:

- Tomas Carlsson, President and CEO
- Susanne Lithander, CFO
- Ylva Lageson, Head of Development and Operations Services
- Kenneth Nilsson, Head of NCC Infrastructure
- Klaus Kaae, Head of NCC Building Nordics
- Henrik Landelius, Head of Building Sweden
- Carola Lavén, Head of NCC Property Development
- Jyri Salonen, Head of NCC Industry

### Events after year-end

NCC's Nomination Committee proposes that the Board of Directors, insofar as it is elected by the Annual General Meeting, comprise eight members with no deputies. The Nomination Committee proposes election of new Board member Alf Göransson and reelection of the following Board members: Chairman Tomas Billing (member since 1999, Chairman since 2001), Geir Aarstad (member since 2017), Viveca Ax:son Johnson (member since 2014), Mats Jönsson (member since 2017), Angela Langemar Olsson (member since 2018), Ulla Litzén (member since 2008) and Birgit Nørgaard (member since 2017). Carina Edblad has declined re-election.

Carola Lavén will leave the position as the head of NCC's Property Development business area to become the Deputy CEO and Investment Director at real estate company Castellum. Carola Lavén will continue in her current position until July 22 at the latest. The process of recruiting her successor has started.

### Reporting occasions

|                              |                               |
|------------------------------|-------------------------------|
| 2018 Annual Report           | week beginning March 11, 2019 |
| 2019 Annual General Meeting  | April 9, 2019                 |
| Interim report, Jan-Mar 2019 | April 29, 2019                |
| Interim report, Jan-Jun 2019 | July 19, 2019                 |
| Interim report, Jan-Sep 2019 | October 28, 2019              |
| Interim report Jan-Dec 2019  | January 2020                  |

### Signatures

Solna, January 29, 2019

Tomas Carlsson  
President and CEO

This report is unaudited.

## Condensed consolidated income statement

| SEK M  | Note 1    | 2018         | 2017       | 2018         | 2017         |
|--|-----------|--------------|------------|--------------|--------------|
|  |           | Oct.-Dec.    | Oct.-Dec.  | Jan.-Dec.    | Jan.-Dec.    |
| Net sales  |           | 17,832       | 16,273     | 57,346       | 54,441       |
| Production costs   | Note 2, 3 | -16,785      | -15,417    | -55,205      | -50,460      |
| <b>Gross profit</b>  |           | <b>1,047</b> | <b>856</b> | <b>2,140</b> | <b>3,981</b> |
| Selling and administrative expenses  | Note 2, 3 | -799         | -916       | -2,875       | -2,933       |
| Other operating income/expenses  | Note 3    | 8            | 16         | -29          | 26           |
| <b>Operating profit/loss</b>   |           | <b>256</b>   | <b>-43</b> | <b>-764</b>  | <b>1,075</b> |
| Financial income   |           |              | 11         | 36           | 39           |
| Financial expense <sup>1)</sup>  |           | -27          | -32        | -121         | -130         |
| <b>Net financial items</b>   |           | <b>-27</b>   | <b>-21</b> | <b>-85</b>   | <b>-91</b>   |
| <b>Profit/loss after financial items</b>   |           | <b>229</b>   | <b>-65</b> | <b>-849</b>  | <b>983</b>   |
| Tax  |           | -69          | 61         | 99           | -106         |
| <b>Net profit/ loss</b>  |           | <b>160</b>   | <b>-4</b>  | <b>-750</b>  | <b>877</b>   |
| <b>Attributable to:</b>  |           |              |            |              |              |
| NCC 's shareholders  |           | 160          | -5         | -756         | 872          |
| Non-controlling interests  |           |              | 1          | 6            | 5            |
| <b>Net profit/loss for the period</b>  |           | <b>160</b>   | <b>-4</b>  | <b>-750</b>  | <b>877</b>   |
| <b>Earnings per share</b>  |           |              |            |              |              |
| Before and after dilution  |           |              |            |              |              |
| Net profit/loss for the period, SEK  |           | 1.47         | -0.04      | -7.00        | 8.07         |
| <b>Number of shares, millions</b>  |           |              |            |              |              |
| Total number of issued shares  |           | 108.4        | 108.4      | 108.4        | 108.4        |
| Average number of shares outstanding before and after dilution during the period |           | 108.0        | 108.1      | 108.1        | 108.1        |
| Number of shares outstanding at the end of the period                            |           | 108.0        | 108.1      | 108.0        | 108.1        |

<sup>1)</sup> Whereof interest expenses for the period Jan.-Dec.18, amounting to SEK 102 M and for the period Jan.- Dec. 2017 amounting to SEK 107 M.

## Consolidated statement of comprehensive income

| SEK M   | Note 1 | 2018        | 2017       | 2018          | 2017        |
|---|--------|-------------|------------|---------------|-------------|
|   |        | Oct.-Dec.   | Oct.-Dec.  | Jan.-Dec.     | Jan.-Dec.   |
| <b>Net profit/loss for the period</b>   |        | <b>160</b>  | <b>-4</b>  | <b>-750</b>   | <b>877</b>  |
| <b>Items that have been recycled or should be recycled to net profit/loss for the period</b>        |        |             |            |               |             |
| Exchange differences on translating foreign operations  |        | -4          | 26         | 90            | 27          |
| Change in hedging/fair value reserve  |        |             | -5         | -30           | -7          |
| Cash flow hedges  |        | -45         | 11         | -30           | -3          |
| Income tax relating to items that have been or should be recycled to net profit/loss for the period |        | 9           | -1         | 12            | 2           |
|   |        | <b>-40</b>  | <b>31</b>  | <b>41</b>     | <b>19</b>   |
| <b>Items that cannot be recycled to net profit/loss for the period</b>                              |        |             |            |               |             |
| Revaluation of defined benefit pension plans  |        | -379        | 142        | -818          | -250        |
| Income tax relating to items that can not be recycled to net profit/loss for the period             |        | 81          | -31        | 175           | 55          |
|   |        | <b>-298</b> | <b>111</b> | <b>-643</b>   | <b>-195</b> |
| <b>Other comprehensive income</b>   |        | <b>-338</b> | <b>142</b> | <b>-602</b>   | <b>-176</b> |
| <b>Total comprehensive income</b>   |        | <b>-178</b> | <b>138</b> | <b>-1,352</b> | <b>701</b>  |
| <b>Attributable to:</b>   |        |             |            |               |             |
| NCC 's shareholders   |        | -178        | 137        | -1,358        | 696         |
| Non-controlling interests   |        |             | 1          | 6             | 5           |
| <b>Total comprehensive income</b>   |        | <b>-178</b> | <b>138</b> | <b>-1,352</b> | <b>701</b>  |

## Condensed consolidated balance sheet

| SEK M   | Note 1 | 2018<br>Dec. 31 | 2017<br>Dec. 31 |
|---|--------|-----------------|-----------------|
| <b>ASSETS</b>   |        |                 |                 |
| Fixed assets  |        |                 |                 |
| Goodwill  |        | 1,861           | 1,848           |
| Other intangible assets   |        | 339             | 335             |
| Owner-occupied properties                                       |        | 915             | 880             |
| Machinery and equipment   |        | 3,052           | 2,712           |
| Long-term holdings of securities                                |        | 119             | 129             |
| Long-term interest-bearing receivables                          |        | 195             | 575             |
| Other long-term receivables                                     |        | 119             | 26              |
| Deferred tax assets   |        | 531             | 338             |
| <b>Total fixed assets</b>                                       |        | <b>7,133</b>    | <b>6,843</b>    |
| Current assets  |        |                 |                 |
| Properties held for future development                          |        | 1,633           | 1,696           |
| Ongoing property projects                                       |        | 2,292           | 1,039           |
| Completed property projects                                     |        | 308             | 870             |
| Participations in associated companies                          |        | 226             |                 |
| Materials and inventories                                       |        | 902             | 764             |
| Tax receivables   |        | 146             | 241             |
| Accounts receivable   |        | 9,629           | 8,882           |
| Worked-up, non-invoiced revenues                                |        | 1,276           | 1,554           |
| Prepaid expenses and accrued income                             |        | 1,418           | 1,170           |
| Current interest-bearing receivables                            |        | 163             | 167             |
| Other receivables   |        | 608             | 687             |
| Short-term investments <sup>1)</sup>                            |        | 72              | 41              |
| Cash and cash equivalents                                       |        | 1,197           | 3,063           |
| <b>Total current assets</b>                                     |        | <b>19,868</b>   | <b>20,174</b>   |
| <b>Total assets</b>   |        | <b>27,001</b>   | <b>27,018</b>   |
| <b>EQUITY</b>   |        |                 |                 |
| Share capital   |        | 867             | 867             |
| Other capital contributions                                     |        | 1,844           | 1,844           |
| Reserves  |        | -72             | -113            |
| Profit/loss brought forward, including current-year profit/loss |        | 292             | 2,571           |
| <b>Shareholders' equity</b>                                     |        | <b>2,931</b>    | <b>5,168</b>    |
| Non-controlling interests                                       |        | 17              | 12              |
| <b>Total shareholders' equity</b>                               |        | <b>2,948</b>    | <b>5,179</b>    |
| <b>LIABILITIES</b>  |        |                 |                 |
| Long-term liabilities   |        |                 |                 |
| Long-term interest-bearing liabilities                          |        | 1,342           | 1,669           |
| Other long-term liabilities                                     |        | 8               | 54              |
| Provisions for pensions and similar obligations                 |        | 2,279           | 1,407           |
| Deferred tax liabilities  |        | 297             | 438             |
| Other provisions  |        | 2,563           | 1,889           |
| <b>Total long-term liabilities</b>                              |        | <b>6,488</b>    | <b>5,456</b>    |
| Current liabilities   |        |                 |                 |
| Current interest-bearing liabilities                            |        | 1,051           | 919             |
| Accounts payable  |        | 5,164           | 5,179           |
| Tax liabilities   |        |                 | 95              |
| Invoiced revenues not worked-up                                 |        | 6,311           | 5,905           |
| Accrued expenses and prepaid income                             |        | 3,452           | 3,207           |
| Provisions  |        | 68              | 24              |
| Other current liabilities                                       |        | 1,520           | 1,052           |
| <b>Total current liabilities</b>                                |        | <b>17,566</b>   | <b>16,382</b>   |
| <b>Total liabilities</b>  |        | <b>24,054</b>   | <b>21,838</b>   |
| <b>Total shareholders' equity and liabilities</b>               |        | <b>27,001</b>   | <b>27,018</b>   |

<sup>1)</sup> Includes short-term investments with maturities exceeding three months, see also cash-flow statement.

## Condensed changes in shareholders' equity, Group

| SEK M   | Dec. 31, 2018        |                           |                            | Dec. 31, 2017        |                           |                            |
|---|----------------------|---------------------------|----------------------------|----------------------|---------------------------|----------------------------|
|   | Shareholders' equity | Non-controlling interests | Total shareholders' equity | Shareholders' equity | Non-controlling interests | Total shareholders' equity |
| <b>Opening balance, January 1<sup>st</sup></b>  | <b>5,167</b>         | <b>12</b>                 | <b>5,179</b>               | <b>5,553</b>         | <b>13</b>                 | <b>5,566</b>               |
| Adjustment for changed accounting principle:<br>IFRS 15 Income from agreements with customers |                      |                           |                            | -220                 |                           | -220                       |
| <b>Adjusted opening balance, January 1<sup>st</sup></b>                                       | <b>5,167</b>         | <b>12</b>                 | <b>5,179</b>               | <b>5,334</b>         | <b>13</b>                 | <b>5,346</b>               |
| Total comprehensive income  | -1,358               | 6                         | -1,352                     | 696                  | 5                         | 701                        |
| Dividend  | -864                 |                           | -864                       | -865                 | -6                        | -871                       |
| Sale/Acquisition of treasury shares   | -11                  |                           | -11                        | -4                   |                           | -4                         |
| Performance based incentive program   | -4                   |                           | -4                         | 5                    |                           | 5                          |
| <b>Closing balance</b>  | <b>2,931</b>         | <b>17</b>                 | <b>2,948</b>               | <b>5,168</b>         | <b>12</b>                 | <b>5,179</b>               |

If the principles for accounting for pensions, IAS19, applied before 1 January 2013, had been used, the equity would have been SEK 2,817 M higher and net debt SEK 2,279 M lower at December 31 2018.

## Condensed consolidated cash flow statement

| SEK M  | Note   | 2018         | 2017         | 2018          | 2017          |
|--|--------|--------------|--------------|---------------|---------------|
|  |        | Oct.-Dec.    | Oct.-Dec.    | Jan.-Dec.     | Jan.-Dec.     |
| <b>OPERATING ACTIVITIES</b>  |        |              |              |               |               |
| Profit / loss after financial items  |        | 229          | -65          | -849          | 983           |
| Adjustments for items not included in cash flow                              |        | 333          | 467          | 1,637         | 1,112         |
| Taxes paid   |        | 242          | -127         | -53           | -432          |
| <b>Cash flow from operating activities before changes in working capital</b> |        | <b>804</b>   | <b>276</b>   | <b>735</b>    | <b>1,664</b>  |
| Divestment of property projects  |        | 851          | 106          | 1,436         | 1,630         |
| Gross investments in property projects                                       |        | -1,072       | -315         | -2,602        | -1,152        |
| Other changes in working capital   |        | 1,477        | 1,416        | 55            | 17            |
| <b>Cash flow from changes in working capital</b>                             |        | <b>1,256</b> | <b>1,206</b> | <b>-1,110</b> | <b>494</b>    |
| <b>Cash flow from operating activities</b>                                   |        | <b>2,060</b> | <b>1,482</b> | <b>-375</b>   | <b>2,158</b>  |
| <b>INVESTING ACTIVITIES</b>  |        |              |              |               |               |
| Acquisition/Sale of subsidiaries and other holdings                          | Note 4 | 60           | -22          | 62            | -95           |
| Acquisition/Sale of tangible fixed assets                                    |        | -171         | -201         | -802          | -645          |
| Acquisition/Sale of other fixed assets                                       |        | -9           | -15          | -42           | -58           |
| <b>Cash flow from investing activities</b>                                   |        | <b>-119</b>  | <b>-238</b>  | <b>-782</b>   | <b>-797</b>   |
| <b>Cash flow before financing</b>  |        | <b>1,942</b> | <b>1,244</b> | <b>-1,157</b> | <b>1,361</b>  |
| <b>FINANCING ACTIVITIES</b>  |        |              |              |               |               |
| <b>Cash flow from financing activities <sup>1)</sup></b>                     |        | <b>-1303</b> | <b>-606</b>  | <b>-717</b>   | <b>-1,392</b> |
| <b>Cash flow during the period</b>   |        | <b>639</b>   | <b>638</b>   | <b>-1,874</b> | <b>-31</b>    |
| <b>Cash and cash equivalents at beginning of period</b>                      |        | <b>585</b>   | <b>2,414</b> | <b>3,063</b>  | <b>3,093</b>  |
| Effects of exchange rate changes on cash and cash equivalents                |        | -29          | 11           | 8             | 1             |
| <b>Cash and cash equivalents at end of period</b>                            |        | <b>1,197</b> | <b>3,063</b> | <b>1,197</b>  | <b>3,063</b>  |
| Short-term investments due later than three months                           |        | 72           | 41           | 72            | 41            |
| <b>Total liquid assets at end of period</b>                                  |        | <b>1,269</b> | <b>3,104</b> | <b>1,269</b>  | <b>3,104</b>  |

<sup>1)</sup> Of the total determined dividend SEK 864 M, SEK 432 M has been paid in April 2018 and SEK 432 M in November 2018.

## Parent Company condensed income statement

| SEK M   | Note 1 | 2018       | 2017       | 2018        | 2017        |
|---|--------|------------|------------|-------------|-------------|
|   |        | Oct.-Dec.  | Oct.-Dec.  | Jan.-Dec.   | Jan.-Dec.   |
| Net sales                                     |        | 61         | 55         | 174         | 188         |
| Selling and administrative expenses           |        | -80        | -132       | -376        | -403        |
| <b>Operating profit</b>                       |        | <b>-19</b> | <b>-77</b> | <b>-202</b> | <b>-215</b> |
| Result from financial investment              |        |            |            |             |             |
| Result from participations in Group companies |        | -20        |            | -208        | 629         |
| Result from other financial fixed assets      |        |            | 11         | 12          | 12          |
| Result from financial current assets          |        | -1         |            |             | 4           |
| Interest expense and similar items            |        | 15         | -5         | -47         | -19         |
| <b>Result after financial items</b>           |        | <b>-25</b> | <b>-70</b> | <b>-445</b> | <b>410</b>  |
| Appropriations                                |        | 545        | 55         | 545         | 582         |
| Tax   |        | -142       | -9         | -101        | -90         |
| <b>Net profit/loss for the period</b>         |        | <b>378</b> | <b>-24</b> | <b>-1</b>   | <b>903</b>  |

The Parent Company consists primarily of head office functions plus a branch in Norway. Net sales pertain to charges to Group companies. The average number of employees was 51 (74). In 2018, earnings were charged with costs for departing personnel in an amount of SEK 33 M. The cost for the quarter was SEK 0 M. Participations in Group companies were also impaired by SEK 21 M during the quarter. Total impairment of shares and participations amount to SEK 644 M for the full-year 2018.

Total approved dividends to shareholders amount to SEK 864 M, of which SEK 432 M was paid in April and SEK 432 M in November 2018.

## Parent Company condensed balance sheet

| SEK M   | Note 1 | 2018         | 2017         |
|---|--------|--------------|--------------|
|   |        | Dec. 31      | Dec. 31      |
| <b>ASSETS</b>                                     |        |              |              |
| Fixed assets                                      |        |              |              |
| Intangible fixed assets                           |        |              | 38           |
| Tangible fixed assets                             |        | 24           | 8            |
| Financial fixed assets                            |        | 5,571        | 4,729        |
| <b>Total fixed assets</b>                         |        | <b>5,595</b> | <b>4,774</b> |
| Current assets                                    |        |              |              |
| Current receivables                               |        | 875          | 402          |
| Cash and bank balances                            |        |              | 1,100        |
| Treasury balances in NCC Treasury AB              |        | 161          | 863          |
| <b>Total current assets</b>                       |        | <b>1,036</b> | <b>2,365</b> |
| <b>Total assets</b>                               |        | <b>6,631</b> | <b>7,139</b> |
| <b>SHAREHOLDERS' EQUITY AND LIABILITIES</b>       |        |              |              |
| Shareholders' equity                              |        | 2,891        | 3,768        |
| Provisions  |        | 8            | 9            |
| Long term liabilities                             |        | 2,045        | 2,049        |
| Current liabilities                               |        | 1,687        | 1,313        |
| <b>Total shareholders' equity and liabilities</b> |        | <b>6,631</b> | <b>7,139</b> |

# Notes

## Note 1. Accounting policies

### Group

This interim report has been compiled pursuant to IAS 34 Interim Financial Reporting. The interim report has been prepared in accordance with International Financial Reporting Standards (IFRS) and the interpretations of prevailing accounting standards issued by the International Financial Reporting Interpretations Committee (IFRIC), as approved by the EU.

The interim report has been prepared pursuant to the same accounting policies and methods of calculation as the 2017 Annual Report (Note 1, pages 58–67), apart from in respect of IFRS 15 and IFRS 9, which are being applied as of January 1, 2018 and which have the following impact on the financial statements (for a more detailed description, also refer to the descriptions in the notes mentioned above).

### IFRS 15 Revenue from Contracts with Customers

NCC has identified two revenue streams where IFRS 15 has or could have a material impact on NCC's financial statements.

The first revenue stream concerns the Building Sweden and Building Nordics and Infrastructure business areas and relates to contract modifications covering alterations and supplementary work, compensation for shortcomings in tender specifications and similar items. The requirement to report revenue in the aforementioned situations is higher under IFRS 15 than under IAS 11, in terms of both the documented right to, and probability of, payment from the customer.

The second revenue stream concerns the development of commercial properties in the Property Development business area and whether revenue is to be recognized over time (percentage of completion) or as previously at a specific time (when the property has been completed and handed over to the customer). NCC's analysis has been completed and NCC believes that revenue is normally to be recognized as before, meaning when the property is handed over to the customer. IFRS 15 is not deemed to have any material impact on prior years' revenue or during the period January 1 – December 31, 2018.

The impact in 2017 of the transition to IFRS 15 for the Infrastructure, Building Sweden and Building Nordics business areas is shown in the tables on the next page.

### IFRS 9 Financial instruments

IFRS 9 has introduced new rules governing areas including the recognition and measurement of financial instruments, impairment of financial instruments and hedge accounting.

NCC's analysis of the effects of IFRS 9 shows that the new rules do not impact the Group's financial position because IFRS 9 does not significantly impact measurement. Nor

does IFRS 9 entail any significant effect on NCC's hedge accounting or – based on IFRS 9's methodology and NCC's history – on NCC's provisions for credit losses.

### IFRS 16 Leases

The standard IFRS 16 Leases will be applied as of January 1, 2019. IFRS 16 replaces the previous standard IAS 17. NCC has decided to implement the standard according to the modified retrospective approach, which entails that identified leases are not restated retrospectively.

The application of IFRS 16 entails that NCC will recognize right-of-use assets with the associated lease liability for production equipment, rent of premises and land leases. The costs for these leases will be recognized in profit or loss as amortization and interest expense, respectively.

EBITDA and to a certain extent EBIT will strengthen. The key figures regarding capital effect and debt will be negatively impacted since recognized assets and interest-bearing liabilities will increase.

Based on available information, NCC estimates that right-of-use assets and attributable financial liabilities will increase by approximately SEK 1,700 M as of January 1, 2019.

### Parent Company

The Parent Company has prepared its interim report pursuant to the Swedish Annual Accounts Act (1995:1554) and the Swedish Financial Reporting Board's recommendation RFR 2 Accounting for Legal Entities.

The interim report for the Parent Company has been prepared in accordance with the same accounting policies and methods of calculation as the 2017 Annual Report (Note 1, pages 58–67), apart from IFRS 15 and the amendments of RFR 2 in terms of the application of the measurement of financial instruments using cost as the basis as of January 1, 2018. The application of these has had no impact on the financial statements.



## Note 1. Accounting policies (cont'd)

| INCOME STATEMENT                                       |               |             | 2017           | Change        | IFRS 15     |               |        |         |
|--|---------------|-------------|----------------|---------------|-------------|---------------|--------|---------|
| SEK M  | Jan.-Dec.     | Jan.-Dec.   | Jan.-Dec. 2017 |               |             |               |        |         |
| Net sales  | 54,608        | -167        | 54,441         |               |             |               |        |         |
| Operating profit                                       | 1,242         | -167        | 1,075          |               |             |               |        |         |
| Tax  | -141          | 35          | -106           |               |             |               |        |         |
| STATEMENT OF COMPREHENSIVE INCOME                      |               |             |                |               |             |               |        |         |
| Exchange differences on translating foreign operations | 25            | 2           | 27             |               |             |               |        |         |
| Earnings per share before & after dilution             | 9.29          | -1.22       | 8.07           |               |             |               |        |         |
| BALANCE SHEET  |               |             | 2017           | Change        | IFRS 15     | 2017          | Change | IFRS 15 |
| SEK M  | Dec.          | Dec.        | Dec. 2017      | 1 Jan.        | 1 Jan. 2017 |               |        |         |
| ASSETS   |               |             |                |               |             |               |        |         |
| Deferred tax assets                                    | 239           | 99          | 338            | 97            | 66          | 163           |        |         |
| Worked-up, non-invoiced revenues                       | 1,671         | -117        | 1,554          | 1,737         | -33         | 1,704         |        |         |
| <b>Total assets</b>                                    | <b>27,035</b> | <b>-17</b>  | <b>27,018</b>  | <b>25,315</b> | <b>33</b>   | <b>25,348</b> |        |         |
| EQUITY   |               |             |                |               |             |               |        |         |
| Shareholders' equity                                   | 5,516         | -349        | 5,168          | 5,553         | -220        | 5,334         |        |         |
| <b>Total shareholders' equity</b>                      | <b>5,528</b>  | <b>-349</b> | <b>5,179</b>   | <b>5,566</b>  | <b>-220</b> | <b>5,346</b>  |        |         |
| LIABILITIES  |               |             |                |               |             |               |        |         |
| Invoiced revenues not worked-up                        | 5,574         | 331         | 5,905          | 4,355         | 253         | 4,608         |        |         |
| <b>Total shareholders' equity and liabilities</b>      | <b>27,035</b> | <b>-17</b>  | <b>27,018</b>  | <b>25,315</b> | <b>33</b>   | <b>25,348</b> |        |         |

## Note 2. Depreciation/amortization

| SEK M                     | 2018        | 2017        | 2018        | 2017        |
|---------------------------|-------------|-------------|-------------|-------------|
|                           | Oct.-Dec.   | Oct.-Dec.   | Jan.-Dec.   | Jan.-Dec.   |
| Other intangible assets   | -18         | -16         | -65         | -65         |
| Owner-occupied properties | -12         | -9          | -40         | -31         |
| Machinery and equipment   | -171        | -152        | -681        | -621        |
| <b>Total depreciation</b> | <b>-202</b> | <b>-178</b> | <b>-785</b> | <b>-718</b> |

## Note 3. Impairment losses

| SEK M                                  | 2018      | 2017      | 2018        | 2017      |
|--|-----------|-----------|-------------|-----------|
|  | Oct.-Dec. | Oct.-Dec. | Jan.-Dec.   | Jan.-Dec. |
| Properties held for future development | 4         |           | -130        |           |
| Completed property projects            |           |           | -240        |           |
| Managed properties                     | 6         | -3        | -3          | -3        |
| Machinery and equipment                | 10        | -1        | -2          | -1        |
| Goodwill within NCC Infrastructure     |           |           | -36         |           |
| Other intangible assets                | -1        |           | -41         | -3        |
| <b>Total impairment expenses</b>       | <b>19</b> | <b>-4</b> | <b>-453</b> | <b>-7</b> |

## Note 4. Acquisition of operations

The Building Nordics business area acquired the construction company Jakobsen & Blindkilde via NCC A/S on April 1, 2018 and thereby gained a stronger position in Jutland but also in the rest of Denmark. The company has 75 employees and annual sales of about SEK 460 M.

The acquisitions had no material impact on the Group's earnings or financial position in the fourth quarter.

## Note 5. Segment reporting

| SEK M                             | NCC             |                  | NCC                |              | NCC                  |        | Total segments | Other and eliminations <sup>1)</sup> | Group |
|-----------------------------------|-----------------|------------------|--------------------|--------------|----------------------|--------|----------------|--------------------------------------|-------|
|                                   | Building Sweden | Building Nordics | NCC Infrastructure | NCC Industry | Property Development |        |                |                                      |       |
| <b>October - December 2018</b>    |                 |                  |                    |              |                      |        |                |                                      |       |
| Net sales, external               | 4,387           | 2,890            | 5,863              | 3,337        | 1,353                | 17,829 | 3              | 17,832                               |       |
| Net sales, internal               | 227             | 273              | 129                | 539          | 8                    | 1,175  | -1,175         |                                      |       |
| Net sales, total                  | 4,614           | 3,162            | 5,992              | 3,876        | 1,361                | 19,004 | -1,172         | 17,832                               |       |
| Operating profit                  | 109             | -78              | -149               | 155          | 144                  | 180    | 76             | 256                                  |       |
| Net financial items               |                 |                  |                    |              |                      |        |                | -27                                  |       |
| Profit/loss after financial items |                 |                  |                    |              |                      |        |                | 229                                  |       |

|                                   | NCC             |                  | NCC                |              | NCC                  |        | Total segments | Other and eliminations <sup>1)</sup> | Group |
|-----------------------------------|-----------------|------------------|--------------------|--------------|----------------------|--------|----------------|--------------------------------------|-------|
|                                   | Building Sweden | Building Nordics | NCC Infrastructure | NCC Industry | Property Development |        |                |                                      |       |
| <b>October - December 2017</b>    |                 |                  |                    |              |                      |        |                |                                      |       |
| Net sales, external               | 4,221           | 2,869            | 5,996              | 3,155        | 30                   | 16,272 | 1              | 16,273                               |       |
| Net sales, internal               | 251             | 195              | 119                | 684          | 12                   | 1,261  | -1,261         |                                      |       |
| Net sales, total                  | 4,473           | 3,065            | 6,115              | 3,839        | 42                   | 17,534 | -1,260         | 16,273                               |       |
| Operating profit                  | 186             | -11              | -137               | 142          | -48                  | 132    | -175           | -43                                  |       |
| Net financial items               |                 |                  |                    |              |                      |        |                | -21                                  |       |
| Profit/loss after financial items |                 |                  |                    |              |                      |        |                | -65                                  |       |

| SEK M                             | NCC             |                  | NCC                |              | NCC                  |        | Total segments | Other and eliminations <sup>2)</sup> | Group |
|-----------------------------------|-----------------|------------------|--------------------|--------------|----------------------|--------|----------------|--------------------------------------|-------|
|                                   | Building Sweden | Building Nordics | NCC Infrastructure | NCC Industry | Property Development |        |                |                                      |       |
| <b>January - December 2018</b>    |                 |                  |                    |              |                      |        |                |                                      |       |
| Net sales, external               | 14,800          | 9,861            | 19,347             | 11,209       | 2,113                | 57,331 | 15             | 57,346                               |       |
| Net sales, internal               | 900             | 891              | 444                | 1,758        | 45                   | 4,038  | -4,038         |                                      |       |
| Net sales, total                  | 15,701          | 10,753           | 19,791             | 12,968       | 2,157                | 61,369 | -4,023         | 57,346                               |       |
| Operating profit                  | 453             | -227             | -993               | 350          | -181                 | -597   | -166           | -764                                 |       |
| Net financial items               |                 |                  |                    |              |                      |        |                | -85                                  |       |
| Profit/loss after financial items |                 |                  |                    |              |                      |        |                | -849                                 |       |

|                                   | NCC             |                  | NCC                |              | NCC                  |        | Total segments | Other and eliminations <sup>2)</sup> | Group |
|-----------------------------------|-----------------|------------------|--------------------|--------------|----------------------|--------|----------------|--------------------------------------|-------|
|                                   | Building Sweden | Building Nordics | NCC Infrastructure | NCC Industry | Property Development |        |                |                                      |       |
| <b>January - December 2017</b>    |                 |                  |                    |              |                      |        |                |                                      |       |
| Net sales, external               | 13,646          | 9,887            | 18,053             | 10,343       | 2,505                | 54,435 | 7              | 54,441                               |       |
| Net sales, internal               | 532             | 557              | 437                | 2,050        | 62                   | 3,638  | -3,638         |                                      |       |
| Net sales, total                  | 14,178          | 10,444           | 18,490             | 12,393       | 2,567                | 58,073 | -3,631         | 54,441                               |       |
| Operating profit                  | 489             | -79              | -198               | 577          | 601                  | 1,389  | -314           | 1,075                                |       |
| Net financial items               |                 |                  |                    |              |                      |        |                | -91                                  |       |
| Profit/loss after financial items |                 |                  |                    |              |                      |        |                | 983                                  |       |

<sup>1)</sup> The figures for the quarter include among others NCC's head office and results from small subsidiaries and associated companies, totalling SEK 31M (-89). Further, the figures for the quarter includes eliminations of internal profits of SEK 27 M (-22) and other Group adjustments, mainly consisting of differences of accounting policy between the segments and the Group (including pensions) and a provision for restructuring amounting SEK 18 M (-64).

<sup>2)</sup> The figures for the period include among others NCC's head office and results from small subsidiaries and associated companies, totalling SEK -187 M (-116). Further, the figures includes eliminations of internal profits amounting of SEK 11M (10) and other Group adjustments, mainly consisting of differences of accounting policy between the segments and the Group (including pensions) and a provision for restructuring amounting SEK 10 M (-208).

## Geographical areas

| SEK M        | Net sales     |               | Orders received |               |
|--------------|---------------|---------------|-----------------|---------------|
|              | 2018          | 2017          | 2018            | 2017          |
|              | Jan.-Dec.     | Jan.-Dec.     | Jan.-Dec.       | Jan.-Dec.     |
| Sweden       | 35,489        | 34,761        | 38,218          | 38,702        |
| Denmark      | 8,062         | 6,179         | 5,939           | 6,152         |
| Finland      | 6,989         | 6,932         | 8,512           | 5,976         |
| Norway       | 6,807         | 6,568         | 9,173           | 5,947         |
| <b>Total</b> | <b>57,346</b> | <b>54,441</b> | <b>61,842</b>   | <b>56,777</b> |

## Note 6. Fair value of financial instruments

In the tables below, disclosures are made concerning how fair value has been determined for the financial instruments that are continuously measured at fair value in NCC's balance sheet. When determining fair value, assets have been divided into three levels. No transfers were made between the levels during the period.

In level 1, measurement complies with the prices quoted on an active market for the same instruments. Derivatives in level 2 comprise currency forward contracts, interest-rate swaps, oil forward contracts and electricity forward

contracts used for hedging purposes. The measurement to fair value of currency forward contracts, oil forward contracts and electricity forward contracts is based on accepted models with observable input data such as interest rates, exchange rates and commodity prices. The measurement of interest-rate swaps is based on forward interest rates based on observable yield curves. In level 3, measurement is based on input data that is not observable in the market.

| SEK M  | Dec. 31, 2018 |            |           |            | Dec. 31, 2017 |           |           |            |
|--|---------------|------------|-----------|------------|---------------|-----------|-----------|------------|
|  | Level 1       | Level 2    | Level 3   | Total      | Level 1       | Level 2   | Level 3   | Total      |
| Financial assets measured at fair value through profit and loss            |               |            |           |            |               |           |           |            |
| Securities held for trading  |               |            |           |            | 10            |           |           | 10         |
| Short-term investments   | 72            |            |           | 72         |               |           |           |            |
| Derivative instruments   |               |            | 127       | 127        |               | 43        |           | 43         |
| Derivative instruments used in hedge accounting                            |               |            | 34        | 34         |               | 45        |           | 45         |
| Available-for-sale financial assets  |               |            |           |            |               |           | 91        | 91         |
| Financial assets measured at fair value through other comprehensive income |               |            |           |            |               |           |           |            |
| Equity instruments   |               |            | 77        | 77         |               |           |           |            |
| <b>Total assets</b>  | <b>72</b>     | <b>161</b> | <b>77</b> | <b>310</b> | <b>10</b>     | <b>88</b> | <b>91</b> | <b>189</b> |
| Financial liabilities measured at fair value through profit and loss       |               |            |           |            |               |           |           |            |
| Derivative instruments   |               |            | 4         | 4          |               | 3         |           | 3          |
| Derivative instruments used in hedge accounting                            |               |            | 51        | 51         |               | 55        |           | 55         |
| <b>Total liabilities</b>   | <b>0</b>      | <b>55</b>  | <b>0</b>  | <b>55</b>  | <b>0</b>      | <b>58</b> | <b>0</b>  | <b>58</b>  |

In the tables below, disclosures are made concerning fair value for the financial instruments that are not recognized at fair value in NCC's balance sheet.

| SEK M  | Dec. 31, 2018   |            | Dec. 31, 2017   |            |
|--|-----------------|------------|-----------------|------------|
|  | Carrying amount | Fair value | Carrying amount | Fair value |
| Long-term interest-bearing receivables held to maturity  |                 |            | 131             | 131        |
| Long-term interest-bearing receivables - amortized cost* | 195             | 196        |                 |            |
| Short-term investments held to maturity                  |                 |            | 30              | 30         |
| Long-term interest-bearing liabilities                   | 1,342           | 1,343      | 1,669           | 1,676      |
| Current interest-bearing liabilities                     | 1,051           | 1,051      | 919             | 925        |

\* Dec 31 2018 includes other long-term interest bearing receivables with previous classification "accounts and loan receivables".

For other financial instruments recognized at amortized cost – accounts receivables, current interest-bearing receivables, other receivables, cash and cash equivalents, accounts payable and other interest-free liabilities – the fair value does not materially deviate from the carrying amount.

## Note 7. Pledged assets, contingent liabilities and guarantee obligations

| SEK M  | 2018  |  | 2017    |         |
|--|-------|--|---------|---------|
|  | Group |  | Dec. 31 | Dec. 31 |
| Assets pledged   |       |  | 503     | 429     |
| Contingent liabilities and guarantee obligations <sup>1)</sup> |       |  | 602     | 510     |
| <b>Parent company</b>  |       |  |         |         |
| Contingent liabilities and guarantee obligations <sup>1)</sup> |       |  | 19,678  | 19,280  |

1) Among these, NCC AB has sureties which are indemnified by Bonava AB based on the Master Separation Agreement. Bonava is working on formally replacing these sureties with other forms of collateral in a gradual process, which means that this item will decline further over time. In addition, NCC AB has received guarantees from credit insurance companies for the remaining outstanding commitments on behalf of now wholly owned Bonava companies.

# Summary of key figures

|  | 2018      | 2017 <sup>3)</sup> | 2018      | 2017 <sup>3)</sup> | 2017      | 2016      | 2015      | 2014      | 2013      |
|--|-----------|--------------------|-----------|--------------------|-----------|-----------|-----------|-----------|-----------|
|  | Oct.-Dec. | Oct.-Dec.          | Jan.-Dec. | Jan.-Dec.          | Jan.-Dec. | Jan.-Dec. | Jan.-Dec. | Jan.-Dec. | Jan.-Dec. |
| <b>Profitability ratios</b>  |           |                    |           |                    |           |           |           |           |           |
| Return on shareholders equity, % excl profit from dividend of Bonava <sup>1)</sup>                   | -18       | 17                 | -18       | 17                 | 18        | 19        | 26        | 22        | 26        |
| Return on shareholders equity, % incl profit from dividend of Bonava <sup>1)5)</sup>                 | -18       | 17                 | -18       | 17                 | 18        | 118       | 26        | 22        | 26        |
| Return on capital employed, % excl profit from dividend of Bonava <sup>1)</sup>                      | -9        | 12                 | -9        | 12                 | 13        | 13        | 17        | 14        | 15        |
| Return on capital employed, % incl profit from dividend of Bonava <sup>1)5)</sup>                    | -9        | 12                 | -9        | 12                 | 13        | 63        | 17        | 14        | 15        |
| <b>Financial ratios at period-end</b>  |           |                    |           |                    |           |           |           |           |           |
| EBITDA % excl profit from dividend of Bonava   | 2.5       | 0.8                | 0.8       | 3.3                | 3.6       | 4.7       | 6.2       | 5.8       | 5.9       |
| EBITDA % incl profit from dividend of Bonava <sup>5)</sup>   | 2.5       | 0.8                | 0.8       | 3.3                | 3.6       | 17.0      | 6.2       | 5.8       | 5.9       |
| Interest-coverage ratio, times excl profit from dividend of Bonava <sup>1)</sup>                     | -6.0      | 8.5                | -6.0      | 8.5                | 9.8       | 6.6       | 7.1       | 6.4       | 7.8       |
| Interest-coverage ratio, times incl profit from dividend of Bonava <sup>1)5)</sup>                   | -6.0      | 8.5                | -6.0      | 8.5                | 9.8       | 31.1      | 7.1       | 6.4       | 7.8       |
| Equity / asset ratio, %  | 11        | 19                 | 11        | 19                 | 20        | 22        | 25        | 23        | 22        |
| Interest bearing liabilities/total assets, %   | 17        | 15                 | 17        | 15                 | 15        | 16        | 24        | 26        | 25        |
| Net cash +/- net debt -, SEK M   | -3,045    | -149               | -3,045    | -149               | -149      | -222      | -4,552    | -6,836    | -5,656    |
| Debt / equity ratio, times   | 1.0       | 0.0                | 1.0       | 0.0                | 0.0       | 0.0       | 0.5       | 0.8       | 0.7       |
| Capital employed at period end, SEK M  | 7,619     | 9,174              | 7,619     | 9,174              | 9,523     | 9,585     | 19,093    | 18,935    | 18,345    |
| Capital employed, average  | 8,780     | 9,138              | 8,780     | 9,138              | 9,418     | 13,474    | 18,672    | 18,531    | 18,005    |
| Capital turnover rate, times <sup>1)</sup>   | 6.5       | 6.0                | 6.5       | 6.0                | 5.8       | 4.1       | 3.3       | 3.1       | 3.2       |
| Share of risk-bearing capital, %   | 12        | 21                 | 12        | 21                 | 22        | 24        | 25        | 23        | 23        |
| Closing interest rate, %   | 1.3       | 2.0                | 1.3       | 2.0                | 2.0       | 2.6       | 2.8       | 2.8       | 3.3       |
| Average period of fixed interest, years  | 0.5       | 0.6                | 0.5       | 0.6                | 0.6       | 0.9       | 0.9       | 1.1       | 1.2       |
| <b>Per share data</b>  |           |                    |           |                    |           |           |           |           |           |
| Profit/loss after tax, before and after dilution, SEK excl profit from dividend Bonava               | 1.47      | -0.04              | -7.00     | 8.07               | 9.29      | 11.61     | 19.59     | 17.01     | 18.40     |
| Profit/loss after tax, before and after dilution, SEK incl profit from dividend Bonava <sup>5)</sup> | 1.47      | -0.04              | -7.00     | 8.07               | 9.29      | 73.81     | 19.59     | 17.01     | 18.40     |
| Cash flow from operating activities, before and after dilution, SEK                                  | 19.07     | 13.71              | -3.47     | 19.97              | 19.97     | 10.88     | 37.65     | 12.47     | 23.46     |
| Cash flow before financing, before and after dilution, SEK   | 17.98     | 11.51              | -10.71    | 12.59              | 12.59     | -0.05     | 30.88     | 5.32      | 15.40     |
| P / E ratio excl profit from dividend Bonava <sup>1)</sup>   | -20       | 19                 | -20       | 19                 | 17        | 19        | 13        | 15        | 11        |
| P / E ratio incl profit from dividend Bonava <sup>1)5)</sup>   | -20       | 19                 | -20       | 19                 | 17        | 3         | 13        | 15        | 11        |
| Dividend, ordinary, SEK  |           |                    | 4.00      | 8.00               | 8.00      | 8.00      | 3.00      | 12.00     | 12.00     |
| Dividend yield, %  |           |                    | 2.9       | 5.1                | 5.1       | 3.5       | 1.1       | 4.9       | 5.7       |
| Shareholders' equity before dilution, SEK  | 27.13     | 47.81              | 27.13     | 47.81              | 51.04     | 51.39     | 89.85     | 82.04     | 80.24     |
| Shareholders' equity after dilution, SEK   | 27.13     | 47.81              | 27.13     | 47.81              | 51.04     | 51.39     | 89.85     | 82.04     | 80.24     |
| Share price / shareholders' equity, %  | 508       | 329                | 508       | 329                | 308       | 439       | 293       | 301       | 262       |
| Share price at period-end, NCC B, SEK  | 137.80    | 157.30             | 137.80    | 157.30             | 157.30    | 225.40    | 263.00    | 246.80    | 209.90    |
| <b>Number of shares, millions</b>  |           |                    |           |                    |           |           |           |           |           |
| Total number of issued shares <sup>2)</sup>  | 108.4     | 108.4              | 108.4     | 108.4              | 108.4     | 108.4     | 108.4     | 108.4     | 108.4     |
| Treasury shares at period-end  | 0.4       | 0.4                | 0.4       | 0.4                | 0.4       | 0.4       | 0.6       | 0.6       | 0.6       |
| Total number of shares outstanding at period-end before dilution                                     | 108.0     | 108.1              | 108.0     | 108.1              | 108.1     | 108.1     | 107.9     | 107.8     | 107.8     |
| Average number of shares outstanding before dilution during the period                               | 108.0     | 108.1              | 108.1     | 108.1              | 108.1     | 108.1     | 107.9     | 107.8     | 107.9     |
| Market capitalization before dilution, SEK M <sup>4)</sup>   | 14,896    | 16,997             | 14,896    | 16,997             | 16,997    | 24,325    | 28,369    | 26,574    | 22,625    |
| <b>Personnel</b>   |           |                    |           |                    |           |           |           |           |           |
| Average number of employees  | 16,290    | 17,762             | 16,290    | 17,762             | 17,762    | 16,793    | 17,872    | 17,669    | 18,360    |

1) Calculations are based on the rolling 12 month period.

2) All shares issued by NCC are common shares.

3) The amounts are adjusted for change in accounting policy regarding IFRS 15.

4) Market value December 2016 excludes NCC's residential business, Bonava. Including Bonava the market value amounts to SEK 39 563 M.

5) The profit arising from the dividend of Bonava was SEK -31M and SEK 6,724 M in the full year 2016 and 2017.

For definitions of key figures, see [www.ncc.gro/up/investor-relations/financial-data/financial-definitions](http://www.ncc.gro/up/investor-relations/financial-data/financial-definitions).

# Contact information

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Information meeting

An information meeting with an integrated telephone conference will be held on January 30 at 10:00 a.m. at Tändstickspalatset, Västra Trädgårdsgatan 15 in Stockholm. The presentation will be held in English. To participate in this teleconference, call +46 8 566 427 07 (SE), +44 333 300 92 66 (UK) or +1 844 625 15 70 (US), five minutes prior to the start of the conference.

This is the type of information that NCC is obligated to disclose pursuant to the EU Market Abuse Regulation. The information was issued for publication through the agency of the contact persons set out above on January 29, 2019, at 6:10 p.m. CET.



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