

A wide-angle photograph of a modern concert hall. The audience is seated in multiple tiers, and the walls are covered in vertical wooden slats. An orchestra is performing on the stage, with a conductor visible in the center. The lighting is warm and focused on the stage.

SKANSKA

Annual Report 2015

We build for a better society

Extract of Annual Report 2015





Cover: Malmö now has a brand new, centrally-located city district – Malmö Live, Malmö, Sweden. Malmö Symphony Orchestra's new concert hall is here and its two halls have world-class acoustics. There is also a congress hall for 1,500 guests and a hotel with 444 rooms and two restaurants. The hotel's sky bar on the 25th floor offers a panoramic view over the city and the Öresund Strait. Malmö Live covers a total space of 54,000 sq m.

There are also offices, parking facilities and two residential buildings containing 158 apartments. Skanska developed and constructed Malmö Live working in close cooperation with the City of Malmö from an early stage, thereby creating lasting benefits for all parties involved.

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Follow-up and outcome 2011–2015

Financial targets 2011–2015

Group

Return on equity for the period of

18–20%

Financial strength

Net operating financial assets/liabilities will be

positive

Construction

Average margin over a business cycle

3.5–4.0%

Project development operations

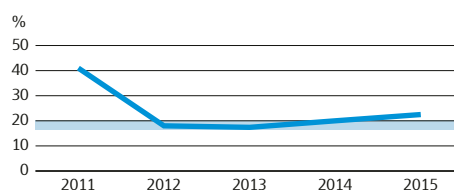
Annual return on capital employed¹ for the combined project development operations

10–15%

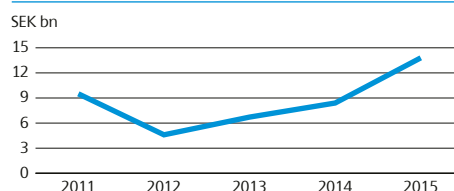
¹ See definition on page 143.

Outcome 2011–2015

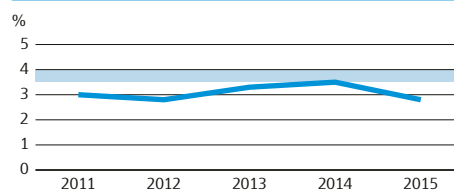
Return on equity



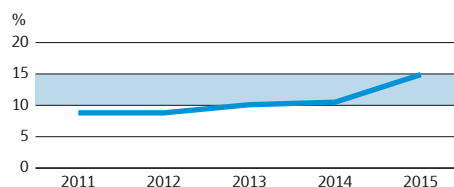
Net operating financial assets/liabilities



Operating margin, Construction



Return on capital employed, Project Development operations



Qualitative targets 2011–2015 Follow-up of qualitative targets for 2011–2015

Industry leader in:

Safety

- Worksite safety improvements plateaued during the period. A lost time accident rate (LTAR) of about 3.0 was short of the LTAR target of 1.0.

Ethics

- Skanska still has ethical risks, and needs to continue training in this area.

Green

- Skanska has green solutions in place, but there is varying interest in the markets. All Commercial Development projects are Green, and in Construction up to 75 percent of order bookings are Green.

People development

- For people development, the programs and tools, leadership profile and employee ownership program are in place. There is a need for improvements within Diversity and Inclusion and in leadership.

Risk management

- Industry-leading processes for risk management are in place, but there is still a need for improvements. Implementation continues at Business Unit level.

● Target reached ● Work underway, target not fully reached

Skanska as an investment

Skanska is one of the world's leading construction and project development companies, focused on selected home markets in the Nordic region, other European countries and North America.

Supported by global trends in urbanization and demographics, and by being at the forefront in sustainability, Skanska offers competitive solutions for both simple and the most complex assignments, helping to build a sustainable future for customers and communities.

Sergels Torg at the heart of Stockholm is being renovated. This square is a busy intersection that stands on concrete structures from the 1950s. The green and safety aspects were a priority when Skanska was awarded the contract.



Strong global trends

With demographic changes and continued urbanization come an increased demand for infrastructure, hospitals, schools, homes and offices. Demand for Skanska's expertise in green construction is significant in a world that is becoming increasingly aware of the human impact on the planet.

Leading market position

Skanska holds a leading market position in each of its home markets, and has set a target for profitability and controlled growth in the Construction business stream.

Diversification

Skanska's risk diversification across four business streams with operations in several geographic markets and segments helps ensure a balanced and diversified risk profile.

Strong cash flow

Through an attractive business model, Skanska is generating a strong cash flow which, combined with net cash, puts the Group in a stable financial position.

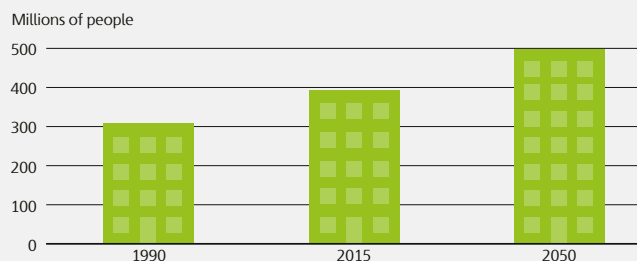
Financial synergies

The strong cash flow from Construction is invested in the Group's own high-return development projects. The investments in project development will continue to increase.

Attractive total shareholder return

Skanska has a competitive total shareholder return with more than 10 years of increased or maintained dividends. Over the past five years, Skanska's share has had an average total yield of just over 10 percent, compared to 11 percent on the Stockholm Stock Exchange.

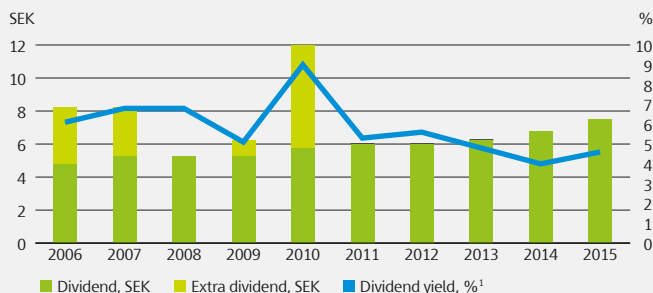
Expected population in urbanized areas in Skanska's home markets, 1990–2050



In Skanska's home markets the number of people living in urbanized areas is expected to increase by 100 million in the period 2015–2050.

Source: UN Department of Economic and Social Affairs

Dividend history

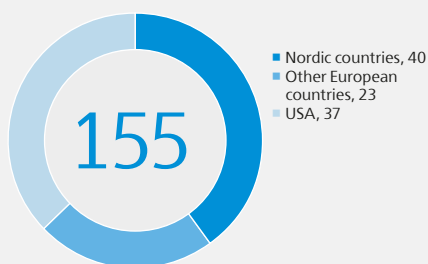


¹ Dividend per share divided by the closing share price for each respective year.

Skanska – 2015 in brief

Revenue, SEK 155 bn

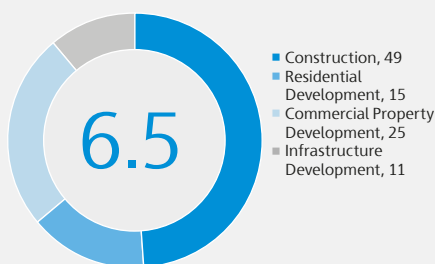
by geography, %¹



¹ Before Central and eliminations.

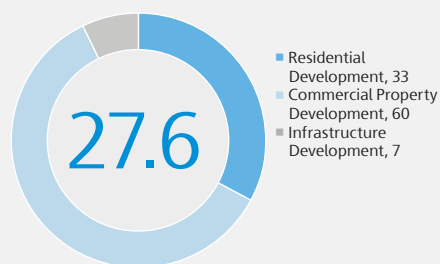
Operating income, SEK 6.5 bn

by business stream, %¹



Capital employed, SEK 27.6 bn

in Project Development, by business stream, %



In 2015, the Group's 43,000 employees delivered good results while also helping to promote a sustainable society. The ambition of growing in project development has resulted in a record number of new commercial projects, more efficient residential development and a more stable expansion into the growing public private partnership market in the U.S.

Construction

- The performance in the Construction business stream was stable in all Construction units except for the U.S. operations which were burdened with charges.
- Order bookings amounted to SEK 122.1 billion. The major contracts included:
 - Slussen and the Stockholm Bypass
 - Welsh Water treatment plant in the UK
 - Office, hospital and school projects in Sweden, Norway, the UK and the U.S.
- The construction projects in Latin America have been completed, and the majority of the units within operations and maintenance have been sold.

Residential Development

- Sustained improved results, operating margin of 9.5 percent.
- The number of homes sold and started totaled 4,093 and 4,000 respectively.
- Efforts to reduce the number of unsold completed units in Finland and Norway continued during the year.

Commercial Property Development

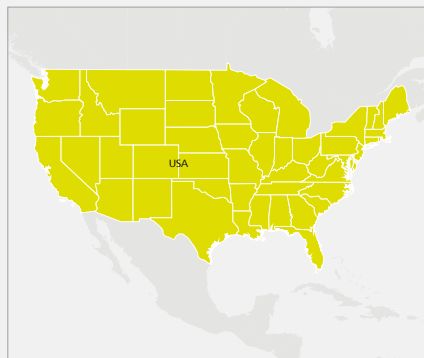
- 27 projects were sold, reaching a new alltime-high in divestment gains at SEK 2.6 billion.
- The number of ongoing property projects was 44 at the end of the year, corresponding to an investment value upon completion of SEK 18.8 billion.
- Most of the new investments are in the U.S. and Central Europe.

Infrastructure Development

- The operating income totaled SEK 863 million.
- Two hospitals in London sold for SEK 1 billion.
- Net present value of projects is SEK 4.8 billion.
- Selected for expansion of LaGuardia Airport in New York, with a contract expected in 2016.
- Contract signed for the new Papworth Hospital in the UK.

Skanska's home markets

Skanska has operations in 11 countries in Construction, Residential Development, Commercial Property Development and Infrastructure Development. The Business Units in these business streams work together in various ways to create both operational and financial synergies, leading to increased value creation.



Comments by the President and CEO

2015 was a very good year in terms of performance, with increasing revenue, improved profitability and a very strong financial position. Our strength moving forward was also demonstrated by a substantial increase in project development investments.

We provided several signs of strength during the year: earnings per share increased by 20 percent to SEK 11.96; cash flow from operations more than doubled to SEK 7.7 billion; and we concluded the year with a net cash position of SEK 6.3 billion. Based on these good results the Board of Directors is proposing a dividend increase to SEK 7.50 (6.75) per share.

Most operations within the Construction business stream saw improved profitability. The performance was particularly strong in Sweden, Finland and Poland, while the U.S. was negatively affected by cost increases in a few projects. We are now in negotiation with clients in the U.S. on receiving compensation for the work involved in implementing the changes they requested.

New record for divestment gains

The Residential Development business stream saw improvements in both profitability and capital efficiency. In Commercial Property Development we can announce the highest divestment gains ever – a total of SEK 2.6 billion. Leased space of 375,000 sq m also represents a new record.

The Infrastructure Development business stream demonstrated its competitiveness in the U.S. public private partnership (PPP) market when we were selected for the expansion of LaGuardia Airport. In the UK, which has been a leader in PPP for a long time, we have sold two completed hospital projects and been contracted for one new one.

Good profitability throughout the five-year period

2015 was also the final year of our Profitable Growth 2011–2015 business plan. We established the plan with the assurance that the effects of the 2008 financial crisis had played out and a turnaround in the global economy was close at hand.

However, the economic recovery did not materialize until 2013 and the economy was then promptly affected by armed conflicts, a downturn in China, and the euro and refugee crises.

Despite uncertainty and unrest in the world, we maintained good profitability throughout the five-year period. Skanska's share delivered stable dividends and a total shareholder return of 10 percent per year on average during the period, which is in line with what we promised.

Also during this five-year period, we laid the foundations to ensure greater value creation in the future.

We have expanded the three business streams within project development. Our investments increased by 70 percent to SEK 14 billion a year during the period 2011–2015, compared

to SEK 8 billion in 2004–2010. During the five-year period these business streams generated an average return on capital employed of 10.6 percent a year.

44 ongoing commercial property projects

Commercial Property Development stands on three pillars of equal strength – Nordics, Europe and the U.S. We are now completing a total of 44 commercial property projects which we are leasing and will divest.

We are also firmly established on the fast-growing PPP market in the U.S. In mid-2016 we expect to sign contracts for the expansion of LaGuardia Airport – our third PPP project in the U.S. The construction contract alone will amount to more than SEK 20 billion, making it Skanska's largest construction contract ever.

The Residential business stream is now reaching the established profitability targets thanks to efficiency improvements and restructuring of operations. We now have the right co-operation model where residential development is integrated into construction operations.

The Construction business stream has increased its presence on the U.S. West Coast and in regional markets in Poland. We have concluded our construction operations in Latin America and divested the maintenance operations there.

Continued focus on sustainable development

In recent years we have seen increased interest in private sector companies like us being engaged in developing the wider community. Our efforts are naturally based on a continued focus on driving development towards a better occupational health, ethics, green, diversity and inclusion, as well as a greater contribution to society – areas that are linked to our core business and affect the world around us.

What we do and how we do it are based on our values, which are shared by our employees through a true commitment to the environment, occupational health, ethics and openness, constant improvement and cooperation with clients in the best interests of society. This is also entirely in line with the UN Global Compact – the world's most substantial sustainability initiative – to which we remain actively committed.

Internships for the unemployed

More and more often we are helping the community through initiatives that go beyond traditional construction services. For example, we offer internship/apprentice programs and employment within



our projects to people who for various reasons find themselves outside the labor market.

More and more clients are also requiring us to include social initiatives in our projects. We welcome sustainable procurement processes that demand more from us. I am proud that we are helping to improve our communities.

For positive development in society

But we also want to and can do even more; we are encouraging both our clients and our partners to join us in being more committed to positive development in society.

This is an important starting point for the new business plan which we call Profit with Purpose 2020. Our aim over the next five years is to deliver an industry-leading total shareholder return while building for a better society.

We will increase our profitability and grow in Construction, and in our project development operations in particular. We are aiming for a better balance in value creation between our Construction and project development operations.

Controlled growth in our home markets

We can do more of what we are doing today in Construction, that is reaching a profitable growth in our existing home markets.

We will increase value creation in project development by investing more, particularly in Commercial Property Development and Infrastructure Development. Residential Development continues to grow with an emphasis on profitability and with a stronger presence in Warsaw and Prague.

Exploit new investment opportunities

We are shifting our business model – which has been a recipe for success for many years – into a higher gear. We are going to exploit attractive investment opportunities and we may therefore need to increase our borrowing to accommodate increased investment.

We are well aware that growth comes with risk. To mitigate this risk we are strengthening and escalating our units' risk management processes by, for example, intensifying the ongoing monitoring of projects throughout the implementation phase.

Focus on constant improvement

To ensure that we can deliver on our targets, we also need to constantly improve. We have three main focus areas: improving how we work with our clients to generate business; raising and

"Our aim over the next five years is to deliver an industry-leading total shareholder return while building for a better society."



broadening the expertise and skills of our people; and becoming more efficient in the way we execute projects.

We operate in a world that by all accounts will continue to experience a degree of uncertainty. But we still believe that the outlook in our home markets are favorable. Development will continue to be driven by population growth, urbanization and migration. This, of course, means that there will be a need for new, modernized transit solutions, homes and workplaces, as well as infrastructure for energy, water and water treatment.

Increasing demands provide new opportunities

Strained public finances and an increased focus on costs in a life-cycle perspective are indications that more and more projects will be implemented in the form of public private partnerships. Procurements not merely based on the lowest price will become more common. Increasingly, our clients want us to participate in the early stages. This kind of collaboration demands more of us, but also gives us new opportunities to offer even more of our expert input.

Listening to our clients and communities

We are sensitive to the needs of our clients and communities and we are equipped to meet increasing demands.

Our achievements in recent years show that we have the potential to increase value for our shareholders and contribute even more to the development of communities in our home markets. To assist us, we have our proven business model, our strong brand, our values and our committed employees.

We will continue to deliver good results in 2016 while also paving the way for further value creation for our shareholders, clients and society in the years to come.

Stockholm, February 2016

Johan Karlström
President and CEO

Purpose and values interact

Values are at the heart of Skanska's culture and identity. The values guide people in their day-to-day work. Skanska's Purpose is to build for a better society. This Purpose and the values support each other in all parts of the Group's operations.



Purpose

Skanska's Purpose – to build for a better society – sets out the direction in which the Group is heading. The Purpose reflects the company's role in society, a position that enables Skanska to create shareholder value.

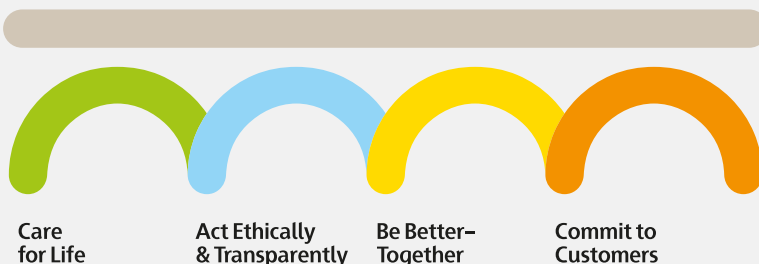
Thoughtful solutions incorporate Safety, Ethics, Green, Corporate Community Investment, and Diversity and Inclusion. This means finding ever safer and greener ways to work, doing the right thing and encouraging the best behavior in others – thereby adding value where Skanska operates.

Values

Values serve as a moral foundation for the company. Clearly articulated values are proactive and aspirational, and guard and continue to build Skanska's culture – a culture that is vital to the Group's continued success.

Actions that violate the values or are in a gray area are not tolerated. Confidence in Skanska must never be put in jeopardy.

Skanska Values



Care for Life

We care for life of people and the environment. We work safely, or not at all. We never walk by if we notice unsafe actions. We support health and well-being. We promote green solutions and conduct our operations in a green way. We are accountable to future generations.

Act Ethically and Transparently

We do business with a high degree of integrity and transparency. We live by our Code of Conduct and never accept shortcuts. We foster a work environment where everyone can speak their mind.

Be Better – Together

We always strive to be better in all we do. We are a learning organization and generously share our expertise. We take pride in quality and innovation. We build One Skanska teams together with customers, partners and communities. We leverage diversity to deliver the best solutions. We foster an inclusive culture where we are open and fair, showing trust and respect for each other.

Commit to Customers

We help our customers to be successful in their business. We strive to understand their needs and their customers' needs. We are here to help our customers turn their visions into reality.

Business plan 2016–2020

– Profit with Purpose

The new Business plan outlines the strategic direction that will take Skanska to the next level. The aim is to increase shareholder value and at the same time make an even greater contribution to developing communities in the home markets. Working towards a sustainable future for employees, customers and communities creates Profit with Purpose.



Generating value for shareholders

Generating value for shareholders and delivering an industry-leading total return to the shareholders will continue to be Skanska's stated aim. A strong focus on profitability is combined with controlled growth. This will result in a stable, long-term earnings trend and provide the cash flow necessary for an attractive dividend. To achieve this, there will be a greater focus on Great People, Market Making and Operational Excellence. This is described in more detail on pages 12–14.

The way Skanska operates also contributes to sustainable development – constantly finding safer and greener ways to work, doing the right thing, embracing diversity and engaging in communities. Community investments above and beyond the specific construction assignment contribute to local development.

Skanska also encourages both the industry and society in general to act sustainably. The company's ambition is to be an industry leader and an authority on sustainability.

Aspirations 2020

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

Focus within Sustainability:

- Safety
- Ethics
- Green
- Corporate Community Investment
- Diversity and Inclusion

Profit with Purpose

Many stakeholders are becoming increasingly committed to sustainability issues. Customers, investors and potential employees all prefer companies that are working to improve communities. Genuine market leaders create shareholder value in a responsible way and contribute to general improvements in society. Skanska is built on strong values and is very committed to helping society prosper while also running a profitable business.

It is not about doing one or the other; it is about doing both at the same time. Profit is needed to deliver Skanska's Purpose, and a strong Purpose – in other words, building for a better society together with customers – will contribute to Skanska's profit.

Delivering Purpose

Skanska provides innovative and sustainable solutions to create a sustainable future for its people, customers and communities. This is reinforced by a continued commitment to Safety, Ethics, Green, Corporate Community Investment as well as Diversity and Inclusion. All this is linked to the core business and the employees' key competencies. All of Skanska's home markets provide the right conditions for delivering the sustainable solutions that both customers and communities need.



Profit with Purpose

Great People

Committed employees who perform at a high level are key to success in a project-based business such as Skanska's. Employees with the right skills who share the company's values are therefore one of the focus areas in the new business plan.

Skanska aims to be the most attractive employer in its industry by offering a place to work with sound values, the chance to help build for a better society and good opportunities to develop. Leaders at Skanska play a central role in building a strong culture based on the Group's values and securing the right expertise in the short and long terms, as well as building high-performing teams. Skanska's leadership profile and clearly established targets create clear expectations for employees and teams. The employee ownership program, Seop, which has around 9,700 participants, creates participation and an understanding of creating value for shareholders.

Employees and leaders at Skanska are offered many different paths along which to develop, both through challenges in their daily work and through top-class training. At the Group level, senior managers are offered a global leadership development

program run jointly with the renowned IMD Business School. For employees in the earlier stages of their careers there is Skanska Stretch, a global development and mobility program.

An organization fostering inclusion

Skanska's vision is increased diversity and a more inclusive corporate culture in which every employee is able to contribute and reach their full potential. Targeted recruitment, training, objectives and an open internal job market are tools used to develop the company. A greater degree of diversity reflects society, increases understanding of customers' needs, increases innovation and makes Skanska an attractive company to employees.

An ethical culture is critical

An ethical and transparent culture is key to Skanska's continued success. Recruiting

employees who have strong values and help maintain a healthy, ethical corporate culture is therefore of top importance.

Increasing mobility

Increased mobility within Skanska is a way of leveraging employees' collective professional skills in order to offer customers innovative solutions, which provides competitive advantages. Knowledge sharing and collaboration are crucial if the Group is to win and execute large, complex projects.

Opportunities for employees to work in different countries and broaden their experience also create interesting career paths and development possibilities.

An injury-free environment

Skanska has a vision of zero work site accidents. To achieve this, improved processes and methods need to be combined with strong knowledge in the field and a caring culture. Skanska's goal is to be the industry leader in safety.



Ivette Vanas and Richard Gomez are two of Skanska's employees in the U.S.

A photograph of two men in a workshop setting. Both are wearing orange hard hats with the Skanska logo and orange high-visibility safety vests over dark blue long-sleeved shirts. The man on the left is younger, with a beard and safety glasses, looking down at a document. The man on the right is older, wearing glasses, and looking at the same document. The background shows industrial equipment and a large workshop space.

New jobs in a green setting

Skanska's workshops at Bentley Works in Doncaster, UK, is expanding its workforce by around 70 people. Young people are being offered apprenticeships that lead to employment upon completion. Bentley Works services and renovates foundation machinery.

"It's great here. I get to learn things that I could never learn at college or anywhere else," says Ryan King, who has just begun his apprenticeship as a fitter.

"It's good that we can give the youngsters work and a chance to take over," says Roger Shearman, sharing his 41 years' experience.

"We are in a strong expansion phase and it's stimulating to be able to offer jobs and training to so many

people in an area with little employment," says Steve Joynson, Bentley Works Manager.

Bentley Works is one of Skanska's greenest projects. With its solar panels, airtight shell and generous daylight, it is self-sufficient in energy. Skanska Cementation specializes in foundations and is supplying made-to-measure steel parts to Skanska's projects CrossRail, the new fast rail link across London, and to the ESS research facility in Lund, Sweden.

Doncaster Council, Leeds University School of Building and local schools have all visited the site to learn about green construction.

Focus areas within Sustainability

Skanska's sustainability work focuses on Safety, Ethics, Green, Corporate Community Investment and Diversity and Inclusion. These are the areas where Skanska can influence the most. The 2016–2020 Skanska Business Plan – Profit with Purpose – sets out the direction in which Skanska is heading so that it can maintain its profitability and help build for a better society.

A global impact

Through its variety of projects and innovative, sustainable solutions, Skanska builds for a better society. Skanska will continue to push Safety, Ethics, Green, Corporate Community Investment, and Diversity and Inclusion. The company can have a positive influence through its core business and expertise. What Skanska does and how it is done helps to ensure a sustainable future for colleagues, customers and communities.

By acting together on sustainability, Skanska can learn from those Business Units that are furthest along the journey and exploit potential synergies, become even more competitive and share knowledge with colleagues in the Group.

A local feel

Skanska is a business of people and therefore investing in people is very important. Sustainability training is mandatory for all employees, since this is an important part of the Skanska leadership profiles. Sustainability is embedded throughout the business in systems and behaviors.

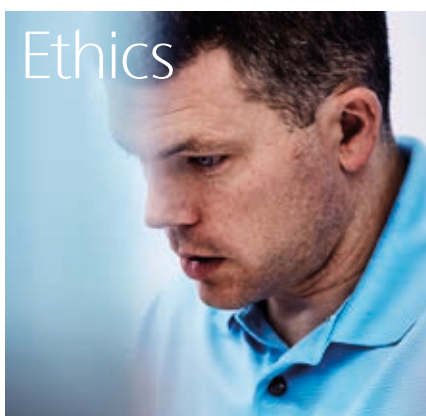
By harnessing the best people and ideas, Skanska continually improves and finds more sustainable ways to build for a better society.

Further information on each of the sustainability areas can be found on page 59 and on www.skanska.com



Although construction remains one of the most hazardous industries in the home markets, Skanska believes that it is unacceptable that anyone is injured at Skanska's workplaces. Skanska has a framework of actions across the Group that are set out in the Safety Road Map. During 2015 there has been an increased emphasis on visible leadership, health and wellbeing as well as providing good opportunities to exchange knowledge and good practice across Skanska.

"During Safety Week 2015, Skanska joined with competitors and the supply chain to deliver safety activities."



Sound ethical behavior forms the core of a strong Skanska. Therefore, the ambitions are to live the Group's values and be recognized as an ethical, value-driven company and a safe place to work. The Code of Conduct guides Skanska on its way to reaching this ambition. Employees complete ethics training and progress is measured. Additionally, Skanska has tools to help the Group build toward a strong ethical culture including the Ethics Scorecard, Ethics Plan and the Ethics Roadmap.

"Everyone Skanska employs must complete ethics training within three months, with follow-up every other year."



Green

Green building is attractive to clients, shareholders, employees and communities. Through the Journey to Deep Green™, Skanska goes beyond mere formal compliance. Targets encompassing energy, carbon, material selection, waste and water are set in accordance with the Skanska Color Palette™, a strategic tool for green business. Processes are continually improved through the ISO 14001. Cooperations with leading international organizations ensure that green construction is incorporated into regulations.

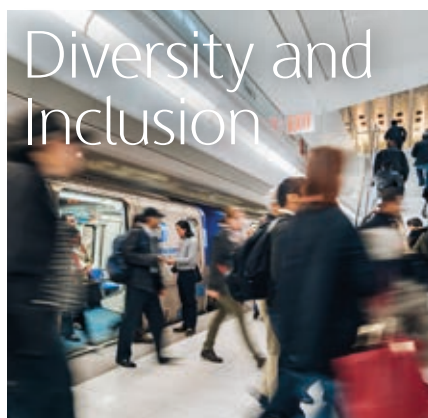
“More than two-thirds of order bookings in Skanska Sweden and Skanska UK are classified as Green, according to the Skanska Color Palette™.”



Corporate Community Investment

Skanska is committed to being a responsible and active member of the community. Through community investment, the company can have a positive impact on its clients, employees, society in general and its business. Skanska's Corporate Community Investment Policy has a clear focus on education and stimulating local economic development, which are the areas the company can influence the most. The number of hours employees contribute to the local community during working hours is measured.

“The current measure for Corporate Community Investment is number of hours committed by employees to the local community during working hours.”



Diversity and Inclusion

Initiatives to foster an inclusive workplace culture have intensified. The combination of diversity and inclusion allows relationships to be built with an increasingly diverse customer base; it also makes it easier to attract and retain talent from a larger talent pool, while a broader range of experience boosts innovation. A Diversity and Inclusion Change Journey Map has been launched to support the Business Units. D&I work is receiving increasing attention from society, while also adding to Skanska's expertise.

“Skanska UK organized a D&I conference that attracted 200 participants, consolidating its role as one of the industry leaders in this area.”

Research and development

The main task of the Research & Development unit is to act as an umbrella organization for transferring knowledge of technical solutions and innovations between the various Skanska units and to coordinate technical experts and expertise within the company. Operations in 2015 were based on the current work plan and its focus areas: gathering and transferring knowledge, internal and external networks of experts, technology, trends and innovations, as well as the identification of technical risks.

A lot of the year's work focused on supporting Skanska's new business plan with technology, particularly in the area of Operational Excellence under the banner "win work and work smarter with technology." At Skanska's Management Conference in autumn 2015 three seminars were held on this theme, dealing with topics such as digitalization, automation, robotization and innovation. Inspirational guest speaker Christer Fuglesang shared his views and advice on the importance of collaboration, practice and simulation.

Automation and robotization of important parts of the construction process have been a focus area during the year. A demo robot was produced and simulations carried out to show the opportunities and advantages of using robots. In order to execute an automated way of working, a digital 3D BIM model is required as input to the robots. In this future, this will mean greater importance is placed on project design being fully complete before actual construction is started.

The areas in which Skanska has tested automation are reinforcement, 3D printers, welding and drilling in buildings and tunnels.

Today, Skanska collaborates with around 40 universities in its various home markets.

In Sweden, the exclusive partnership with the Royal Institute of Technology (KTH) has brought about progress in a number of key areas. Skanska is involved in the formation of two competence centers at KTH – one for road construction and one for building efficiency. Skanska is also on the board of two state-subsidized initiatives in the construction industry, Smart Built Environment and InfraSweden2030. A uniform, coordinated approach means Skanska applies for EU funding in an organized, long-term way.

The R&D unit is responsible for administration and recruitment of adjunct professors. In 2015 Skanska had five adjunct professors, in the areas of energy, concrete, tunnel engineering, bridge building, building efficiency and climate impact. The Group aims to double the number of adjunct professors within strategically important areas over the coming five-year period

Focus areas within sustainability

Skanska's sustainability agenda consists of five pillars: Safety, Ethics, Green, Corporate Community Investment and Diversity & Inclusion. These pillars were identified as the sustainability areas Skanska has the greatest influence on, and the company aspires to be an industry leader in each of the areas. Skanska's 2020 Business Plan – Profit with Purpose – aims to create value for shareholders while also building for a better society. The five pillars embody Skanska's purpose and ensure that its sustainability efforts transcend the entire company.

Safety

Safety Performance

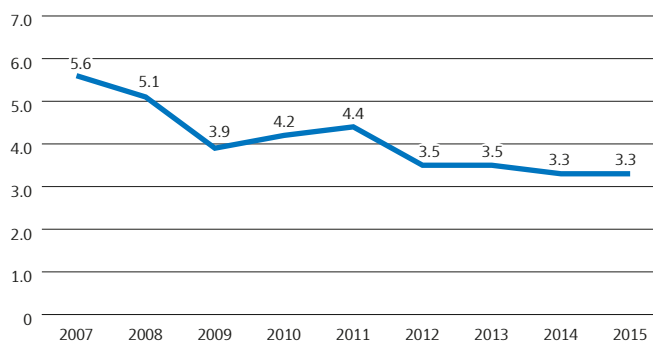
Despite the changes and improvements made in recent years there were five work related fatalities recorded during 2015 on Skanska worksites in Czech Republic, Norway and USA. One was the result of an accident that took place in July 2014. Skanska has taken significant actions to limit recurrence of similar accidents at other Skanska worksites.

Skanska recognizes that the reduction of lost time accident rate has slowed showing Skanska globally since 2011 and has reached a plateau. The reasons for this plateau are many and varied and Skanska has worked to fully understand the reasons for this in each of its business units which has resulted in action plans for the 2016–2020 Business Plan.

For several years Skanska has recorded incidents with the potential to have resulted in fatalities that occur on its jobsites. This is part of improving the culture of reporting and transparency. These incidents are a useful source of information enabling the business to better understand the causes of accidents and adopt meaningful responses.

Lost Time Accident Rate (LTAR) 2007–2015

Number of employee lost time accidents times 1,000,000 hours divided by total labor hours.
Inclusive of Skanska employees plus contractors working on Skanska jobsites.



Developing Caring and engaged employees

The Injury Free Environment (IFE) program that began in Skanska's US Building business unit is now operating in four business units. Skanska Sweden began its IFE journey in 2015. This is a long term culture change program that engages all Skanska employees and employees of the supply chain partners to recognize how their decisions and behavior impacts the safety of their colleagues. It results in an attitude and behavior change to improve safety.

Becoming a Learning Organization

Learning from incidents and sharing knowledge across the company. These are two areas where Skanska has progressed towards being a learning organization in 2015.

In response to serious incidents on Skanska jobsites and elsewhere Skanska are working closely with manufacturers, plant rental companies and contractors to ensure that all mobile elevated work platforms (MEWPs) on Skanska jobsites are fitted with secondary guarding. This eliminates the potential crush injuries to operators. In addition Skanska is working with International Powered Access Federation (IPAF) on training managers in the selection, use and control of MEWPs.

Recognizing that there are many improvement opportunities Skanska set up expert working groups to develop best practice guidance. Skanska worksites receive thousands of material deliveries each day. Some of these are potentially hazardous putting at risk those off-loading the materials. One expert group is investigating best practice in the management and logistics of material deliveries to jobsites. Another common high risk operation for Skanska is working alongside live high speed traffic. The working group has made several recommendations on working practices to reduce and improve safety of the workforce including the development and use of the safety “halo”, using LED lights on the helmet.

In 2015 Skanska made knowledge exchange easier when it launched its knowledge and discussion platforms. Here colleagues are able to ask questions or raise safety issues that can be responded to by any other Skanska employee. Topics range from falls from height to changing the culture of site supervisors. This is a great resource that Skanska will develop in the coming year. Other methods include webinars, which are a popular and effective. In 2015 they included presentations on Health and Well-being and the management and use of mobile elevated platforms. The program of Safety Peer Reviews continues with teams of senior managers and safety specialists visiting a business unit to review its activities and exchange good practice ideas.

Health and Well-being

Skanska wants its people to be fit for work and that their work does not impact their health and well-being in future years. Managing work related illness and supporting employees to be mentally and physically healthy in the long term is important. That is why Skanska increasingly manages health risks in the same way as safety by identifying the risks and putting in place controls to reduce the risks and negative impacts.

The Skanska global health and well-being group regularly discusses and exchanges ideas and experiences about the identification and management of health risks at the workplace. Health and well-being are considered from two main angles – the work environment and personal health – and involves activities that involve both Human Resources and Safety.

Communication and sharing learning in health is critical and webinars on work related stress, psycho-social factors and the impact of traumatic events on employees in the workplace.

Safety Week

The theme for Safety week 2015 was pre-task planning. This has been identified as one process that can make a significant contribution to providing a safe work environment if carried out consistently and rigorously. In several Skanska home markets – Poland, USA and Finland - safety week has developed into an industry event with competitors, clients, suppliers and regulating authorities taking part.

Ethics

In 2015, the commitment to building a stronger ethical culture in Skanska intensified, driven by increased expectations from stakeholders, new legislative requirements, and lessons learned from recent allegations of ethical breaches. Skanska sees this as a positive trend for its business and society because responsible and sustainable behaviors promote strong communities and a healthy economy.

New Code of Conduct

The process to develop a new Code of Conduct was initiated at the end of 2014 under the supervision of an internal Task Force. The Task Force's work has included external benchmarking and trend analysis, internal interviews, and an extensive internal anchoring process with each Skanska Reporting Unit. It is anticipated that the new Skanska Code of Conduct will be launched in the second quarter of 2016.

Skanska also initiated a separate Task Force to address the risks associated with corruption, competition law, and payments to foreign countries. Using the results from a group-wide risk assessment, the Task Force developed a more robust process to conduct due diligence and monitoring of third parties, particularly joint venture partners and intermediaries. Skanska's competition law compliance manuals were updated and communicated as well. The work of this Task Force will supplement the development of the new Code of Conduct.

Ethics in the Business Units

In 2015, Skanska continued to work with the Ethics Plan to promote a more focused approach for working with Ethics in each Business Unit. As in 2014, each Business Unit prepared an Ethics Plan with Business Unit specific goals and action items to strengthen its ethical culture. These plans were reviewed by the Skanska AB Ethics Committee and as an addition peer reviewed throughout the year.

The Business Units, as in recent years, will continue to submit quarterly ethics reports to the Skanska AB Ethics Committee. These reports are summarized twice per year and submitted to the Audit Committee of Skanska AB Board.

Ethics Organization

Skanska's ethics organization was strengthened during 2015 with the addition of new Ethics Committees for the commercial development units and support functions. In some Business Units, such as Poland, Czech Republic, and others, the work of the Ethics Committees was refocused to meet the present and future needs of the Business Units.

The Global Ethics Network, with representatives from each Business Unit, had four meetings in 2015 to share best practices and increase competencies within ethics.

At the end of 2015, Skanska AB established a new position in the ethics function, Senior Vice President Ethics, to support the focus on ethics and compliance.

Anonymized cases spread knowledge

Skanska receives reports of alleged misconduct through several reporting channels including Human Resources, Legal, Ethics Organizations at the Business Unit and Group level, and the independently operated Code of Conduct Hotline system. In 2015 Skanska received 64 reports in the Hotline, compared to 54 reports in 2014. Some of these reports are anonymized and a description of the case and outcome are published on the intranet, OneSkanska. This provides employees with the opportunity to understand how the various reporting channels operate, the way reports of alleged misconduct are investigated, and what actions are taken when a violation of the Code of Conduct occurs.

Training is key to building an ethical culture

Training is a foundation of Skanska's ethical culture. It is a requirement that all Skanska employees are trained every second year in the Code of Conduct. The training requirement may be satisfied through either e-learning or instructor-led classes or a combination thereof. There are numerous examples where a Business Unit is using innovative and comprehensive methods.

At Skanska UK, online training for employees is supplemented by on-site instructor-led training sessions for groups. The online training includes multiple-choice questions about the Code of Conduct and the UK Bribery Act.

Skanska USA Civil conducts monthly ethics training for Skanska craft workers. A specific subject relevant to craft workers is discussed each month as a tool box talk. This provides an opportunity for craft to learn about the topic and provides an environment to raise questions.

In Commercial Development Nordic, ethical dilemma discussions are used as an effective way to maintain awareness about ethics. All staff and management meetings begin with an ethical question and discussion.

2020 Business Plan – driving an ethical culture with external parties and management commitment

As part of the new 2020 Business Plan, "Profit with Purpose", each Business Unit has developed targets and action plans in key focus areas. A common theme among the targets and actions established by the Business Units in the area of ethics was a more rigorous program for managing external parties and efforts to strengthen and communicate managerial commitment to ethics.

- Management of external parties including training of joint venture partners, due-diligence, and more robust pre-qualification/audits of the supply chain
- Management commitment including increased communications, dilemma discussions, and management training.

The connection between business and good ethics is confirmed in the Skanska Brand Survey where Ethics comes out as the most important area for clients selecting Skanska as supplier of construction services.

Green

Journey to Deep Green™

In 2015 Skanska continued its Journey to Deep Green™ delivering many Green and even Deep Green projects. The Journey to Deep Green™ embeds climate and resource considerations into Skanska's business processes. All Skanska's business units have Green and Deep Green targets supported by green implementation plans. Deep Green projects are future proof projects that surpass the performance defined by the highest levels of certification of many voluntary green rating systems. Skanska's ambition is to scale-up Deep Green projects, delivering value to customers, shareholders and to the environment. Skanska's journey focuses on 5 priority areas:

- in-use energy consumption,
- reduction of carbon emissions from operations and construction materials,
- reduction of construction waste,
- reduction of water use and
- improving material selection favoring more sustainable materials.

With more building projects achieving good in-use energy efficiency levels and with more civil projects understanding the link to material efficiency and cost, Skanska has seen an increased interest in the reduction of carbon emissions from operations and construction materials. Loss of biodiversity is quickly rising as a global concern, for which Skanska is defining a strategic response.



Deep Green explained: Solallén

Sollallén is a residential neighborhood in Växjö, Sweden with 21 townhouses. The project is Sweden's first net zero energy neighborhood and Skanska's first ever net zero energy and Deep Green residential project.

Energy



Energy: the townhouses use 30 kWh/m²; 50 percent less than the Swedish energy code. Geothermal heating systems provide under floor heating and a roof-mounted photovoltaic system ensure net zero-energy performance.

Carbon



Carbon: An embodied carbon footprint was conducted.

Materials



Materials: Many of the materials fulfilled Svanen Nordic ecolabel and Swedish BASTA criteria; 99 percent of wood was certified, no phase-out substances according to the Swedish Chemicals Agency were used and. 98 percent of construction waste was diverted from landfill.

Water



Water: The townhouses are designed to use 45 percent less water than typical newly built Swedish homes.

Environmental Management

In 2015 there were no reportable Environmental Incidents. ISO 14001 and Skanska's Risk Management procedures are the primary means of ensuring effective environmental management. In 2000 Skanska became among the first global construction company to have all its businesses certified to ISO 14001. Skanska is planning gap analyses and peer reviews to support the transition to the new ISO 14001:2015 standard.

Disclosure

Skanska annually reports its carbon emissions to CDP. Through measurement Skanska is better placed to manage and reduce its carbon emissions. Skanska has been the highest ranked construction company in the CDP Nordic report from 2010 to 2014.

Direct (Scope 1) and indirect (Scope 2) greenhouse gas emissions

in tonnes CO₂e

	2015 ¹	2014 ²	2013	2012	2011	2010
Scope 1	330,758	367,791	386,154	354,518	341,869	305,986
Scope 2	49,207	60,494	51,305	50,981	67,886	110,866

¹ The numbers are preliminary and are subject to change in conjunction with the CDP reporting.

² The numbers for 2014 have been adjusted compared to the 2015 CDP report.

Carbon emissions from Skanska's construction units are third party reviewed since 2014.

Global Leadership

Energy Efficient and Green Buildings	Life Cycle Building Assessment and Circular Economy
World Business Council for Sustainable Development (WBCSD) Energy Efficiency in Buildings project	Steering group of the "Resource Efficient Buildings" project led by European Commission
RenoValue project targeting integration of energy efficiency into building valuation	Co-chair of WBCSD project "Mainstreaming Life Cycle Assessment for Buildings and Materials"
World Green Building Council's Places for People Campaign	Multistakeholder Advisory Committee of UNEP Sustainable Buildings and Construction (SBC) programme

For more information regarding Skanska's work within Green, please visit www.skanska.com. For information regarding external organizations and their work, please visit their respective organisations website.

Corporate Community Investment

Construction is largely a local activity and the projects that are won place Skanska in numerous communities through the employees and supply chain. The vision is to be a supportive, committed and responsible member of these communities. This requires well executed projects and where possible, a wider contribution to society. Skanska delivers thousands of projects annually and all have an impact on the local community. Globally Skanska has around 43,000 employees who are part of society and have an impact on society. The investment into the community is therefore an important part of Skanska's social agenda for sustainable development.

The Community Involvement Policy has been updated to reflect Skanska's intention of investment and local economic development.

Local Economic Development

As a long-term participant in local communities Skanska will foster Local Economic Development that

- improves the resilience of these communities to cope with safety, environmental, ethical, diversity and inclusion impacts
- enhances the life skills of individuals within these communities through apprenticeships and local employment where appropriate

An example of Skanska's community investment can be seen in Corso Court, Prague. Skanska Commercial Development invested in an area of town which was in need of rejuvenation. Skanska's presence has improved the local environment, provided job opportunities and given the local community an open amenity space with free wi-fi and use of the office restaurant.



Corso Court, Prague, Czech Republic.

In this case community investment has taken the form of the design of the building and infrastructure Skanska has constructed. This gives a long lasting legacy to the community.

Community investment can also occur during construction in the form of recruiting disadvantaged groups, using the time of Skanska employees and expertise through volunteering and education.



Skanska UK's 'Lend a hand' volunteer programme is part of its Corporate Community Investment strategy.

Education – Education will be supported under the broad headings where Skanska believes it has greatest influence: safety, green, ethics and diversity and inclusion. In addition technical education around construction will create employment and provide quality candidates into the future construction industry.

A network of people responsible for community-related issues has been formed across the Business Units and at the head office to drive the community investment culture and communicate best practices throughout the company. In 2014 an online reporting tool was established so reporting throughout the company is transparent. Reporting around time and materials has been recorded.

All community investment activities must comply with Skanska's Code of Conduct, Corporate Governance Rules, Financial Threshold Rules (cash and/or in-kind) and Disaster Relief Document.

Diversity and Inclusion

Since 2013 a global Diversity and Inclusion (D&I) vision has been in place stating that by 2020 Skanska is recognized as a leader in diversity and inclusion in all home markets, mirroring the diversity in society on all levels of the organization and Skanska's leaders are excellent in fostering an inclusive culture.

In 2015 the journey towards the vision continued. A Diversity and Inclusion Change Journey Map was implemented. The map tracks and inspire change efforts focusing on leading indicators in the areas of: 1) D&I commitment and awareness among leaders, 2) D&I specific change efforts, 3) D&I in existing organizational processes. All Business Units have used the Map for peer review discussions in D&I learning groups (groups consisting of 3–4 Inclusion Advocates and HR-experts from each Business Unit). It has also been used in the Business Units' board meetings when each respective Business Unit's D&I work have been reviewed.

Management commitment, Skanska Values and the Business Plan are the foundation of Skanska's D&I strategy. All have been in focus during the year.



In terms of management commitment there has been increased focus on inclusive leadership skills among managers on all levels through various workshops across Skanska starting with an extensive workshop on Inclusive Leadership for the Senior Executive Team and all the Business Unit Presidents.

In terms of the business plan, there is a strong focus on Diversity and Inclusion in the upcoming global business plan for 2016–2020. As of this year D&I is one of Skanska's prioritized sustainability areas together with safety, ethics, green and corporate community investment.

Employees divided by Gender

Category	2015, %		2014, %	
	Men	Women	Men	Women
Skilled workers	98	2	98	2
White collar employees	72	28	73	27
Management positions	81	19	84	16
Senior executives	78	22	88	13
Skanska AB Board	79	21	88	13

In terms of the values, Skanska's re-articulated values support Skanska's journey to become more diverse and inclusive.

The increased focus is paying off in terms of employee survey results and representation of women. In many Business Units there is a clear positive trend in terms of the four D&I questions in the employee survey, and the percentage of women employees have increased from 12 percent to 14 percent women during the last two years at a Group level.

Skanska's D&I work is also receiving increasing external attention and acknowledgement. Several Business Unit Presidents, Inclusion Advocates and members of Skanska's Senior Women Advisory Group have had external speaking engagement. There has been several articles on Skanska's D&I work in Swedish, as well as international, press. Skanska has been invited to write chronicles in different forums, including a guest blog for the well-known organization Catalyst (www.catalyst.org). In 2015 Skanska Sweden was selected as the Swedish candidate for the European Diversity Charter Award.

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Annual report production team:

Skanska AB in collaboration with Addira.

Graphic design: Paulin Art Direction & Design

Text: Skanska AB

Translation: Novoterm

Print: Larsson Offsettryck Linköping

Photos: Skanska

Staffan Andersson / Malmö Live, inside cover

Karin Alfredsson / BoKlok Kiruna, page 4-5

Live Nation / Nashville Arena, page 10-11

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