

SKANSKA

Financial Report of 2016

USD version



We build for a better society.

Synergies from Skanska's business streams



Operational and financial synergies are among the benefits achieved through the collaboration between business streams and Business Units from different home markets.

USD 3.3 bn

of Skanska's total order backlog were contracts involving more than one Business Unit as of December 31, 2016.

USD 2.1 bn

in Construction revenue were from internal Project Development contracts in 2016.



Karolinska University Hospital's new facility in Solna, Sweden, accepted its first patients at the end of 2016. The project demonstrates the synergies within the Skanska Group. Structured as a public-private partnership (PPP), Skanska Infrastructure Development together with a joint venture partner is responsible for developing, financing, building and maintaining the hospital. The Construction units Skanska Sweden and Skanska UK are working together on the construction contract, which amounts to USD 1.7 billion.



Providing New York with a world-class airport

LaGuardia Airport Central Terminal, New York City, USA
Infrastructure Development and Construction

Skanska, as a member of LaGuardia Gateway Partners, is redeveloping LaGuardia Airport's Central Terminal through a public-private partnership (PPP). This involves Skanska's largest-ever contract: a 70 percent share of the design-build agreement totaling about USD 4 billion. This assignment also involves a Skanska equity investment of about USD 70 M, reflecting a 33.3 percent shareholding in LaGuardia Gateway Partners.

Harnessing the collective power of three Skanska Business Units – Skanska Infrastructure Development, Skanska USA Building and Skanska USA Civil – the project is a top example of what the Group's synergies make possible, including creating significant value for the Group.

LaGuardia's transformation also represents much more.

The Central Terminal is the largest U.S. PPP and the first U.S. airline terminal to be delivered by PPP, in which a private sector team handles finance, design, construction and long-term operation and maintenance. With its successful financial close in 2016, the Central Terminal is seen as a trendsetter for more and bigger PPPs in the U.S.

"We have received lots of calls from our airport colleagues from around the country," says Patrick Foye, Executive Director of the Port Authority of New York and New Jersey, the owner of LaGuardia Airport. "I am optimistic that LaGuardia will result in a significant increase in the number of PPP transactions."

He adds: "We're very excited about the opportunity for more PPPs in our portfolio, whether with airports, rail tunnels or at our ports. It's a good thing for the public to have these additional options available."

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The financial statements presented in this report have been prepared in USD (United States dollar) as the presentation currency. As the functional currency of the Parent Company is SEK (Swedish kronor), Skanska's statutory Annual Report including the consolidated financial statements and the financial statements of the Parent Company has been prepared using Swedish kronor (SEK) as the presentation currency. For currency exchange rates, see page xxx.

Skanska AB, Swedish corporate identity number 556000-4615.

Skanska as an investment

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

Supported by global trends in urbanization and demographics, and by being at the forefront of sustainability, Skanska offers competitive solutions for both simple and the most complex assignments. Driven by its values, the Group helps create sustainable futures for customers and communities.

In 2016, the Group's 41,000 employees delivered strong results while building for a better society.

Strong global trends

Demographic changes and continued urbanization lead to an increased demand for infrastructure, hospitals, schools, homes, offices and more. 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. By leveraging the operational synergies across the business streams and home markets, its competitive advantage is strengthened.

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 generates a strong cash flow which, combined with net cash, puts the Group in a stable financial position.

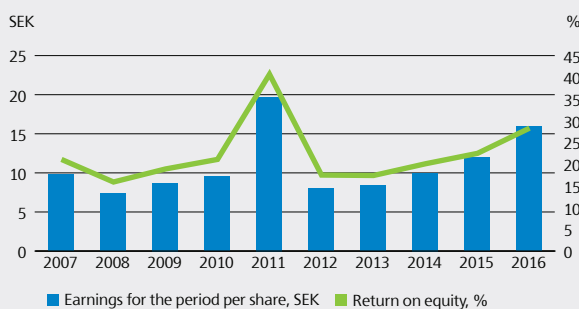
Financial synergies

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.

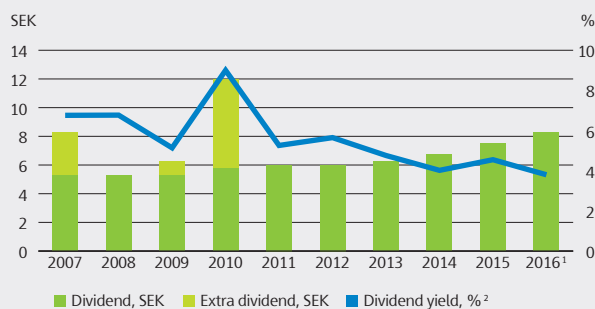
Attractive total shareholder return

Skanska has a competitive total shareholder return with more than ten years of increased or maintained ordinary dividend, while maintaining a continued high level of investments in Project Development.

Earnings for the period per share and return on equity



Dividend history



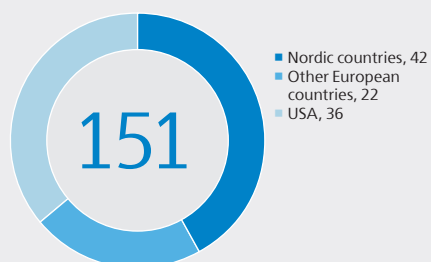
¹ Based on the dividend proposed by the Board of Directors.

² Dividend per share divided by the closing share price for each respective year.

2016 in brief

Revenue, USD 17.7 bn

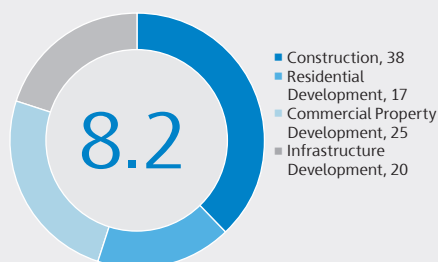
by geography, %¹



¹ Before Central and eliminations.

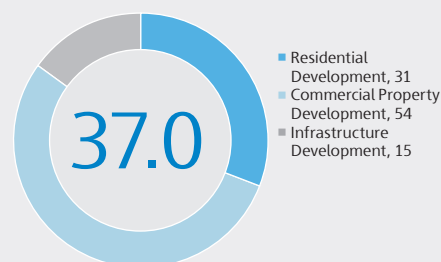
Operating income, USD 958 M

by business stream, %¹



Capital employed, USD 4.1 bn

in Project Development, by business stream, %



Construction

- Order bookings amounted to USD 19.9 billion. The major contracts included:
 - LaGuardia Airport Central Terminal in New York, USA
 - European Spallation Source in Lund, Sweden
- All-time high order backlog, USD 21.7 billion.
- The operating margin in the stream was 2.6 percent:
 - Strong performance in Sweden and USA Building
 - Weak performance in USA Civil and Poland
 - Stable in all other units

Residential Development

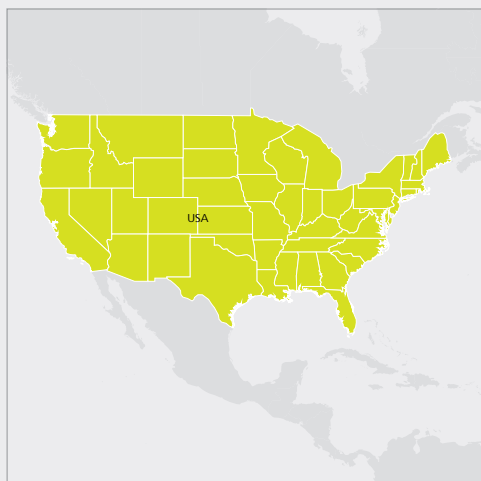
- Continued improved performance with an all-time high in operating income, USD 188 M, and clearly met return targets.
- The number of homes sold and started totaled 4,603 and 4,848, respectively.
- BoKlok, the affordable homes business, continued to deliver great returns.

Commercial Property Development

- A new all-time high in divestment gains at USD 364 M.
- The number of ongoing property projects was 47 at the end of the year, corresponding to an investment value upon completion of USD 2.2 billion.
- 26 projects started across all geographies: the U.S., Central Europe and Nordics.

Infrastructure Development

- Operating income totaled USD 212 M.
- The investment in the M25 motorway was divested for USD 362 M.
- Financial close reached on the LaGuardia Airport project in New York, USA.
- Net present value of projects is USD 476 M.



Skanska's home markets

Skanska has operations in eleven 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

Skanska delivered very strong earnings growth and maintained a solid financial position in 2016. Our Project Development business streams were the engines of our performance. In 2017, we will continue to deliver on the Profit with Purpose Business Plan, backed by favorable outlooks in our home markets.

In 2016, Skanska began the journey of our Profit with Purpose Business Plan, which will guide us until 2020. Under this plan, our aim is to deliver an industry-leading total shareholder return while achieving our purpose: building for a better society. It's about ensuring that our business prospers by contributing to society and helping customers be more successful. It's about doing more of what Skanska has long done, and doing it better.

With both Profit and Purpose, Skanska demonstrated strong performance in 2016.

Earnings per share increased by 31 percent to USD 1.86. Our performance was driven by all-time high earnings in the Residential Development and Commercial Property Development business streams, together with divestment of an Infrastructure Development project. Our Construction stream did not meet its operating margin target. Still, we ended the year with a robust financial position. Based on these results, the Board of Directors is proposing to increase the dividend to SEK 8.25 (7.50) (corresponding to USD 0.91 [0.88]) per share.

The Skanska share delivered a total shareholder return of 36.4 percent in 2016, compared with 9.6 percent for the Swedish stock market. Furthermore, in December 2016 Skanska's share reached a new high point of SEK 218.70, corresponding to USD 24.13.

Leveraging synergies to improve competitiveness

Skanska's success is increasingly a result of the operational and financial synergies that come from different parts of our business working together. We are very focused on boosting these collaborations.

Operational synergies include using local, specialized expertise on a global scale to strengthen customer offerings, expand our opportunities and improve how projects are delivered. For example, for the recent pursuit of a major hospital in Norway, we leveraged expertise from the UK, Sweden and the U.S. – the bid was successful. Also, the successful expansion of Commercial Property Development to the U.S. was built on knowledge shared from that stream's operations in the Nordics and Europe.

Financial synergies result from harnessing the free working capital from Construction to invest in development projects – this cycle is the heart of our business model. Skanska benefits in two key ways: we generate our own construction contracts, and we achieve signifi-

cant returns from the money we invest in Project Development.

Project Development's major contributions

Project Development's significance has increased within Skanska, which is an aspiration of the Business Plan. In 2016, the three Project Development business streams – Residential Development, Commercial Property Development and Infrastructure Development – produced 62 percent of Skanska's operating income.

Other Project Development highlights from last year include:

- Residential Development surpassed our 10 percent target for both return on capital employed and operating margin. BoKlok, our affordable homes business, did especially well.
- 47 Commercial Property Development projects were underway, and we made one of our most successful divestments ever: the sale of the 101 Seaport office building in Boston for USD 452 M.
- Financial close was reached for the redevelopment of LaGuardia Airport's Central Terminal in New York, our third U.S. public-private partnership (PPP). This project involves our largest-ever construction contract – worth about USD 2.8 billion – and it draws upon Group-wide expertise.
- Divestment of our share in the M25 motorway PPP in London for about USD 362 M.

We see great demand for all three Project Development streams. In 2017, we plan to start even more development projects and further grow this part of our business.

Construction backlog at all-time high

Most of our Construction Business Units were stable and profitable in 2016. Performance was particularly strong with Skanska Sweden, Skanska Finland and Skanska USA Building. Furthermore, we ended the year with a construction backlog of USD 21.7 billion – our highest ever.

Still, we are not satisfied, as we did not achieve the 3.5 percent target for Construction operating margin. Both Skanska Poland and Skanska USA Civil had weak performances, and they are taking steps to improve. Reaching or exceeding our Construction operating margin target is a top priority that we are working hard



to achieve.

To increase margins in all Construction Business Units, one key way is enhancing how we manage risks and opportunities. We have added an additional layer of scrutiny within the Business Units to bolster our tender review process, implemented a system to better monitor large project performance and are continuously improving our financial steering of projects. A stricter bid strategy is another important action: in order to bid we have to identify the right team to execute the project. Furthermore, we are strengthening our people with the right training for their area of responsibility.

Values provide business benefits

We want our strong Skanska values to guide everything we do. I am convinced that our values make us more profitable and successful, and they are essential to contributing to society. Increasingly, employees want to work for companies with clear values. And I am seeing more customers and partners choose Skanska in part because of our values.

For instance, in Östersund in northern Sweden, Skanska secured the Remonthagen housing project because of our skills and desire for the really innovative part of this assignment: joining a pilot effort with the local public housing company to provide construction skills and language training to newly arrived refugees. And in Poland, our Osiedle Mickiewicza Residential Development project is the first housing development in that country certified by the BREEAM environmental system – more than 40 percent of homebuyers said that green label had an important influence on their decision.

Through what we do and how we work, we help ensure sustainable futures for our people, customers and communities. We focus on the sustainability areas in which we can make the most significant positive contributions: Safety, Ethics, Green, Corporate Community Investment, and Diversity and Inclusion. All of these areas relate to our core business and expertise, and are interconnected. These areas support the sustainable development goals defined by the United Nations Global Compact, which Skanska has actively supported for the last 16 years. Safety is an area in which we particularly need to improve, as four people lost their lives on Skanska projects in 2016.

The need for Skanska's contributions is becoming greater. Society faces intensifying challenges – and opportunities – from a changing climate, increasing urbanization, integrating migrants and more.

“Skanska's success is increasingly a result of the operational and financial synergies that come from different parts of our business working together.”



Favorable outlooks

We view 2017 with confidence, backed by positive outlooks for all our markets and business streams.

But we also know that 2017 will likely be a year of great change. Brexit in the UK and Donald Trump as U.S. President are expected to lead to big shifts for those countries – two of Skanska's top home markets – that impact the rest of the world. For now, those impacts remain unclear, but the UK government and President Trump have both signaled plans to increase infrastructure investment. Whatever changes may occur, we are confident in our ability to adapt in line with our values. We have successfully adapted many times in our 130-year history.

Focused on delivering our strategy

Based on Skanska's 2016 performance, we are on track to deliver the second year of the Profit with Purpose Business Plan, while positioning our business for success in the years to come.

Continued achievement with the Business Plan depends on having and developing great people; finding new and better ways to contribute to the success of customers; and achieving excellence in our operations and support functions. We are committed to strengthening the performance of the Construction units while maximizing the ongoing success of Project Development.

With ongoing support by our strong values and committed people, we will create further benefits for our shareholders, customers and communities. I am proud to be part of this journey, and am optimistic for what is ahead.

Stockholm, February 2017

Johan Karlström
President and CEO



The workplace of the future, available now

Corso Court, Prague, Czech Republic Commercial Property Development and Construction

Integration between Commercial Property Development and Construction enables Skanska to better serve future tenants of properties developed by the Group. With Skanska as both developer and contractor, tenants can be more confident of completion dates and that the delivery process will be smooth.

For Skanska, these synergies produce efficiencies that aid in project profitability and ensure price competitiveness.

A great example of this is Corso Court, a 17,000 sq m (183,000 sq ft) LEED Platinum-certified building.

Skanska Czech Republic and Slovakia was involved with Skanska Commercial Development Europe from this project's earliest stages. This enabled quick feedback during conceptual design, and flexibility in addressing changes during construction. Since there is a Construction team in Prague dedicated to Commercial Property Development projects, relationships and best practices flow from one project to the next. As a further level of integration, 62 percent of the construction value was performed by Skanska specialist companies as subcontractors. All these things helped produce a final cost that was well below the target cost.

Corso Court is one in a series of Commercial Property Development projects in Prague to be fully leased and divested before construction completion, demonstrating continued strong interest in Skanska properties.



Skanska's values

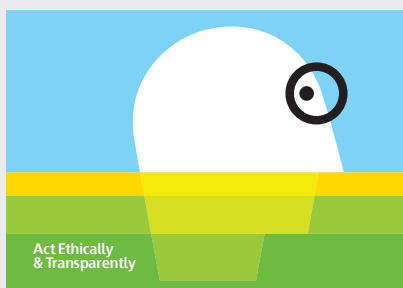
In an ever-changing world, Skanska's culture and identity remain anchored to strong values. The Group constantly drives the need for every employee to live Skanska's values in all they do. Values are fundamental to the Group's success.



Care for Life

Care for Life is how Skanska is accountable to future generations through safe and environmentally responsible actions. One way the Group is improving at this is through increased collaboration between Business Units.

For example, in Central Europe the four Business Units are developing common health and safety standards, and have established a structure to share best practices and coordinate safety activities. As part of this, the Project Development units act as demanding clients to the Construction units, further helping to eliminate injuries and support health and well-being.



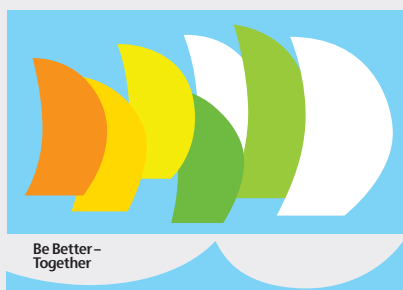
Act Ethically and Transparently

Skanska does business with a high degree of integrity and transparency. To support this, in 2016 the Group launched a new Code of Conduct and its first Supplier Code of Conduct. Together, these set the ethical direction for employees and external parties.

The new Code of Conduct has many examples, providing employees with hands-on guidance for living Skanska's values every day.

It can be viewed at codeofconduct.skanska.com.

The Supplier Code states the behaviors Skanska demands from its supply chain. Skanska only works with customers that do not require compromising the Group's high standards.



Be Better – Together

Skanska strives to be better in all it does, and important to this are collaborations both inside and outside the Group. An example is the Global Healthcare Center of Excellence, which shares healthcare facility solutions and resources across Business Units.

When Skanska Norway and Skanska UK were recently pursuing a large hospital in Norway, the Center of Excellence linked them to experts in Skanska Sweden and Skanska USA Building – this was key to the bid being successful.

This Center of Excellence enables Skanska to be highly strategic and better understand trends in healthcare, a top Skanska sector.



Commit to Customers

Skanska helps customers be successful in their business. In the UK, for Anglian Water to successfully deliver a large infrastructure program it wanted more than a collection of designers and contractors – it wanted a partnership.

It found that with the @one Alliance, a collaborative organization of consultants and contractors, including Skanska. The Alliance will deliver about 800 projects by 2020 using multidisciplinary teams focused on mutual trust and respect. By understanding Anglian Water's internal customers, the Alliance added an "after care" role to help teams start operating newly completed projects.

Business model

Projects are the core of Skanska's operations. Value is generated through the thousands of projects the Group executes each year. The goal is for every project to be profitable while being executed in line with Skanska's ambition to be an industry leader in sustainability.

The Business Units within the four business streams collaborate in various ways, creating operational and financial synergies that generate increased value. Going forward, even more will be invested in releasing these synergies.

Operational synergies

Operational synergies are primarily generated by using the local, specialized expertise found in the various Business Units on a global scale. Units from different business streams often collaborate on projects, which reinforces their customer focus and creates the necessary conditions for sharing best practices, while ensuring efficient utilization of the Group's collective expertise and financial resources. Units in the same business stream also collaborate to make better use

of expertise or size. Business Units establish geographical clusters to share resources and expertise, with shared activities in procurement and production also boosting efficiency.

Financial synergies

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

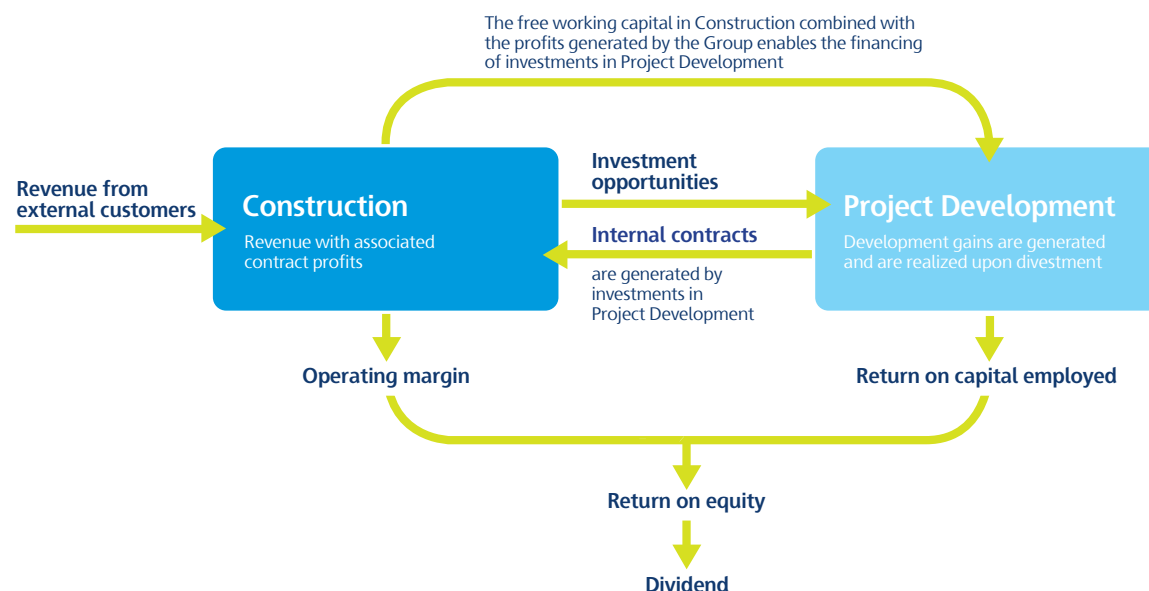
Size provides competitive advantages

By being a market leader, Skanska is well positioned to meet the highest expectations of customers.

The Group's size and financial strength give Skanska an advantage in the most complex assignments, where collective experience and know-how are used to meet customers needs.

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

Skanska's business model



Business plan 2016–2020

– Profit with Purpose

The current business plan outlines the strategic direction that will take Skanska to the next level of performance. The aim is to increase shareholder value while working toward a more sustainable future for employees, customers and communities. This is how Skanska creates Profit with Purpose.



Generating value for shareholders

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

Profit with Purpose

Customers, investors and potential employees all prefer companies that are working in responsible ways. Genuine market leaders create shareholder value that contributes 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.

Skanska's purpose is to build for a better society.

It is not about choosing profit or purpose; 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 – contributes 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 commitment to Safety, Ethics, Green, Corporate Community Investment as well as Diversity and Inclusion. All this is linked to the core business and employees' key competencies. All of Skanska's home markets provide the right conditions for delivering the sustainable solutions that both customers and communities need.

The way Skanska operates also contributes to sustainable development: constantly finding safer and greener ways to work, working ethically, embracing diversity and engaging in communities. 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 areas within Sustainability

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

Financial targets 2016–2020

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

Return on equity and on capital employed are measures of how well shareholder and lender capital are being used (capital efficiency), and are considered fair measurements for the Group and the Project Development business streams, respectively. The operating margin is an expression of the profitability and efficiency within Construction. The margin is dependent on the mix of contract types and the different geographical markets.

Outcome 2016

In 2016, Skanska reached its return targets, and ended the year with a strong financial position. The Group's financial strength enables the continuation of increased investments in Project Development. As the value creation from Project Development increases and starts to balance the value created in Construction, the outcome of the return targets for Project Development will maintain at stable levels.

The operating margin in the Construction stream was below the target, mainly due to the operating margin being lower in USA Civil and negative in Poland.

Financial targets 2016–2020

Group

Return on equity

≥ 18%

Financial strength

Net operating financial assets/liabilities

can be negative

if opportunities arise

Construction

Operating margin

≥ 3.5%

Project Development

Return on capital employed for the combined Project Development operations

≥ 10%

Outcome 2016

Group

Return on equity was

28.1%

Financial strength

Net operating financial assets/liabilities were

USD 1.2 billion

Construction

The operating margin was

2.6%

Project Development

Return on capital employed was

18.3%

Definitions are provided in note 44 B.



Helping prevent a 700 km detour

Sørkjosen Tunnel, Sørkjosen, Norway | Construction

At the top of Norway, deep inside the Arctic Circle, is the village of Sørkjosen. Rocky peaks studded with bare white birch trees frame the glistening waters of a fjord, and along its shores runs the E6 motorway.

Here, Skanska Norway is providing society with a solution to an important problem: at Sørkjosen, the E6 crosses up and down the mountain, and snow and ice can cause trucks hauling fish from the Barents and Norwegian seas to slide – sometimes blocking the critical route and causing a 700 km detour that stretches into Finland. The tunnel will provide a safer and more direct route, which residents have awaited for years.

Drilling and blasting common to Norway have created the new 4.5 km tunnel. Guided by exacting survey work, tunneling crews working from both ends met in the middle with precision: a variance of only 1 cm in height and 2 cm sideways, both far within normal tolerances.

“We never miss,” says Skanska Project Manager Tor Gildestad.

Successful tunneling also depends on working safely, and on thoroughly understanding the local rock. For this project, Skanska Norway – rather than the Government – employed the geologists who inspected the rock after each blast. This special collaboration was important to expediting the tunneling process.

Great People

Success in Skanska's project-based business depends on having people with the right skills and commitment, and who share Skanska's values. Recruiting top people and developing them are key parts of this focus area, as is becoming more diverse and inclusive.

Skanska aims to be the most attractive employer in its industry. The Group provides a culture based on transparency, values and high performance, with employees working together on teams to build for a better society. Skanska provides employees with many opportunities to learn and grow: when an employee grows, Skanska as a company develops.

Skanska wants employees to continuously develop and contribute to the company. Seop, the Skanska employee ownership program, helps build pride of ownership among employees and an understanding of how to create value for shareholders. Seop

has around 10,500 participants who invested a total of about USD 35 million in 2016. If counted as one group, they are now the third-largest Skanska shareholder.

Sharing knowledge and building broader experience

Another important aspect of ensuring the Group's success is providing employees with a broader range of experiences. Employees are encouraged to work in different Business Units and geographies: this helps share knowledge and improve collaboration. Skanska's internal recruitment policy was updated in 2016 to better support this.

Improving through diversity and inclusion

The Group is focused on achieving a more diverse workforce: attracting, recruiting and retaining people from a larger pool, thereby mirroring the diversity in society. This will help Skanska build relationships with an increasingly diverse customer base, and boost innovation by leveraging the unique experiences and perspectives of all employees. The Group also prioritizes achieving a more inclusive culture, in which every employee can reach their full potential.

Paul Wright's tenure as Operations Director in the UK includes building "mega" public-private partnership (PPP) hospitals with up to 2,000 people on-site. For the last five years, Paul has been working in Sweden, leading the design and construction of New Karolinska Solna. It is ideal for him, being another large PPP healthcare project.

This transfer from Skanska UK to a Skanska Sweden-led project has been beneficial to the Group and to Paul personally. It enabled the project team to gain from Paul's deep knowledge and experience as a 30-plus year Skanska employee. And it provided Paul the opportunity to expand his abilities working in another country and leading a construction site with more than 32 nationalities in the wider team.



Market Making

By understanding the needs of customers, Skanska can together with them provide the best solutions. This requires Skanska to become more structured and proactive in customer relationships, and to have a more customer-focused mindset. The aim is for more customers to recommend and choose Skanska as their partner.

Skanska seeks to understand the agendas, needs and challenges of customers, and what success means to them. Only then can Skanska deliver the innovative solutions that customers find attractive, setting the Group apart in a competitive marketplace. Listening to the customer, taking the initiative and leveraging Skanska's broad capabilities generates new business opportunities and long-term partnerships.

Increasingly, Skanska's values and how they are lived are appreciated by customers. Values help differentiate Skanska, particu-

larly on the more desirable assignments in which price is not the only factor. Customers want to work with partners they can trust, and that also act responsibly.

Early contractor involvement

Demand is increasing among Skanska's customers for help with designing functional and cost-saving solutions. Joining a project at an early stage aids Skanska in helping customers be more successful in their core businesses.

Long-term perspective

Deeper collaboration with a clear focus on sustainability is becoming increasingly important to customers. By taking a longer and broader perspective that goes beyond the Project Development and Construction commitments, Skanska and its customers can build for a better society, improving the lives of many people.



In four main regions of Sweden, Skanska and its partners are creating dialogues with public officials around what those growing areas could be like decades from now. These conversations are intended to look past immediate challenges and think big about needs and solutions for housing, transportation, workforce integration, energy and more.

These visions help Skanska be more of a partner to municipalities, a resource to help them in their planning. For example, Skanska was invited by the Swedish municipality of Botkyrka to present ideas for developing a large plot of land. In response, Skanska created a vision for the municipality's southern entrance. That led to a joint venture with Botkyrka to develop the land; other municipalities are interested in similar approaches.

Operational Excellence

Improved delivery of projects for customers and stronger results for Skanska both depend on the Group achieving excellence in its operations. This is true in all parts of Construction and Project Development, from risk assessment and design to execution and divestment. Increased collaboration, training and digitalization are priorities.

To leverage the breadth and depth of Skanska's operations to improve operational excellence, knowledge sharing networks have been established within and across business streams. Within Construction, a network of senior managers now shares best practices and coordinates the efficiency improvement programs underway in many Construction Business Units.

Skanska is also driving increased collaboration externally with customers and other project partners. Early contractor involvement remains a focus as this enables project teams to work with customers to optimize

project solutions at an early stage, enabling the most efficient delivery and improved safety.

Becoming a digital company

Skanska is embracing the digital world. Building information modeling (BIM), mobile productivity tools, drones, and virtual and augmented reality are becoming increasingly common across Business Units. These technologies enable better service to customers, while also improving the certainty and efficiency of project delivery. Smarter design and industrialized

production are also important to enhancing productivity.

Value from data and people

Additionally, Skanska sees increasing value in the vast amounts of data collected during design and construction. This data can improve the Group's own efficiency, and aid customers in managing their assets once construction is complete. Underlying all Operational Excellence efforts is ensuring that employees have the right skills for their areas of responsibility.

A growing number of Skanska Norway projects are implementing a framework – adopted from Stanford University in the U.S. – that improves productivity across project planning, design and construction.

This Virtual Design and Construction (VDC) approach aligns modern technology with high-performance lean process management. BIM is the collaboration platform, collaborative planning occurs in all project phases, and interactive weekly work sessions bring together key decision makers from the customer, Skanska, design team and other partners to increase the speed of decision making.

A lean mindset empowers project teams, helping members be more effective and aiding in reducing wasteful project activities, such as rework.





From worn parking lot to neighborhood icon

101 Seaport, Boston, USA | Commercial Property Development and Construction

It was an incredible challenge: transform a concept of a building into the new Boston headquarters for PwC and its 3,000-plus local employees, all within 26 months.

Skanska committed to PwC, the global accounting and consulting firm, that it would deliver their premises in 101 Seaport on that ultrafast timetable. PwC would occupy almost 80 percent of the nearly 41,000 sq m, or 441,000 sq ft. Through the Group's integrated abilities to self-finance, develop and construct, Skanska very effectively managed risks to advance the schedule. The LEED Platinum headquarters was completed as promised.

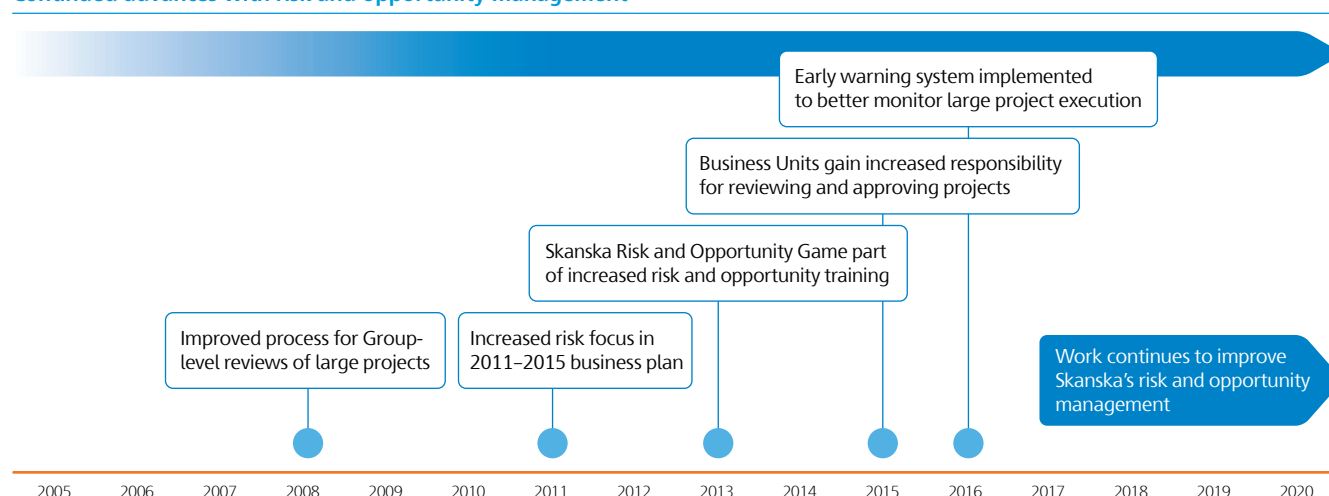
"No one else in the market could have done what we did," says Charley Leatherbee, Executive Vice President in Skanska Commercial Property Development USA.

Union Investment Real Estate GMBH bought 101 Seaport for USD 452 M, one of the highest prices ever paid for a Boston office building.

Risk and opportunity management

At Group, Business Unit and operational levels, Skanska has procedures and tools to enable risks to be identified, avoided, mitigated and managed. These also enable opportunities – ranging from project selection to divestment – to be maximized and realized. The breadth of Skanska's Project Development and Construction operations benefits the Group's resilience to risks and ability to capture opportunities.

Continued advances with risk and opportunity management



Journey of continuous improvement

Skanska's first formal risk management tool applied throughout the Group was the Operational Risk Assessment, introduced in 1999. Since then, a suite of procedures and tools to assess and manage risk and opportunity during the project lifecycle has been developed and refined. Since 2008, scrutiny and approval of large and complex projects at the Group level have been managed by the Skanska Risk Team – a staff function providing scrutiny and analysis – and the Senior Executive Team Tender Board, a decision making body. The largest projects go to the Project Review Committee of the Board of Directors for final approval.

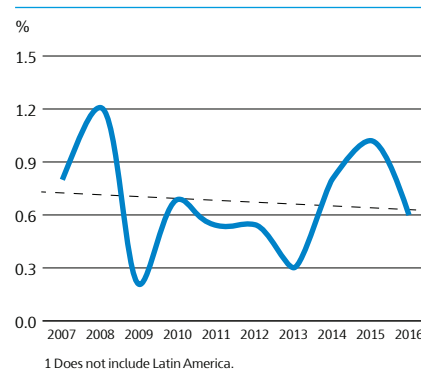
During the five-year business plan to 2015, risk and opportunity management were focus areas for management at all levels. A key development during this period was the expansion of the Skanska Risk Team's role to include scrutiny of Residential Development and Commercial Property Development projects.

Improved risk management at the operational level

With the introduction of the 2020 Profit with Purpose Business Plan, risk management continues to be an important focus area within Operational Excellence. Building upon the success of the Skanska Risk Team and the Senior Executive Team Tender Board, all Business Units have established their own risk teams and project boards: this is to improve the quality and objectivity of scrutiny at the operational level.

To ensure that risks and opportunities identified during project planning continue to be managed effectively during project execution, an early warning process has been established for larger and more challenging projects within the Construction business stream. Through this, senior management will be alerted if certain events occur or key performance indicators are outside a set tolerance.

Total Construction losses divided by total Construction revenue¹



Continuous efforts within risk management aim to minimize the number of loss-making projects, which currently are too numerous. However, loss-making projects cannot entirely be avoided due to the scale of the Group's operations.

Skanska's approach

Skanska has embedded proactive and structured risk and opportunity management at every level of its organization. Here are major aspects of this:

Enterprise level

Established by the Board of Directors, Skanska's Enterprise Risk Management Policy sets out the structure and responsibilities for risk management across the Group. Enterprise risks are categorized as strategic, operational, financial or regulatory, and for each category the policy details the primary policies, procedures, regulations and other controlling documents governing the management of risk.

Skanska conducts an annual enterprise risk survey, involving over 200 managers in the Group. This generates a ranking of enterprise risks: for each of the top risks, the appropriateness and effectiveness of management and mitigation measures are assessed and corrected, as required.

Skanska's wide diversity of projects across geographies and business streams enables the Group to be better informed and better prepared about risks and opportunities.

Operational level

Risk management at the operational level is governed by the Operational Risk System. This system's philosophy is that the process of managing risks is an integral line management responsibility. At all operational levels, every Skanska employee should be a manager of risk. This system details how Business Units should organize for risk management, and it acts as a roadmap to the suite of risk and opportunity management procedures, guidelines and templates.

The Skanska Tender Approval Procedure and Investment Approval Procedure control

Enterprise level

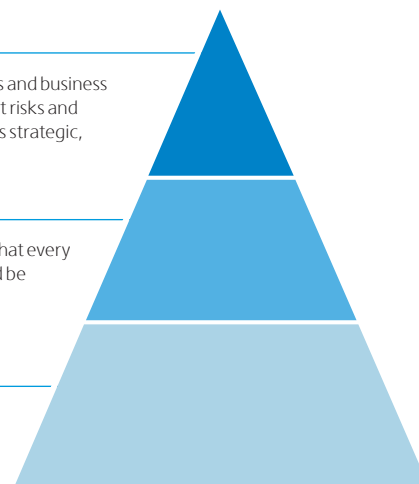
Skanska's diversity of projects across geographies and business streams helps the Group be better prepared about risks and opportunities. Risks at this level are categorized as strategic, operational, financial and regulatory.

Operational level

Fundamental to the process of managing risks is that every Skanska employee at all operational levels should be a manager of risks and opportunities.

Project Level

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



the level of authorization required for Construction and Project Development projects. These procedures also guide project teams through a structured presentation of risks and opportunities, facilitating scrutiny and approval at the required level.

Each Construction Business Unit has a heat map that records the competency of the Unit to execute projects; this is expressed in terms of scope, size, geography and contract model. Projects outside a Business Unit's core competency are subject to increased scrutiny and higher level approval.

Project level

Skanska's business is effectively an aggregation of the Group's projects. Excellent management at the project level is the single most important element in the ability to control risks and maximize opportunities. Operational Excellence at the project level depends on the right people being properly equipped, trained and supported to bid, negotiate and execute the work. Business Units and support units work together

to ensure that project teams are selected, trained and supported so that they can deliver Profit with Purpose every time.

Benefitting from synergies

An aspiration of the Profit with Purpose Business Plan is to have a business that creates balanced value between Construction and Project Development. Project Development assignments involve Construction Business Units, creating synergies that provide many benefits with risk and opportunity management: enhanced competitiveness; better ability to control risks and maximize opportunities; and increased chances to drive sustainability and innovation. Overall, profitability and consistency are increased. These benefits are further enhanced when different Construction Business Units are involved, such as building and civil.

Many of these benefits also occur when different Construction units collaborate on assignments for external clients.

Skanska's main risks

Risk management is key to Operational Excellence. Skanska annually surveys more than 200 top managers to understand the Group's main risks. For each main risk, comprehensive management and mitigation measures are implemented and regularly updated.

Ethical breach

A breach of the required and expected standards of business ethics has consistently been assessed as a top risk facing Skanska. A severe breach could inflict long-term damage on Skanska's reputation and ability to participate in home markets, and it could lead to financial penalties and other sanctions.

Skanska has proactively invested in strengthening its ethical organization, culture and compliance processes. In 2016, a new Code of Conduct, the Group's first Supplier Code of Conduct and a framework for implementing and supporting both were introduced. The Code is built on the value Act Ethically and Transparently.

Also, Skanska has introduced Value Moments, structured time outs to have discussions around values within teams and workgroups; this strengthens Skanska's ethical culture.

Lack or loss of key employees

Construction and development are most of all people businesses. New project opportunities will not be pursued unless employees with the right competencies are available. Skanska needs to attract, develop and retain a skilled, diverse and committed workforce, in competition with many other organizations.

Skanska focuses on developing excellent leaders and providing an inclusive workplace in which people can flourish and everyone can contribute. Skanska has a structured process of evaluating and reviewing each employee's performance and potential. The Group offers many career development opportunities.

An important tool in recruitment and retention is Seop, the Skanska employee ownership program that is open to all permanent employees.

Project or systemic losses

Not every project or investment goes to plan: unforeseen events, delays, extreme weather, failure of suppliers, unachieved production improvements, estimating mistakes, or any number of other circumstances can cause a project to turn into a financial loss maker. In an isolated project, the issues can generally be addressed quickly and every effort is made to turn performance around; given the size and diversity of Skanska's business, the damage is limited.

It would be much more damaging if there are organization-wide problems in the estimating or execution organization of a large Business Unit; such issues could take years to work through. Skanska has several layers of defense to protect against one-off and organization-wide losses. This includes the Group's scrutiny and approval procedures, follow-up, review and reporting, plus the early warning system for all construction projects subject to Senior Executive Team Tender Board approval. This system tracks a set of key performance indicators custom to each project, and alerts senior management according to set protocols should any of those metrics go out of tolerance.

Macro financial instability

Macro-economic risks cannot be avoided, so Skanska focuses on mitigating their effects and ensuring its business is strong enough to weather economic downturns. Real-time management of financial exposure in terms of cashflow, committed investments and capital employed are key to this. Skanska Financial Services plays a lead role in managing the Group's exposure; supporting Business Units; and looking ahead at markets, economic indicators and political factors to provide early signals of coming changes that might affect Skanska and its partners. The diversity of Skanska's operations in terms of geography, sector, business model, customer type, and business cycles together provides significant built-in resilience.

Accident with multiple people affected

Skanska's Care for Life value directs the Group to work safely or not at all. That drives Skanska to never be satisfied or complacent with safety, health and well-being. Skanska treats safety as an industry-wide issue: only by working in partnership with all stakeholders, including competitors, can the construction industry's culture be changed to deliver Skanska's goal of eliminating injuries and ill health.

Skanska continually works to improve its culture of safety, health and well-being, and regularly develops and enhances systems and processes. The Group strives to learn from others and to share what it has learned.



Reducing travel times by 30 minutes a day

Elizabeth River Tunnels, Norfolk, USA Infrastructure Development and Construction

The centerpiece of the Elizabeth River Tunnels project – the new Midtown Tunnel – opened to traffic in 2016, six months ahead of schedule. This meant drivers benefited even sooner from safer and more reliable commutes, and savings of about 30 minutes daily for the average round-trip user. How this public-private partnership (PPP) project's many significant risks were managed was key to making that possible.

An important first step was learning from other parts of Skanska. Colleagues from Skanska Infrastructure Development, Skanska USA Civil and our partners visited the Bjørvika Tunnel, which Skanska Norway was then building with the same innovative approach planned for the Midtown Tunnel. Then during construction, evaluations were done every month on the hundreds of risks being tracked. Expert input also came from across the Group.

The PPP model enabled close collaboration between the Virginia Department of Transportation and the Skanska consortium's developers, designers and builders, and those operating this infrastructure until 2074. Skanska is an equal equity investor and lead of the design-build joint venture. This group focused on creating a tunnel that would be the optimal solution throughout its life.

Focus areas within sustainability

Sustainability is key to delivering on the Profit with Purpose Business Plan. Skanska focuses on sustainability areas directly connected to its business to make the most significant positive contributions to society. Advancing as a leader in sustainability is a business advantage for Skanska as a partner and employer.

Holistic approach to sustainability

Skanska's projects and how they are delivered ensure a sustainable future for communities, customers and employees. The Group focuses on sustainability aspects most relevant to its core Construction and Project Development operations: Safety, Ethics, Green, Corporate Community Investment, and Diversity and Inclusion. Through that strategic approach, Skanska brings the most value to society.

The Group aims to capitalize on the interconnectedness within sustainability. For example, more diverse and inclusive project teams should think more creatively, improving safety and helping provide the best solutions for customers. Ultimately, Skanska aims to be recognized as an industry leader within sustainability

as a whole, extending beyond leadership in individual sustainability areas. The work with sustainability contributes to delivering profit and creating shareholder value.

Leveraging global knowledge

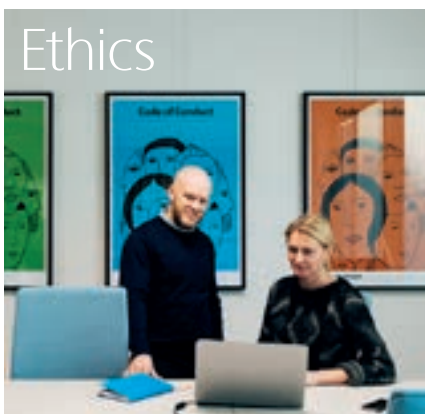
Skanska shares the best solutions and knowledge across the Group, and cross pollinates solutions between Construction and Project Development business streams to further improve performance. Also, Skanska seeks to involve customers and partners with sustainability, learning and sharing for mutual benefits.

Further information on sustainability can be found on page 65–69 and on www.group.skanska.com.



Skanska's Care for Life value commits the Group to eliminate injuries and long-term work-related damage to health, both mental and physical. As a way of living this value, Skanska is developing a Health and Well-being Strategy. This will provide improved direction on reducing long-term health hazards – including noise, dust and poor ergonomics – and will offer employees guidance and information to enable better lifestyle choices with diet, alcohol, smoking and more. This strategy will help people remain healthy throughout their entire lives.

Skanska's upcoming Health and Well-being Strategy will reduce long-term harm to thousands of workers. It builds upon local Business Unit-level initiatives.



Skanska provides employees with resources to help them live the Group's values – ensuring that the values are not just mere words. During the year, an easy-to-read Code of Conduct was launched to be a regular guide for employees. Also debuting in 2016 was a Value Moments Library, a collection of short films depicting real situations that challenge any of Skanska's values. The library is a tool to start discussions around values: everyone is encouraged to begin meetings with a "value moment."

To help employees live Skanska's values every day, they are encouraged to start meetings by discussing those values.

Green



Constructing and operating buildings and infrastructure emits much carbon. That challenge provides Skanska with an opportunity to help society, which is why the Group is on a journey to be a low-carbon business. That effort achieved a milestone in 2016 when Skanska was included in CDP's Climate A List, the top ranking in a scoring that recognizes management of climate change risks. Also, Skanska continued advancing the Envision and CEEQUAL systems that rate the environmental and social performance of infrastructure.

Skanska was named to CDP's Climate A List, recognizing the top nine percent of 2,000 companies across industries worldwide in the ranking.

Corporate Community Investment



Skanska strategically supports communities through its projects and people, delivering mutual benefits to local societies, customers, employees and the Group. One Corporate Community Investment (CCI) area is strengthening and integrating local workforces, such as providing training and opportunities for refugees, new immigrants and military veterans. Another CCI focus is developing projects in ways that enhance surrounding neighborhoods. These CCI priorities directly relate to Skanska's business, maximizing the Group's impacts.

Being a responsible community member is about delivering projects that benefit Skanska's customers and that make a wider contribution to society.

Diversity and Inclusion



Diversity and Inclusion (D&I) work on the Business Unit level continued with increasing efforts in 2016, producing concrete results. Headcount statistics and employee survey results show a clear positive trend, indicating Skanska is improving with diversity as well as inclusion. D&I has become a way to better connect with customers and suppliers, and to stimulate the creative thinking needed to be most competitive. Efforts continue across the Group to further embed Diversity and Inclusion into key business practices.

Skanska UK received two prestigious industry honors for Diversity and Inclusion activities and initiatives.

Moving, and healing, New York

World Trade Center Transportation Hub, New York City, USA | Construction

It's a place that exists to serve more than 250,000 people in their daily travels. To be a major destination for shopping and dining. And most importantly, to help New York City heal from the tragedies of September 11, 2001.

The World Trade Center Transportation Hub opened to the public in 2016, and with its soaring Oculus entrance hall it instantly became a new icon. It is the latest milestone in Skanska's long history on the site.

In the 1960s, Skanska installed the foundations and erected the steel for the 110-story Twin Towers. When the complex was rocked by a bomb in 1993, Skanska did the repairs. In the days after the towers fell in 2001, Skanska stabilized the remaining structures, and returned in 2005 to plan and prepare for rebuilding the site.

In 2010, Skanska USA Civil, Skanska USA Building and a partner began building the new Transportation Hub. Bringing together Skanska's expertise in constructing both infrastructure and buildings was key to successfully completing this assignment. Dedication and pride were also critical.

"Every Skanska employee at the World Trade Center site dedicated themselves to rebuilding, restoring and renewing this vital hub," says Skanska Senior Vice President Gary Winsper.





Share data

Skanska's Series B shares are listed on Nasdaq Stockholm, and the market capitalization on December 31, 2016, was SEK 88.0 billion (corresponding to USD 9.7 billion). The last price paid for Skanska Series B shares in 2016 was SEK 215.1 (corresponding to USD 23.73), and over the year the share price increased by 30.5 percent.

- Skanska's Series B shares (SKA B) are listed on Nasdaq Stockholm
Bloomberg ticker SKAB:SS
Reuters quote SKAb.ST
- Skanska has a sponsored American Depositary Receipt program (Level I) in the U.S. that is traded under the code SKBSY.
- In December 2016, Skanska's share price reached a new record high of SEK 218.70 (corresponding to USD 24.13).
- 92,806 shareholders, the largest of which is Industrivärden.
- Market capitalization of SEK 88.0 billion (corresponding to USD 9.7 billion).
- In 2016, 2.1 million Skanska Series B shares were traded on average every day.
- The Board of Directors proposes a dividend of SEK 8.25 (corresponding to USD 0.91), an increase of SEK 0.75 (corresponding to USD 0.08).

with the biggest intra-day drop coming in conjunction with the British EU referendum at the end of June. The exchange had a positive journey in the second half of the year, ending 2016 up by six percent for the year. Skanska's share price increased 30.5 percent in 2016.

Dividend policy

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

Around 15 analysts follow the company regularly. Under the "Skanska share" tab on Skanska's website for investors is a list of the analysts who follow Skanska, along with their current recommendations.

The stable underlying level of earnings in the Group is an effect of risk diversification across four business streams with operations in several geographical markets

and segments. This has contributed to Skanska's increased or maintained ordinary dividend for more than ten years, as well as achieving a stable financial position that allows it to borrow at attractive rates.

Market development 2016

The Nasdaq Stockholm exchange fell somewhat during the first six months,

Dividend

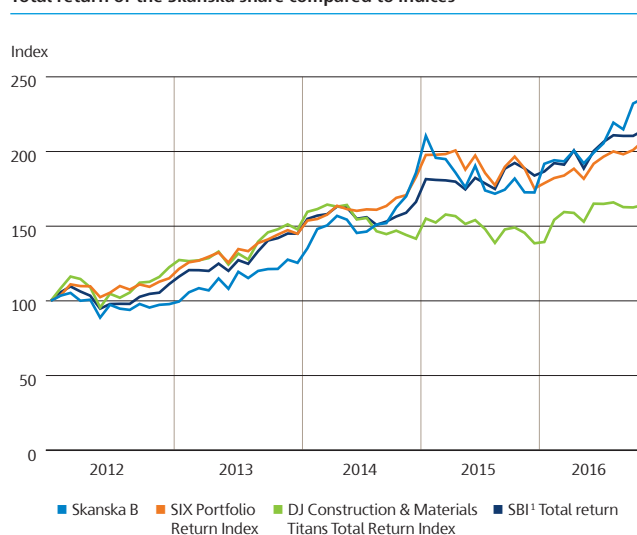
For the 2016 financial year, the Board's assessment is that the Group's financial position and circumstances in general warrant an increase in the dividend by SEK 0.75 (corresponding to USD 0.08) per share, and proposes a dividend of SEK 8.25 (7.50) (corresponding to USD 0.91 [0.85])

The largest shareholders in Skanska AB, ranked by voting power, December 31, 2016

Shareholders	% of votes	% of capital
Industrivärden AB	23.9	6.9
Lundberg Group	12.3	4.5
Skanska employees through Seop ¹	4.6	6.6
Alecta	4.0	5.7
Swedbank Robur Funds	1.9	2.7
Norges Bank Investment Management	1.6	2.3
SEB Funds & Trygg Life Insurance	1.5	2.1
AMF Insurance & Funds	1.2	1.7
SHB Funds & Life Insurance	0.8	1.2
Carnegie Funds	0.8	1.1
10 largest shareholders in Skanska	52.6	34.8
other shareholders in Skanska	47.4	65.2
Total	100.0	100.0
of which shareholders in Sweden	74.2	63.2
of which shareholders abroad	25.8	36.8

¹ Not treated as a unified ownership group.
Source: Modular Finance

Total return of the Skanska share compared to indices



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

Skanska's share price reached a new record high of SEK 218.70 (corresponding to USD 24.13) in December 2016.

per share. The proposal is equivalent to a dividend totaling USD 372 M (359), corresponding to 52 percent of the profit for the year.

No dividend is paid for the Parent Company's holding of Series B treasury shares, where the aim of the holding is to secure delivery of shares to participants in Skanska's employee ownership program (Seop). The total dividend amount may change by the record date, depending on repurchases of shares and the transfer of shares to participants in Skanska's long-term employee ownership program.

Ownership

The majority of Skanska's shareholders are financial and institutional organizations in Sweden. The largest shareholder is

Industrivärden AB, with voting power of 23.9 percent, followed by Lundbergs with voting power of 12.3 percent. The third largest shareholder in terms of voting power is Skanska employees through the Seop. Foreign ownership reached a record high during the year of about 26 percent of voting power. Large foreign shareholders include Norges Bank Investment Management.

Funding

Debt markets had a relatively volatile year. Political events such as the British EU referendum and the outcome of the U.S. presidential election pushed bond-spreads higher while central bank initiatives put a downward pressure on spreads, with Bank of England and the European Central

Bank extending their quantitative easing programs to encompass also corporate bonds. Following a continuously strong cash-flow during 2016, Skanska did not issue any new bonds during the year. Bonds amounting to SEK 1.5 billion (corresponding to USD 165 M) matured and were not prolonged. Occasional short term funding needs were managed through issuing commercial papers.

Skanska has several borrowing programs – both committed bank credit facilities and market funding programs – which provide good preparedness for temporary fluctuations in the Group's short-term liquidity requirements and ensure long-term funding. At the end of the year, the central debt portfolio amounted to USD 463 M. The unutilized credit facilities of USD 629 M combined with the operating financial assets of USD 1.2 billion (which includes the central debt) ensure the Group has sufficient financial capacity.

Skanska share history

	2016	2015	2014	2013	2012
Year-end market price, SEK	215.10	164.80	167.90	131.40	106.20
Corresponding to year-end market price, USD	23.73	19.63	21.54	20.33	16.30
Market capitalization, SEK bn	88.0	67.7	69.0	54.0	43.7
Corresponding to market capitalization, USD bn	9.71	8.07	8.8	8.4	6.7
Number of shares outstanding, million ¹	409.3	411.0	410.8	411.3	411.8
Highest share price during the year, SEK	218.70	208.40	170.00	131.60	125.20
Corresponding to highest share price during the year, USD	24.13	24.94	21.81	20.36	19.22
Lowest share price during the year, SEK	149.20	151.40	126.70	104.60	94.40
Corresponding to lowest share price during the year, USD	16.46	18.03	16.26	16.18	14.49
Yield, %	3.8 ²	4.6 ²	4.0	4.8	5.6
Earnings per share ³ , SEK	15.89	11.96	9.98	8.43	8.00
Dividend per share, SEK	8.25 ⁴	7.50 ⁴	6.75	6.25	6.00
Dividend ratio ⁵ , %	52	63	68	74	75

1 Number of shares outstanding at year-end.

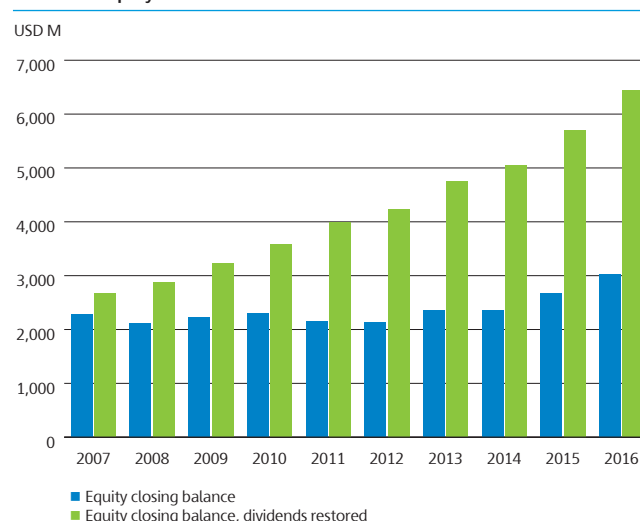
2 Proposed dividend as a percentage of the year-end share price.

3 Earnings per share according to segment reporting divided by the average number of shares outstanding.

4 Based on the dividend proposed by the Board of Directors.

5 Dividend as a percentage of earnings per share.

Growth in equity



Market overview

Skanska's ability to grow and create value in its home markets is affected by a number of external factors. Some of these variables – macroeconomic as well as more sector-specific – are presented below.

Skanska's home markets

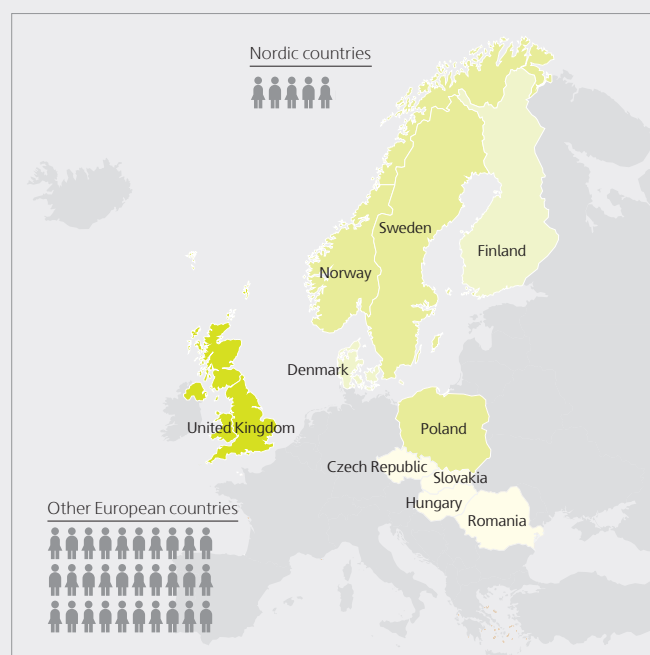
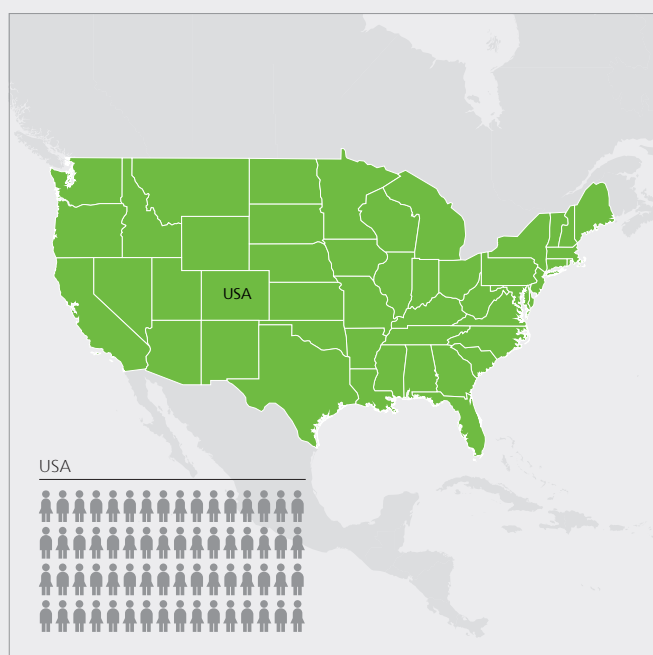
Construction investments 2015

USD 1,100 billion

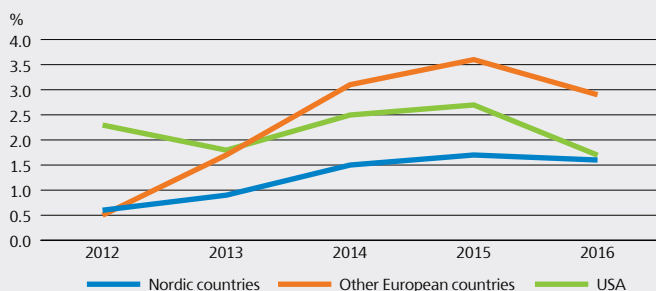
USD 6 billion

Population

2 people = 10 million people

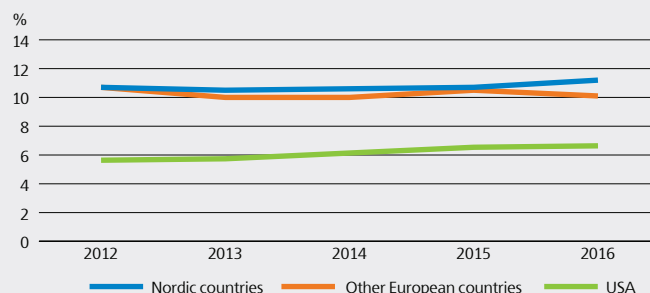


GDP growth in Skanska's home markets



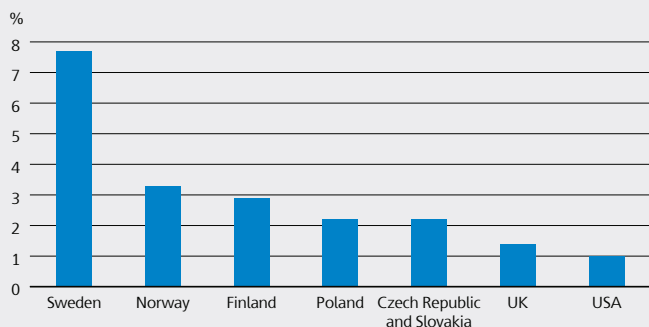
The economic recovery has been strongest in the Central European countries. The Finnish economy is still struggling and pushing down the Nordic average. The U.S. has not had the lows nor the highs of Skanska's other home markets, but is more stable.

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



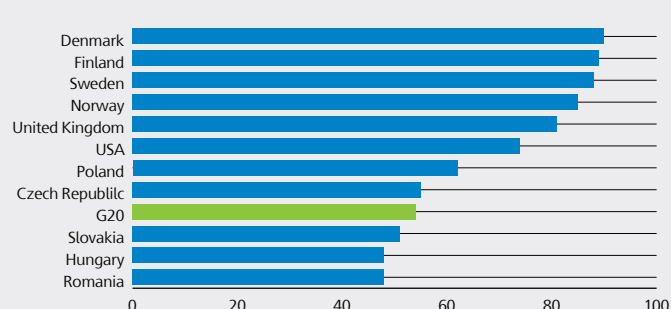
Led by Norway, the Nordics have the highest level of construction investments as a percentage of GDP in Skanska's markets. In the U.S., this share is much lower and is far below pre-crisis levels but increasing, while in Central Europe it has been decreasing.

Market share, Skanska's Construction business stream



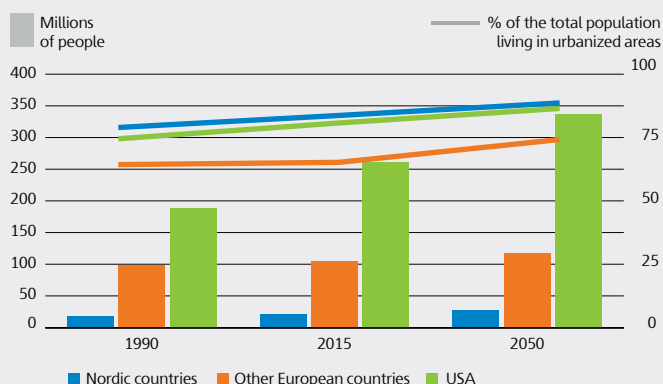
The market share in Sweden is significantly higher than the rest of Skanska's markets. Despite being one of the leading companies in the U.S. and the UK markets, the market share is low due to higher market fragmentation and competition.

Transparency index



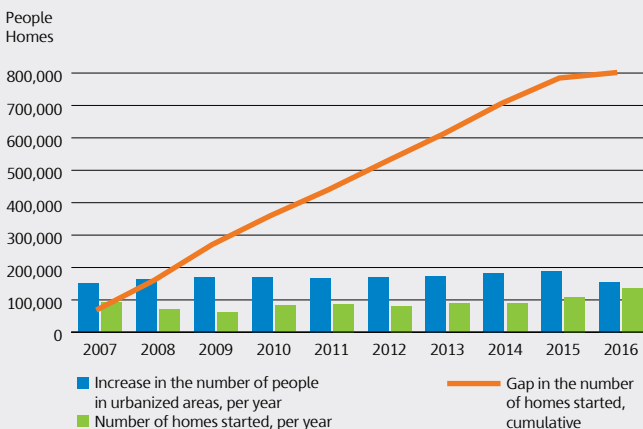
This is a corruption perceptions index that goes from 0–100. The closer a country is to 100 indicates it is less perceived as corrupt. The Central European countries are still struggling with corruption issues, while the situation in the Nordics is much better.

Urbanization in Skanska's home markets



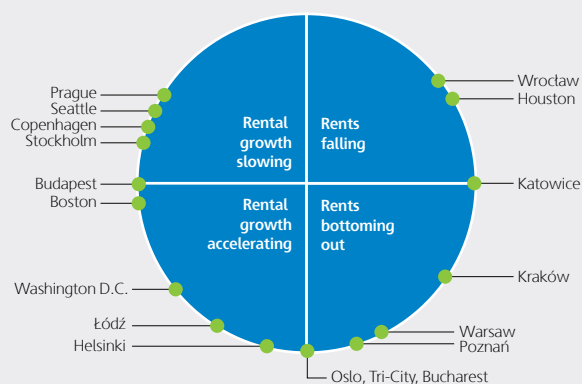
The urban population is increasing all over the world, with an average of 70 percent of the global population living in urban areas by 2050. All of Skanska's markets are above that average and have a higher degree of urban population.

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



For years, the number of homes started has not matched the number of people moving to urbanized areas. This has resulted in a large deficit in the supply of homes. During 2016, the number of homes started increased compared to previous years.

Property clock



Source: JLL, Q3 2016 and Q4 2016

The Property Clock indicates where the respective market is in the property cycle. Skanska has a diversified portfolio of projects and land in different development phases in the cities listed above.

Sources: JLL, Central Statistics offices, SEB, HSBC, Citibank, Transparency International, UN Department of Economic and Social Affairs, World Bank.

Providing a safer
and more direct
connection





Czarneków Bypass, Czarneków, Poland | Construction

Like much of what Skanska has built in Poland, this 6.5 km bypass around the town of Czarneków was small in terms of contract size. But in a big way, it exemplifies Skanska's Commit to Customer value.

Before the bypass, the main route went through the historic city center, and with the many trucks congestion, noise, vibration and safety risks to pedestrians were all concerns. During summers, when many people would travel through Czarneków to reach the Baltic Sea, delays through the town could add one hour to the trip. Czarneków was eager to have a bypass.

"This investment was the most important in the history of Czarneków," says Vice Mayor Grzegorz Kaźmierczak.

Skanska worked to understand Czarneków's priorities, so the Group could help achieve them. Construction activities were conducted to have as little impact on traffic as possible. Budget and schedule commitments were met through comprehensive planning; Skanska's deep resources; and safe and efficient production, helped by 3-D modeling and equipment guided by GPS. Above all, proactive communication and collaboration was prioritized between Skanska and the municipality, providing mutual benefits.

"With Skanska, we got the result we wanted," says the Vice Mayor.

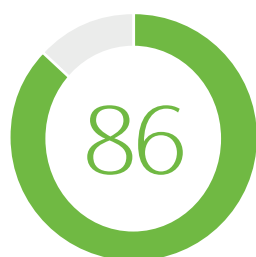
Business streams

Skanska's operations are in Construction, Residential Development, Commercial Property Development and Infrastructure Development. The Business Units within these streams collaborate in various ways, creating operational and financial synergies that generate increased value.

Construction

Revenue

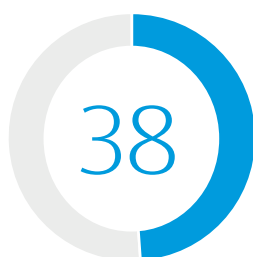
share of Group, %¹



SEK 138,001 M
USD 16,124 M
EUR 14,576 M

Operating income

share of Group, %¹



SEK 3,546 M
USD 414 M
EUR 375 M

Market drivers and key trends

GDP growth

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

Public investment

– Infrastructure investments are largely driven by the public sector.

Urbanization

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

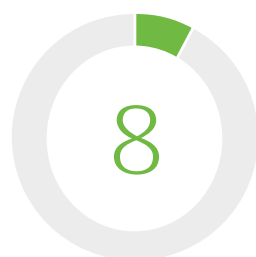
Countries

Sweden
Norway
Finland
Poland
Czech Republic
Slovakia
UK
USA

Residential Development

Revenue

share of Group, %¹



SEK 13,264 M
USD 1,550 M
EUR 1,401 M

Operating income

share of Group, %¹



SEK 1,605 M
USD 188 M
EUR 170 M

Market drivers and key trends

Household confidence indicator

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

Urbanization

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

Shortage of housing

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

Countries

Sweden
Norway
Finland
Poland
Czech Republic

¹ Before Central and eliminations.

Commercial Property Development

Revenue

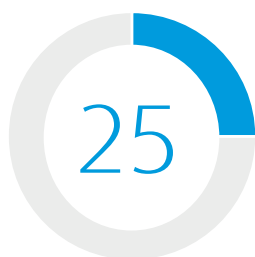
share of Group, %¹



SEK 10,226 M
USD 1,195 M
EUR 1,080 M

Operating income

share of Group, %¹



SEK 2,336 M
USD 273 M
EUR 247 M

Market drivers and key trends

Economic growth

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

Urbanization

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

Cost-efficient location

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

Attractive investment

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

Countries

Sweden
Norway
Finland
Denmark
Poland
Czech Republic
UK
Hungary
Romania
USA

Infrastructure Development

Revenue

share of Group, %^{1,2}



SEK 237 M
USD 28 M
EUR 25 M

Operating income

share of Group, %¹



SEK 1,818 M
USD 212 M
EUR 192 M

Market drivers and key trends

Lack of financing

– There is often insufficient public financing for the new and expanded infrastructure needed. Public-private partnerships (PPP) allow such projects to be financed.

Lifecycle perspective

– Cost overruns in public projects increase interest in PPP solutions, which have a lifecycle perspective in which resource-efficient, innovative and sustainable solutions are delivered on time and for a fixed total cost.

Attractive investment

– Projects with stable, long cash flows with public counterparties offer attractive returns for investors.

Countries

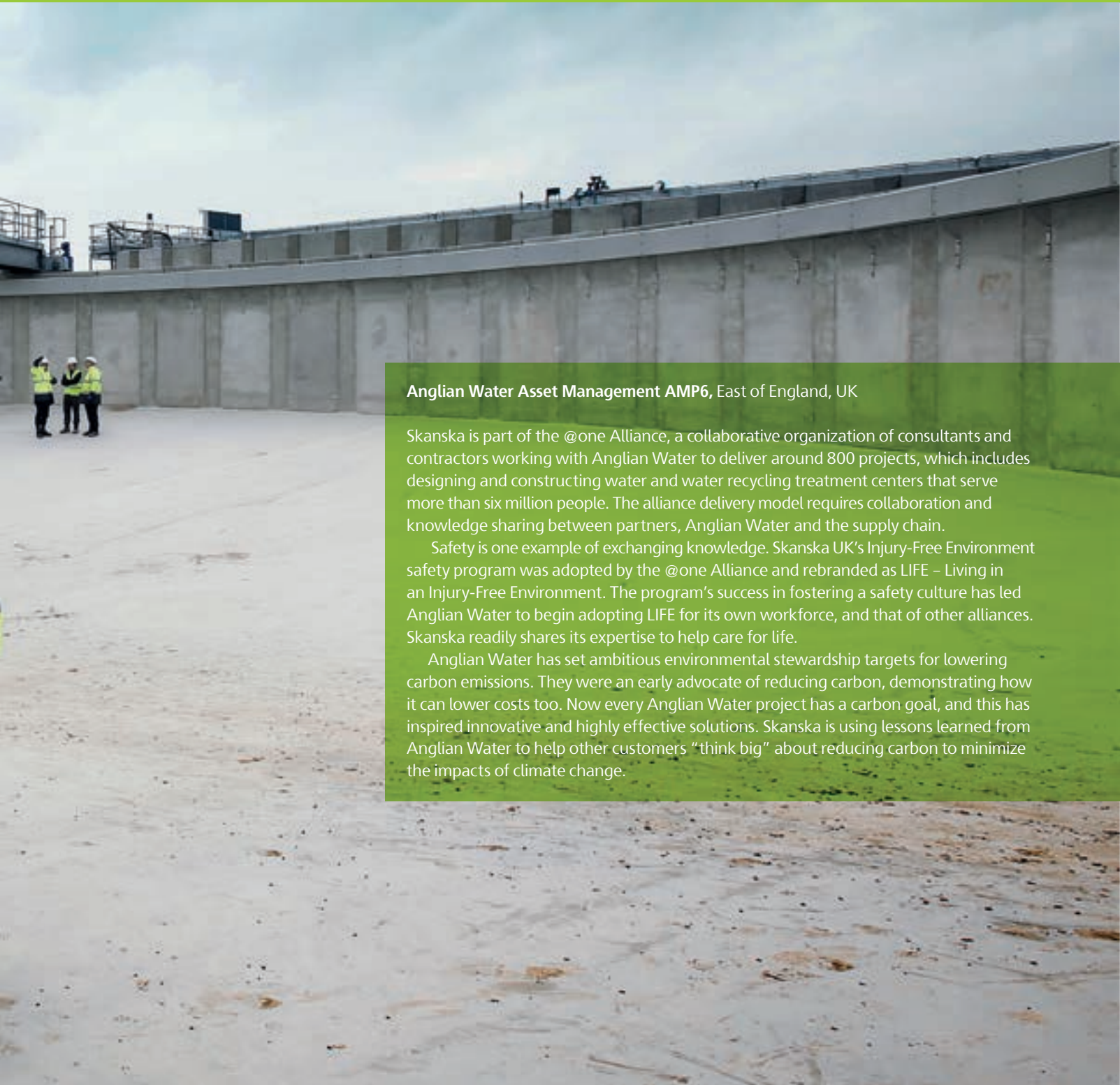
Sweden
Norway
Finland
Poland
UK
USA

¹ Before Central and eliminations.
² Accounted for according to the equity method.

Construction



Well-functioning communities need workplaces, housing, transportation, schools, hospitals and supplies of energy and water. Construction – Skanska’s largest business stream in terms of revenue, people and profit – leverages its collective expertise and resources to enhance communities.



Anglian Water Asset Management AMP6, East of England, UK

Skanska is part of the @one Alliance, a collaborative organization of consultants and contractors working with Anglian Water to deliver around 800 projects, which includes designing and constructing water and water recycling treatment centers that serve more than six million people. The alliance delivery model requires collaboration and knowledge sharing between partners, Anglian Water and the supply chain.

Safety is one example of exchanging knowledge. Skanska UK's Injury-Free Environment safety program was adopted by the @one Alliance and rebranded as LIFE – Living in an Injury-Free Environment. The program's success in fostering a safety culture has led Anglian Water to begin adopting LIFE for its own workforce, and that of other alliances. Skanska readily shares its expertise to help care for life.

Anglian Water has set ambitious environmental stewardship targets for lowering carbon emissions. They were an early advocate of reducing carbon, demonstrating how it can lower costs too. Now every Anglian Water project has a carbon goal, and this has inspired innovative and highly effective solutions. Skanska is using lessons learned from Anglian Water to help other customers “think big” about reducing carbon to minimize the impacts of climate change.

Construction

In favorable but competitive market conditions, order bookings were very strong, especially in the U.S. The order backlog reached an all-time high, USD 21.7 billion. The performance in 2016 was strong in the largest units by revenue, Sweden and USA Building, while the operating margin was negative in Poland and weak in USA Civil.

Major events

The majority of the Construction units had a good or stable performance, and the operating margin for the business stream was 2.6 percent, thus not reaching the target of 3.5 percent or above. Sweden and USA Building stand out as the top performers based on profitability. The other units, except for Poland and USA Civil, showed stable results.

The operating margin in Poland was negatively affected from the market in Poland being impacted by delays in the allocation of designated EU funds, as well as a continued weak performance in certain projects. In USA Civil the operating margin continued to be affected by lower revenue, increased S&A costs and extended negotiations with customers regarding design changes. Over time a great potential can be seen to improve the operating margin in the Construction stream by continuing to focus on improving the performance in units not delivering at their fullest potential. It is a top priority to make sure that these units show better results.

All Business Units, except Finland, had higher order bookings than revenue in 2016. Order bookings in the U.S. was considerably higher than 2015, driven by the USD 2.8 billion LaGuardia Airport contract.

Market outlook 2017

The overall construction market outlook continues to be positive. The non-residential and civil markets in Sweden are very strong, although the landscape is competitive. The residential building market continues to be strong. In Norway, the outlook for the civil market remains positive, but with significant and increasing competition in new bids. The non-residential market benefits from increased public investments, while the residential building market is stable except for certain regions that are dependent on the energy sector. The overall market situation in Finland remains relatively weak, but the non-residential building market is improving.

The civil market remains strong in the UK, while the uncertainty in the non-residential building market post Brexit continues. The civil market in Poland and the Czech Republic are still impacted by delays in the allocation of designated EU funds.

In the U.S., the market is strong and the new government is over time expected to increase investments into infrastructure even further. The market for large and complex civil construction projects remains good, although competition is intense. The building market is strong in the aviation, education, data center, life science and healthcare sectors.

Targets and actions – business plan 2016–2020

- Controlled growth – stable organizations
- Early Contractor Involvement (ECI)
- Continued focus on working capital
- Decrease number of loss making projects through enhanced risk management
- Operational efficiency
- Operating margin $\geq 3.5\%$

Selection of competitors

- Balfour Beatty
- Ferrovial
- Granite
- Grupo ACS
- Hochtief
- NCC
- PEAB
- Strabag
- Veidekke
- VINCI

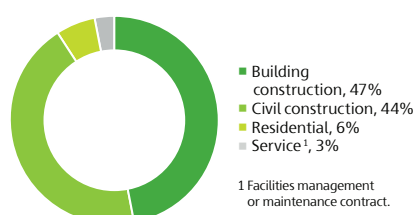
Construction

USD M	2016	2015	2014	2013	2012
Revenue	16,124	16,674	15,254	17,247	19,111
Operating income	414	459	653	596	513
Operating margin, %	2.6	2.8	3.5	3.3	2.8
Free working capital, USD bn	2.5	2.5	2.3	2.9	2.9
Operating cash flow ¹	533	807	432	533	363
Order bookings, USD bn	19.9	14.5	21.3	17.5	17.7
Order backlog, USD bn	21.7	18.8	21.9	20.8	22.5
Number of employees	40,991	42,193	42,397	40,854	55,132

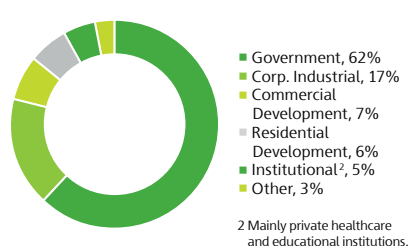
¹ Before taxes, financing activities and dividends.

Order backlog, USD 21.7 bn

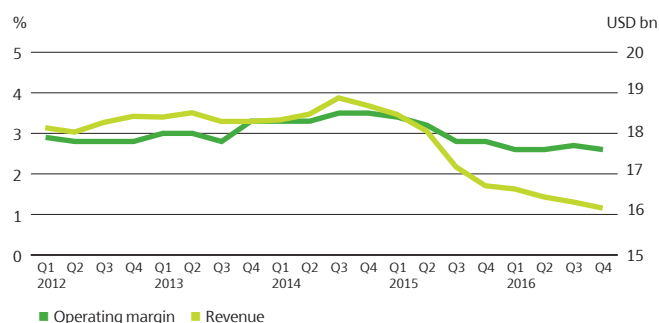
Breakdown order backlog, total USD 21.7 bn
By type of product



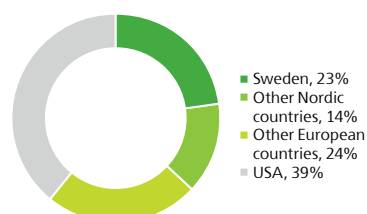
By customer structure



Revenue and operating margin, rolling 12 months



Breakdown revenue, total USD 16.1 bn
Geographic area



Value creation in Construction

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

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

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

execution. In the very largest projects that require high-level performance guarantees, few competitors can measure up to Skanska in terms of skills and strength.

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

Residential Development



Modern families want homes that are comfortable, well-designed, responsibly produced and in good locations. Residential Development combines with Skanska's Construction business stream to provide homes that help make people's lives better and easier.



BoKlok Lingonriset, Huddinge, Sweden

The BoKlok affordable residential concept jointly owned by Skanska and IKEA celebrated its 20th anniversary in 2016.

Over those two decades, BoKlok – or Live Smart – has developed, built and sold more than 9,000 apartments, mostly in Sweden. BoKlok units are well-planned and comfortable. And they are priced to expand the opportunity of home-ownership while producing good profits, thanks to standardized designs and highly efficient, factory-based production.

One of those 9,000 apartments belongs to twentysomethings Stefan Ohlsson and his partner Emma Sandås. Located south of Stockholm, their 55 sq m (592 sq ft) corner unit includes a bedroom, a living room and a balcony. A town center is nearby and Stockholm is just 15 minutes away. They are “extremely happy” with their first home.

“To stay here is beyond all expectations,” says Stefan. “It is a perfect starting point for Emma and me to build our lives.”

Skanska sees a bright future for BoKlok, especially as housing is much needed in Sweden's major cities. BoKlok is expanding to Norway and Finland too.

Residential Development

The Residential Development stream continued to improve its performance during the year, reaching an all-time high in operating income and clearly overshooting its return targets. The strong performance is a combination of favorable market conditions and improved operational efficiency.

Major events

Profitability within Residential Development continued to improve in 2016, with the performance in Sweden being very strong. The operating income reached an all-time high and the return targets of 10 percent operating margin and 10 percent return on capital employed were clearly surpassed. Good markets in all Nordic countries, especially strong in Sweden, together with improved operational efficiency contributed to the strong performance.

BoKlok, the affordable homes business, also made a noticeable contribution with its high operational efficiency and great returns.

During the year, 4,848 (4,000) homes were started and 4,603 (4,093) were sold. A majority of the homes were started and sold in Sweden.

Market outlook 2017

The Swedish residential market is still strong and the new amortization requirements have led to a more balanced market.

The Norwegian market is stable but is being negatively affected by low oil prices in certain regions that are dependent on the energy sector. There are signs of improvement in the Finnish market.

In Central Europe the market is solid, with high transaction volumes and stability in sales prices.

Common to all home markets, except for Finland, is the challenge to acquire and develop land due to increasing prices and long permitting processes.

Targets and actions – business plan 2016–2020

- Controlled growth
- Increased capital efficiency
- Establish Residential Development Europe in Warsaw
- Design to cost

Selection of competitors

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

Residential Development

USD M	2016	2015	2014	2013	2012
Revenue	1,550	1,458	1,386	1,417	1,282
Operating income	188	139	99	83	-17
Operating margin, %	12.1	9.5	7.1	6.2	neg
Investments	-1,069	-791	-996	-1,068	-1,150
Divestments	878	1,023	1,296	1,225	1,189
Cash flow from operating activities ¹	-141	179	265	68	-89
Capital employed, USD bn	1.3	1.1	1.3	1.4	1.4
Return on capital employed, % ²	17.1	14.4	7.1	7.4	0.4
Number of employees	434	389	396	419	532

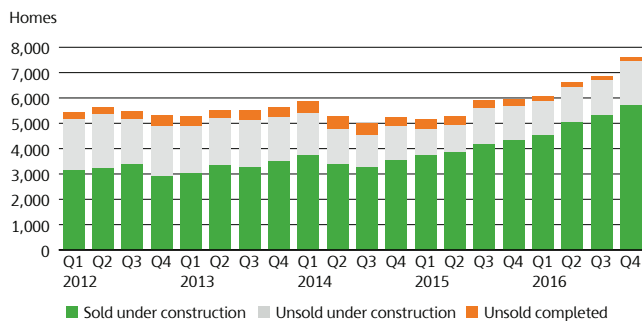
¹ Before taxes, financing activities and dividends.

² A definition is provided in note 44 B.

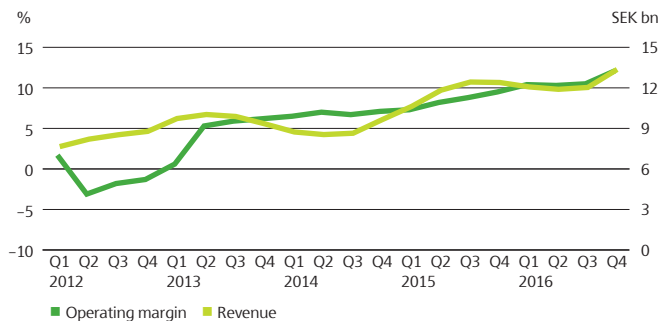
7,421

homes under construction

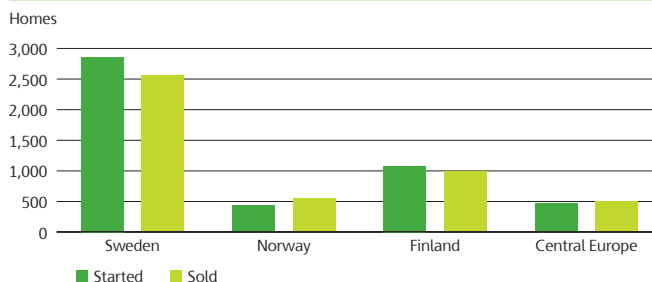
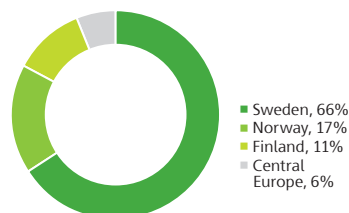
Homes under construction and unsold completed



Revenue and operating margin, rolling 12 months



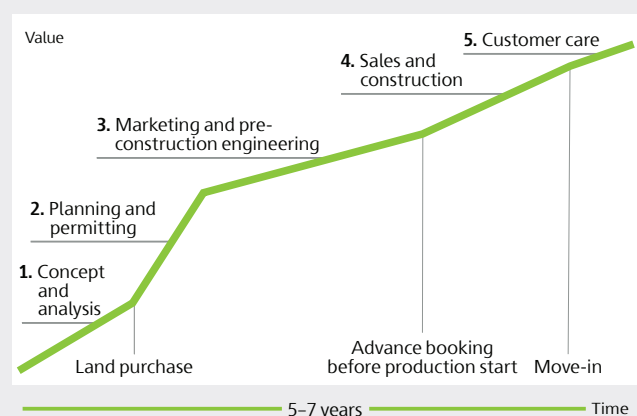
Homes started and sold

Distribution operating income, total USD 188 M
Geographic area

Generating value in Residential Development

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

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



Commercial Property Development

Studio, Malmö, Sweden

Malmö has a new meeting point, a creative and dynamic environment with offices, a hotel and great ways to relax – perhaps by watching a dance performance in the exhibition space or having a drink on the rooftop bar with views of the Öresund strait. This 20,000 sq m (215,000 sq ft) property lives around the clock.

The integrated setting attracted software company BIMobject.

“We are a global company, so colleagues coming to visit can stay in the hotel and be down in the office in a minute – that is a great concept,” says BIMobject CFO Stefan Hansson.

Skanska developed Studio to reflect the diversity of Malmö’s companies: desks can be rented for a day in a co-working space; unique “box” offices are for up to 20 employees; and there are more traditionally sized offices for larger companies.

Making this complex, LEED Platinum pre-certified building successful was early and ongoing collaboration between Commercial Property Development and Construction. A joint risk assessment and schedule aligned decision making to better deliver on customer commitments.



Skanska creates healthy, environmentally efficient and customer-focused offices and properties. Commercial Property Development initiates, develops, leases and divests properties that Skanska's Construction business stream builds. These buildings contribute to occupant well-being and creativity, and to customer profitability.



Commercial Property Development

The high level of activity and profitability continued in 2016 with all geographies – the U.S., Nordics and Central Europe – contributing to the success. 26 new projects were started during the year and gains from property divestments were the highest ever, reaching USD 363 M.

Major events

The high level of activity in terms of investments, leasing and divestments continued during the year, and by the end of 2016 Skanska had 47 ongoing projects. Gains from property divestments reached an all-time high of USD 363 M, with all three geographies contributing to this success.

In April, Skanska sold its office development project 101 Seaport in Boston, USA, for about USD 452 M, the largest commercial property divestment in Skanska's history.

In Malmö, Sweden, two major office properties were divested in May, for a total value of about USD 187 M.

In December, three properties were divested across Budapest, Hungary, and Warsaw, Poland, for an amount of about USD 234 M.

In 2016, a total of 26 projects were started, spread across all geographies. In terms of leasing activity, 379,000 sq m was leased during 2016.

In the fourth quarter, writedowns amounting to about USD 23 M were taken on two projects in the so-called Energy Corridor in Houston, USA.

Market outlook 2017

Vacancy rates for office space in most of the Nordic and Central European cities where Skanska has operations are stable.

Vacancy rates are low in Sweden in particular. Demand for office space is strong in Poland and continues to improve in other parts of Central Europe. In the U.S., demand from tenants continues to improve in Washington D.C., and remains strong in Boston and Seattle, while demand in Houston is weaker due to low oil prices.

Modern properties with high-quality tenants are in demand from property investors, resulting in attractive valuations for these properties. Investor appetite for newly developed properties remains strong in the Nordics, especially Sweden, the U.S. and Central Europe. In Poland the foreign investor appetite is still strong but has softened somewhat due to the political turbulence. In all home markets, except for Finland, there is a challenge to acquire and develop land due to increasing prices and long permitting processes.

Targets and actions – business plan 2016–2020

- Increase investments
- Consider expansion in Central Europe and the U.S.
- Land bank focus
- Drive cost efficiency

Selection of competitors

- Boston Properties
- Diligentia
- Echo investment
- Ghelamco
- Hines
- Lemminkäinen
- NCC
- Trammell Crow
- Vasakronan

Commercial Property Development

USD M	2016	2015	2014	2013	2012
Revenue	1,195	1,071	1,483	953	996
Operating income	273	231	246	164	214
of which gain from divestments of properties ¹	363	304	288	217	250
Investments	-977	-1,046	-998	-693	-950
Divestments	1,057	1,175	1,194	1,067	609
Operating cash flow from business operations ²	-80	109	170	264	-343
Capital employed, USD bn	2.2	2.0	1.9	2.1	2.1
Return on capital employed, % ³	14.8	15.6	11.4	10.7	9.9
Number of employees	364	344	304	279	273

¹ Additional gain included in eliminations was

² Before taxes, financial activities and dividends.

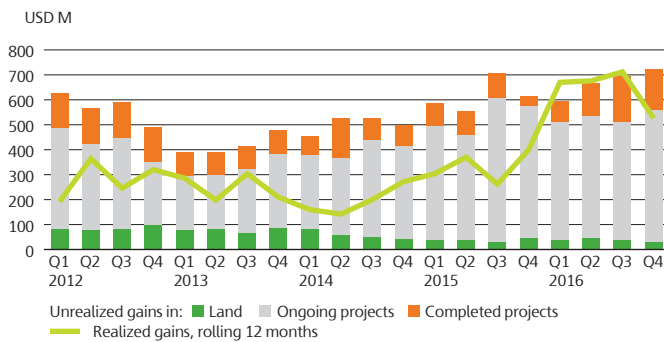
³ A definition is provided in note 44 B.

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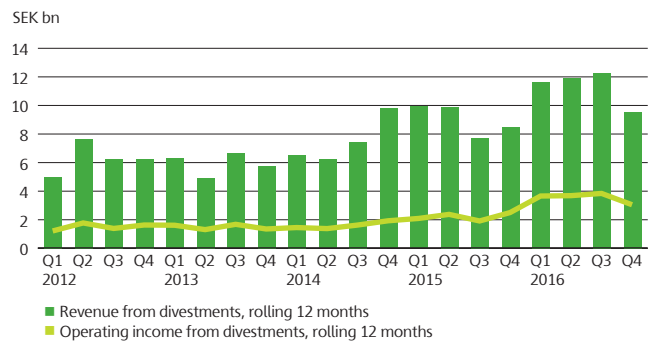
47

ongoing projects

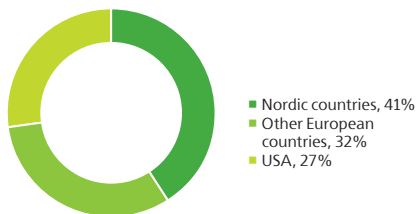
Unrealized and realized gains



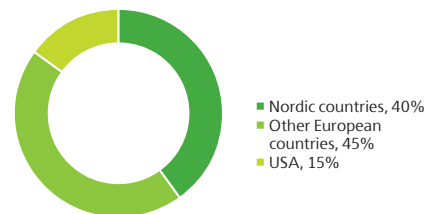
Revenue and operating income from property divestments



Distribution capital employed, total USD 2.2 bn Geographic area



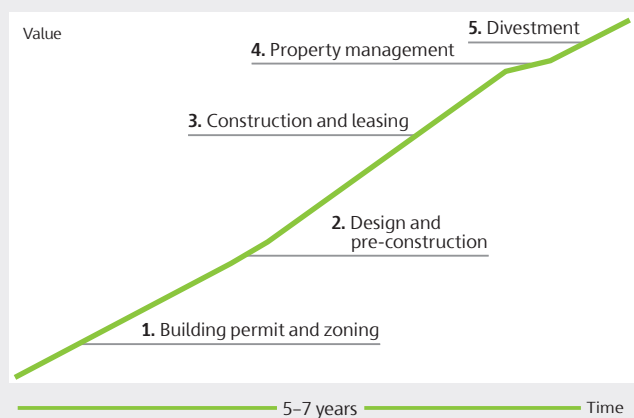
Distribution leasing, total 379,000 sqm Geographic area



Value creation in Commercial Property Development

The development of commercial projects is a continuous process with a number of clearly defined phases. The average development cycle from project idea to completion is 5–7 years.

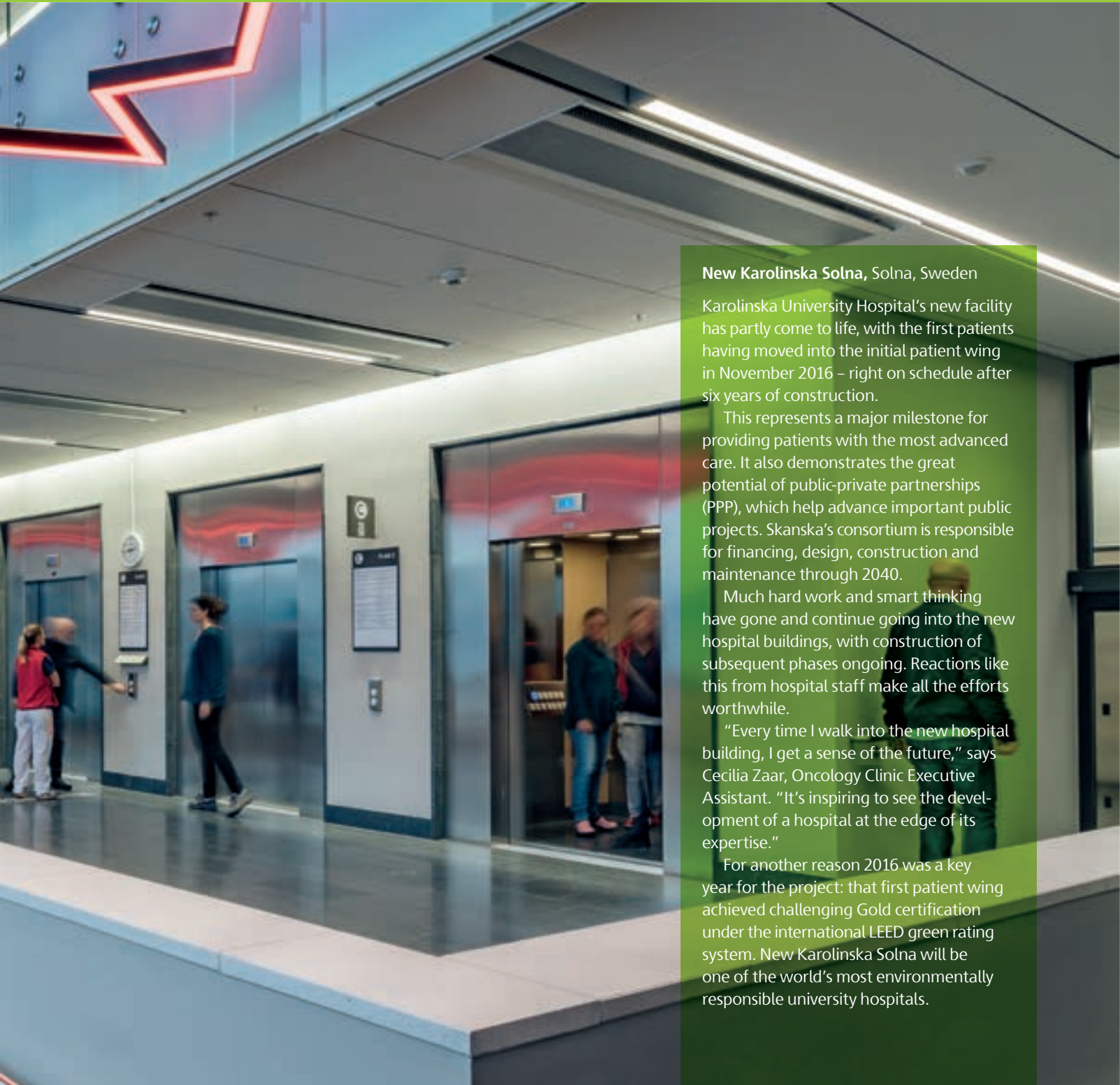
All acquisitions of land is preceded by macroeconomic and local market analysis. A major step in value creation is taken when the zoning plan is approved for undeveloped land. The design is based on previous experience and adjusted to local market demands aimed at creating appropriate premises for tenants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



Infrastructure Development



The Infrastructure Development business stream helps advance essential infrastructure such as highways, hospitals and schools using Skanska's financial expertise. These public-private partnerships – that Skanska's Construction business stream builds – provide optimal solutions for each project's entire life.



New Karolinska Solna, Solna, Sweden

Karolinska University Hospital's new facility has partly come to life, with the first patients having moved into the initial patient wing in November 2016 – right on schedule after six years of construction.

This represents a major milestone for providing patients with the most advanced care. It also demonstrates the great potential of public-private partnerships (PPP), which help advance important public projects. Skanska's consortium is responsible for financing, design, construction and maintenance through 2040.

Much hard work and smart thinking have gone and continue going into the new hospital buildings, with construction of subsequent phases ongoing. Reactions like this from hospital staff make all the efforts worthwhile.

"Every time I walk into the new hospital building, I get a sense of the future," says Cecilia Zaar, Oncology Clinic Executive Assistant. "It's inspiring to see the development of a hospital at the edge of its expertise."

For another reason 2016 was a key year for the project: that first patient wing achieved challenging Gold certification under the international LEED green rating system. New Karolinska Solna will be one of the world's most environmentally responsible university hospitals.

Infrastructure Development

2016 was a year with high activity for Infrastructure Development. Financial close for the LaGuardia Airport project in New York, USA, was reached at the beginning of June, and in December, Skanska divested its investment in the M25 motorway in London, UK.

Major events

In Infrastructure Development the year ended with the realization of the value created in one of its investments – the M25 motorway in London, UK. The divestment gain was a strong contributor to the operating income of about USD 212 M, including impairments amounting to about USD 35 M in two operational wind power projects in Sweden and for investments in one project no longer pursued in the UK.

At the beginning of June, Skanska reached financial close for the LaGuardia Airport project in New York, USA. As a 33.3 percent shareholder of the joint venture, Skanska's equity investment will be about USD 70 M. Skanska's share of the construction contract amounted to about USD 2.8 billion and was included in the order bookings for USA Civil and USA Building in 2016.

The net present value of projects at the end of the period decreased to USD 476 M (574). The decrease is attributable to investments/divestments, consisting of the divestment of the investment in the M25 motorway project, investments in existing projects, as well as the wind power project impairments amounting to about USD 35 M. The increase in derisk/time value is partly attributable to a revaluation of the A1 motorway according to the agreed price in the signed Sale and Purchase Agreement. The unrealized development gain in the project portfolio amounted to USD 164 M at the end of the year.

Market outlook 2017

The public-private partnership (PPP) market in the U.S. is strong, albeit with considerable competition. In the other markets the pipeline is thin, with the Norwegian market showing signs of improvement.

Targets and actions – business plan 2016–2020

- Maximize the value of existing portfolio
- Growth in the U.S.
- Develop presence in Norway and the UK
- Increase total profit

Selection of competitors

- Balfour Beatty
- Ferrovial
- Grupo ACS
- VINCI

Infrastructure Development

USD M	2016	2015	2014	2013	2012
Revenue	28	13	24	13	36
Operating income	212	102	67	61	87
Investments	-156	-28	-48	-11	-56
Divestments	362	132	61	37	160
Operating cash flow from business operations ¹	-122	149	-15	17	108
Capital employed, USD bn	0.6	0.2	0.2	0.3	0.2
Return on capital employed, % ²	41.1	12.7	16.9	17.5	38.6
Net present value, project portfolio, USD bn	0.5	0.6	0.7	0.8	0.7
Employees	102	111	127	130	141

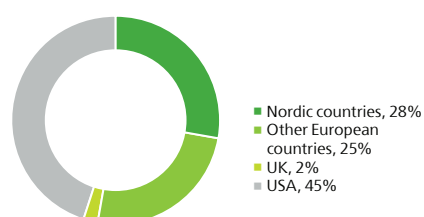
¹ Before taxes, financial activities and dividends.

² A definition is provided in note 44 B.

USD 202 M

in gains from divestments of shares in projects

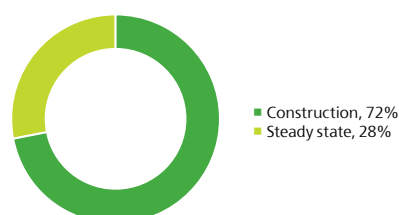
Distribution of project portfolio, estimated gross value, total USD 614 M bn
Geographic area



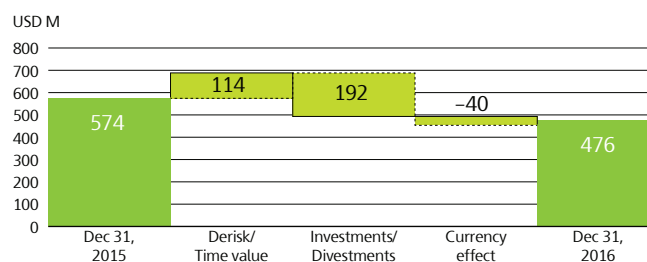
Compensation type



Phase



Changes in net present value

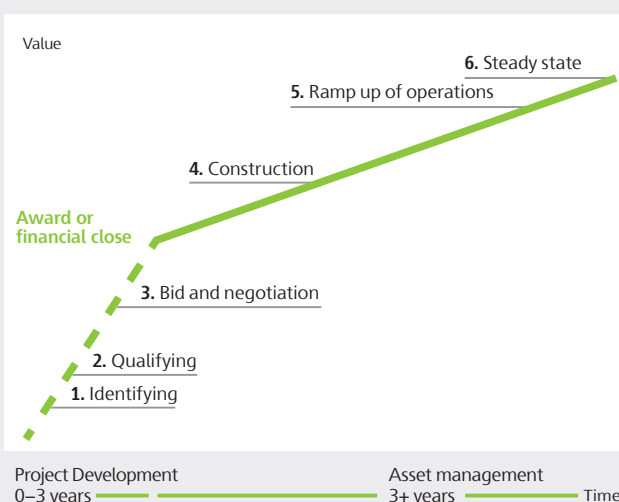


Value creation in Infrastructure Development

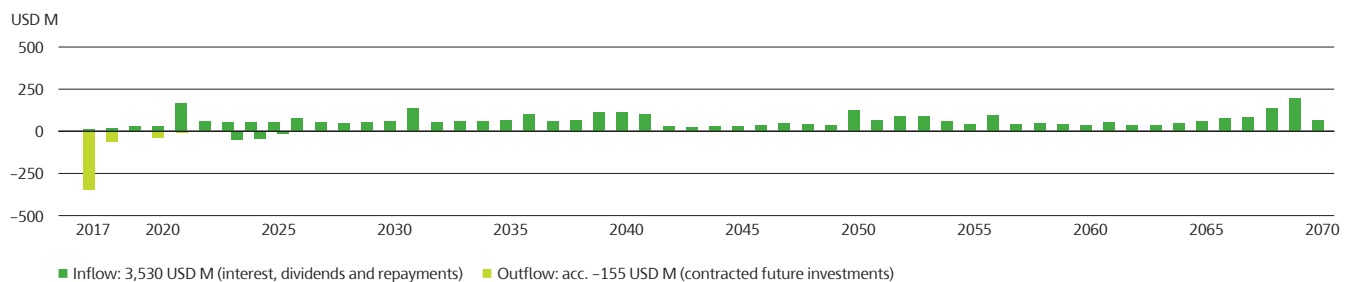
Public-private partnership is a form of public procurement in which a project company owned by private companies is given complete responsibility for developing, financing, building, operating and maintaining public facilities such as large hospitals, schools, airports and highways. As the investment is partially or entirely privately financed, public sector customers' costs can be spread over a longer period of time. A life-cycle perspective is used to create resource-efficient, innovative and sustainable solutions.

The project company's incentives become benefits for the customer:

- **Established total cost.** An insurance against financial surprises.
- **A fixed annual price.** The customer pays agreed compensation over a predetermined period.
- **Delivery on time with the right quality.** Compensation is only paid once the facility goes into operation.
- **Frees up resources.** Having a counterparty with overall responsibility allows the customer to focus on its core operations.



Estimated annual cashflow in Skanska Infrastructure Development's project portfolio December 31, 2016¹



¹ Cash flows have been translated into SEK at the exchange rates prevailing on December 31, 2016.

Project portfolio, SEK M

Category	Type	Country	Payment type	Phase	Concession ends	Ownership	Year in operation/full operation	Invested capital, Dec 31, 2016	Total commitment
Highways									
A1 (Phase 1&2)	Highway	Poland	Availability	Steady state	2039	30%	2007/2012	11	11
Elizabeth River Tunnels	Highway	USA	Market risk	Construction	2070	50%	2017	97	97
I-4 Ultimate	Highway	USA	Availability	Construction	2054	50%	2022	0	73
Social infrastructure									
Essex BSF ¹	Education	UK	Availability	Steady state	2036	7%	2012	1	1
Bristol ¹	Education	UK	Availability	Steady state	2034	8%	2007/2011	1	1
New Karolinska Solna	Health	Sweden	Availability	Construction	2040	50%	2018	57	65
Essex Woodlands ¹	Education	UK	Availability	Steady state	2036	8%	2015	0	0
Papworth	Health	UK	Availability	Construction	2048	50%	2019	0	7
Utilities									
Sjöska	Wind power	Sweden	Market risk	Steady state	2038	50%	2013	41	41
Mullbergs	Wind power	Sweden	Market risk	Steady state	2038	50%	2014	0	0
Airports									
LaGuardia	Airport	USA	Market risk	Construction	2051	33%	2024	0	67
Total Skanska								208	363

¹ Sold during 2013; Skanska Infrastructure Development retains indirect interest in project through its participation in the Local Education Partnership. For more info see note 20 B.

Skanska Financials 2016

The financial statements presented in this Financial Report have been prepared in USD (United States dollars) as the presentation currency.

As the functional currency of the Parent Company is SEK (Swedish kronor), Skanska's Statutory Annual Report including the consolidated financial statements of the Parent Company has been prepared using SEK (Swedish kronor) as the presentation currency.

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Revenue decreased somewhat both in US dollar and in local currencies, while operating income increased both in US dollar and in local currencies compared to the previous year. In Construction, profitability was stable in a majority of the units and was particularly strong in Sweden and USA Building, while project development operations reported strong results throughout. Profitability in the Polish construction operations was negatively impacted by delays in the allocation of EU funds, but also by lower profitability in certain projects, which resulted in restructuring of the operations. The profitability of USA Civil continues to be affected by higher costs caused by earlier design changes by clients. Skanska USA Civil is in dialogue to establish how these increased costs will be split. Order bookings were strong, especially in the U.S., Sweden and the UK. Operations in the U.S. in particular reported higher order bookings during the year, largely due to the LaGuardia Airport project. The order backlog at the end of the year was USD 21.7 billion and is a result of a structured bidding process in a strong but competitive market. Profitability in Residential Development continues to improve, partly due to a combination of a strong market and increasingly efficient execution of the projects. In Sweden, demand continues to outstrip supply and the new amortization requirements have brought the market more into balance. In Norway and Finland, the market is stable and the focus is on creating new projects in the fastest growing areas. BoKlok – Skanska and IKEA's housing concept – made a strong contribution with its operational efficiency and high returns. Commercial Property Development also had a very active and profitable year in all of its three geographies – Nordic, Central Europe and USA – and in 2016 sold properties for USD 1.1 billion with capital gains of about USD 0.4 billion, according to segment reporting. At the end of the year Commercial Property Development had 47 ongoing projects. Infrastructure Development sold its investment in the M25 motorway in London, UK at the end of the year. During the year Infrastructure Development signed a third public-private partnership (PPP) agreement in the U.S. for the LaGuardia Airport project, which also contributed to strong order bookings for USA Building and USA Civil. This is a result of the continued focus on increasing the synergies in Skanska's business model, according to which capital generated in construction operations is invested in development operations, which in turn generates construction assignments and future development gains.

Construction

The market outlook for construction remains positive. The market for building construction and civil construction projects in Sweden is very strong although competition is significant. The market for residential construction is still strong. In Norway, the market for civil construction projects remains good, but with strong and increased competition for new bids. The market for building construction is improving as a result of increased public investment, while the market for residential construction is stable except in certain regions that are dependent on the energy sector. The market in Finland remains relative weak overall although there are signs of an improvement in residential construction. The market for civil construction projects is still strong in the UK, while the market for commercial building construction continues to be characterized by uncertainty following the EU referendum. In Poland and the Czech Republic, the market for civil construction projects is still affected by delays in the allocation of EU funds. In the U.S., the market is strong and with the new U.S. Government, investments in infrastructure are expected to increase further. The market for large and complex civil construction projects remains good although

competition is intense. In building construction, the airports, education, data centers, healthcare and life sciences segments are strong.

Residential Development

The residential market in Sweden remains strong. The new amortization requirements have resulted in a more balanced market. The Norwegian market is stable but has been negatively affected by low oil prices in certain regions that are dependent on the energy sector. The Finnish market shows signs of improving. In Central Europe the market is strong, with high transaction volumes and stable selling prices. What all the home markets – except Finland – have in common is the challenge of acquiring and developing land because of rising prices and long planning processes. During the year 4,603 (4,093) units were sold and 4,848 (4,000) units were started. At the end of the year there were 7,421 (5,689) units in production and 77 percent (76) of these have been sold.

Commercial Property Development

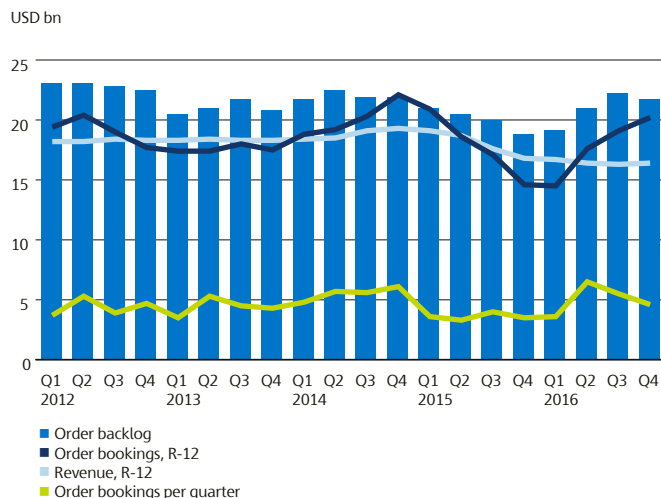
Vacancy rates for office space in the majority of the Nordic and Central European cities where Skanska has operations are relatively stable. The vacancy rate is low in Sweden in particular. Demand for office space is strong in Poland and improving in other parts of Central Europe. In the U.S., demand from tenants continues to improve in Washington D.C. and remains good in Boston and Seattle, while demand in Houston is weaker on the back of low oil prices. Modern properties with long-term tenants are in high demand among property investors, resulting in attractive valuations for these properties. Interest from investors in newly developed properties is strong in the Nordic region, particularly Sweden, the U.S. and Central Europe. In Poland, interest from foreign investors remains strong but has weakened somewhat due to the political turbulence. In all of the home markets, except Finland, acquiring and developing land is a challenge because of rising prices and long planning processes. During the year 26 projects were started across all of the geographies – U.S., Central Europe and Nordic region – and at the end of the year there were 47 projects in progress.

Infrastructure Development

The market for public-private partnership (PPP) projects is strong in the U.S. despite considerable competition. In the other markets the outlook for new PPP projects is weak, although the market in Norway shows signs of improving. At the end of the year the net present value of the projects was USD 0.5 (0.6) billion.

Order bookings and order backlog

Order bookings, backlog and revenue in construction



Order bookings

Order bookings increased by 37 percent compared with the previous year and amounted to USD 19.9 billion (14.5), an increase of 40 percent in local currency. Order bookings in USD were 23 percent higher than revenue in 2016, in comparison with 2015 when order bookings were 13 percent lower than revenue. Order bookings were good across the board but particularly strong in the U.S. operations, where the LaGuardia project in New York is the foremost project.

The contracts signed in 2016 included a number of substantial contracts in segments that are important to Skanska.

Nordic countries

In Sweden, a number of major orders were received, the largest of which was a contract with European Spallation Source (ESS) to build the third phase of a world-class research facility in Lund. The contract value is around USD 0.3 billion and the work will be carried out by Skanska Sweden (75 percent) in partnership with Skanska UK (25 percent). Skanska Sweden signed a 10-year lease with Linnaeus University in Kalmar, which resulted in a construction contract worth about USD 0.1 billion. In addition, Skanska received an order for conversion and extension of additional premises on the campus with an order value of about USD 58.4 M. In a joint arrangement with MT Højgaard, Skanska Sweden also signed a contract with the City of Gothenburg Urban Transport Administration to build the Hisingsbron bridge over the Göta älv river, with an order value for Skanska of around USD 0.2 billion. In Norway, Skanska signed a contract with the Norwegian Public Roads Administration to rebuild a section of the E16 in Norway with an order value of around USD 85.3 M. Skanska Norway also won a contract with Eidsiva Vannkraft AS to build Nedre Otta power plant in the municipalities Sel and Vågå, with an order value of about USD 75.9 M. In Finland, Skanska signed an agreement with the investor LähiTapiola Group for the construction of Seppä shopping center in Jyväskylä, with an order value of about USD 56.1 M.

Rest of Europe

Skanska UK received a number of substantial orders during the year, the largest of which was a contract with Highways England, in a joint arrangement with Costain, Balfour Beatty and Carillion, to deliver the A14 Cambridge to Huntingdon road improvement scheme with an order value for Skanska of about USD 0.4 billion. Skanska also signed a seven-year highways maintenance contract with Devon County Council. The total value over the course of the contract is about USD 0.3 billion but the value for Skanska UK in the first two years will be included in order bookings, which will be about USD 95.8 M. Skanska UK was also awarded a contract to design and construct the Waterloo and South West Upgrade on the South West Trains network in the South of England in alliance with Aecom, Colas Rail and Mott MacDonald, with an order value for Skanska of about USD 0.2 billion. In addition, in a joint arrangement with BAM Nuttall, Skanska signed a contract with Network Rail for the Northern Hub project in Manchester with an order value for Skanska of about USD 105.2 M. In Slovakia, Skanska was awarded a contract by the National Highway Authority, NDS, to build an extension of the D1 highway in eastern Slovakia with an order value of about USD 0.2 billion. In Poland, Skanska signed a contract with General Directorate of Public Roads and Motorways in Poland for an expansion of National Road No 8 with an order value of about USD 87.6 M.

North America

Skanska USA secured several major projects during the year in both Civil and Building. The largest contract that Skanska USA Civil and Skanska USA Building received was a contract for the design and construction of LaGuardia Airport Central Terminal B in New York City. The value of the construction contract for Skanska is about USD 2.7 billion in total, which will be divided equally between Skanska USA Civil and Skanska USA Building. Construction is being implemented as a PPP project, with Skanska ID as one of the shareholders. During the year Skanska USA Civil was awarded a contract by the Florida Department of Transportation to construct the new Pensacola Bay Bridge in Florida with an order value of about USD 0.4 billion. In addition, in a joint arrangement with Stacy & Witbeck and Herzog, Skanska USA Civil signed an agreement with San Diego Association of Governments (SANDAG) to construct the Mid-Coast Trolley light rail system in San Diego, with an order value for Skanska of about USD 0.3 billion. Skanska USA Civil was also awarded a contract by the Washington State Department of Transportation to reconstruct both lanes of the Interstate 5 freeway at its interchange with Washington State Route 16 in Tacoma, with an order value of about USD 0.1 billion. Skanska USA Building has received a substantial number of projects within the healthcare sector in particular. Skanska USA Building signed a contract with Inspira Health Network to build a new hospital building in New Jersey with an order value of about USD 0.2 billion. In Florida, in a joint arrangement with Gates Construction, Skanska USA Building was awarded a contract with Lee Memorial Health System to expand and renovate the Gulf Coast Medical Center in Fort Myers, with an order value for Skanska of about USD 0.2 billion. Also, in a joint arrangement with Closner Construction, Skanska USA Building signed a contract with Duke LifePoint Healthcare to build its new replacement hospital in Michigan with an order value for Skanska of about USD 0.2 billion. In Delaware, Skanska USA Building was awarded a contract to build the new Women and Children's Health Building for Christiana Care Health System, with an order value of about USD 0.2 billion.

Finally, Skanska USA Building signed a contract with Eighth and Demonbreun Hotel for the construction of its new JW Marriott Hotel in Nashville, with an order value of about USD 0.2 billion.

Order bookings and order backlog

Business Unit	Order bookings		Order backlog	
	2016	2015	2016	2015
USD M				
Sweden	4,211.0	3,911.0	3,907.2	3,739.9
Norway	1,566.3	1,565.8	1,387.1	1,223.1
Finland	763.8	854.5	675.0	755.3
Poland	1,150.6	1,108.2	715.7	577.8
Czech Republic	656.2	674.0	619.4	561.7
UK	2,437.2	2,282.2	2,901.2	3,300.1
USA Building	5,962.9	2,678.4	6,154.5	4,382.1
USA Civil	3,142.9	1,401.9	5,291.4	4,309.6
Total	19,890.9	14,476.0	21,651.3	18,849.6

Order backlog

The order backlog increased by 14.9 percent, or 20 percent in local currencies, and at the end of the year amounted to USD 21.7 billion (18.8). The order backlog is equivalent to about 17 (14) months of production.

The North American, Nordic and other European operations accounted for 53, 28 and 19 percent of the order backlog respectively.

Segment and IFRS Reporting

The Group reports its Residential Development and Commercial Property Development segments according to a method in which sales revenue and gains on the divestment of properties – residential as well as commercial – are recognized when binding sales contracts are signed. When reporting in compliance with IFRS, revenue and gains on divestment of properties are recognized when the purchaser takes possession of the property or home. Accrual differences within Commercial Property Development generally occur across only a few quarters. Within Residential Development, the difference can remain for a lengthy period depending on changes in projects started and the rate of sales. The differences between the two methods, with respect to revenue and operating income, are summarized in the tables below.

Revenue

USD M	2016	2015
Revenue by business stream according to segment reporting		
Construction	16,123.7	16,674.5
Residential Development	1,549.8	1,458.0
Commercial Property Development	1,194.8	1,071.0
Infrastructure Development	27.7	12.6
Central and eliminations	-1,217.6	-847.8
Total revenue according to segment reporting	17,678.4	18,368.3
Difference in accounting principles	-694.3	-223.6
Total revenue according to IFRS	16,984.1	18,144.7

Revenue according to segment reporting decreased by 4 percent to USD 17.7 billion (18.4). In local currencies, the revenue decrease was 1 percent. In the Construction business stream, revenue in USD decreased by 3 percent. USD 2.0 billion (1.9) of revenue in

Construction, equivalent to 12 percent (11), was generated by the Group's project development operations. To reconcile with IFRS, the revenue is added from the homes and properties that were sold in prior years but which were handed over during the year. Then the revenue from the homes and properties that were sold during the year but are yet to be occupied by the purchaser is subtracted. Of the USD 1,549.8 M (1,458.0) in Residential Development revenue, USD 180.9 M (101.2) consists of revenue from joint ventures which has been included line by line according to the proportional method of accounting.

Operating income

USD M	2016	2015
Operating income by business stream according to segment reporting		
Construction	414.3	459.3
Residential Development	187.6	139.2
Commercial Property Development	273.0	230.8
Infrastructure Development	212.4	102.3
Central ¹	-133.2	-159.6
Eliminations	3.9	-6.0
Operating income according to segment reporting	958.0	766.0
Difference in accounting principles	-114.5	-20.3
Operating income according to IFRS	843.5	745.7

¹ Including the Latin American operations

Operating income according to segment reporting amounted to USD 958.0 M (766.0).

Impairment losses on current and non-current assets were charged to operating income in the amount of USD -62.4 M (-12.1).

Construction

In the Construction business stream, operating income decreased by 10 percent, amounting to USD 414.3 M (459.3). The operating margin also decreased compared to the previous year and amounted to 2.6 percent (2.8). The comparative period includes writedowns of USD 88.9 M in the U.S. construction operations. Profitability was stable in the majority of the construction operations, with Sweden and USA Building reporting the strongest results. In contrast, the market in Poland was negatively affected by delays in the allocation of designated EU funds, which resulted in a sudden decrease in small and medium-sized projects. The operations have been restructured and the organization right-sized. This, together with continued weak results in certain projects, had a negative effect on Polish earnings during the year. Once the EU funds are in place, the Polish market is seen as robust in the long term. The operating margin in USA Civil continues to be affected by increased project costs caused by earlier design changes by the client, and the company is in discussions concerning how these cost increases will be apportioned.

Residential Development

The operating income for Residential Development amounted to USD 187.6 M (139.2), while the operating margin for the business stream increased to 12.1 percent (9.5) and was particularly strong in Sweden. The operations in Norway in particular, but also in Finland, reported improved earnings. Impairment losses on current assets in Residential Development were charged to earnings in the amount of USD -4.9 M (-2.3).

Commercial Property Development

Operating income for the Commercial Property Development business stream amounted to USD 273.0 M (230.8). Properties were sold during the year for a value of USD 1,116.4 M (1,002.6), with capital gains amounting to USD 363.5 M (304.0). During the year impairment losses were applied to two projects in the so-called “energy corridor” in Houston, USA, of USD –23.1 M.

Infrastructure Development

Operating income in Infrastructure Development amounted to USD 212.4 M (102.3). The operating income includes a capital gain for the sale of the investment in the M25 motorway in London, UK. Also during the year, impairment losses of USD –38.7 M were charged to earnings, mainly on wind power projects in Sweden.

Central

Central expenses, including businesses being wound down, amounted to USD –133.2 M (–159.6). In the comparative year there were costs of USD 35.6 M related to the closure of the operations in Latin America, which were reported under Central with effect from January 1, 2013. Skanska has no ongoing projects in Latin America.

Eliminations of intra-Group profits

Reversals/eliminations of intra-Group profits amounted to USD 3.9 M (–6.0). At the Group level, this included elimination of profits in the Construction business stream relating to property projects. Eliminations are reversed when the projects are divested.

Income according to IFRS

Operating income

USD M	2016	2015
Revenue	16,984.1	18,144.7
Cost of sales	–15,319.7	–16,498.1
Gross income	1,664.4	1,646.6
Selling and administrative expenses	–1,069.3	–1,051.5
Income from joint ventures and associated companies	248.4	150.6
Operating income	843.5	745.7

Gross income was USD 1,664.4 M (1,646.6). Gross income includes income from operating activities, including gains on divestments in Residential Development and Commercial Property Development. Divestments of commercial properties resulted in a capital gain of USD 385.7 M (358.3). Selling and administrative expenses increased to USD –1,069.3 M (–1,051.5), which is equivalent to 6 percent (6) of revenue. These also include operations that have been wound up or sold.

Income from joint ventures and associated companies totaling USD 248.4 M (150.6) is mainly from holdings reported in the Infrastructure Development business stream and includes gains from the divestment of holdings in projects.

Income after financial items

USD M	2016	2015
Operating income	843.5	745.7
Interest income	8.3	10.4
Pension interest	–11.8	–11.0
Interest expense	–28.6	–38.8
Capitalized interest expense	20.6	23.0
Net interest income/expense	–11.5	–16.4
Change in fair value	0.2	–3.0
Other financial items	–2.6	–17.9
Income after financial items	829.6	708.5

Financial items amounted to USD –13.9 M (–37.2).

Net interest improved to USD –11.5 M (–16.4). Interest income decreased to USD 8.3 M (10.4), mainly as a result of lower market interest rates. Interest expense decreased to USD –28.6 M (–38.8), which was attributable to both a lower level of borrowing and lower interest rates on loans. However, interest rate swaps and negative interest on bank balances made a negative contribution to interest expense relative to the level of borrowing.

Capitalization of interest expense in Skanska’s own ongoing projects amounted to USD 20.6 M (23.0).

Net interest on pensions, which refers to the net amount of interest expense for pension obligations calculated at the beginning of the year and the expected return on plan assets, increased to USD –11.8 M (–11.0). The change in market value of financial instruments amounted to USD 0.2 M (–3.0) and is mainly due to lower interest expense for hedging of investments in foreign subsidiaries, since the majority of the hedges were wound up at the end of 2015.

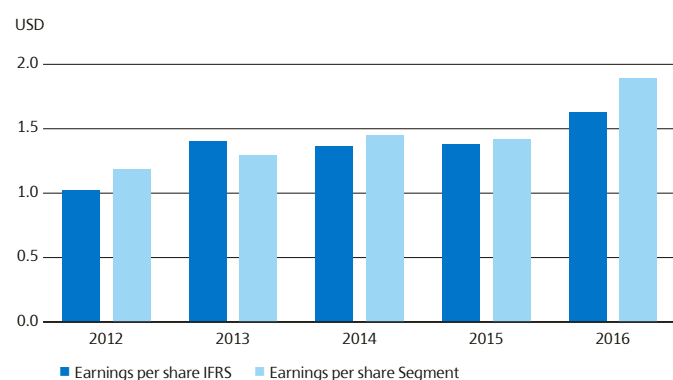
Other financial items amounted to USD –2.6 M (–17.9) and mainly consisted of exchange-rate effects and various fees for credit facilities and bank guarantees. This amount includes a non-recurring cost related to the early closure of a currency hedge.

Profit for the year

USD M	2016	2015
Income after financial items	829.6	708.5
Taxes	–159.6	–140.5
Profit for the year	670.0	568.0
Profit for the year attributable to		
Equity holders	668.5	566.7
Non-controlling interests	1.5	1.3
Earnings per share for the year, USD	1.63	1.38

After subtracting the year’s tax expense of USD –159.6 M (–140.5), equivalent to a tax rate of 19 percent (20), profit for the year attributable to equity holders amounted to USD 668.5 M (566.7). The effective tax rate for 2016 is somewhat lower than for 2015. This is mainly due to a greater effect from tax-free sales of infrastructure projects in 2016 than in 2015. Tax-free sales take place in corporate form (shares) and can take place with no tax effect. This positive effect is countered by the fact that a larger proportion of earnings in 2016 is attributable to operations in the U.S., where taxes are significantly higher than in Europe. Taxes paid for the year amounted to USD –140.8 M (–95.3). Earnings per share amounted to USD 1.63 (1.38).

Earnings per share



Comprehensive income for the year

USD M	2016	2015
Profit for the year	670.0	568.0
Other comprehensive income		
Items that will not be reclassified to profit or loss		
Remeasurement of defined-benefit pension plans	-131.7	93.1
Tax on items that will not be reclassified to profit or loss	22.1	-20.7
	-109.6	72.3
Items that have been or will be reclassified to profit or loss		
Translation differences attributable to equity holders	-155.5	-194.8
Translation differences attributable to non-controlling interests	0.9	-0.4
Hedging of exchange-rate risk in operations outside Sweden	61.6	5.4
Effect of cash flow hedges	3.6	6.4
Joint ventures' and associated companies' share of other comprehensive income	99.9	33.3
Tax on items that have been or will be reclassified to profit or loss	-0.5	-1.7
	10.0	-151.8
Other comprehensive income after tax	-99.6	-79.4
Comprehensive income for the year	570.4	488.5
Total comprehensive income for the year attributable to		
Equity holders	568.0	487.6
Non-controlling interests	2.4	0.9

Other comprehensive income after tax for the year amounted to USD -99.6 M (-79.4). The change in translation differences attributable to equity holders amounts to USD -155.5 M (-194.8). This item, which consists of the change in accumulated translation differences when translating the financial reports of operations outside Sweden, mainly consists of negative translation differences in SEK, GBP, PLN, euros, Norwegian kroner and Czech koruna. During the year about 10 percent of equity in foreign currency was currency hedged, which resulted in a positive effect of USD 61.6 M (5.4) in other comprehensive income – see also Note 6.

Remeasurement of the net pension liability including social insurance contributions amounted to USD -137.7 M (93.1). The negative effect is mainly explained by a lower discount rate for pension plans in Sweden and the UK. The effect is reduced by the actual return on plan assets being greater than the expected interest income for the plan assets.

The effect of cash flow hedges amounted to USD 3.6 M (6.4).

Hedge accounting is employed in several business streams. The share of other comprehensive income for joint ventures and associated companies amounted to USD 99.9 M (33.3). Infrastructure Development is the business stream in which the effect on the reserve for cash flow is the greatest. The item includes changes in unrealized gains and losses on hedging instruments as well as the effect of realized hedging instruments. The Infrastructure Development business stream uses interest rate swaps for long-term hedging of interest expense relating to long-term infrastructure development projects. The item includes fair value measurement of interest rate swaps of this kind from joint ventures in Infrastructure Development. The reserve for cash flow hedges is affected by fair value measurements even if Skanska will receive compensation via the client's future payments. The cash flow reserve decreased during the year, which is mainly explained by the fact that interest rate swaps in Skanska's joint venture for the M25 are no longer included in the reserve following the sale of the motorway project. In addition, the reserve decreased as a result of interest rate swaps maturing and being capitalized. The decrease was to some extent reduced by changes in market interest rates.

Total comprehensive income for the year amounted to USD 570.4 M (488.5).

Investments/divestments

USD M	2016	2015
Operations – investments		
Intangible assets	-46.0	-46.5
Property, plant and equipment	-191.1	-176.1
Assets in Infrastructure Development	-156.1	-27.7
Shares	-38.0	-16.1
Current-asset properties	-1,998.9	-1,821.5
of which Residential Development	-1,052.2	-787.8
of which Commercial Property Development	-946.7	-1,033.7
Operations – investments	-2,430.1	-2,087.9
Total investments	-2,430.1	-2,087.9
Operations – divestments		
Intangible assets	0.2	0.0
Property, plant and equipment	48.0	75.4
Assets in Infrastructure Development	362.4	132.1
Shares	1.9	2.6
Current-asset properties	1,933.5	2,196.1
of which Residential Development	877.2	1,022.2
of which Commercial Property Development	1,056.3	1,173.9
Operations – divestments	2,346.0	2,406.2
Strategic divestments		
Divestments of businesses	100.7	54.1
Strategic divestments	100.7	54.1
Total divestments	2,446.7	2,460.2
Total net divestments (+)/investments (-)	16.6	372.4
Depreciation/amortization, non-current assets	-168.0	-187.2

The Group's investments totaled USD -2,430.1 M (-2,087.9). Divestments amounted to USD 2,446.7 M (2,460.2) and the Group's net investments amounted to USD 16.6 M (372.4).

Investments in property, plant and equipment, which mainly consist of ongoing investments in operations, amounted to USD -191.1 M (-176.1). Divestments of property, plant and equipment amounted to USD 48.0 M (75.4).

Depreciation of property, plant and equipment amounted to USD -152.5 M (-175.1).

Net investments in current-asset properties amounted to USD -65.3 M (374.6). Projects were sold for USD 1,933.5 M (2,196.1), while investments amounted to USD -1,998.9 M (-1,821.5). In Residential Development investments in current-asset properties amounted to USD -1,052.1 M (-787.8), of which about USD -233.0 M (-160.2) was for land equivalent to 5,759 building rights. Completed homes were sold for USD 877.2 M (1,022.2). Net investments in current-asset properties in Residential Development amounted to USD -174.9 M (234.4).

In Commercial Property Development investments in current-asset properties amounted to USD -946.7 M (-1,033.7), of which around USD -226.2 M (-147.0) was for land, and the total investments amounted to USD -977.2 M (-1,046.4). Divestments of current-asset properties amounted to USD 1,056.3 M (1,173.9). Net divestments in current-asset properties in Commercial Property Development amounted to USD 109.6 M (140.3).

Investments in the form of equity and subordinated loans in Infrastructure Development amounted to USD -156.1 M (-27.7) and divestments amounted to USD 362.4 M (132.1). Net investments in Infrastructure Development were USD 206.3 M (104.3).

Consolidated operating cash flow

USD M	2016	2015
Cash flow from business operations	268.9	364.8
Change in working capital	-155.1	392.7
Net investments (-)/divestments (+)	-84.1	318.3
Accrual adjustments	-11.2	-8.1
Taxes paid in business operations	-144.5	-114.5
Cash flow from business operations including taxes paid	-126.0	953.2
Net interest items and other financial items	-12.7	-64.3
Taxes paid in financing activities	3.7	19.2
Cash flow from financing activities	-9.0	-45.1
Cash flow from operations	-135.0	908.1
Strategic net divestments (+) / investments (-)	100.7	54.1
Dividend etc ¹	-452.7	-382.5
Cash flow before change in interest-bearing receivables and liabilities	-487.0	579.7
Change in interest-bearing receivables and liabilities	-280.4	-265.0
Cash flow for the year	-767.4	314.8
Cash and cash equivalents, January 1	1,410.3	1,168.5
Exchange-rate differences in cash and cash equivalents	-43.8	-73.0
Cash and cash equivalents, December 31	599.1	1,410.3
1 Of which repurchases of shares	-92.7	-49.3

Cash flow for the year amounted to USD -767.4 M (314.8).

Cash flow from business operations amounted to USD -135.0 M (908.1). Net investments in business operations amounted to USD -84.1 M (318.3). The change in working capital impacted cash flow negatively and the change totaled USD -155.1 M (392.7). This is a result of the sale of the investment in the M25 motorway in the UK, for which the payment of USD 0.4 billion will be received at the beginning of 2017. The negative change in working capital and the change in net investments are the main reasons for lower operating cash flow compared with 2015.

Taxes paid in business operations amounted to USD -144.5 M (-114.5).

The change in interest-bearing receivables and liabilities amounted to USD -280.4 M (-265.0).

Cash flow for the year of USD -767.4 M (314.8) combined with translation differences of USD -43.8 M (-73.0) decreased cash and cash equivalents to USD 599.1 M (1,410.3).

Development projects within Commercial Property Development and Infrastructure Development that have been sold but had not been handed over as of December 31, 2016 will have a positive effect on the cash flow of around USD 0.7 billion in 2017.

Financing and liquidity

At year-end 2016, the Group had interest-bearing net receivables, including provisions, amounting to USD 134.4 M (752.4). The

Group's unutilized credit facilities totaled USD 630.3 M (654.8) at year-end. Of these, USD 586.0 M was unutilized long-term credit maturing at the end of June 2019. Interest-bearing assets decreased to USD 1,800.2 M (2,443.2). Of these, receivables in foreign currencies accounted for 84 percent (89). The average interest rate refixing period for all of the Group's interest-bearing assets was 0.1 (0.1) years and the interest rate amounted to 0.58 percent (0.45) at year-end.

Change in interest-bearing net receivables/net debt

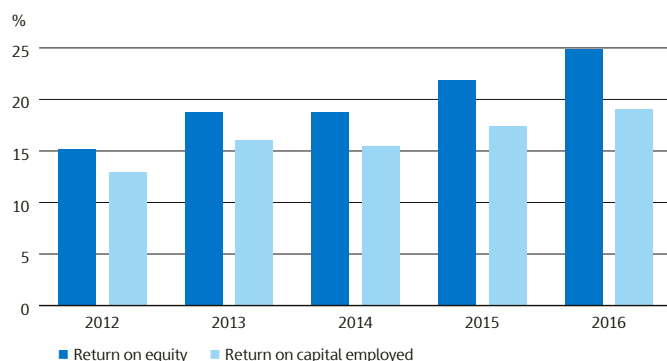
USD M	2016	2015
Interest-bearing net receivables/net debt, January 1	752.4	89.6
Cash flow from business operations	-126.0	953.2
Cash flow from financing activities excluding changes in interest-bearing receivables/liabilities	-9.0	-45.1
Cash flow from strategic investments	100.7	54.1
Dividend etc. ¹	-452.7	-382.5
Acquired/divested receivables/liabilities	-77.5	14.2
Translation differences	91.2	28.3
Remeasurement of pension liability, net	-119.4	72.1
Other changes	-25.6	-31.4
Interest-bearing net receivables/net debt, December 31	134.4	752.4
1 Of which repurchases of shares	-92.7	-49.3

The Group's interest-bearing liabilities and provisions decreased to USD 1,665.8 M (1,690.7), of which pension liabilities and provisions amounted to USD 543.6 M (477.6) and construction loans to housing associations to USD 533.9 M (448.0). The average interest rate refixing period for all interest-bearing liabilities was 0.6 (1.2) years, excluding pension liabilities but taking into account derivatives. The average maturity was 1.1 (1.5) years. Including unutilized credit facilities, the average maturity was 2.0 years.

The interest rate for all Group interest-bearing liabilities, excluding pension liabilities, amounted to 1.0 percent (1.22) at year-end. The percentage of loans in foreign currencies was 23 percent (21).

The Group's total assets increased by USD 0.1 billion and amounted to USD 11.7 billion (11.6). The effect of exchange rate fluctuations on total assets was USD 0.6 billion.

Return on equity and capital employed



At the end of the year, equity attributable to equity holders amounted to USD 3,012.0 M (2,864.2). Apart from comprehensive income for the year of USD 568.0 M, the change in equity is mainly explained by dividends of USD -359.3 M, repurchases of shares totaling USD -92.7 M and share-based payments in connection with long-term employee ownership programs (Seop) totaling USD 31.8 M.

Return on equity increased to 24.7 percent (21.6).

Capital employed at year-end amounted to USD 4,700.3 M (4,574.0). Return on capital employed amounted to 19.0 percent (17.2).

Equity/assets and debt/equity ratio

The net debt/equity ratio amounted to -0.0 (-0.3) and the equity/assets ratio to 25.8 percent (24.8).

Material risks and uncertainties

Construction and project development operations involve risks and opportunities which must be managed in a systematic, consistent and efficient way to maximize both quality and profitability. Almost every project is unique, with size, design, schedule and commercial conditions varying to respond to the requirements, circumstances and environment the project is in. Construction and project development operations differ in this way from typical manufacturing industry, where companies have permanent facilities and serial production.

In Skanska's operations, there are many different types of risk. Identifying, managing and putting a price on these risks are of fundamental importance to profitability. The risks are normally of a technical or commercial nature but it is also important to consider the political, ethical, social and environmental aspects when assessing potential risks. Skanska works with a variety of commercial mechanisms and in many legal jurisdictions and the degree of risk can vary greatly depending the contractual set-up.

Project risk management at the operational level at Skanska is governed by the Operational Risk System. This system's philosophy is that the process of managing risks is an integral line management responsibility. This system details how Business Units should organize for risk management, and it serves as a roadmap to the suite of risk and opportunity management procedures, guidelines and templates.

The Skanska Tender Approval Procedure and Investment Approval Procedure control the level of authorization required for Construction and Project Development assignments. These procedures also guide project teams through a structured presentation of risks and opportunities, facilitating scrutiny and approval at the level required by the size and nature of the project.

In the Construction business stream, risk and opportunity are identified, assessed and priced during the project identification and bid phases and then actively monitored and managed through the design and execution phases. Typical risks encountered during a project's lifecycle include: sharp increases in prices of materials or construction services, especially in long projects with fixed-price commitments; shortages of human resources, or of certain intermediate goods; delays in the design phase or changes in design; delays in obtaining the required permits; adverse weather conditions; unexpected underground obstructions or utilities; unexpected geotechnical conditions; defects in existing structures or work undertaken by other contractors.

Another important area of risk management is that counterparties, for example clients, partners, subcontractors or suppliers, may have difficulty living up to their contractual obligations. Skanska regularly makes assessments of counterparty risk in order to be prepared for this.

In the Residential Development business stream, there are risks in all phases – from concept to completed project. External factors such as interest rates, customers' financial security and their willingness to buy homes are of crucial importance to all decisions made. Homes are produced for successive sale. To minimize risks, the goal is to completely develop and sell the units in a given project during a single economic cycle when variations in market conditions are small and more predictable.

Greater standardization with shorter lead times reduces exposure to the risk of fluctuation in market demand. Due to lengthy planning and permitting processes, ample lead time is required to ensure a supply of land and building rights for construction in order to meet the demand during favorable market conditions. Equally, it is important to be ready to scale down or stop production when market conditions are less favorable. New projects are normally started when a predetermined percentage of homes are sold or pre-booked, and large projects are divided into multiple phases.

Commercial Property Development manages risks connected with external factors, clients' space needs and the willingness of investors to buy. Through frequent contact with clients and investors, Skanska constantly tracks demand for premises and completed projects.

Risks are limited because the Commercial Property Development and Residential Development business streams have established limits on how much capital may be tied up in holdings in projects that have not been pre-leased or sold. There are also restrictions on how much may be employed that are broken down per Business Unit.

Investments in Infrastructure Development require effective and efficient risk management throughout the project lifecycle, which may be up to 50 years or even longer. This begins during the development phase, both before and after contractual and financial close.

During the construction phase the greatest risk is that the asset will not be ready to go into service on schedule. Depending on the type of asset, there are risks during the entire steady state phase, which may extend over decades. Examples of such risks are external factors – political, demographic, environmental and financial – which are managed during the service life of a project. There is also a risk that life-cycle or operating and maintenance costs will exceed the forecasts that were made.

For a more detailed account of material risks and uncertainties, see Note 2 Key estimates and judgments. Financial risks are described in Note 6 Financial instruments and financial risk management. Significant ongoing litigation is described in Note 33 Assets pledged, contingent liabilities and contingent assets.

Corporate governance report

This corporate governance report for 2016 has been reviewed by the company's external auditors in compliance with Chapter 9, Section 31 of the Swedish Companies Act.

The report is part of the Report of the Directors and contains information as required by Chapter 6, Section 6 of the Annual Accounts Act.

Corporate governance principles

Skanska AB is a Swedish public limited company. Skanska AB's Series B shares are listed on Nasdaq Stockholm. Skanska AB and the Skanska Group are governed according to the Articles of Association, the Swedish Companies Act, the Nasdaq Stockholm Rule Book for Issuers and other applicable Swedish and foreign laws and ordinances.

Skanska applies the Swedish Corporate Governance Code ("the Code") which is available at www.corporategovernanceboard.se.

Articles of Association

The Articles of Association are adopted by the Annual General Meeting – the highest decision-making body – and are required to contain a number of mandatory disclosures of a more fundamental nature for the company. These include what operations it is to conduct, the size and registered office of the Board of Directors, the size of the share capital, any regulations on different types of shares (Series A and Series B shares), conversion of shares, number of shares and how notice of a shareholders' meeting is to be provided. The complete Articles of Association are available on Skanska's website www.group.skanska.com.

Governing documents

Among the more important governing documents established yearly by the Board are the Code of Conduct, the Procedural Rules, the Financial Policy, the Information Policy and the Risk Management Policy. The Code of Conduct is available on Skanska's website www.group.skanska.com.

Annual General Meeting

At the Annual General Meeting (AGM) Skanska's shareholders decide on key issues, such as adoption of income statements and balance sheets, dividend to the shareholders, the composition of the Board of Directors, discharging the members of the Board and the President and CEO from liability, amendments to the Articles of Association, election of auditors and principles for remuneration to senior executives. Shareholders listed in the register of shareholders on the record date who notify the company of their intention to participate in the meeting are entitled to attend it either personally or by proxy through a representative or substitute.

Every shareholder is entitled to have an item of business dealt with at the AGM. Well before notice of the meeting is issued, the company's website provides information on how shareholders are to proceed in order to have items of business dealt with.

The 2016 Annual General Meeting

The Annual General Meeting was held on April 6, 2016 in Stockholm. At the AGM, a total of 987 shareholders were present in person or by proxy, representing about 60 percent of the total voting power in the company. The AGM re-elected Johan Karlström, Fredrik Lundberg, Charlotte Strömberg, Pär Boman, Jayne McGivern,

John Carrig and Nina Linander as members of the Board, and elected Hans Biörck as a new member. The members of the Board were elected on an individual basis.

The AGM elected Hans Biörck as Chairman of the Board. Employees were represented on the Board by Richard Hörstedt, Lennart Karlsson and Gunnar Larsson as members, with Pär-Olov Johansson and Thomas Larsson as deputy members. Twelve members and deputy members of the Board as well as the company's auditors and members of the Senior Executive Team were present at the AGM. The AGM elected Ernst & Young AB as auditor.

Among other things, the AGM approved a dividend to the shareholders totaling SEK 7.50 (corresponding to USD 0.88) per share. In addition, the AGM resolved to implement a new employee ownership program for Skanska employees, Seop 4, for the period 2017-2019. Complete information about the 2016 Annual General Meeting and the minutes of the meeting are available on Skanska's website.

The 2017 Annual General Meeting

The next Annual General Meeting of Skanska AB will be held at 10:00 a.m. on April 4, 2017 at the Stockholm Waterfront Congress Centre in Stockholm, Sweden.

On Skanska's website information has been provided to shareholders on how they should proceed if they wish to have an item of business dealt with at the 2017 AGM.

The Nomination Committee

One of the tasks of the Nomination Committee is to propose candidates for election as members of the Board of Directors.

The 2013 Annual General Meeting gave the Chairman of the Board a mandate, ahead of each AGM, to allow each of the four largest shareholders in terms of voting power to appoint a representative to join the Chairman on the Nomination Committee. The Nomination Committee for the 2017 Annual General Meeting has the following composition: Helena Stjernholm, AB Industrivärden, Chairman of the Nomination Committee; Mats Guldbrand, LE Lundbergföretagen AB; Bo Selling, Alecta; Hans Ek, SEB Funds & SEB Trygg Life Insurance; and Hans Biörck, Chairman of the Board, Skanska AB.

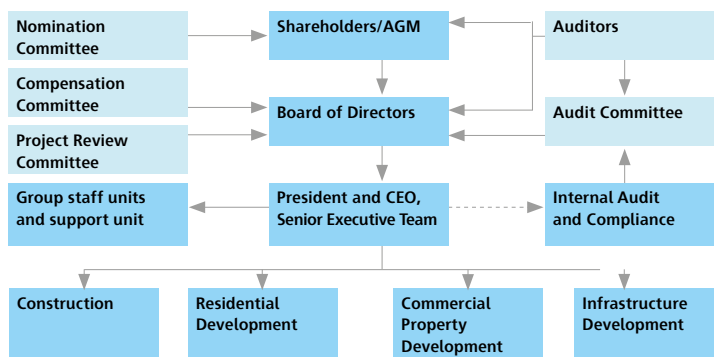
Information has been provided on Skanska's website on how shareholders can e-mail proposals to the Nomination Committee. The Nomination Committee will publish its proposal on February 23, in conjunction with the notice of the 2017 Annual General Meeting. These proposals and an explanatory statement will be available on Skanska's website.

The Nomination Committee applies the rules on the composition of the Board of Directors that are found in the Code, including the rule on diversity.

Nomination Committee 2016

Representatives on the Nomination Committee in preparation for the 2017 Annual General Meeting	Representing	December 31, 2016 % of voting power
Helena Stjernholm	AB Industrivärden	23.9
Mats Guldbrand	LE Lundbergföretagen AB	12.0
Bo Selling	Alecta	4.0
Hans Ek	SEB Funds & SEB Trygg Life Insurance	1.5
Hans Biörck	Chairman of the Board, Skanska AB	–

Governance structure



The members and deputy members of the Board

Member	Position	Born, year	Nationality	Elected, year	Audit Committee	Compensation Committee	Project Review Committee	Independent in relation to the Company and SET	Independent in relation to major shareholders
Hans Biörck ¹	Chairman	1951	Sweden	2016	■	■	■	No	Yes
John Carrig	Member	1952	USA	2014	■	■	■	Yes	Yes
Johan Karlström	President and CEO	1957	Sweden	2008			■	No	Yes
Nina Linander	Member	1959	Sweden	2014	■		■	Yes	No
Fredrik Lundberg	Member	1951	Sweden	2011			■	Yes	No
Charlotte Strömberg	Member	1959	Sweden	2010	■	■	■	Yes	Yes
Pär Boman	Member	1961	Sweden	2015	■		■	Yes	No
Jayne McGivern	Member	1960	UK	2015			■	Yes	Yes
Richard Hörstedt	Employee Representative	1963	Sweden	2007			■	–	–
Lennart Karlsson ²	Employee Representative	1957	Sweden	2016				–	–
Gunnar Larsson	Employee Representative	1953	Sweden	2014				–	–
Pär-Olow Johansson	Employee Rep. (Deputy)	1954	Sweden	2014				–	–
Thomas Larsson	Employee Rep. (Deputy)	1969	Sweden	2011				–	–

■ = Chairman ■ = Member

1 From April 6, 2016.

2 From January 1, 2016.

The Board of Directors

The Board of Directors makes decisions concerning overall issues relating to the Parent Company and the Group, such as the Group's strategy, publication of interim and annual reports, major construction projects, investments and divestments, appointment of the President and CEO and the organizational structure of the Group. The Board has established three special committees:

- Audit Committee
- Compensation Committee
- Project Review Committee

The members of the Board

The Board of Directors consists of eight members elected by the Annual General Meeting, without deputies, plus three members and two deputy members appointed by the employees. The Annual

General Meeting appointed Hans Biörck as Chairman of the Board. The President and CEO is a member of the Board. For more detailed information about individual Board members and deputy members, see page 160.

Six of the Board members elected by the Annual General Meeting are independent in relation to the company and its management. Of these, three members are also independent in relation to the company's largest shareholders. Only one Board member (the President and CEO) is actively involved in the management of the company.

The work of the Board in 2016

The work of the Board of Directors follows an annual agenda established in the Board's Procedural Rules. In preparation for each Board meeting, the Board receives reports and documentation compiled according to established procedures. The purpose of these

procedures is to ensure that, in advance of all Board meetings, the Board receives the relevant information and documentation on which to base decisions. All documentation is drafted in English. In 2016 the Board held eight meetings including its statutory meeting, one of which was held by circulation. For the September 2016 meeting the Board visited Skanska's operations in Gothenburg together with the management team of Skanska Sweden, Skanska Commercial Property Development Nordic and BoKlok. In conjunction with the meeting site visits were made to the projects Marieholmsbron, Park 49 and Tändstickan in Gothenburg.

The more important issues dealt with by the Board during the year included updating and monitoring operations, writedowns on construction projects in Poland, monitoring and updating the Group's business plan for 2016–2020, the adoption of a new Code of Conduct for the Group, reviewing the company's anti-corruption measures, updates on the investigations relating to the Czech Republic and Brazil, succession planning for the CEO, the other members of SET and Business Unit Presidents, internal control and risk management. An important emphasis was safety and sustainability.

The Board's committees

In its Procedural Rules, the Board has specified the duties and decision-making powers delegated by the Board to its committees. All committees report orally to the Board at each meeting in accordance with the routines stipulated in the Procedural Rules. Minutes of all committee meetings are provided to the Board.

Audit Committee

The main task of the Audit Committee is to assist the Board in overseeing financial reporting, reporting procedures and accounting principles, and to monitor the auditing of the accounts for the Parent Company and the Group. The Committee also evaluates the quality of the Group's reporting, internal auditing and risk management, and reviews the reports and conclusions of the company's external auditors. The Committee monitors the external auditors' assessment of their impartiality and independence, and that there are procedures for which non-audit services they provide to the Parent Company and the Group. The Committee also monitors compliance with the rules on auditor rotation. The external auditors are present at all Audit Committee meetings. At least once a year the Audit Committee meets the auditors without senior executives being present. The Committee consists of Charlotte Strömberg (Chairman), Hans Biörck, John Carrig, Nina Linander and Pär Boman. The Committee held six meetings in 2016. Important matters addressed during the year included capital allocation, financing, pension reporting, external reporting, implementation of the ERP systems, IT strategy and security, writedowns on construction projects in Poland, larger disputes, risk management, compliance and reporting of suspected Code of Conduct breaches.

Compensation Committee

The main task of the Compensation Committee is to prepare recommendations for Board decisions on the appointment of the President and CEO and other Senior Executive Team members, and on the salary and other remuneration for the President and CEO. The Committee makes decisions on remuneration, pensions and other terms of employment for other members of the Senior Executive Team.

The Committee prepares recommendations for Board decisions on general incentive programs and examines the outcomes of variable salary components. In 2016, the Committee updated the employment agreements for executives, reviewed executives' other assignments, evaluated Skanska's variable remuneration programs for the Senior Executive Team, and monitored and evaluated the application of the principles for remuneration to senior executives as well as the existing remuneration structure and remuneration levels.

The Committee consists of Hans Biörck (Chairman), John Carrig and Charlotte Strömberg. The Committee held seven meetings in 2016.

Project Review Committee

The Project Review Committee has the Board's mandate to make decisions on its behalf regarding individual projects within the Construction, Commercial Property Development and Residential Development business streams, investments and divestments within Infrastructure Development and certain project financing packages. Projects that involve especially high or unusual risks or other special circumstances may be referred to the Board for a decision. The Project Review Committee consists of Hans Biörck (Chairman), John Carrig, Johan Karlström, Fredrik Lundberg, Nina Linander, Charlotte Strömberg, Pär Boman, Jayne McGivern and Richard Hörstedt. The Committee held twelve meetings in 2016.

Evaluation of the work of the Board

The work of the Board is evaluated yearly through a systematic and structured process aimed, among other things, at gathering good information as a basis for improving the Board's work processes. The evaluation provides the Chairman of the Board with information on how the members of the Board perceive the effectiveness and collective competence of the Board as well as the need for changes. In 2016 the evaluation was carried out partly through individual questionnaires and through individual conversations between the Chairman and each member, and partly through discussions at Board meetings. Evaluation of the work of the Chairman is led by a designated member. The Chairman is also evaluated by all the other members in a written questionnaire. The Chairman of the Board gives the Nomination Committee feedback on the evaluation at a meeting where the results of the questionnaire and the Board discussions are presented.

Fees to the Board of Directors

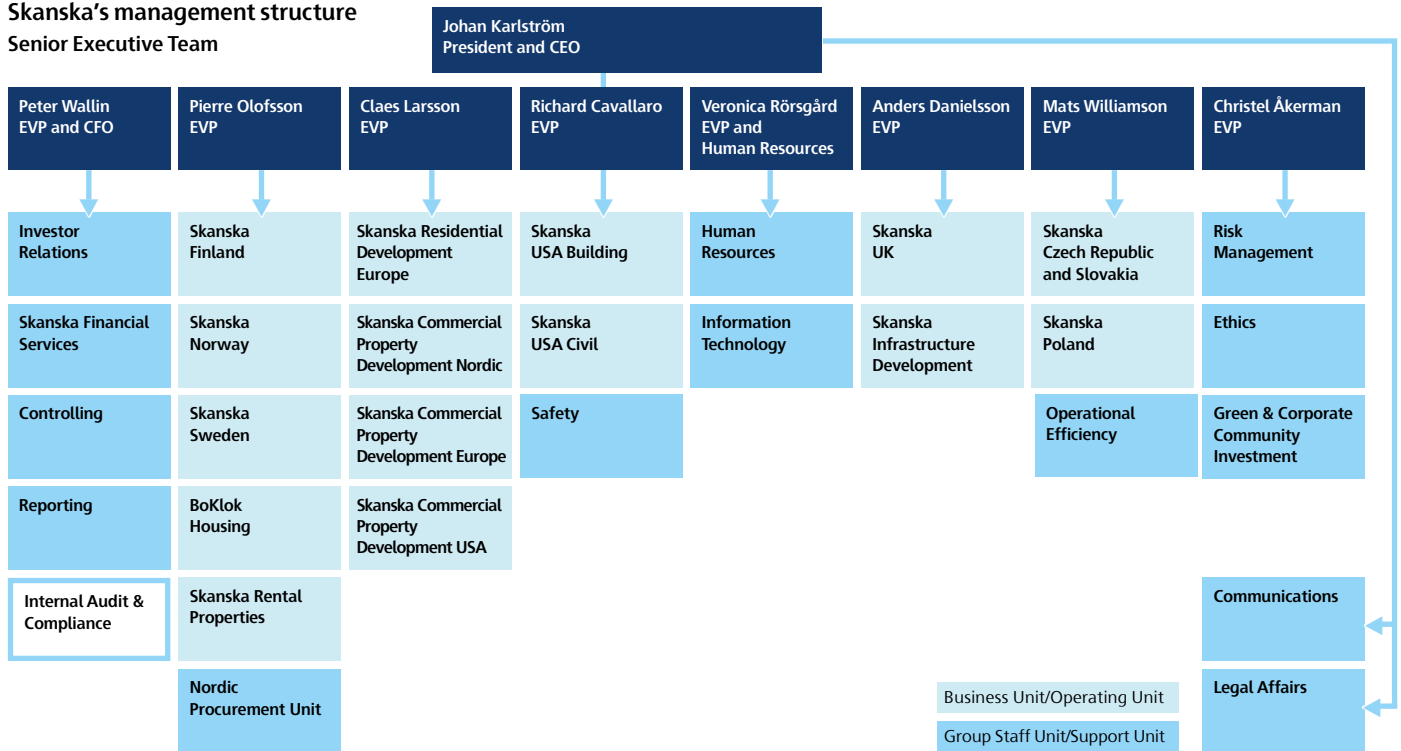
Total fees to the Board members elected by the Annual General Meeting were approved by the 2016 AGM in the amount of USD 991,369.2.

The Chairman of the Board received USD 233,091.5 in fees and other Board members received USD 77,697.2 each.

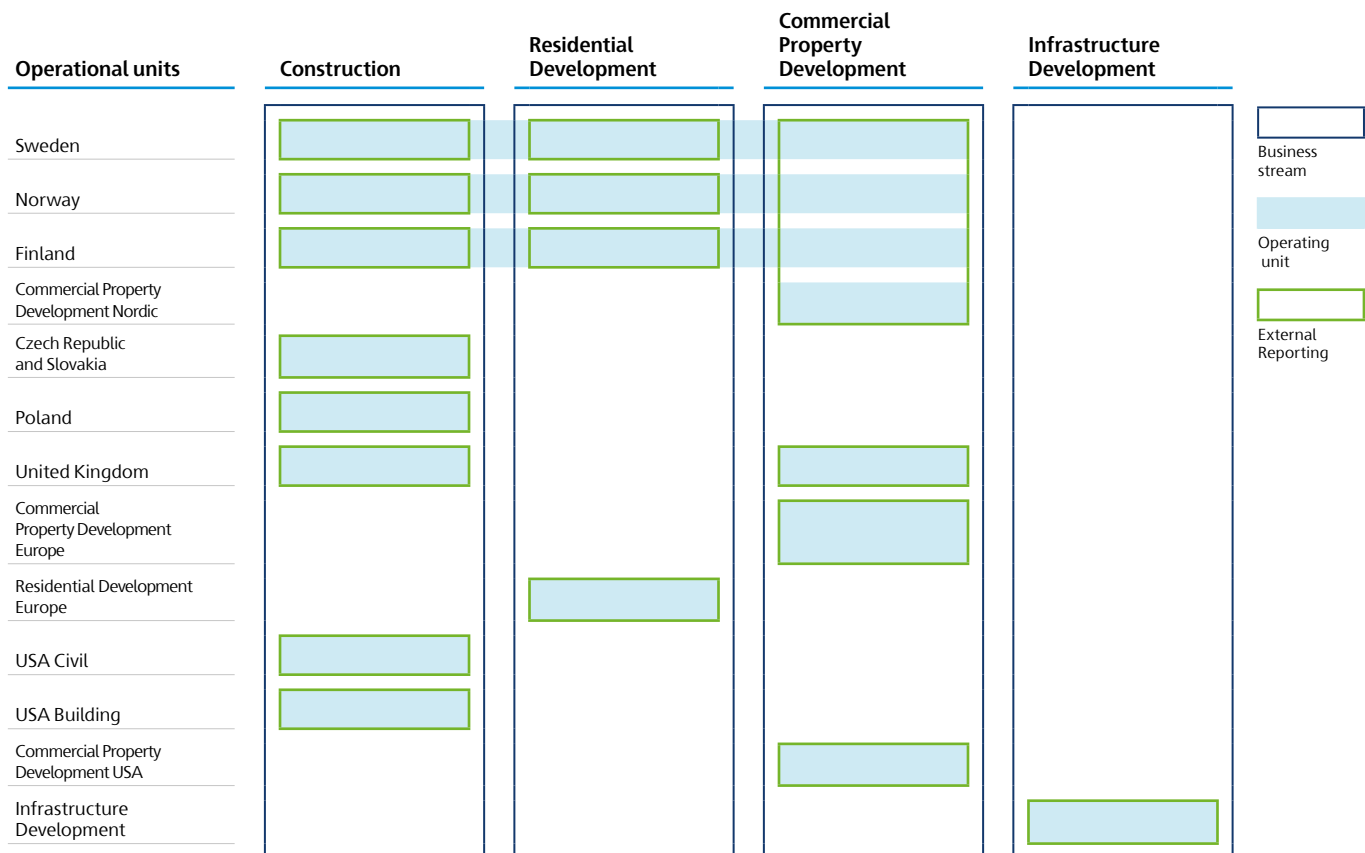
In accordance with a decision by the AGM, members elected by the AGM and serving on Board committees received an additional USD 11,683.8 for work on the Compensation Committee, USD 23,367.6 for work on the Project Review Committee and USD 17,525.7 for work on the Audit Committee, while USD 23,367.6 was paid to the Chairman of the Audit Committee. For more detailed information, see Note 37, "Remuneration to senior executives and Board members."

Skanska's management structure

Senior Executive Team



Skanska reporting structure



Attendance at the Board and Committee meetings

	Board meetings	Audit Committee	Compensation Committee	Project Review Committee
Number of meetings	8	6	7	12
Board member				
Hans Björck ¹	6	5	6	8
Johan Karlström	8			12
Fredrik Lundberg	8			12
Nina Linander	8	6		12
John Carrig	8	6	7	12
Charlotte Strömberg	8	6	7	12
Pär Boman	8	6		11
Jayne McGivern	8			12
Gunnar Larsson	7			
Richard Hörstedt	8			12
Lennart Karlsson ²	7			
Pär-Olow Johansson	8			
Thomas Larsson	8			

1 From April 6, 2016.

2 From January 1, 2016.

The Board's communication with the company's auditors

As mentioned above, the company's external auditors participate in all meetings of the Audit Committee. According to its Procedural Rules, the Board of Directors meets with the auditors three times a year. On these occasions, the auditors orally present their audit findings. At least once a year, the Board meets the auditors without senior executives being present.

Operational management and internal control

The President and CEO and the Senior Executive Team

The President and Chief Executive Officer (CEO) is responsible for day-to-day management and oversight of the company's operations. The work of the President and CEO is evaluated at one Board meeting each year at which no senior executives are present. The President and CEO and the eight Executive Vice Presidents form the Senior Executive Team (SET). The Company's Procedural Rules stipulate that the Chief Financial Officer (CFO) will take over if the President and CEO cannot fulfill his or her duties. If the CFO cannot take over, the Executive Vice President with the longest period of service in this position will take over instead. Information on the President and CEO and the members of the Senior Executive Team can be found on page 158. The President and CEO has no business dealings of any significance with Skanska AB or its Group companies.

Corporate departments and support unit

Corporate departments and the support unit, Skanska Financial Services AB, are based at the Group headquarters in Stockholm. The corporate departments and support unit assist the President and CEO and the Senior Executive Team on matters relating to corporate functions, coordination and oversight. They also provide support to the business units. The head of each corporate department reports directly to a member of the Senior Executive Team. In addition, the head of the Internal Audit and Compliance unit reports directly to the Board by way of the Audit Committee. A presentation of the corporate departments and the support unit can be found on page 159.

The business units and their governance

The Skanska Group has a clearly decentralized structure characterized by a large measure of delegation of authority and responsibility to the business units. Each business unit is headed by a president and has its own administrative departments and other resources in order to conduct its operations effectively.

Aside from day-to-day operations, the business units deal with matters such as their strategic development, and strategic investments and divestments. Proposals are prepared by the management team of each respective unit and then referred to the Senior Executive Team or to Skanska AB's Board of Directors for a decision, depending on the magnitude of the matter. The boards of the business units consist of representatives from Skanska AB, individuals from other business units and the respective business unit's own management team. The Chairman of each business unit is a member of Skanska's Senior Executive Team. Where appropriate, employee representatives are included.

Each business unit follows a structured, step-by-step risk management process. Depending, among other things, on the size, type and geographic location of projects, a structured risk management report may be required to be submitted to a higher decision-making level before final decisions are made.

In addition to the Board's governing documents, the Senior Executive Team has adopted more detailed guidelines for the Group. These policies and guidelines are available to all business units on Skanska's intranet and are updated regularly to reflect changes in operations and new requirements. The Board's Procedural Rules state which items of business will be decided upon by the Board of Skanska AB, by the President and CEO/Senior Executive Team or at the business unit level. The thresholds for decision authority stipulated in the Procedural Rules are further broken down in the business units' own decision authority rules. The business units provide regular, systematic feedback to the Senior Executive Team on compliance with the more important governing documents, such as the Financial Policy and the Code of Conduct.

Remuneration to the Senior Executive Team

The 2016 Annual General Meeting approved principles for salaries and other remuneration to senior executives. These principles, as well as the Board's proposal for new principles to be approved at the 2017 Annual General Meeting, are presented on page 70. Information about salaries and other remuneration to the President and CEO and other members of the Senior Executive Team, as well as outstanding share award and share-related incentive programs, are found in Note 37.

The Company's auditors

The 2016 Annual General Meeting elected the accounting firm Ernst & Young AB as auditor of Skanska AB. This assignment is in effect until the 2017 Annual General Meeting. The auditor in charge is Authorized Public Accountant Hamish Mabon. For information on fees and other remuneration to auditors, see the table below.

Fees and other remuneration to auditors

	Ernst & Young		KPMG	
USD M	2016	2015	2016	2015
Audit assignments	5.4	0.0	0.9	6.2
Tax advisory services	0.4	0.0	0.1	0.7
Other services	0.1	0.0	0.2	0.9
Total	5.9	0.0	1.2	7.8

Internal control

This description has been prepared in compliance with Chapter 6, Section 6, Paragraph 2 of the Annual Accounts Act and includes the most important elements of the company's internal control and risk management systems in connection with financial reporting.

Control environment

The Board's Procedural Rules and instructions for the President and CEO and the Board's committees ensure a clear division of roles and responsibilities for the purpose of ensuring effective management of business risk. The Board has also adopted a number of fundamental rules of importance for internal control work. Examples of these are the company's Risk Management Policy, Financial Policy and Code of Conduct. The Senior Executive Team reports regularly to the Board according to established procedures. The Audit Committee also presents reports on its work. The Senior Executive Team is responsible for the system of internal controls required to manage material operational risks. This includes providing instructions to people in various positions in order to maintain good internal control.

Risk assessment and control activities

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

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

Skanska uses a Group-wide procedure for identifying and managing risks associated with construction contracts, projects and investments. A specialist unit, the Skanska Risk Team (SRT), examines and analyzes projects and investments above a certain size. The proposals are then processed by the Skanska Risk Team, which issues a recommendation. The final decision on tenders or investments is made by the SET Tender Board, which consists of Skanska's Senior Executive Team, and in certain cases, by the Board of Directors through the Project Review Committee.

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

- Ethical breach
- Lack or loss of key employees
- Project or systemic losses
- Macro financial instability
- Accident with multiple people affected

A more detailed description of the risks and how they are managed is found on pages 16–18.

Information and communication

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

Monitoring

The Board of Directors continually evaluates the information provided by the Senior Executive Team and the Audit Committee. Of particular importance is the Audit Committee's work in compliance with Chapter 8, Section 49b of the Swedish Companies Act on monitoring the effectiveness of the Senior Executive Team's internal control processes.

This includes ensuring that steps are taken to address the shortcomings revealed in internal and external audits and to implement the proposed actions.

Internal Audit

The Internal Audit and Compliance unit is responsible for monitoring and evaluating risk management and internal control processes. This includes examining compliance with Skanska's principles. The unit reports directly to the Board of Directors by way of the Audit Committee. The Internal Audit and Compliance unit plans its work in consultation with the Audit Committee and regularly reports its examination findings to the Committee. The unit communicates continuously with Skanska's external auditors on matters concerning internal control.

In 2016 the Internal Audit and Compliance unit focused on reviewing the risks identified in the business. These reviews were conducted for projects, business-critical processes and corporate departments. In total around 135 audits were conducted during the year in all business units. There was a particular focus on the operations in Poland and the U.S. The audits were performed in accordance with a uniform audit method.

Other mandatory disclosures in compliance with Chapter 6, Section 6 of the Annual Accounts Act

Due to the requirements in Chapter 6, Section 6 of the Annual Accounts Act concerning certain mandatory disclosures in corporate governance reports, the following is disclosed:

- Of the company's shareholders, AB Industrivärden and Lundbergs have a direct or indirect shareholding that represents at least one tenth of the voting power of all shares in the company. On December 31, 2016, Industrivärden's holding amounted to 23.9 percent of the total voting power and Lundbergs to 12.3 percent of total voting power.
- There are no restrictions on the number of votes each shareholder may cast at an Annual General Meeting.
- The Articles of Association state that the appointment of Board members is to take place at the company's Annual General Meeting. The Articles of Association contain no stipulations on dismissal of Board members or on amendments to the Articles of Association.

- The 2016 Annual General Meeting authorized the Board of Directors to decide on acquisitions of Skanska's Series B shares through a regulated market on the following conditions:
 - A. Acquisitions of Series B shares in Skanska may only be effected on Nasdaq Stockholm.
 - B. The authorization may be exercised on one or several occasions, however at the latest until the Annual General Meeting 2017.
 - C. No more than 4,000,000 Series B shares in Skanska may be acquired to secure delivery of shares to participants in the long-term share savings program (Seop 3) and for subsequent transfers on a regulated market in order to cover certain costs associated with Seop 3.
 - D. Acquisitions of Series B shares in Skanska on Nasdaq Stockholm may only be made at a price within the from time to time applicable range of prices (spread) on Nasdaq Stockholm, meaning the interval between the highest purchase price and the lowest selling price.
- The 2016 Annual General Meeting also authorized the Board of Directors to decide on acquisitions of Skanska's Series B shares through a regulated market on the following conditions:
 - A. Acquisitions of Series B shares in Skanska may only be effected on Nasdaq Stockholm.
 - B. The authorization may be exercised on one or several occasions, however at the latest until the Annual General Meeting 2017.
 - C. No more than 1,500,000 Series B shares in Skanska may be acquired to secure delivery of shares to participants in the long-term share savings program Seop 4 and for subsequent transfers on a regulated market in order to cover certain costs associated with Seop 4, mainly social security costs.
 - D. Acquisitions of Series B shares in Skanska on Nasdaq Stockholm may only be made at a price within the from time to time applicable range of prices (spread) on Nasdaq Stockholm, meaning the interval between the highest purchase price and the lowest selling price.

Disclosures required in compliance with Chapter 6, Section 2a of the Annual Accounts Act

Disclosures in compliance with Chapter 6, Section 2a of the Annual Accounts Act concerning information about certain circumstances that may affect the possibility of a takeover of the company through a public bid for the shares in the company are provided in Note 64, Disclosures in compliance with the Annual Accounts Act, Chapter 6, Section 2a.

Research and development

The Research & Innovation function is the corporate hub for technical expertise and technical knowledge transfer between the various Skanska units.

It provides technical input to Skanska's risk management process in order to reduce risk in relation to complex structures, potential systemic faults and the use of new materials. It also provides technical support for problem solving and claims resolution, working through a coordinated internal and external network of experts.

In addition, the function leads the research and innovation activities in Skanska, striving to find new technical solutions and also more efficient ways of working. Innovation is needed in order to respond to current and future needs and to stay competitive. Through innovation Skanska identifies and develops new technical products, services and processes, improving its competitiveness and creating increased value for Skanska and its clients.

A large part of the year's work focused on supporting Skanska's 2016–2020 business plan with technology, particularly in the area of Operational Excellence. During 2016, technical focus areas within Skanska included Building Information Modeling (BIM), automation and robotics, autonomous vehicles, industrialization, materials, drones, 3D printing, energy, energy storage as well as other focus areas such as climate change, sustainability and safety.

Skanska actively collaborates with around 25 universities in its home markets and currently has six adjunct professors working in the areas of energy, concrete, tunneling, bridges and climate adaption.

Focus areas within sustainability

Skanska's sustainability agenda consists of five focus areas: Safety, Ethics, Green, Corporate Community Investment and Diversity & Inclusion. These focus areas 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

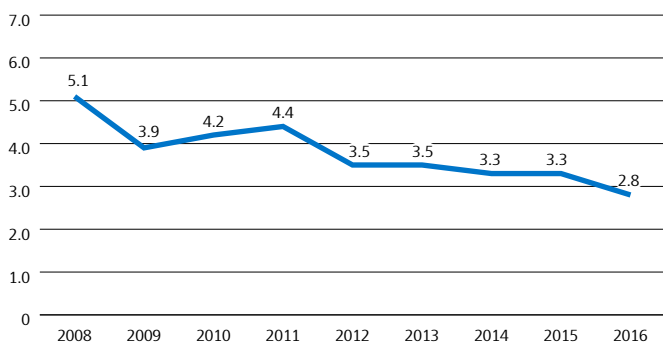
Safety performance

Skanska continues to improve its safety management, with all Business Units implementing the strategic safety action plans developed as part of the 2020 Business Plan. However, these improvements have yet to significantly improve injury rates.

Skanska's lost-time accident rate declined in 2016 compared to 2015: the 2016 lost-time accident rate was 2.8 (3.3), with a total of 638 lost-time accidents. The injury rate that includes restricted duty cases was 4.7, down from 5.0 in 2015. In total, 1,058 injuries prevented people from returning to their normal work activities.

Lost Time Accident Rate (LTAR) 2008–2016

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.



Skanska believes that all injuries must be eliminated. With this in mind, the Group has changed the emphasis of its internal reporting to focus on all injuries sustained at the workplace – not just those injuries resulting in lost time from work, as traditionally tracked in the construction industry.

During 2016, there were four work-related fatalities on Skanska worksites: in Poland, Peru and the U.S. All of these are tragic events for the families, friends and colleagues of the deceased. Following each fatality, Skanska held a Global Safety Stand Down at every workplace to share learnings from the accidents with colleagues, and to pay respect.

Skanska treats potential fatality events, even if no one was hurt, as serious incidents involving investigations and follow-up. These provide a learning opportunity to revise and improve the systems, organization and leadership skills to avoid future accidents.

Health and well-being

Skanska's Care for Life value was the catalyst for the Group in 2016 to begin developing a Health and Well-being Strategy for all Business Units. The strategy is based on ensuring a healthy workplace, with workers who are physically and mentally fit so they can perform at their best. This includes providing improved direction on reducing long-term health hazards, such as from noise, dust and poor ergonomics. The intent is to prevent work activities from causing or worsening ill health, both physical and mental.

Furthermore, the Health and Well-being Strategy will offer employees guidance and information to enable better lifestyle choices with diet, alcohol, smoking and more. The strategy recognizes that lifestyle decisions are matters of personal choice. This strategy will launch during 2017, building upon initiatives of several Business Units.

Skanska is committed to giving health and well-being the same priority as safety. Health and well-being topics will be included in an extended version of the Safety Road Map, the framework around which Skanska management teams plan their safety improvement programs. This will enable each part of Skanska to develop local action plans.

A learning organization

In keeping with the Be Better – Together value, Skanska continues to develop the various ways it internally shares information and knowledge. Primarily these are the networks of the Global Safety Leadership Team, which advises the Senior Executive Team; the Safety Performance Network, comprised of Business Unit heads of safety; and the use of digital platforms. These are aimed at developing networks that can leverage similarities to improve safety, health and well-being.

In 2016, Skanska's four Business Units in Central Europe formed a cluster to develop common health and safety standards, and to share best practices; a similar cluster has been formed in the Nordic countries.

Other examples of learning activities used in various Business Units in 2016 include:

- Continuation of the safety peer review program that provides Business Unit managers with additional perspectives on safety management. This involves bringing line managers and safety experts from other Business Units to observe projects and provide advice.
- Holding "Stand up for safety" sessions that facilitate sharing of good practices.
- Conducting safety days, during which jobsite managers and work crews come together to discuss and solve safety issues.
- Exploring the use of wearable technology to aid injury identification and improve ergonomics.
- Engaging with employees and subcontractors through in-depth safety perception surveys. These surveys provide valuable information about how safety programs are perceived by employees and contractors; the feedback is used to develop new action plans.

Additionally, in 2016 Skanska updated and strengthened its Global Safety Standards, which are requirements that go beyond laws and industry norms. New standards were added for safe delivery of materials, temporary electrical systems and safety audits. These standards – which now total 12 – form a key part of establishing Skanska's minimum expected safety behaviors. The 2016 updates will drive further improvements.

Safety Week

The 12th annual Skanska Safety Week occurred in April 2016. The overarching theme was “Plan for today,” which recognizes that planning is key to reducing accidents in the dynamic settings found on construction sites. In the U.S., Poland and Finland, Safety Week has become an industry-wide event that demonstrates to hundreds of thousands of workers the critical importance of working safely. Customers, peer companies, suppliers and regulating authorities all take part.

Ethics

In 2016, Skanska took key steps to further its strong ethical culture, which is central to living the Act Ethically and Transparently value. Two highlights were launching a bold new Code of Conduct and Skanska’s first-ever Supplier Code of Conduct. The Code of Conduct can be viewed at codeofconduct.skanska.com.

Developing the Code of Conduct provided an opportunity to review and improve everything associated with the Code. This included updating policies; refining risk assessment processes; revising training requirements to suit risks associated with particular roles and functions; and redefining the areas of assurance reviews and audits. Among the policies strengthened was that which prevents retaliation of any type against employees who report legitimate ethical concerns, and the policy stating Skanska does not tolerate corruption in any form.

Recognizing it will take time to fully implement new processes and procedures, Skanska has prioritized the activities for implementation using a risk-based approach. This comprehensive approach helps proactively reduce the chance of an ethical breach, one of Skanska’s major risks.

New Code of Conduct

The new Code of Conduct applies to all employees: temporary, part-time, full-time and contract. Also, all employees must be trained on the Code by January 1, 2018, and then retrained every two years. New employees must be trained within one month of beginning employment.

The launch of the Code included an app for mobile devices that helps make accessing and searching the Code easy for employees. The app was pushed out to more than 20,000 mobile devices used by Skanska employees.

Consistency across the Group

Each year every unit develops an ethics plan to identify key risks, challenges and activities to help achieve Skanska’s target of being an ethics leader. The units continued that work in 2016, with emphasis on risks, goals, and specific action plans. The ethics plans address strengths as well as opportunities for the units, based on input from the Ethics Scorecard, employee survey results, and reports of alleged misconduct during the past year. These ethics plans are reviewed by the Skanska AB Ethics Committee to ensure that the plans are appropriate, set a framework to a stronger ethical culture and are aligned with the 2020 Profit with Purpose Business Plan.

As in 2015, each Skanska unit participated in a mid-year peer review of its ethics plan and progress on action items. The units also continued to submit quarterly reports to the Skanska AB Ethics Committee. A summary of the quarterly reports was submitted to and discussed with the Board of Directors’ Audit Committee during 2016.

Ethics organization

The Global Ethics Network – comprised of representatives from each Business unit – held four meetings in 2016 to share best practices and overall increase ethics competencies across the Group.

Additionally, Group Support Unit Ethics added two staff members: an Ethics Manager and a Compliance Manager. The Ethics Manager came from one of the Skanska Project Development units, which will be especially helpful as the development units are becoming a larger part of Skanska under the 2020 Business Plan. The Compliance Manager will work closely with the Business units regarding risk assessments and due diligence, as well as monitoring external parties – with particular emphasis on joint venture partners and intermediaries.

External parties

The focus on business partners and other external representatives of Skanska took significant steps forward during 2016. Skanska introduced its first-ever Supplier Code of Conduct, intended for external parties that are contracted to provide goods and/or services to Skanska. The Supplier Code includes topics from the full Code of Conduct that are relevant to Skanska’s supply chain.

Skanska began a more formal process to consistently conduct due diligence on every joint venture partner. Also, the Group introduced a comparable due diligence process for intermediaries, such as leasing agents and others who represent Skanska. The intent of this due diligence is to ensure that Skanska’s values are upheld in all business conducted on the Group’s behalf. Skanska will not compromise its values for any entity, person or business opportunity.

Reports of alleged misconduct

In 2016, Skanska received 88 reports via its Code of Conduct hotline, which allows employees to anonymously report suspected misconduct or anything that could be considered a breach of the Code. This compares to 64 reports in 2015. Skanska favorably interprets an increased number of reports as an indication that employees are recognizing their responsibility to report misconduct, and that employees feel Skanska’s culture empowers them to speak up.

Through the use of anonymized cases and developing ethical dilemma discussions based on actual scenarios, Skanska will continue to strengthen its ethical culture.

Value Moments Library

Skanska introduced the Value Moments Library, a collection of short films with an important purpose: encouraging and guiding employee conversations about how to best navigate dilemmas involving living the Group’s values. The films depict real-life examples gathered from employees in various roles, home markets and units, and many of them focus on situations in which two or more values are competing. This library will grow over time, with additional contributions from the Business Units.

Green

Skanska's Journey to Deep Green™

Skanska strives to develop and construct buildings and infrastructure that have near-zero environmental impacts during construction and operation. This is the target of the Journey to Deep Green™, which Skanska is reaching for in collaboration with its customers and supply chain. The Color Palette™, Skanska's green strategic tool, defines Deep Green according to energy, carbon, materials and water criteria – these are the environmental aspects the Group's projects influence the most.

Each Business Unit uses The Color Palette™ to report green revenue, and each unit has an environmental plan fully integrated with its business to increase both green performance and operational efficiency.



Since Bentley Works was transformed into a healthy facility that meets Deep Green criteria, sick leave has been reduced by two-thirds while employee comfort and satisfaction has increased.

Improving well-being and productivity through healthy offices

Skanska is focused on creating healthy offices that improve well-being and productivity. In 2016, the Group supported the World Green Building Council's "Building the Business Case" report, which links building design to the health, well-being and productivity of occupants.

The Building the Business Case report features Skanska's Bentley Works facility in Doncaster, UK: since the facility was redeveloped to Deep Green criteria, sick leave has been reduced by two-thirds while employee comfort and satisfaction has increased. Lower absenteeism costs provide a significant annual savings that reduces the green payback period of the refurbishment project from 11 years to eight years. Bentley Works demonstrates the many benefits from healthy offices.

The full World Green Building Council report can be found at betterplacesforpeople.org.



Skanska believes it is important that infrastructure – not just buildings – achieve green certification to measure and guide environmental achievements. Skanska has a key role in developing the next version of the Envision green infrastructure rating system.

Helping set the standard for green infrastructure certification

Skanska believes it is important that infrastructure – not just buildings – achieve green certification to measure and guide environmental achievements. In 2016, several of the Group's projects achieved major milestones under the two leading green infrastructure rating systems: CEEQUAL and Envision.

At the CEEQUAL Outstanding Achievement Awards, the Borough Viaduct project in London received two honors: for minimizing disruption and for retaining a historic urban neighborhood. Also, the Spårväg City Line 7 Accessibility Upgrade Part 1 in Stockholm was "highly commended" in the Project Management category.

In the U.S., the Expo Line Phase 2 light rail expansion in Los Angeles became the first transit project certified under Envision. Furthermore, it was certified at the highest level – Platinum. Also, Skanska's I-4 Ultimate highway public-private partnership (PPP) in Florida achieved Envision Platinum too.

Skanska has made a strong commitment to integrate Envision into U.S. civil infrastructure projects. Also, as beneficial as Envision is, the current version is focused on the planning and design phases of a project, with little focus on construction. For the next version of Envision due out in 2018, Skanska has a key role in incorporating construction aspects throughout the system, and in leading the development of four credits focused on construction activities.



Through such aspects as treating rainwater to use as drinking water, the Brock Environmental Center meets Deep Green criteria and is certified as a Living Building.

A project so Deep Green that it transforms rain into drinking water

In 2016, the Brock Environmental Center in Virginia Beach, USA, became the 11th building in the world certified under the Living Building Challenge, which sets demanding green building criteria, including for materials. Living Buildings meet Skanska's Deep Green criteria.

In the Center's first year, it generated 83 percent more power than it used, thanks to its photovoltaic panels and wind turbines. Also, it is the first USA commercial building permitted to turn rain into drinking water. As program manager, Skanska advised the customer and the design and construction team, drawing on the Group's involvement with other Living Buildings.

Energy



Energy: Energy positive building – delivered 83 percent surplus electricity to the grid in its first year of operation.

Carbon



Carbon: Embodied carbon reduced by 7 percent.

Materials



Materials: Extensive use of environmentally responsible construction materials, and 95.9 percent of construction waste diverted from landfill.

Water



Water: Net-zero water, and was first commercial building in the USA to legally use purified rainwater for human consumption.

Systematic environmental management

Since 2000, Skanska has certified all its operations to the international ISO 14001 environmental management standard; no major non-conformities were reported in 2016. With this, Skanska has systematic environmental management and risk management procedures, and is currently transitioning to the new ISO 14001:2015 standard. Skanska UK certified to this new standard in April 2016, being one of the first companies worldwide to do so.

Climate leadership recognition

Skanska was recognized as a climate leader by the 2016 "Climate A List" compiled by CDP, formerly the Carbon Disclosure Project. This puts Skanska among the leading 193 companies in the world on climate action - or around 9 percent of the responding companies worldwide. This is an important milestone on Skanska's journey to be a low-carbon business.

Greenhouse gas emissions from Skanska's operations Direct (Scope 1) and Indirect (Scope 2)

in tons CO₂e

	2016 ¹	2015	2014	2013	2012	2011	2010
Scope 1	312,800	330,758	367,791	386,154	354,518	341,869	305,986
Scope 2 ²	52,704	49,207	60,494	51,305	50,981	67,886	110,866

¹ In 2016, Skanska changed the reporting year for carbon to cover a 12-month period from the fourth quarter of the prior year through the third quarter the following year. The 2016 carbon emission metrics cover from the beginning of the fourth quarter 2015 through the end of the third quarter 2016.

² Location based approach.

A majority of carbon emissions from Skanska's Construction Business Units are third-party reviewed.

Corporate Community Investment

Skanska continues to embed Corporate Community Investment (CCI) into its business. CCI is becoming a core component of Skanska's projects, just like other Sustainability aspects and technical elements. The Group's intention is to leverage all projects to create long-lasting positive benefits for local societies, customers, Skanska and employees.

Skanska focuses its CCI on stimulating local workforce integration and advancement, and on developing projects in ways that enhance surrounding neighborhoods. These are important for the future of society and directly relate to Skanska's business. Through CCI, Skanska helps address social challenges faced by local communities. Skanska benefits too: more engaged employees, value delivered to our customers' customers, and lasting, positive legacies for communities. Also, CCI helps Skanska live its strong values, such as Commit to Customers.

Appreciated by customers

The Group's CCI initiatives continue to be appreciated by customers, many of which are increasingly aware of CCI and expect it. Legislation, such as the European Union Procurement Directive, will further drive this. While Skanska strives to advance with CCI, the Group's CCI commitment and capabilities already are a key reason why some customers choose Skanska.

Investing in local workforces

Workforce development and integration provides opportunities for local residents to contribute their skills to Skanska projects; to better enable Skanska to seek talent from untapped parts of the labor market; and to develop Skanska's employees.

For example, at the Kvibergs Entré Residential Development project in Gothenburg, Sweden, Skanska provided construction training to local people who were having trouble gaining entry to the labor market. This helped those people unlock employment opportunities, and better integrate into society. Also, the local municipality benefited from this integration, and Skanska gained the diverse skills of new employees.

Investing in communities

The increasing number of projects developed by Skanska are a top opportunity to enhance local communities and support customers through their design and what they provide.

For example, the educational courtyard at Klipporna, a Skanska Commercial Property Development project in Malmö, Sweden, is an inviting space open to the local community. The garden is used as a space for occupants to relax and for school children to learn. It adds value for tenants, the building owner and the community.

Focused on maximized impacts

With Corporate Community Investment, Skanska's focus is on maximizing impacts – emphasizing quality over quantity. For example, with workforce integration we prioritize creating high-quality programs that provide participants with a high possibility of finding a job, rather than aiming to get the most people through the program in the shortest time and at the lowest cost, and with less focus on the end result. In this case, people getting jobs is what creates value for society.

Skanska strives to actively demonstrate to customers and society how CCI adds value to projects and developments. The Group is keen to lead the industry in this form of thinking to show how Construction and Project Development can contribute to a better society.

Diversity and Inclusion

In 2013, Skanska stated a Group-wide Diversity and Inclusion (D&I) vision that still guides the company. It states that by 2020, Skanska will be recognized as a leader in diversity and inclusion in all home markets, mirroring the diversity in society on all levels of the organization. Also, by 2020 Skanska's leaders will be excellent in fostering an inclusive culture. Skanska sees its high level of focus on diversity and inclusion as a competitive advantage.

Integrated into core activities

In 2016, the implementation of the 2020 Profit with Purpose Business Plan meant an increasing focus on diversity and inclusion, both on the Group level as well as in the Business Units. It has also meant a closer collaboration between the different Sustainability areas.

This increased diversity and inclusion focus has included Group-wide Human Resources efforts, such as the relaunch of the Skanska Leadership Profile that guides employee development and increased focus on living Skanska's values. Also, diversity and inclusion is addressed in the new Code of Conduct. Several Business Units used the launch of the new Code of Conduct as a way to increase D&I awareness and review D&I actions.

Overall, diversity and inclusion is increasingly becoming part of core business activities. The connection between D&I and safety is increasingly being made. For example, as Skanska Sweden sets out to achieve an Injury-Free Environment through an extensive development program targeting all employees, they simultaneously address D&I. The end goal with the Injury-Free Environment program is to create a culture of employees caring for the safety of one another, which corresponds very well with ambition within D&I to create an inclusive culture.

Active diversity and inclusion activities

Through ongoing meetings and learning sessions, the Group-wide community of inclusion advocates – senior line managers who head D&I within Business Units and who report to their Business Unit

President – and Human Resources experts working with D&I has grown stronger and become more skilled as change leaders. SWAG, the Senior Women Advisory Group advising the Senior Executive Team on matters related to inclusive culture and leadership, has grown and been very active. SWAG's activities in 2016 included two Group-wide meetings in which Skanska D&I leaders met with EY, Google and other companies to benchmark and share ideas with diversity and inclusion.

To develop more leaders who are skilled in inclusive leadership, several Business Units run inclusive leadership programs and/or workshops with the ambition of targeting all managers.

Positive achievements

In 2016, Skanska continued to see positive developments with key diversity and inclusion metrics.

One indication of progress is that the number of women among all employees and in management positions continued to increase in 2016. Women employees have increased from 12 percent (2012) to 17 percent (2016). Also, the share of women in the three highest managerial levels has increased from 13 percent (2012) to 20 percent (2016).

A great highlight of the year was Skanska UK being awarded two prestigious industry awards for D&I efforts: Diversity Champion of the Year Award and Judges' Supreme Award.

Employees divided by gender

Category	2016, %		2015, %	
	Men	Women	Men	Women
Skilled workers	98	2	98	2
White collar employees	71	29	72	28
Management positions	80	20	81	19
Senior executives	78	22	78	22
Skanska AB Board	77	23	79	21

Human Resources

The average number of employees in 2016 was 42,903 (48,470), of whom 10,158 (10,330) were in Sweden. The substantial decrease is a result of the winding down and sale of the Latin American operations. Skanska places great emphasis on attracting, recruiting and introducing new employees to the organization.

The Skanska employee ownership program (Seop) is aimed at attracting employees and retaining them within the Group, and creating greater affinity and dedication. All permanent employees of the Skanska Group are entitled to participate in the program, and currently 30 percent (27) of those eligible are participants.

The Group uses annual employee surveys to obtain an understanding of job satisfaction levels, morale and professional development needs. In 2016 a new Group-wide employee survey was developed to support the Profit with Purpose business plan. This will be implemented in all Business Units for the first time in April 2017. One of the most important factors in attracting and retaining employees is the opportunity for continued professional development within the company. The Group thus strongly emphasizes creating a culture in which managers and other employees provide each other with mutual feedback, where employees can undertake new, challenging assignments, and where proficiency-raising initiatives are offered. At the Group level, the Skanska Top Executive Program (STEP) is run in collaboration with IMD business school in Switzerland and Ivey Business School in Canada.

Skanska also has a global talent program called Skanska Stretch. It is aimed at key talents at an early stage in their career and on their way into a management role. The program has a clear international emphasis and all participants have an opportunity to work abroad after completing the program. In addition, all Business Units have training programs that match the needs of the respective unit and target employees at all levels.

The annual Talent Review process provides the basis for succession planning and professional development for employees. It is uniformly implemented in all of the Group's Business Units in order to obtain a Group-wide picture of competencies and development needs at both the individual and Business Unit level.

Skanska uses a Group-wide skills profile – Skanska Leadership Profile – for the purpose of clarifying the expectations placed on all employees and providing opportunities for continuous professional development.

Work on Skanska Unlimited – a program aimed at increasing the exchange of expertise within the Group – continued in 2016. Employees are given an opportunity to try an assignment at a different Business Unit – internationally or in the same market – for a period of three to six months.

For Skanska, diversity is a matter of embracing and utilizing the abilities of every individual. Skanska's actions are based on the conviction that the company's competitiveness will be enhanced if its employees are satisfied with their work situation and have the opportunity for professional development regardless of gender, ethnicity or educational background. Currently, a significant number of women are active at the project level within the Group, but the percentage of women in management positions is still too low. Efforts to increase diversity are under way, both at the Group level and in each Business Unit. The Group works continuously to set diversity targets for its Business Units, for example to increase the percentage of new female recruits or to raise the level of knowledge and awareness about diversity within the organization.

Remuneration to senior executives

For information about the most recently approved guidelines for determining salaries and other remuneration to the President and CEO and other executive officers, see Note 37 Remuneration to senior executives and Board members.

In April 2017 the Board will propose to the Annual General Meeting that the current guidelines for salaries and other remuneration to senior executives remain unchanged.

The Board's proposal for salary and other remuneration to senior executives for approval by the 2017 Annual General Meeting

Remuneration to senior executives of Skanska AB is to consist of a fixed salary, possible variable remuneration, other customary benefits and pension. The senior executives include the President and CEO and the other members of the Senior Executive Team. The combined remuneration for each executive must be market-based and competitive in the job market in which the executive is placed, and distinguished performance should be reflected in the total remuneration package.

Fixed salary and variable remuneration are to be linked to the responsibility and authority of the executive. The variable remuneration is to be payable in cash and/or shares, and it is to have a ceiling and be related to fixed salary. The receipt of shares requires a three-year vesting period and is to be part of a long-term incentive program. Variable remuneration is to be based on performance in relation to established targets and is to be designed to achieve better alignment between the interests of the executive and of the company's shareholders. The terms of variable remuneration should be designed in such a way that if exceptional economic conditions exist, the Board has the ability to limit or refrain from paying variable remuneration if such payment is deemed unreasonable and incompatible with the company's other responsibilities to shareholders, employees and other stakeholders.

If a member of the Board performs work on behalf of the company in addition to his or her assignment on the Board, a consultant fee and other compensation for such work may be payable.

In case of termination or resignation, the normal notice period is six months, combined with severance pay equivalent to a maximum of 18 months of fixed salary or, alternatively, a notice period of a maximum of 24 months. With respect to the annual bonus, the Board has the possibility of limiting or refraining from paying this variable remuneration if it deems such action reasonable for other reasons.

Pension benefits are to be in the form of either defined-benefit or defined-contribution plans, or a combination of both, and entitle the executive to receive a pension from the age of 65. In individual cases, however, the retirement age may be as low as 60. To earn full defined-benefit pension, the individual is required to have been employed for as long a period as is required under the company's general pension plan in each respective country. Variable remuneration is not pensionable except in cases where this is stipulated in the rules for a general pension plan (e.g. Sweden's ITP occupational pension plan.)

The Board of Directors may deviate from these guidelines if there are special reasons to do so in an individual case.

Matters relating to the President and CEO's salary and other remuneration are addressed by the Compensation Committee in preparation for decisions by the Board. Matters relating to the salary and other remuneration for other senior executives are decided upon by the Compensation Committee.

Skanska employee ownership program (Seop)

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

The program provides employees with the opportunity to invest in Skanska shares while receiving incentives in the form of possible allotment of additional share awards. This allotment is predominantly performance-based.

Shares are only allotted after a three-year lock-up period. To be able to earn matching shares and performance shares, a person must be employed during the entire lock-up period and have retained the shares purchased within the framework of the program. Under Seop 2, which ran during the period 2011–2013, matching shares and performance shares were allotted in 2016 for the shares in which employees had invested in 2013 and which they had retained for the three-year lock-up period.

In 2016 Seop 3 continued, running for the period 2014–2016. The Annual General Meeting in 2016 approved a new employee ownership program, Seop 4, running for the period 2017–2019. Seop 4 is essentially identical to Seop 3.

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

Employee-related expenses for Skanska employee ownership program (Seop)

Employee-related expenses for

Skanska employee ownership program (Seop)

USD M	Seop 2	Seop 3	Total for programs
Employee-related costs For share-award Programs¹			
Investment years	2011–2013	2014–2016	
Total estimated cost for the programs ²	113.7	100.6	214.3
Expensed at beginning of period	-109.8	-22.7	-132.5
Cost for the period	-3.9	-27.9	-31.8
Total expensed at end of period	-113.7	-50.6	-164.3
Remaining to be expensed	0.0	50.0	50.0
Of which expensed in:			
2017	0.0	26.5	26.5
2018 or later	0.0	23.5	23.5
Total	0.0	50.0	50.0
Share awards earned through December 2016			
Number of shares	0	2,567,457	2,567,457
Dilution through December 2016, %	0.00	0.55	0.55
Maximum dilution at end of programs, %	0.00	1.23	1.23
Share awards earned at end of programs			
Number of shares	7,182,757	5,108,030	12,290,787
Series B shares allotted	7,182,757	17,252	7,200,009
Total unallocated shares	0	5,090,778	5,090,778
Series B treasury shares			10,594,644

1 Excluding social insurance contributions.

2 For investments made up to end of 2015.

Information concerning shares

In order to ensure allotment of shares to the participants in Skanska's share incentive programs, the 2016 Annual General Meeting authorized the Board of Directors to repurchase treasury shares. According to this decision the company may buy a maximum of 4,000,000 Skanska Series B shares to ensure allotment of shares to participants in Seop 3 and a maximum of 500,000 Skanska Series B shares to ensure allotment of shares to participants in Seop 4.

During the year, Skanska repurchased a total of 4,345,000 shares at an average price of SEK 182.49 (corresponding to USD 21.32). The average price of all repurchased shares is SEK 132.18 (corresponding to USD 15.44). The quota value of the repurchased shares is SEK 3.00 (corresponding to USD 0.33) per share, totaling SEK 13.0 M (corresponding to USD 1.43 M), and the shares represent 1.0 percent of the total share capital. The acquisition cost amounts to SEK 793 M (corresponding to USD 94.2). During the year, 2,616,579 shares were allocated to participants in the employee ownership program. The quota value of these shares is SEK 3.00 (corresponding to USD 0.33) per share, totaling SEK 7.8 M (corresponding to USD 0.9), and the shares represent 0.6 percent of the total share capital. As of December 31, 2016 holdings of treasury shares amounted to 10,594,644 shares. The quota value of these shares is SEK 3.00 (corresponding to USD 0.33) per share, totaling SEK 31.8 M (corresponding to USD 3.5), and the shares represent 2.5 percent of the total share capital. The acquisition cost amounts to SEK 1.4 billion (corresponding to USD 0.2 billion).

Proposed dividend

The Board of Directors proposes a regular dividend of SEK 8.25 (7.50) (corresponding to USD 0.91 [0.88]) per share. The proposal is equivalent to a regular dividend totaling USD 372.6 M (359.3). The Board proposes April 6 as the record date for the dividend. The Board's assessment is that the Group's financial position and circumstances in general warrant an increase in the dividend to SEK 8.25 (corresponding to USD 0.9) per share.

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

The Board's justification for its proposed dividend

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

The Group's equity/assets ratio amounts to 25.8 percent (24.8). The proposed dividend does not jeopardize the investments that are considered necessary or investments to support the Group's continued development. The Group's financial position does not give rise to any conclusion other than that the Group can continue to develop its operations and that the company can be expected to meet its short-term and long-term obligations.

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

Consolidated income statement

USD M	Note	2016	2015
Revenue	8, 9	16,984.1	18,144.7
Cost of sales	9	-15,319.7	-16,498.1
Gross income		1,664.4	1,646.6
Selling and administrative expenses	11	-1,069.3	-1,051.5
Income from joint ventures and associated companies	20	248.4	150.6
Operating income	10, 12, 13, 22, 36, 38, 40	843.5	745.7
Financial income		13.9	15.1
Financial expenses		-27.8	-52.3
Financial items	14	-13.9	-37.2
Income after financial items	15	829.6	708.5
Taxes	16	-159.6	-140.5
Profit for the year		670.0	568.0
Profit for the year attributable to			
Equity holders		668.5	566.7
Non-controlling interests		1.5	1.3
Earnings per share, USD	26, 44	1.63	1.38
Earnings per share after dilution, USD	26, 44	1.62	1.37

Consolidated statement of comprehensive income

USD M	2016	2015
Profit for the year	670.0	568.0
Other comprehensive income		
Items that will not be reclassified to profit or loss or the period		
Remeasurement of defined-benefit plans ¹	-131.7	93.1
Tax related to items that will not be reclassified to profit or loss for the period	22.1	-20.7
	-109.6	72.3
Items that have been or will be reclassified to profit or loss for the period		
Translation differences attributable to equity holders	-155.5	-194.8
Translation differences attributable to non-controlling interests	0.9	-0.4
Hedging of exchange rate risk in foreign operations	61.6	5.4
Effects of cash flow hedges	3.6	6.4
Share of other comprehensive income for joint ventures and associated companies	99.9	33.3
Tax related to items that have been or will be reclassified to profit or loss for the period	-0.5	-1.7
	10.0	-151.8
Other comprehensive income after tax	-99.6	-79.4
Total comprehensive income for the year	570.4	488.5
Total comprehensive income for the year attributable to		
Equity holders	568.0	487.6
Non-controlling interests	2.4	0.9
1 Effects of social insurance contributions including special employer's contribution are included	-12.3	21.0

See also Note 26.

Consolidated statement of financial position

USD M	Note	Dec 31, 2016	Dec 31, 2015
ASSETS			
Non-current assets			
Property, plant and equipment	17, 40	754.3	774.7
Goodwill	18	581.4	626.1
Other intangible assets	19	114.1	89.8
Investments in joint ventures and associated companies	20	458.9	339.7
Financial non-current assets	21	112.1	161.6
Deferred tax assets	16	181.9	164.9
Total non-current assets		2,202.7	2,156.8
Current assets			
Current-asset properties	22	3,715.5	3,218.5
Inventories	23	115.0	112.4
Financial current assets	21	1,113.7	892.9
Tax assets	16	86.5	82.3
Gross amount due from customers for contract work	9	634.5	678.0
Other operating receivables	24	3,282.9	3,082.3
Cash	25	599.1	1,410.3
Total current assets		9,547.2	9,476.7
TOTAL ASSETS	32	11,749.9	11,633.5
of which interest-bearing financial non-current assets	31	107.0	154.3
of which interest-bearing current assets	31	1,693.2	2,288.9
		1,800.2	2,443.2

Consolidated statement of financial position

USD M	Note	Dec 31, 2016	Dec 31, 2015
EQUITY	26		
Share capital		173.4	173.4
Paid-in capital		308.8	277.0
Reserves		-437.1	-446.2
Retained earnings		2,966.9	2,859.9
Equity attributable to equity holders		3,012.0	2,864.2
Non-controlling interests		22.5	19.1
TOTAL EQUITY		3,034.5	2,883.3
LIABILITIES			
Non-current liabilities			
Financial non-current liabilities	27	403.3	461.4
Pensions	28	540.7	472.8
Deferred tax liabilities	16	164.5	153.2
Non-current provisions	29	0.1	0.0
Total non-current liabilities		1,108.6	1,087.4
Current liabilities			
Financial current liabilities	27	737.1	780.8
Tax liabilities	16	53.9	66.7
Current provisions	29	797.3	766.1
Gross amount due to customers for contract work	9	2,038.0	1,884.5
Other operating liabilities	30	3,980.5	4,164.7
Total current liabilities		7,606.8	7,662.9
TOTAL LIABILITIES		8,715.4	8,750.3
TOTAL EQUITY AND LIABILITIES	32	11,749.9	11,633.5
of which interest-bearing financial liabilities	31	1,122.2	1,213.1
of which interest-bearing pensions and provisions	31	543.6	477.6
		1,665.8	1,690.7

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

Consolidated statement of changes in equity

USD M	Share capital	Paid-in capital	Translation reserve	Equity attributable to equity holders			Non-controlling interests	Total equity
				Cash flow hedge reserve	Retained earnings	Total		
Equity, December 31, 2015	173.4	246.3	2.3	-297.1	2,599.3	2,724.2	22.3	2,746.5
Profit for the year					566.7	566.7	1.3	568.0
Other comprehensive income for the year			-189.4	38.0	72.3	-79.1	-0.4	-79.4
Dividend to shareholders					-329.0	-329.0	-4.1	-333.1
Change in Group structure								
Repurchase of 2,340,000 Series B-shares					-49.3	-49.3		-49.3
Change in share-based payments for the year		30.7				30.7		30.7
Equity, December 31, 2015/ Equity, January 1, 2016	173.4	277.0	-187.1	-259.1	2,860.0	2,864.2	19.1	2,883.3
Profit for the year					668.5	668.5	1.5	670.0
Other comprehensive income for the year			-93.9	103.0	-109.6	-100.5	0.9	-99.6
Dividend to shareholders					-359.3	-359.3	-0.7	-360.0
Change in Group composition							1.7	1.7
Repurchase of 4,345,000 Series B shares					-92.7	-92.7		-92.7
Change in share-based payments for the year		31.8				31.8		31.8
Equity, December 31, 2016	173.4	308.8	-281.0	-156.1	2,966.9	3,012.0	22.5	3,034.5

See also Note 26.

Consolidated cash flow statement

Change in interest-bearing net receivables/liabilities		
USD M	2016	2015
Interest-bearing net receivables/net liabilities, January 1	752.4	89.6
Cash flow from operating activities	-103.1	1,017.7
Cash flow from investing activities excluding change in interest-bearing receivables	77.9	-10.4
Cash flow from financing activities excluding change in interest-bearing liabilities	-461.5	-427.5
Change in pension liability	-119.4	72.1
Net receivable/net liability acquired/divested	-77.5	14.2
Translation differences	91.2	28.3
Other	-25.6	-31.4
Interest-bearing net receivables/net liabilities, December 31	134.4	752.4
See also Note 35.		
USD M	2016	2015
Operating activities		
Operating income	843.5	745.7
Adjustments for items not included in cash flow	-574.6	-380.9
Income tax paid	-140.4	-106.3
Cash flow from operating activities before change in working capital	128.5	258.4
Cash flow from change in working capital		
Investments in current-asset properties	-2,001.2	-1,829.5
Divestments of current-asset properties	1,924.7	2,196.1
Change in inventories and operating receivables	-478.2	-38.6
Change in operating liabilities	323.1	431.3
Cash flow from change in working capital	-231.6	759.2
Cash flow from operating activities	-103.1	1,017.7
Investing activities		
Investments in intangible assets	-46.0	-46.5
Investments in property, plant and equipment	-191.1	-176.1
Investments in Infrastructure Development assets	-156.1	-27.7
Investments in shares	-38.0	-16.1
Increase in interest-bearing receivables, loans provided	-299.0	-388.7
Sale of operations	100.7	54.1
Divestments of intangible assets	0.2	0.0
Divestments of property, plant and equipment	48.0	75.4
Divestments of Infrastructure Development assets	362.4	132.1
Divestments of shares	1.9	2.6
Decrease in interest-bearing receivables, repayments of loans provided	34.9	235.0
Income tax paid	-4.1	-8.2
Cash flow from investing activities	-186.2	-164.2
Financing activities		
Net interest items	0.2	-5.2
Other financial items	-12.9	-59.0
Borrowings	152.1	194.4
Repayment of debt	-168.5	-305.6
Dividend to shareholders	-359.3	-329.0
Shares repurchased	-92.7	-49.3
Dividend to non-controlling interests	-0.7	-4.1
Income tax paid	3.7	19.2
Cash flow from financing activities	-478.1	-538.7
Cash flow for the year	-767.4	314.8
Cash and cash equivalents, January 1	1,410.3	1,168.5
Translation differences in cash and cash equivalents	-43.8	-73.0
Cash and cash equivalents, December 31	599.1	1,410.3

Consolidated cash flow statement, specification

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

USD M	2016	2015	USD M	2016	2015
Construction					
Cash flow from business operations	575.4	650.4	Taxes paid in business operations	-144.5	-114.5
Change in working capital	122.8	281.6	Cash flow from business operations including taxes paid	-126.0	953.2
Net divestments (+)/investments (-)	-165.2	-125.4	Net interest items and other net financial items	-12.7	-64.3
Cash flow adjustment ¹	0.0	0.0	Taxes paid in financing operations	3.7	19.2
Total Construction	533.0	806.5	Cash flow from financing activities	-9.0	-45.1
			Cash flow from operations	-135.0	908.1
Residential Development			Strategic net divestments (+)/investments (-)	100.7	54.1
Cash flow from business operations	-79.1	-63.5	Dividend etc. ²	-452.7	-382.5
Change in working capital	140.0	10.4	Cash flow before change in interest-bearing receivables and liabilities	-487.0	579.7
Net divestments (+) / investments (-)	-190.6	231.8	Change in interest-bearing receivables and liabilities	-280.4	-265.0
Cash flow adjustment ¹	-11.7	0.2	Cash flow for the year	-767.4	314.8
Total Residential Development	-141.4	178.9	Cash and cash equivalents, January 1	1,410.3	1,168.5
			Translation differences in cash and cash equivalents	-43.8	-73.0
Commercial Property Development			Cash and cash equivalents, December 31	599.1	1,410.3
Cash flow from business operations	-82.5	-60.0			
Change in working capital	-77.6	48.1			
Net divestments (+) / investments (-)	79.3	129.0			
Cash flow adjustment ¹	0.5	-8.4			
Total Commercial Property Development	-80.3	108.7			
Infrastructure Development					
Cash flow from business operations	18.0	0.4			
Change in working capital	-346.4	44.5			
Net divestments (+) / investments (-)	206.3	104.3			
Cash flow adjustment ¹	0.0	0.0			
Total Infrastructure Development	-122.1	149.1			
Central and eliminations					
Cash flow from business operations	-162.9	-162.4			
Change in working capital	6.1	8.1			
Net divestments (+) / investments (-)	-13.9	-21.3			
Cash flow adjustment ¹	0.0	0.1			
Total central and eliminations	-170.7	-175.6			
Total cash flow from business operations	268.9	364.8			
Total change in working capital	-155.1	392.7			
Net divestments (+) / investments (-)	-84.1	318.3			
Total cash flow adjustment ¹	-11.2	-8.1			
Total cash flow from business operations before taxes paid	18.5	1,067.7			

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

2 Of which repurchases of shares

See also Note 35.

Notes including accounting and valuation principles

Amounts in millions of US dollar (USD M) unless otherwise specified.

Income is reported in positive figures and expenses in negative figures.

Both assets and liabilities are reported in positive figures.

Interest-bearing net receivables/net liabilities are reported in positive figures if they are receivables and negative figures if they are liabilities.

Accumulated depreciation/amortization and accumulated impairment losses are reported in negative figures.

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Note 1. Consolidated accounting and valuation principles

Conformity with laws and standards

Skanska AB (publ) is incorporated and domiciled in Sweden and its shares are publicly traded on Nasdaq Stockholm. The registered office is located in Stockholm, Sweden.

The consolidated financial statements in this report have been prepared on a voluntary basis with USD (United States Dollars) as the presentation currency. This consolidated financial statement was approved for issuance by the President and Chief Executive Officer on April 3, 2017.

In compliance with the ordinance approved by the European Union (EU) on the application of international accounting standards, the consolidated financial statements have been prepared according to the International Financial Reporting Standards (IFRS) and International Accounting Standards (IAS) issued by the International Accounting Standards Board (IASB), as well as the interpretations by the IFRS Interpretations Committee and its predecessor, the Standing Interpretations Committee (SIC), to the extent these standards and interpretations have been approved by the EU.

Separate from this report Skanska issues legally required consolidated financial statements. As the functional currency of the Parent Company is SEK (Swedish krona), Skanska's statutory Annual Report including the consolidated financial statements of the Parent Company has been prepared using SEK (Swedish krona) as the presentation currency.

The annual report was approved for issuance by the Board of Directors on February 2, 2017. The statutory annual report was subject to adoption by the Annual General Meeting on April 4, 2017.

Conditions when preparing the Group's financial reports

The reporting currency in the financial report is USD. All amounts are rounded off to the nearest million, unless otherwise stated.

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

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

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

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

New standards and interpretations

During the year the IASB issued a new standard, IFRS 16 Leases, which – if adopted by the EU – will have a not insignificant effect on Skanska's reporting, as described below. In addition, the IASB issued an interpretation, a number of supplements to standards and, within its work on annual improvements to IFRS standards, made adjustments to existing standards. None of these new elements is expected to have a material effect on Skanska's reporting. During the year the European Securities and Markets Authority (ESMA) issued advice concerning disclosures on alternative benchmarks – see Note 44 B.

Early adoption of new or revised IFRS and interpretations

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

New standards and amendments of standards that have not yet begun to be applied

The future standard IFRS 15 Revenue from Contracts with Customers mainly concerns how revenue from contracts with customers, excluding leases, is to be reported and how payment from customers is to be measured. If a customer contract contains more than one performance obligation, the price for each

performance obligation is to be determined and the revenue recognized when the obligation has been satisfied, either over time or at a point in time. The standard will be applied with effect from January 1, 2018 and was adopted by the EU in October 2016. Skanska's customer contracts rarely include multiple performance obligations. Revenue from construction operations will continue to be recognized according to the percentage-of-completion method. Sales of properties will be recognized when the purchaser takes possession of the property, as previously. The effect of the new standard on Skanska's revenue recognition is expected to be marginal.

IFRS 15 requires more detailed disclosures, however. Skanska intends to implement the standard with full retrospective effect, but IFRS 15 does not result in any changes to segment reporting of Residential Development and Commercial Property Development.

IFRS 9 Financial Instruments will replace IAS 39 Financial Instruments: Recognition and Measurement, and will be applied with effect from January 1, 2018. The standard was adopted by the EU in November 2016. The standard is based more on principles than rules, and contains a new model for classification and measurement of financial instruments, a forward-looking impairment model and a revised approach to hedge accounting. In practice, the model for classification and measurement does not result in any significant changes compared with the current standard. The new impairment model means the standard will bring forward reserves for bad debts. Skanska's credit risk arising from trade accounts receivable is limited, since business relating to construction projects is invoiced on an ongoing basis during the course of the project, and within Commercial Property Development and Residential Development payment is made when the property and home are handed over. Skanska applies hedge accounting to a limited extent. The effect on Skanska's financial reporting is expected to be marginal.

In January 2016, the IASB published the new standard IFRS 16 Leases, which, assuming it is adopted by the EU, will be applied with effect from January 1, 2019. In contrast to the present IAS 17 Leases, the standard means that, as lessee, Skanska must report operating leases as well as finance leases in the statement of financial position, unless the lease is short-term or of low value. A preliminary estimate of the effect expects the new standard to increase total assets by 3–5 percent.

IAS 1 Presentation of Financial Statements

Income statement

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

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

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

Profit/loss from joint ventures and associated companies is recognized separately in the income statement, allocated between operating income (share of income after financial items) and taxes.

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

Comprehensive income

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

Statement of financial position

Assets

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

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

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

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

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

Equity

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

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

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

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

Liabilities

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

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

IFRS 10 Consolidated Financial Statements

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

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

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

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

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

Goodwill attributable to operations is expressed in local currency. Translation to USD is in compliance with IAS 21.

IFRS 3 Business Combinations

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

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

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

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

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

IAS 21 The Effects of Changes in Foreign Exchange Rates

Foreign currency transactions

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

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

Financial statements of foreign operations

Assets and liabilities in foreign operations, including goodwill and other consolidated surpluses and deficits, are translated to USD at the exchange rate prevailing on the closing day. Revenue and expenses in foreign operations are translated to USD at the average exchange rate. If foreign operations are located in a country with hyperinflation, revenue and expenses are translated in a specific way if it is expected to have a material effect on the Group. In this year's financial statements, it has not been necessary to do this.

Net investment in foreign operations

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

Hedging of translation exposure reduces the exchange-rate effect when translating the financial statements of foreign operations to SEK. For effects when translating to USD see note 26 and 34. Any forward contract premium is accrued until maturity and is recognized as interest income or interest expense.

When divesting foreign operations, the related accumulated translation differences and accumulated exchange-rate differences from any currency hedges are recognized in the Group's profit or loss.

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

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

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

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

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

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

IAS 28 Investments in Associates and Joint Ventures

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

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

The equity method

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

When the Group's share of recognized losses in an associated company or joint venture exceeds the carrying amount of the holdings in the consolidated financial statements, the value of the holding is reduced to zero. Settlement of losses also occurs against long-term unsecured financial assets (subordinated loans), which, in substance, form part of Skanska's net investment in the associated company or joint venture and are thus recognized as shares. Continued losses are not recognized unless the Group has provided guarantees to cover losses arising in the associated company or joint venture, and then as a provision.

Elimination of intra-Group profits

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

If a profit or loss has arisen in the associated company or joint venture, the elimination affects the income recognized under "Income from joint ventures and associated companies."

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

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

IFRS 11 Joint Arrangements

A joint arrangement exists when the co-owners are bound by a contractual arrangement, and the contractual arrangement gives those parties joint control of the arrangement. The joint arrangement may be either a joint operation or a joint venture. A joint operation exists where the co-owners have rights to the assets of the arrangement and obligations for the liabilities of the arrangement. A joint arrangement that is not structured through the formation of a separate company is a joint operation. Contracting projects performed in cooperation with outside contracting companies, with joint and several liability, are reported by Skanska as joint operations. If the joint arrangement is a separate company but the majority of the company's production is acquired by the co-owners, then the joint arrangement is often considered to be a joint operation. If, on the other hand, the co-owners of the joint arrangement only have rights to the net assets of the arrangement, it is a joint venture. Classification of a joint arrangement requires consideration of its legal form, the terms agreed by the parties in the contractual arrangement and other circumstances.

The proportional method is applied for joint operations, which means that the revenue, costs, assets and liabilities of the joint operation are included line by line in the consolidated financial statements according to Skanska's interest in the joint operation. Joint operations are described in Note 20 C.

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

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

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

IAS 11 Construction Contracts

Project revenues are reported in compliance with IAS 11. This means that the income from a construction project is reported successively as the project progresses towards completion. The stage of completion is mainly determined on the basis of accumulated project expenses in relation to estimated accumulated project expenses upon completion. If the outcome cannot be estimated in a satisfactory way, revenue is reported as equivalent to accumulated expenses on the closing day (zero recognition). Anticipated losses are immediately reported as expenses.

The original contract amount as well as additional work, claims for special compensation and incentive payments are recognized as project income, but normally only to the extent that the latter have been approved by the customer. All services that are directly related to the construction project are covered by IAS 11. Other services are covered by IAS 18. For projects related to construction of real estate, IFRIC 15 provides guidance about in which cases IAS 11 or IAS 18 are to be applied.

If substantial non-interest-bearing advance payments have been received, the advance payment is discounted and recognized as an interest-bearing liability. The difference between a nominal amount and a discounted amount constitutes project revenue and is recognized as revenue according to the percentage-of-completion method. The upward adjustment in the present value of the advance payment in subsequent financial statements is reported as an interest expense.

The difference between accrued project revenue and an amount not yet invoiced is recognized as an asset (gross amount due from customers for contract work) according to the percentage-of-completion method. Correspondingly, the difference between an invoiced amount and yet-to-be-accrued project revenue is reported as a liability (gross amount due to customers for contract work). Major machinery purchases that are intended only for an individual project and significant start-up expenses are included to the extent they can be attributed to future activities as receivables from the customer and are included in the asset or liability amount as indicated in this paragraph, but without affecting accrued project revenue.

Tendering expenses are not capitalized but are charged against earnings on a continuous basis. Tendering expenses that arose during the same quarter that the order was received, and that are attributable to the project, may be treated as project expenditures. In the case of infrastructure projects, instead of the quarter when the order was received, this applies to the quarter when the Group receives the status of preferred bidder, provided that it is considered highly probable that a final agreement will be reached. Tendering expenses that were recognized in prior interim or annual reporting periods may not be recognized as project expenses in later periods.

Forward contracts related to hedging of operating transaction exposures are recognized at fair value on the closing day. If hedge accounting is not applicable, the liquidity effect when extending a forward contract that meets future cash flow is included among operating expenses. If the amount has a significant impact, it is to be excluded when determining stage of completion.

Most construction contracts contain clauses concerning warranty obligations on the part of the contractor, with the contractor being obliged to remedy errors and omissions discovered within a certain period after the contracted work has been handed over to the customer. Such obligations may also be required by law. The main principle is that such a provision for warranty obligations must be calculated for each individual project. Provisions must be made continuously during the course of the project and the estimated total provision must be included in the project's expected final expenses. For units with similar projects, the provision may be made in a joint account instead and be calculated for the unit as a whole with the help of ratios that have historically constituted a satisfactory provision for these obligations.

IAS 18 Revenue

Revenue other than project revenue is recognized in compliance with IAS 18. In the case of rental income, the revenue is divided evenly over the period of the lease. The total cost of benefits provided upon signing of a lease is recognized as a reduction in lease income on a straight-line basis over the lease period. Compensation for services performed that does not constitute project revenue

is recognized as revenue based on the degree of completion on the closing day, which is normally determined as services performed on the closing day in proportion to the total to be performed. The difference that may then arise between services invoiced and services performed is recognized in the statement of financial position among "Other operating receivables" (or "Other operating liabilities"). Deliveries of merchandise are reported as revenue when the essential risks and rewards associated with ownership of the merchandise have been transferred to the buyer.

A dividend is recognized as revenue when the right to receive payment has been established.

Income from the sale of financial investments is recognized when the significant risks and rewards associated with ownership of the instruments have been transferred to the buyer and the Group no longer controls the instruments.

Interest is recognized using an interest rate that provides a uniform return on the asset in question, which is achieved by applying the effective-interest method. Effective interest is the interest rate at which the present value of all future payments is equal to the carrying amount of the receivable.

Revenue is carried at the fair value of what is received or will be received. This means that receivables arising at the time of divestments are regarded as having been acquired at fair value (discounted present value of future incoming payments) if the interest rate on the date of the purchase is below the market interest rate and the difference in absolute terms is significant.

Revenue is recognized only if it is probable that the economic benefits will flow to the Group. If uncertainty later arises with regard to the possibility of receiving payment for an amount that has already been recognized as revenue, the amount for which payment is no longer probable is recognized as an expense, instead of as an adjustment of the revenue amount that was originally recognized.

IFRIC 12 Service Concession Arrangements

IFRIC 12, which affects Skanska Infrastructure Development, deals with the question of how the operator of a service concession should account for the infrastructure, as well as the rights it receives and the obligations it undertakes under the agreement. The operator constructs or upgrades infrastructure (construction or upgrade services) used to provide a public service and maintains the infrastructure (operation services) for a specified period of time. The consideration (payment) that the operator receives is allocated between construction or upgrade services and operation services according to the relative fair values of the respective services. Construction or upgrade services are reported in compliance with IAS 11 and operation services in compliance with IAS 18. For construction or upgrade services, the consideration may be rights to a financial asset or an intangible asset. If the operator has an unconditional right in specified or determinable amounts, it is a financial asset. If the operator instead has the right to charge the users of the public service, it is an intangible asset.

IFRIC 15 Agreements for the Construction of Real Estate

IFRIC 15 is applied to accounting for revenue and expenses when a company undertakes the construction of real estate. The interpretation addresses the issue of whether accounting for construction of real estate should be in accordance with IAS 11 or IAS 18, and when the revenue from the construction of real estate should be recognized. It assumes that the company retains neither an involvement nor effective control over the real estate to an extent that would preclude recognition of the consideration as revenue. IAS 11 is to be applied when the buyer can specify the structural elements of the design of the real estate before construction begins, or specify major changes once construction is in progress. Otherwise IAS 18 is to be applied. If IAS 11 is applied, the percentage-of-completion method is used. If IAS 18 is applied, it must first be determined whether the agreement involves the rendering of services or the sale of goods. If the company is not required to acquire or supply construction materials, it is an agreement for rendering of services and revenue is recognized according to the percentage-of-completion method. If the company is required to provide services as well as construction materials, it is an agreement for the sale of goods. Revenue is then recognized when, among other things, the company has transferred to the buyer the significant risks and rewards associated with ownership, which normally occurs upon the transfer of legal ownership, which often coincides with the date the purchaser takes possession of the property.

For Residential Development and Commercial Property Development, the implications of IFRIC 15 are that revenue recognition of a property divestment occurs only when the purchaser assumes legal ownership of the property, which

normally coincides with taking possession of the property. For residential projects in Finland and Sweden that are initiated by Skanska, housing corporations and cooperative housing associations are often used to reach individual home buyers. In these cases revenue recognition occurs when the home buyer takes possession of the home.

IAS 17 Leases

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

Finance leases

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

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

Operating leases

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

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

IAS 16 Property, Plant and Equipment

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

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

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

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

Property, plant and equipment that consist of parts with different periods of service are treated as separate components of property, plant and equipment. Depreciation occurs on a straight-line basis during the estimated useful life or based on degree of use, taking into account any residual value at the end of the period. Office buildings are divided into foundation and frame, with a depreciation period of 50 years, installations of 35 years, and non-weight-bearing parts

of 15 years. In general, industrial buildings are depreciated over a 20-year period without allocation into different parts. Stone crushing and asphalt plants as well as concrete mixing plants are depreciated over 10 to 25 years depending on their condition when acquired and without being divided into different parts. For other buildings and equipment, division into different components occurs only if major components with different useful lives can be identified. For other machinery and equipment, the depreciation period is normally between five and 10 years. Minor equipment is depreciated immediately. Gravel pits and stone quarries are depreciated as materials are removed. Land is not depreciated. Assessments of an asset's residual value and period of service are performed annually.

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

IAS 38 Intangible Assets

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

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

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

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

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

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

IAS 36 Impairment of Assets

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

Impairment losses are determined on the basis of the recoverable amount of assets, which is the higher of fair value less cost to sell and value in use. In calculating value in use, future cash flows are discounted using a discounting factor that takes into account risk-free interest and the risk associated with the asset. Estimated residual value at the end of the asset's useful life is included as part of value in use. For assets that do not generate cash flows that are essentially independent of other assets, the recovery value is calculated for the cash-generating unit to which the asset belongs. A cash-generating unit is the smallest group of assets that generates cash inflows that are independent of other assets or groups of assets. For goodwill, the cash-generating unit is mainly the same as the Group's Business Unit or other unit reporting to the Parent Company. Operations that are not integrated into the Business Unit's other operations are exempted from the main rule. The same Business Unit may also contain a number of cash-generating units if it operates in more than one business stream.

In Construction, recoverable goodwill is based exclusively on value in use, which is calculated by discounting expected future cash flows. The discounting factor is the weighted average cost of capital (WACC) applicable to the operation. In Residential Development, the fair values of land parcels, minus selling expenses, are also taken into account. See Note 18.

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

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

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

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

IAS 23 Borrowing Costs

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

IAS 12 Income Taxes

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

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

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

IAS 2 Inventories

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

When item-by-item measurement cannot be applied, the cost of inventories is assigned by using the first-in, first-out (FIFO) formula and includes expenditures that

have arisen from acquisition of inventory assets and from bringing them to their present location and condition. For manufactured goods, cost includes a reasonable share of indirect costs based on normal capacity utilization. Materials not yet installed at construction sites are not recognized as inventories, but are included among project expenses.

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

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

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

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

Information on the usual product inventories is found in Note 23.

IAS 37 Provisions, Contingent Liabilities and Contingent Assets Provisions

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

Skanska makes provisions for future expenses relating to warranty obligations according to construction contracts that involve a liability for the contractor to remedy errors and omissions that are discovered within a certain period after the contractor has handed over the property to the customer. Such obligations may also be required by law. More about the accounting principle applied can be found in the section on IAS 11 in this note.

A provision is made for disputes related to completed projects if it is probable that a dispute will result in an outflow of resources from the Group. Disputes related to ongoing projects are taken into consideration in the valuation of the project and are thus not included in the item "Reserve for legal disputes," which is reported in Note 29.

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

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

Contingent liabilities

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

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

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

Note 33 presents information about contingent liabilities.

Contingent assets

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

In the Group's construction operations, claims for additional compensation from the customer are not uncommon. If the right to additional compensation is confirmed, this affects the valuation of the project when reporting according to IAS 11. As for claims that have not yet been confirmed, it is not practicable to provide information about these, unless there is an individual claim of substantial importance to the Group.

Assets pledged

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

Note 33 provides information about assets pledged.

IAS 19 Employee Benefits

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

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

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

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

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

The Group's net obligation related to other long-term employee benefits, aside from pensions, amounts to the value of future benefits that employees have

earned as compensation for the services they have performed during the current and prior periods. The obligation is calculated using the projected unit credit method and is discounted to present value, and the fair value of any plan assets is subtracted. The discount rate is again based on the yield on high quality corporate bonds including mortgage bonds, or government bonds, with a maturity matching the maturity of the obligations.

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

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

IFRS 2 Share-based Payment

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

Social insurance contributions

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

IAS 7 Statement of Cash Flows

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

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

IAS 33 Earnings per Share

Earnings per share are reported directly below the consolidated income statement and are calculated by dividing the portion of profit for the year that is attributable to the Parent Company's equity holders (shareholders) by the average number of shares outstanding during the period.

For Seop 3 employee ownership programs, the dilution effect is calculated by adding potential ordinary shares to the number of ordinary shares before dilution. The calculation of potential ordinary shares occurs in two stages. First there is an assessment of the number of shares that may be issued when established targets are reached. The number of shares for the respective program year is then determined the following year, provided that the condition of continued employment is met. In the next step, the number of potential ordinary shares is reduced by the value of the consideration that Skanska is expected to receive, divided by the average market price of a share during the period.

IAS 24 Related Party Disclosures

According to this accounting standard, information must be provided about transactions and agreements with related companies and physical persons. In the consolidated financial statements, intra-Group transactions fall outside this reporting requirement. Notes 36, 37 and 39 provide disclosures in accordance with the accounting standard.

IAS 40 Investment Property

Skanska does not report any investment properties. Properties that are used in the Group's own operations are reported in compliance with IAS 16. The Group's holdings of current-asset properties are covered by IAS 2 and thus fall outside the application of IAS 40.

IFRS 8 Operating Segments

According to this standard, an operating segment is a component of the Group carrying out business operations whose operating income is evaluated regularly by the highest executive decision-maker and about which separate financial information is available.

Skanska's operating segments consist of its business streams: Construction, Residential Development, Commercial Property Development and Infrastructure Development.

The Senior Executive Team constitutes the Group's highest executive decision-making body.

The method used for segment reporting in the income statement of Residential Development and Commercial Property Development deviates from IFRS on two points. In segment reporting, a divestment gain is recognized on the date that a binding sales contract is signed. Segment reporting accounts for all joint ventures within Residential Development using the proportional method. Note 4 presents a reconciliation between segment reporting and the income statement in compliance with IFRS.

Note 4 provides information about operating segments. Financial reporting to the Senior Executive Team focuses on the areas for which each respective operating segment is operationally responsible: operating income in the income statement and capital employed. For each respective operating segment, the note thus reports external and internal revenue, cost of sales, selling and administrative expenses and capital employed. Capital employed refers to total assets minus tax assets and receivables invested in Skanska's treasury unit ("internal bank") less non-interest-bearing liabilities excluding tax liabilities. In the calculation of capital employed, a capitalized interest expense is removed from total assets for the Residential Development and Commercial Property Development segments. Acquisition goodwill is reported in the operating segment to which it relates.

In transactions between operating segments, prices are set on market terms.

Certain parts of the Group do not belong to any operating segment. These are reported in Note 4 under the heading "Central and eliminations." This includes the Latin American operations, where there are no longer any ongoing projects. Operating segment income includes intra-Group profits and, consequently, these are eliminated during reconciliation with the consolidated income statement and the consolidated statement of financial position.

In addition to information about operating segments, Note 4 provides disclosures on external revenue for the entire Group, broken down into Sweden, the U.S. and other countries, and disclosures on the allocation of certain assets between Sweden and other countries.

IAS 10 Events After the Reporting Period

Events after the end of the reporting period may, in certain cases, confirm a situation that existed on the closing day. Such events are taken into account when the financial reports are prepared. Information is provided about other events that occur after the closing day and before the financial report is signed if the omission of such information would affect the ability of a reader to make an accurate assessment and a sound investment decision.

Such information is provided in Note 41.

IAS 32 Financial Instruments: Presentation

Offsetting of financial assets and financial liabilities occurs when a company has a legal right to offset items against each other and intends to settle these items with a net amount, or simultaneously divest the asset and settle the liability.

Prepaid income and expenses are not financial instruments. Accrued income and expenses that are related to the business are not recognized as financial

instruments. Thus, gross amounts due from (or to) customers for contract work are not included under financial instruments. Obligations for employee benefit plans in compliance with IAS 19, such as pension plans, are exempt from IAS 32 and are thus not recognized as financial instruments. Assets and liabilities that are not based on contracts, such as income taxes, are not considered financial instruments.

Information in compliance with the accounting standard is provided mainly in Notes 6, 21 and 27.

IAS 39 Financial Instruments: Recognition and Measurement

The accounting standard deals with measurement and recognition of financial instruments. Categories exempt from application according to IAS 39 include holdings in subsidiaries, associated companies and joint ventures, leases, the rights under employment contracts, treasury shares, and financial instruments as described in IFRS 2.

All financial instruments covered by this standard, including all derivatives, are reported in the statement of financial position.

A derivative is a financial instrument whose value changes in response to changes in an underlying variable, that requires no initial investment or one that is small and that is settled at a future date. An embedded derivative is a contract condition that causes the value of the contract to be affected in the same way as if the condition were an independent derivative. This is the case, for example, when a construction contract is expressed in a currency that is a foreign currency for both parties. If it is customary for the foreign currency to be used for this type of contract, the embedded derivative will not be separated. A reassessment of whether embedded derivatives are to be separated from the host contract is carried out only if the host contract is changed.

A financial asset or financial liability is recognized in the statement of financial position when the Group becomes a party to the contractual provisions of the instrument. Trade accounts receivable are recognized in the statement of financial position when an invoice has been sent. A liability is recognized when the counterparty has performed and there is a contractual obligation to pay, even if the invoice has not yet been received. Trade accounts payable are recognized when an invoice has been received.

A financial asset is derecognized from the statement of financial position when the contractual rights are realized or expire, or the Group loses control of them. The same applies to a portion of a financial asset. A financial liability is derecognized from the statement of financial position when the contractual obligation is fulfilled or otherwise extinguished. The same applies to a portion of a financial liability.

Acquisitions and divestments of financial assets are recognized on the transaction date, which is the date the company undertakes to acquire or divest the asset.

Financial instruments are initially recognized at cost, equivalent to the instrument's fair value plus transaction costs, except instruments in the category "assets at fair value through profit or loss," which are recognized exclusive of transaction costs. Recognition then occurs depending on how they are classified, as described below.

Financial assets are classified as "assets at fair value through profit or loss," "held-to-maturity investments," "loans and receivables" and "available-for-sale assets." An asset is classified among "available-for-sale assets" if the asset is not a derivative and the asset has not been classified in any of the other categories. Derivatives are classified under "assets at fair value through profit or loss" unless they are included in hedge accounting. Equity instruments with unlimited useful lives are classified either as "assets at fair value through profit or loss" or "available-for-sale assets."

"Assets at fair value through profit or loss" and "available-for-sale assets" are measured at fair value in the statement of financial position. Changes in the value of "assets at fair value through profit or loss" are recognized in the income statement, while changes in the value of "available-for-sale assets" are recognized under "Other comprehensive income." When the latter assets are divested, accumulated gains or losses are transferred to the income statement. Investments in holdings of companies other than Group companies, joint ventures and associated companies are included in "available-for-sale assets," but are measured at cost, unless the fair value can be reliably established. Impairment losses on "available-for-sale assets," as well as interest and dividends on instruments in this category, are recognized directly in the income statement. Changes in exchange rates for monetary "available-for-sale assets" are also recognized directly in the income statement, while changes in exchange rates for non-monetary

“available-for-sale assets” are recognized in other comprehensive income. “Held-to-maturity investments” and “loans and receivables” are measured at amortized cost. Impairment losses on “held-to-maturity investments,” “loans and receivables” and “available-for-sale assets” occur when the expected discounted cash flow from the financial asset is less than the carrying amount.

Financial liabilities are classified as “liabilities at fair value through profit or loss” and “other financial liabilities.” Derivatives are classified under “liabilities at fair value through profit or loss” unless included in hedge accounting.

“Liabilities at fair value through profit or loss” are measured at fair value in the statement of financial position, with change of value recognized in the income statement. “Other financial liabilities” are measured initially at the amount borrowed less any transaction costs. The liabilities are thereafter measured at amortized cost. Any differences between the amount borrowed and the repayment amount are recognized in profit for the year, allocated over the loan period and applying the effective-interest method. This method involves calculating the effective interest rate, which is the interest rate that exactly discounts estimated future receipts and payments over the term of the instrument to the recognized net value of the financial asset or liability.

In reporting both financial assets and financial liabilities in Note 6, Skanska has chosen to report “Hedge-accounted derivatives” separately.

Skanska uses hedge accounting for cash flow hedging and hedging of net investment in foreign operations. The effectiveness of hedging is assessed regularly, and hedge accounting is applied only to hedging deemed effective. If hedging is not deemed effective, the amount is adjusted for the hedging instrument.

Skanska uses currency derivatives and foreign currency loans to hedge against fluctuations in exchange rates. Recognition of derivatives varies depending on whether hedge accounting in compliance with IAS 39 is applied or not.

Unrealized gains and losses on currency derivatives related to hedging of operational transaction exposure (cash-flow hedging) are measured in market terms and recognized at fair value in the statement of financial position. The entire change in value is recognized directly in operating income, except in cases where hedge accounting is applied. In hedge accounting, unrealized gain or loss is recognized under “Other comprehensive income.” When the hedged transaction occurs and is recognized in the income statement, accumulated changes in value are transferred from other comprehensive income to operating income.

Embedded currency derivatives in commercial contracts expressed in a currency which is a foreign currency for both parties are measured at fair value, provided that the currency is not customary for this type of contract.

Unrealized gains and losses when assessing the fair value of these embedded currency derivatives are recognized at fair value in the statement of financial position. Changes in fair value are recognized in operating income.

Currency derivatives for hedging translation exposure are measured at fair value in the statement of financial position. Foreign currency loans for hedging translation exposure are measured at the closing day exchange rate. Due to the application of hedge accounting, exchange-rate differences after taking into account the tax effect are recognized under “Other comprehensive income.” If foreign operations are divested, accumulated exchange-rate differences attributable to the operations are transferred from other comprehensive income to the income statement. The interest component and changes in the value of the interest component of currency derivatives are recognized as financial income or expenses.

In Infrastructure Development projects, interest-rate derivatives are used in order to achieve fixed interest on long-term financing. Hedge accounting is applied to these interest-rate derivatives.

Skanska also uses interest-rate derivatives to hedge against fluctuation in interest rates.

Hedge accounting in compliance with IAS 39 is applied to some of these derivatives.

Unrealized gains and losses on interest-rate derivatives are recognized at fair value in the statement of financial position. Where hedge accounting is applied, changes in value are recognized in other comprehensive income. In cases where hedge accounting is not applied, changes in value are directly recognized as financial income or expenses in the income statement. The ongoing current-interest coupon portion is recognized as interest income or an interest expense.

IFRS 7 Financial Instruments: Disclosures

The company provides disclosures that enable the evaluation of the significance of a financial instrument’s financial position and performance. The disclosures also

enable an evaluation of the nature and extent of risks arising from financial instruments to which the company is exposed during the period and at the end of the reporting period. These disclosures also provide a basis for assessing how these risks are managed by the company. This standard supplements the principles for recognizing, measuring and classifying financial assets and liabilities in IAS 32 and IAS 39.

The standard applies to all types of financial instruments, with the primary exception of holdings in subsidiaries, associated companies and joint ventures as well as obligations for employee benefit plans in compliance with IAS 19, such as pension plans. The disclosures that are provided thus include accrued interest income, deposits and interest expense. Accrued income from customers for contract work is not a financial instrument.

The disclosures provided are supplemented by reconciliation with other items in the income statement and in the statement of financial position.

Disclosures in compliance with this accounting standard are presented in Note 6.

IAS 20 Accounting for Government Grants and Disclosure of Government Assistance

“Government assistance” refers to action by the government designed to provide an economic benefit specific to one company or a category of companies that qualify based on certain criteria. Government grants are assistance from the government in the form of transfers of resources to a company in return for past or future compliance with certain conditions relating to its operations.

Government grants are recognized in the statement of financial position as prepaid income or reduction of an investment when there is reasonable assurance that the grants will be received and that the Group will meet the criteria associated with the grant.

Order bookings and order backlog

In contracting assignments, an order booking refers to a written order confirmation or signed contract, provided that financing has been arranged and construction is expected to commence within twelve months. If a previously received order is canceled in a subsequent quarter, the cancellation is recognized as a negative item when reporting order bookings for the quarter when the cancellation occurs. Reported order bookings also include orders from Residential Development and Commercial Property Development, which assumes that a building permit has been obtained and construction is expected to begin within three months. For services related to fixed-price work, the order booking is recorded when the contract is signed, and for services related to cost-plus work, the order booking coincides with revenue. For service agreements, a maximum of 24 months of future revenue is included.

No order bookings are reported for Residential Development and Commercial Property Development.

Order backlog refers to the difference between order bookings for a period and accrued revenue (accrued project expenses plus accrued project income adjusted for loss provisions) plus order backlog at the beginning of the period.

The order backlog in the accounts of acquired subsidiaries on the date of acquisition is not reported as order bookings, but is included in order backlog amounts.

Market appraisal

Commercial Property Development

Note 22 provides the estimated market value of Skanska’s current-asset properties. For completed commercial properties and for development properties, the market value for the majority of properties has been calculated in cooperation with external appraisers. The market value of ongoing projects is estimated internally. The calculated market value of ongoing projects refers to each property once it is completed and fully occupied.

Residential Development

In appraising properties in Residential Development, estimates of market value take into account the value that can be obtained within the customary economic cycle and refer to properties once they are completed.

Infrastructure Development

Skanska obtains an estimated value for infrastructure projects by discounting estimated future cash flows in the form of dividends and repayments of loans and equity by a discount rate based on country, risk model and project phase for the various projects. The discount rate chosen is applied to all future cash flows starting

on the appraisal date. The most recently updated financial model is used as a base. This financial model describes all cash flows in the project and serves as the ultimate basis for financing, which is carried out with full project risk and without guarantees from Skanska. For the wind-farm projects, Mullbergs Vindpark AB and Sjisjka Vind AB, the holdings have been written down to a value that is below acquisition cost.

An estimated value is stated solely for projects that have reached contractual and financial close. All flows are appraised – investments in the project (equity and subordinated debenture loans), interest on repayments of subordinated loans, as well as dividends to and from the project company. Today all investments except New Karolinska Solna, Sjisjka Vind and Mullbergs Vindpark are denominated in currencies other than Swedish kronor, and there is thus also an exchange-rate risk.

Estimated values have been calculated in part in consultation with external appraisers and are stated in Note 20.

Note 2. Key estimates and judgments

Key estimates and judgments

The Senior Executive Team has discussed with the Board of Directors and the Audit Committee the developments and disclosures relating to the Group's important accounting principles and estimates, as well as the application of these principles and estimates.

Some important accounting-related estimates that were made when applying the Group's accounting principles are described below.

Goodwill impairment testing

When calculating the recoverable amount of cash-generating units to determine if there is any goodwill impairment, several assumptions about future conditions and estimates of parameters have been made. These are presented in Note 18 Goodwill. As understood from the description in this note, important changes in the basis for these assumptions and estimates might have a substantial effect on the value of goodwill.

Pension assumptions

Skanska has defined-benefit pension plans in a number of countries. The plans are recognized according to IAS 19, which means that pension commitments are calculated using actuarial assumptions and that plan assets are measured at market value on the closing day. The effects of changed actuarial assumptions and changes in the market value of plan assets are recognized as remeasurements in other comprehensive income. The remeasurements impact interest-bearing pension liabilities and equity.

The assumptions and prerequisites that provide the basis for recognition of pension liability, including a sensitivity analysis, are presented in Note 28 Pensions.

Percentage-of-completion method

Skanska applies the percentage-of-completion method. This means that, based on projected final project results, income is recognized successively during the course of the project according to degree of completion. In order to do this, the amount of project revenue and project expenses must be able to be reliably determined. This in turn requires that the Group has efficient, coordinated systems for calculation, forecasting and revenue/expense reporting. The method also requires consistent assessment (forecasts) of the final outcome of the project, including analysis of deviations from earlier assessments. This critical assessment is performed at least once every quarter. However, actual future project outcomes may deviate, either positively or negatively, from this assessment.

Disputes

Although management's best judgment is used in reporting disputed amounts, the actual future outcomes may deviate from the judgment made. See Note 33 Assets pledged, contingent liabilities and contingent assets, and Note 29 Provisions.

Investments in Infrastructure Development

The estimated investment amounts are provided in Note 20 B. Estimated market values are based on discounting anticipated cash flows for each respective

investment. Estimated yield requirements for investments of this type have been used as the discount rates. Changes in anticipated cash flows, which in a number of cases extend 20 to 30 years into the future, and/or changes in yield requirements, may materially affect both estimated values and carrying amounts for each investment.

Current-asset properties

The stated combined market value in Note 22 is calculated on the basis of prevailing price levels in the respective location of the individual properties. Changes in the supply of similar properties, as well as changes in demand due to changed yield requirements, may materially affect both estimated market values and carrying amounts for each property.

In Commercial Property Development, the estimated market value for ongoing projects is assessed for each property once it is completed and fully occupied.

In Residential Development the supply of capital and the price of capital for financing home buyers' investments are critical factors. The market value assessed here too is the value of the properties once they are completed and taking into account the value that may be added in a normal economic cycle.

Prices of goods and services

In the Skanska Group's operations, there are many different forms of contractual mechanisms. The degree of risk associated with the price of goods and services varies greatly depending on the contract type.

Sharp increases in material prices may pose a risk, particularly to long-term projects with fixed-price commitments. A shortage of human resources and certain input goods may also adversely impact operations. Delays in the design phase or changes in design are other circumstances that may adversely affect projects.

Note 3. Effects of changes in accounting principles

No changed accounting principles in 2016.

Note 4. Operating segments

Skanska's business streams – Construction, Residential Development, Commercial Property Development and Infrastructure Development – are recognized as operating segments. These business streams coincide with Skanska's operational organization, used by the Senior Executive Team to monitor operations. The Senior Executive Team (SET) is also Skanska's "chief operating decision maker."

Each business stream carries out distinct types of operations with different risks. Construction includes both building construction and civil construction. Residential Development develops residential projects for immediate sale. Homes are adapted for selected customer categories. The units in this segment are responsible for planning and selling projects. The construction assignments are performed by construction units in the Construction business stream in each respective market. Commercial Property Development initiates, develops, leases and divests commercial property projects. Project Development focuses on office buildings, retail and logistics properties. Construction assignments are performed in most markets by Skanska's Construction segment. Infrastructure Development specializes in identifying, developing and investing in privately financed infrastructure projects, such as highways, hospitals and airports. The business stream focuses on creating new potential projects, mainly in the markets where the Group has operations. Construction assignments are performed by the construction units where Skanska has construction operations.

Intra-Group pricing between operating segments is on market terms.

"Central" includes the cost of Group headquarters, earnings of central companies as well as operations that are being discontinued, and includes the Latin American operations where there are no remaining ongoing projects.

Depending on the circumstances, the discontinuation has either been in the form of divestments or completion of projects. At the end of 2016 some parts still remained to be discontinued.

Eliminations consist mainly of profits in Construction operations related to property projects.

See also Note 1 Consolidated accounting and valuation principles, IFRS 8, Operating Segments.

Revenue and expenses by operating segment

Each business stream has operating responsibility for its income statement down through "operating income."

Assets and liabilities by operating segment

Each business stream has operating responsibility for its capital employed. The capital employed by each business stream consists of its total assets minus tax assets and intra-Group receivables invested in Skanska's treasury unit ("internal bank") less non-interest-bearing liabilities excluding tax liabilities. In the calculation of capital employed, a capitalized interest expense is removed from total assets for the Residential Development and Commercial Property Development segments.

Acquisition goodwill has been reported in the business stream to which it belongs.

Cash flow by segment is presented as a separate statement: Consolidated operating cash flow statement and change in interest-bearing net receivables.

Note 4. Continued

2016	Construction	Residential Development	Commercial Property Development	Infrastructure Development	Total operating segments	Central	Eliminations	Total segments	Reconciliation with IFRSs	Total IFRS
External revenue	14,851.6	1,548.7	1,192.7	27.7	17,620.7	57.7	0.0	17,678.4	-694.3	16,984.1
Intra-Group revenue	1,272.1	1.1	2.1	0.0	1,275.3	110.2	-1,385.5	0.0	0.0	0.0
Total revenue	16,123.7	1,549.8	1,194.8	27.7	18,896.0	167.9	-1,385.5	17,678.4	-694.3	16,984.1
Cost of sales	-14,946.0	-1,296.9	-836.4	-21.1	-17,100.4	-169.3	1,389.4	-15,880.3	560.6	-15,319.7
Gross income	1,177.7	252.9	358.4	6.6	1,795.6	-1.4	3.9	1,798.1	-133.7	1,664.4
Selling and administrative expenses	-767.3	-65.3	-87.7	-17.2	-937.5	-131.8	0.0	-1,069.3	0.0	-1,069.3
Income from joint ventures and associated companies	3.9	0.0	2.3	223.0	229.2	0.0	0.0	229.2	19.2	248.4
Operating income	414.3	187.6	273.0	212.4	1,087.3	-133.2	3.9	958.0	-114.5	843.5
of which depreciation/amortization	-157.3	-0.1	-0.4	-0.5	-158.3	-9.7	0.0	-168.0	0.0	-168.0
of which impairment losses/reversals of impairment losses										
Goodwill					0.0			0.0	0.0	0.0
Other assets	0.9	-4.9	-23.1	-38.7	-65.8	3.4	0.0	-62.4	0.0	-62.4
of which gains from commercial property divestments			363.5		363.5	0.0	20.2	383.7	2.0	385.7
of which gains from infrastructure project divestments				202.0	202.0	0.0	0.0	202.0	0.0	202.0
Employees	40,991	434	364	102	41,891	1,012		42,903		
Gross margin, %	7.3	16.3								
Selling and administrative expenses, %	-4.8	-4.2								
Operating margin, %	2.6	12.1								
Assets, of which										
Property, plant and equipment	738.3	2.5	1.3	1.4	743.5	10.8	0.0	754.3	0.0	754.3
Intangible assets	606.2	47.3	0.0	0.0	653.5	42.0	0.0	695.5	0.0	695.5
Investments in joint ventures and associated companies	22.6	48.5	93.4	298.1	462.6	0.4	-4.1	458.9	0.0	458.9
Current-asset properties	5.2	1,545.7	2,206.6	0.0	3,757.5	-10.3	-31.7	3,715.5	0.0	3,715.5
Capital employed	-5.8	1,280.5	2,199.4	599.5	4,073.6	626.7	0.0	4,700.3	0.0	4,700.3
Investments	-213.7	-1,068.8	-977.2	-156.1	-2,415.8	-14.3	0.0	-2,430.1	0.0	-2,430.1
Divestments	69.5	878.3	1,056.6	362.4	2,366.8	81.1	-1.1	2,446.8	0.0	2,446.8
Net investments	-144.2	-190.5	79.4	206.3	-49.0	66.8	-1.1	16.7	0.0	16.7
Reconciliation from segment reporting to IFRS										
Revenue according to segment reporting – binding agreement	16,123.7	1,549.8	1,194.8	27.7	18,896.0	167.9	-1,385.5	17,678.4		
Plus properties sold before the period		1,155.9	305.1		1,461.0			1,461.0		
Less properties not yet occupied by the buyer on closing day		-1,552.2	-344.2		-1,896.4			-1,896.4		
Proportional method for joint ventures		-180.9			-180.9		31.1	-149.8		
Exchange-rate differences		-88.0	-21.1		-109.1			-109.1		
Revenue according to IFRS – handover	16,123.7	884.6	1,134.6	27.7	18,170.6	167.9	-1,354.4	16,984.1		
Operating income according to segment reporting – binding agreement	414.3	187.6	273.0	212.4	1,087.3	-133.2	3.9	958.0		
Plus properties sold before the period		176.3	57.4		233.7		1.1	234.8		
Less properties not yet occupied by the buyer on closing day		-246.8	-69.2		-316.0		-0.2	-316.2		
Adjustment, income from joint ventures and associated companies		-15.5			-15.5			-15.5		
New intra-Group profits							1.6	1.6		
Exchange-rate differences		-14.4	-4.3		-18.7	-0.1	-0.4	-19.2		
Operating income according to IFRS – handover	414.3	87.2	256.9	212.4	970.8	-133.3	6.0	843.5		

Note 4. Continued

2015	Construction	Residential Development	Commercial Property Development	Infrastructure Development	Total operating segments	Central	Eliminations	Total segments	Reconciliation with IFRSs	Total IFRS
External revenue	15,411.3	1,458.0	1,066.4	12.6	17,948.2	420.0	0.0	18,368.3	-223.6	18,144.7
Intra-Group revenue	1,263.2	0.0	4.6	0.0	1,267.8	118.0	-1,385.8	0.0	0.0	0.0
Total revenue	16,674.5	1,458.0	1,071.0	12.6	19,216.0	538.0	-1,385.8	18,368.3	-223.6	18,144.7
Cost of sales	-15,484.3	-1,253.6	-755.5	-27.7	-17,521.2	-544.8	1,379.7	-16,686.2	188.1	-16,498.1
Gross income	1,190.2	204.4	315.5	-15.2	1,694.9	-6.8	-6.0	1,682.1	-35.4	1,646.6
Selling and administrative expenses	-734.8	-65.2	-80.3	-18.5	-898.8	-152.8	0.0	-1,051.6	0.1	-1,051.5
Income from joint ventures and associated companies	3.9	0.0	-4.4	136.0	135.5	0.0	0.0	135.5	15.1	150.6
Operating income	459.3	139.2	230.8	102.3	931.6	-159.6	-6.0	766.0	-20.3	745.7
of which depreciation/amortization	-173.9	-0.2	-0.7	-0.6	-175.5	-11.7		-187.2		-187.2
of which impairment losses/reversals of impairment losses										
Goodwill					0.0			0.0	0.0	0.0
Other assets	-1.3	-2.3	-8.5		-12.1			-12.1	0.0	-12.1
of which gains from commercial property divestments			304.0		304.0		22.5	326.5	31.8	358.3
of which gains from infrastructure project divestments				49.8	49.8			49.8	0.0	49.8
Employees	42,193	389	344	111	43,037	5,433		48,470		
Gross margin, %	7.1	14.0								
Selling and administrative expenses, %	-4.4	-4.5								
Operating margin, %	2.8	9.5								
Assets, of which										
Property, plant and equipment	752.8	2.7	1.8	1.8	759.1	15.6		774.7	0.0	774.7
Intangible assets	641.1	46.3			687.4	28.5		715.9	0.0	715.9
Investments in joint ventures and associated companies	23.2	25.0	66.0	228.2	342.5	0.4	-3.1	339.7	0.0	339.7
Current-asset properties	1.3	1,248.3	2,019.0		3,268.6	-10.6	-39.5	3,218.5	0.0	3,218.5
Capital employed	34.5	1,105.0	1,966.6	219.5	3,325.7	1,248.3		4,574.0	0.0	4,574.0
Investments	-195.0	-791.4	-1,046.4	-27.7	-2,060.5	-27.4		-2,087.9	0.0	-2,087.9
Divestments	79.4	1,023.1	1,175.4	132.1	2,410.0	51.7	-1.4	2,460.2	0.0	2,460.2
Net investments	-115.6	231.8	129.0	104.3	349.5	24.3	-1.4	372.4	0.0	372.4
Reconciliation from segment reporting to IFRS										
Revenue according to segment reporting – binding agreement	16,674.5	1,458.0	1,071.0	12.6	19,216.1	538.0	-1,385.8	18,368.3		
Plus properties sold before the period		915.6	521.5		1,437.1			1,437.1		
Less properties not yet occupied by the buyer on closing day		-1,155.9	-305.1		-1,461.0			-1,461.0		
Proportional method for joint ventures		-101.2			-101.2		27.5	-73.7		
Exchange-rate differences		-82.2	-44.0		-126.2	0.2		-126.0		
Revenue according to IFRS – handover	16,674.5	1,034.3	1,243.4	12.6	18,964.7	538.2	-1,358.3	18,144.7		
Operating income according to segment reporting – binding agreement	459.3	139.2	230.8	102.3	931.6	-159.6	-6.0	766.0		
Plus properties sold before the period		139.9	91.9		231.8			231.8		
Less properties not yet occupied by the buyer on closing day		-176.3	-57.4		-233.7		-1.1	-234.8		
Adjustment, income from joint ventures and associated companies		-4.4	3.3		-1.1			-1.1		
New intra-Group profits							3.7	3.7		
Exchange-rate differences		-12.1	-7.8		-19.9	0.0		-19.9		
Operating income according to IFRS – handover	459.3	86.3	260.8	102.3	908.7	-159.6	-3.4	745.7		

Note 4. Continued

External revenue by geographical area

	Sweden		USA		Other areas		Total	
	2016	2015	2016	2015	2016	2015	2016	2015
Construction	3,075.3	3,219.2	6,129.0	6,458.7	5,678.3	5,760.8	14,882.6	15,438.7
Residential Development	468.2	574.8			415.4	459.5	883.6	1,034.3
Commercial Property Development	406.7	249.7	469.9	277.3	255.9	711.9	1,132.5	1,238.9
Infrastructure Development	2.0	1.9	20.3	2.5	5.4	8.2	27.7	12.6
Central and eliminations					57.7	420.2	57.7	420.2
Total operating segments	3,952.2	4,045.6	6,619.2	6,738.5	6,412.7	7,360.6	16,984.1	18,144.7

The Group has no customers that account for 10 percent or more of its revenue.

Non-current assets and current-asset properties by geographical area

	Property plant and equipment		Intangible assets ¹		Investments in joint ventures and associated companies		Current-asset properties	
	2016	2015	2016	2015	2016	2015	2016	2015
Sweden	216.5	239.1	65.1	63.6	331.5	78.0	1,447.9	1,199.4
USA	270.4	264.4	167.0	153.3	157.8	121.6	544.1	620.5
Other	267.4	271.2	463.4	499.0	-30.3	140.1	1,723.5	1,398.6
	754.3	774.7	695.5	715.9	459.0	339.7	3,715.5	3,218.5

1 Of the "Other areas" item for intangible assets, USD 156.1 M (153.1) was from Norwegian operations and USD 174.9 M (212.5) from UK operations.

Note 5. Non-current assets held for sale and discontinued operations

Non-current assets held for sale and discontinued operations are recognized in compliance with IFRS 5. See Note 1 Accounting and valuation principles. No operations were recognized as discontinued in 2016 or 2015.

At the end of 2016, there were no non-current assets that were recognized in compliance with IFRS 5 as current assets and specified as assets held for sale. Nor were there any such non-current assets in 2015.

Note 6. Financial instruments and financial risk management

Financial instruments are reported in compliance with IAS 39 Financial Instruments: Recognition and Measurement, IFRS 32 Financial Instruments: Presentation and IFRS 7 Financial Instruments: Disclosures.

Skanska's receivables from and liabilities to clients for contract work are not recognized as a financial instrument and the risk associated with these receivables and liabilities is thus not reported in this note.

Risks in partly-owned joint venture companies in Infrastructure Development are managed within each respective company. Skanska's aim is to ensure that financial risk management within these companies is equivalent to that which applies to the Group's wholly owned companies. Management of the interest-rate risk in financing is essential in each respective company, because the contract period in many cases amounts to decades. This risk is managed with the help of long-term interest-rate swaps. These holdings are reported according to the equity method of accounting. As a result, the financial instruments in each company are included under the item "Income from joint ventures and associated companies." Disclosures on financial instruments in associated companies and joint ventures are not included in the following disclosures.

Financial Risk Management

Through its operations, aside from business risk, Skanska is exposed to various financial risks such as credit risk, liquidity risk and market risk. These risks arise in the Group's reported financial instruments such as cash and cash equivalents, interest-bearing receivables, trade accounts receivable, trade accounts payable, borrowings and derivatives.

Objectives and policy

The Group endeavors to achieve a systematic assessment of both financial and business risks. To do this a common risk management model is used. The risk management model does not involve avoidance of risk, but is instead aimed at identifying and managing the risks.

Through the Group's Financial Policy, each year the Board of Directors establishes guidelines, objectives and limits for financial management and administration of financial risk within the Group. This policy document regulates the distribution of responsibility among Skanska's Board, the Senior Executive Team, Skanska Financial Services (Skanska's internal financial unit) and the Business Units.

Within the Group, Skanska Financial Services has operational responsibility for securing Group financing and for managing liquidity, financial assets and financial liabilities. A centralized financial unit enables Skanska to take advantage of economies of scale and synergies.

The objectives and policy for each type of risk are described in the respective sections below.

Credit risk

Credit risk describes the Group's risk from financial assets and arises if a counterparty does not fulfill its contractual payment obligation to Skanska. Credit risk is divided into financial credit risk, which is risk associated with interest-bearing assets, and customer credit risk, which is risk relating to trade accounts receivable.

Financial credit risk – risk in interest-bearing assets

Financial credit risk is the risk that the Group is exposed to in its relationships with financial counterparties when investing surplus funds and with respect to bank account balances and investments in financial assets. Credit risk also arises when using derivative instruments and is the risk that a potential gain will not be realized if the counterparty does not fulfill its part of the contract.

In order to reduce the credit risk related to derivatives, Skanska has signed standardized netting (ISDA) agreements with all financial counterparties with which it enters into derivative contracts.

Skanska must limit its exposure to financial counterparties by using banks and financial institutions assigned a satisfactory rating by Standard & Poor's, Moody's or Fitch. The permitted exposure volume per counterparty is dependent on the counterparty's credit rating and the maturity of the exposure.

Maximum exposure is equivalent to the fair value of the assets and amounts to USD 1,820.0 M (2,457.6) assets amounted to 0.2 (0.1) years as of December 31, 2016.

Customer credit risk – risk in trade accounts receivable

Customer credit risk is managed through Skanska Group's common procedures for identifying and managing risk: the Skanska Tender Approval Procedure (STAP) and the Operational Risk Assessment (ORA).

Skanska's credit risk with regard to trade accounts receivable has a high degree of risk diversification, due to the large number of projects of varying sizes and types with numerous different customer categories in a large number of geographical markets.

The portion of Skanska's operations related to construction projects extends only limited credit, since projects are invoiced in advance as much as possible. In other operations, the extension of credit is limited to customary invoicing periods.

Trade accounts receivable	Dec 31, 2016	Dec 31, 2015
Outstanding receivables	2,687.6	2,585.9
Impairment losses	-60.2	-127.6
Carrying amount	2,627.4	2,458.3

Change in impairment losses, trade accounts receivable	2016	2015
January 1	127.6	130.4
Impairment loss/reversal of impairment loss for the year	-43.6	12.3
Impairment losses settled	-21.8	-4.5
Exchange-rate differences	-2.0	-10.6
December 31	60.2	127.6

Risk in other operating receivables including shares

Other financial operating receivables consist of receivables for properties divested, accrued interest income, deposits etc.

On the closing day no operating receivables were past due and there were no impairment losses.

Other financial operating receivables are reported by time interval with respect to when the amounts fall due in the future.

	2016	2015
Due within 30 days	1.0	1.1
Due in over 30 days but within one year	9.1	0.7
Due after one year	0.6	1.5
Total	10.7	3.3

Holdings with less than 20 percent of voting power in a company are reported as shares. Their carrying amount is USD 4.9 M (7.3).

The shares are recognized at the lower of cost and fair value. No impairment losses were recognized on shares in either 2016 or 2015.

Liquidity and refinancing risk

Liquidity and refinancing risk is defined as the risk of Skanska not being able to meet its payment obligations due to lack of liquidity or due to difficulties in obtaining or rolling over external loans.

The Group uses liquidity forecasting as a means of managing the fluctuations in short-term liquidity.

Surplus liquidity is, if possible, to be used primarily to repay the principal on loan liabilities.

Note 6. Continued

Funding

Skanska has several borrowing programs – both committed bank credit facilities and market funding programs which provide good preparedness for temporary fluctuations in the Group's short-term liquidity requirements and ensure long-term funding.

In 2016 Skanska issued a total of USD 247.1 M through the certificate program maturing in one to two months. At the end of the year the amount outstanding was USD 145.1 M. USD 175.3 M in medium term notes (MTN) matured during the year without being extended.

				2016		2015	
	Maturity	Currency	Limit	Nominal	Utilized	Nominal	Utilized
Market funding programs							
Commercial paper (CP) program, maturities 0–1 years		SEK/EUR	SEK 6,000 M	661.9	145.1	714.7	107.2
Medium Term Note (MTN) program, maturities 1–10 years		SEK/EUR	SEK 8,000 M	882.6	259.1	952.9	458.4
				1,544.5	404.2	1,667.6	565.6
Committed credit facilities							
Syndicated bank loan	2019	SEK/EUR/USD	EUR 555 M	586.0	0.0	606.4	0.0
Bilateral loan agreement	2020	EUR	EUR 60 M	63.3	63.3	65.5	65.5
Other credit facilities				44.2	0.0	49.4	1.0
				693.5	63.3	721.3	66.5

At year-end 2016, the Group's unutilized credit facilities totaled USD 630.3 M (654.8).

Liquidity reserve and maturity structure

The objective is to have a liquidity reserve of at least SEK 4 billion (corresponding to USD 0.4 billion) available within one week in the form of cash liquidity or committed credit facilities. At year-end 2016, cash and cash equivalents and committed credit facilities amounted to about SEK 11 (17) billion, (corresponding to USD 1.2 [2.0] billion) of which about SEK 10 (13) billion (corresponding to USD 1.1 [1.5] billion) is available within one week.

The Group's policy is for the central borrowing portfolio's maturity structure to be distributed over time and for the portfolio to have a weighted average residual term of three years, including unutilized committed credit facilities, with authorization to deviate within a two to four year interval. On December 31, 2016 the average maturity of the borrowing portfolio was 2.0 (2.6) years, if unutilized credit facilities are taken into account.

Including interest payments, the maturity structure of the Group's financial interest-bearing liabilities and derivatives related to borrowing is distributed over the next few years according to the following table.

2016		Maturity				
Maturity period	Carrying amount	Future payment amount	Within 3 months	After 3 months within 1 years	After 1 year within 5 years	After 5 years
Interest-bearing financial liabilities	1,122.2	1,137.3	186.3	556.1	394.1	0.8
Derivatives: Currency forward contracts						
Inflow	-19.5	-479.0	-450.7	-28.1	-0.2	-
Outflow	5.3	473.8	446.4	27.2	0.2	-
Derivatives: Interest rate swaps						
Inflow	0.0	1.1	0.0	0.9	0.2	-
Outflow	12.8	11.8	2.6	3.5	5.7	-
Total	1,120.8	1,145.0	184.6	559.6	400.0	0.8

2015		Maturity				
Maturity period	Carrying amount	Future payment amount	Within 3 months	After 3 months within 1 years	After 1 year within 5 years	After 5 years
Interest-bearing financial liabilities	1,213.1	1,240.2	146.9	637.5	453.8	2.0
Derivatives: Currency forward contracts						
Inflow	-14.3	-1,137.7	-1,066.9	-69.6	-1.2	-
Outflow	8.6	1,141.5	1,071.2	69.1	1.2	-
Derivatives: Interest rate swaps						
Inflow	0.0	-1.1	-0.1	0.2	-1.2	-
Outflow	20.6	21.7	3.1	6.9	11.7	-
Total	1,227.9	1,264.6	154.1	644.2	464.3	2.0

The average maturity of interest-bearing liabilities amounted to 1.1 (1.5) years.

Note 6. Continued

Other operating liabilities

Other operating liabilities that consist of financial instruments fall due for payment according to the table below.

Other operating liabilities	2016	2015
Due within 30 days	62.8	67.5
Due in over 30 days but within one year	12.4	18.5
Due after one year	1.4	0.6
Total	76.6	86.6

Market risk

Market risk is the Group's risk that the fair value of financial instruments or future cash flows from financial instruments will fluctuate due to changes in market prices. The main market risks in the consolidated accounts are interest-rate risk and foreign exchange rate risk.

Interest rate risk

Interest-rate risk is the risk that changes in interest rates will adversely affect the Group's financial items and cash flow (cash flow risk) or the fair value of financial assets and liabilities (fair value interest risk). For the Group, exposure to fair value interest-rate risk arises primarily from interest-bearing borrowing. To limit the risk, interest-rate maturities are to be distributed over time and have a weighted average remaining fixed interest period of two years, with authorization to deviate in +/-1 year. Change in fair value is measured on interest-bearing assets and liabilities including derivatives, partly by increasing the interest rate by one percentage point across all maturities and partly through a positive or negative change in the interest rate by half a percentage point. The change in fair value may not exceed USD 16.5 M, measured as relative interest rate scenarios measured as relative deviation against a comparative portfolio with a weighted average refixing period of two years, which is identified as a risk-neutral maturity.

The fair value of interest-bearing financial assets and liabilities, plus derivatives, would, in the interest-rate scenario above, be changed within the range of USD 5.4–6.4 M, assuming that the volume and fixing period is the same as of December 31, 2016.

Around USD 3.0–4.1 M of this would affect financial items and around USD 2.4 M would affect equity, through other comprehensive income, if hedge accounting were to be applied.

The relative interest-rate risk is USD 1.2–4.1 M lower than in a comparative portfolio with a risk of USD around 6.6–10.5 M and is attributable to the fact that the interest fixing period is shorter than the comparative portfolio's two years. All amounts are stated before tax.

The Group's cash flow risk must not exceed USD 16.6 M over a 12-month period in the event of an increase of one percentage point in market interest rates.

Assuming the volume and interest fixing period are the same at year-end, an average increase in the market interest rate of one percentage point from the level at the end of the year would result in an estimated positive effect on the Group's financial items or around USD 8.1 M for 2017.

The deviation of cash flow risk, fair value interest-rate risk and the fixed interest period are all within the authorized limits for the Group as of December 31, 2016.

The average rate refixing period for all of the Group's interest-bearing assets was 0.1 (0.1) years, taking derivatives into account. The interest rate for these was 0.58 (0.45) percent at year-end. Of the Group's total interest-bearing financial assets, 7 (32) percent carry fixed interest rates and 93 (68) percent variable interest rates.

The average interest rate refixing period for all interest-bearing liabilities, taking into account derivatives but excluding pension liabilities, was 0.6 (1.2) years.

The interest rate for interest-bearing liabilities amounted to 1.03 (1.22) percent at year-end. Taking into account derivatives, the interest rate was 1.25 (2.19) percent.

Of total interest-bearing financial liabilities, after taking into account derivatives, 52 (61) percent carry fixed interest rates and 48 (39) percent variable interest rates.

On December 31, 2016 there were outstanding interest-rate swap contracts amounting to a nominal value of USD 423.3 M (604.6).

All of the contracts were entered into in order to swap the Group's borrowing from variable to fixed interest. Skanska applies hedge accounting for the majority of these interest-rate swaps. The hedges fulfill effectiveness requirements, which means that unrealized gains or losses are recognized under "Other comprehensive income."

The fair value of these hedges totaled USD –7.5 M (–15.2) as of December 31, 2016. The fair value of interest-rate swaps for which hedge accounting is not applied totaled USD –5.3 M (–5.4) on December 31, 2016. For these interest-rate swaps, changes in fair value are recognized through profit or loss. There were also interest-rate swap contracts in partly owned joint venture companies.

Foreign exchange rate risk

Foreign exchange rate risk is defined as the risk of a negative impact on the Group's income statement and statement of financial position due to fluctuations in exchange rates. This risk can be divided into transaction exposure, i.e. net operating and financial (interest/principal payment) flows, and translation exposure related to net investments in foreign subsidiaries.

Transaction exposure

Transaction exposure arises in a local unit when the unit's inflows and outflows of foreign currencies are not matched. Although the Group has a large international presence, its operations are mainly of a local nature in terms of foreign exchange rate risks, because project revenue and costs are mainly denominated in the same currency. If this is not the case, the objective is for each respective Business Unit to hedge its exposure in contracted cash flows against its functional currency in order to minimize the effect on earnings caused by shifts in exchange rates. The main tool for this purpose is currency-forward contracts.

The foreign exchange rate risk for the Group may amount to a total of SEK 50 M (corresponding to USD 5.5 M), with risk calculated as the effect on earnings of a five percentage point shift in exchange rates. As of December 31, 2016 foreign exchange rate risk accounted for USD 3.9 M (4.2) of transaction exposure before tax.

Contracted net flows in currencies that are foreign to the respective Group company are distributed among currencies and maturities as follows.

	On December 31, 2016			On December 31, 2015		
The Group's contracted net foreign currency flow USD M ¹	2017	2018	2019 and later	2016	2017	2018 and later
PLN	–159.5	–17.1	–31.2	–93.6	–0.9	–
HUF	–46.0	–23.9	–	–14.0	–	–
EUR	–45.6	6.0	–3.6	–88.3	–12.1	–15.5
CZK	–20.3	–6.4	–	–16.7	–4.9	–
GBP	–11.8	–2.5	–0.1	–27.0	–9.5	–3.2
USD	–4.6	–0.1	0.0	–	–	–
RON	–0.2	–0.7	–	–1.9	–0.9	–
CHF	–	–	–	–13.2	–	–
Other currencies	–1.1	–0.1	–	0.9	–	–
Total equivalent value	–289.1	–44.8	–34.9	–253.7	–28.3	–18.7

¹ Flows in PLN, CZK, HUF and RON are mainly related to property development project expenses. Flows in EUR were mainly attributable to the construction operations in Sweden, Poland and the UK. Flows in GBP are mainly attributable to the New Karolinska Hospital (NKS) and the construction of the pan-European research facility European Spallation Source (ESS).

Note 6. Continued

Skanska mainly uses hedge accounting to hedge expenses in currencies other than the EUR in its European property development operations.

The fair value of these hedges totaled USD –0.4 M (0.8) on December 31, 2016.

The hedges fulfill effectiveness requirements, which means that unrealized gains or losses are recognized under “Other comprehensive income.”

The fair value of currency hedges for which hedge accounting is not applied totaled USD 0.9 M (–0.6) on December 31, 2016, including the fair value of embedded derivatives. Changes in fair value are recognized through profit or loss.

Information on the changes recognized in the consolidated income statement and in other comprehensive income during the period can be found in the table “Impact of financial instruments on the consolidated income statement, other comprehensive income and equity” below.

Translation exposure

Skanska’s policy stipulates that net investments in Commercial Property Development and Infrastructure Development operations are to be currency-hedged since the intention is to sell these assets over time. These hedges consist of forward currency contracts and foreign currency loans. The positive fair value of the forward currency contracts amounted to USD 11.6 M (1.4) and their negative fair value amounted to USD 0 M (0). The fair value of foreign currency loans amounted to USD 65.1 M (16.8).

Net investments in subsidiaries outside Sweden are normally not hedged, unless the Board of Directors of Skanska AB decides otherwise.

At year-end 2016, about 20 percent of equity was currency hedged. A change in the exchange rate where the Swedish krona falls/rises by 10 percent against other currencies would have an effect of USD +/-0.20 billion on other comprehensive income after tax and taking hedges into account.

Hedging of net investments outside Sweden

Currency	2016					2015				
	Net investments	Hedges ¹	Hedged portion, %	Net investments ²	Net investments, % ²	Net investments	Hedges ¹	Hedged portion, %	Net investments ²	Net investments, % ²
CZK	282.4		0	282.4	9	299.9		0	299.9	11
EUR	644.6	–335.5	52	309.2	10	438.5	–57.1	13	381.4	13
GBP	394.7	–244.9	62	149.8	5	190.9	–10.5	5	180.5	6
NOK	406.9		0	406.9	13	394.3		0	394.3	14
PLN	190.4		0	190.4	6	273.7		0	273.7	10
USD	1,192.1	–13.2	1	1,178.9	39	1,118.1	–82.0	7	1,036.2	36
Other foreign	68.2		0	68.2	2	88.9		0	88.9	3
Total foreign currencies	3,179.3	–593.6	19	2,585.8	86	2,804.3	–149.5	5	2,654.8	93
SEK and eliminations				426.2	14				209.4	7
Total				3,012.0	100				2,864.2	100

1 Hedged amount before subtracting tax portion.

2 After subtracting hedged portion.

Hedge accounting is applied when hedging net investments outside Sweden.

The hedges fulfill effectiveness requirements, which means that gains and losses on hedges are recognized under “Other comprehensive income” until the hedged transaction has taken place at which point the accumulated change in value is transferred to the income statement. See Note 34 Foreign exchange rates and effect of changes in foreign exchange rates.

Note 6. Continued

The Significance Of Financial Instruments To The Group's Financial Position And Income

Financial instruments in the statement of financial position

The following table presents the carrying amount of financial instruments allocated by category as well as a reconciliation with total assets and liabilities in the statement of financial position. Derivatives subject to hedge accounting are presented separately both as financial assets and financial liabilities.

See also Note 21 Financial assets, Note 24 Other operating receivables, Note 27 Financial liabilities and Note 30 Operating liabilities.

	At fair value through profit/loss	Hedge-accounted derivatives	Held-to-maturity investments	Available-for-sale assets	Loans and receivables	Total carrying amount
Assets						
2016						
Financial instruments						
Interest-bearing assets and derivatives						
Financial assets ¹						
Financial investments at fair value	8.2	11.6	–	–	–	19.8
Financial investments at amortized cost	–	–	142.9	–	–	142.9
Financial interest-bearing receivables	–	–	–	–	1,058.2	1,058.2
	8.2	11.6	142.9	0.0	1,058.2	1,220.9
Current investments at fair value						
Cash	–	–	–	–	599.1	599.1
	8.2	11.6	142.9	0.0	1,657.3	1,820.0
Trade accounts receivable²	–	–	–	–	2,627.4	2,627.4
Other operating receivables including shares						
Shares recognized as available-for-sale assets ³	–	–	–	4.9	–	4.9
Other operating receivables ^{2,4}	–	–	–	–	10.7	10.7
	0.0	0.0	0.0	4.9	10.7	15.6
Total financial instruments	8.2	11.6	142.9	4.9	4,295.4	4,463.0
2015						
Financial instruments						
Interest-bearing assets and derivatives						
Financial assets ¹						
Financial investments at fair value	12.9	1.5	–	–	–	14.4
Financial investments at amortized cost	–	–	191.1	–	–	191.1
Financial interest-bearing receivables	–	–	–	–	841.8	841.8
	12.9	1.5	191.1	0.0	841.8	1,047.3
Current investments at fair value						0.0
Cash	–	–	–	–	1,410.3	1,410.3
	12.9	1.5	191.1	0.0	2,252.1	2,457.6
Trade accounts receivable²	–	–	–	–	2,458.3	2,458.3
Other operating receivables including shares						
Shares recognized as available-for-sale assets ³	–	–	–	7.3	–	7.3
Other operating receivables ^{2,4}	–	–	–	–	3.3	3.3
	0.0	0.0	0.0	7.3	3.3	10.6
Total financial instruments	12.9	1.5	191.1	7.3	4,713.7	4,926.4

The difference between fair value and carrying amount for financial assets is marginal.

1 The carrying amount of financial assets excluding shares, totaling USD 1,220.9 M (1,047.3) , can be seen in Note 21 Financial assets.

2 See Note 24 Other operating receivables.

3 The shares are recognized at the lower of cost and fair value. Shares are reported in the consolidated statement of financial position among financial assets. See also Note 21 Financial assets.

4 In the consolidated statement of financial position, USD 3,282.9 M (3,082.3) was reported as other operating receivables. See Note 24 Other operating receivables. Of this amount, trade accounts receivable accounted for USD 2,627.4 M (2,458.3). These were reported as financial instruments. The remaining amount is USD 655.5 M (624.0) and breaks down as USD 10.7 M (3.3) for financial instruments and USD 644.8 M (620.7) for non-financial instruments. The amount reported as financial instruments includes accrued interest income, deposits etc. Amounts reported as non-financial items include, for example, interim items other than accrued interest, VAT receivables, pension-related receivables and other employee-related receivables.

Note 6. Continued

Reconciliation with statement of financial position	Dec 31, 2016	Dec 31, 2015
Assets		
Financial instruments	4,463.0	4,926.4
Other assets		
Property, plant and equipment and intangible assets	1,449.8	1,490.6
Investments in joint ventures and associated companies	458.9	339.7
Tax assets	268.4	247.2
Current-asset properties	3,715.5	3,218.5
Inventories	115.0	112.4
Gross amount due from customers for contract work	634.5	678.0
Other operating receivables ¹	644.8	620.7
Total assets	11,749.9	11,633.5

¹ In the consolidated statement of financial position, USD 3,282.9 M (3,082.3) was reported as other operating receivables. See Note 24 Other operating receivables. Of this amount, trade accounts receivable accounted for USD 2,627.4 M (2,458.3). These were reported as financial instruments. The remaining amount is USD 655.5 M (624.0) and breaks down as USD 10.7 M (3.3) for financial instruments and USD 644.8 M (620.7) for non-financial instruments. The amount reported as financial instruments includes accrued interest income, deposits etc. Amounts reported as non-financial items include, for example, interim items other than accrued interest, VAT receivables, pension-related receivables and other employee-related receivables.

Liabilities	At fair value through profit/loss	Hedge-accounted derivatives	At amortized cost	Total carrying amount
2016				
Financial instruments				
Interest-bearing liabilities and derivatives				
Financial liabilities ¹				
Financial liabilities at fair value	10.6	7.6	–	18.2
Financial liabilities at amortized cost	–	–	1,181.0	1,181.0
	10.6	7.6	1,181.0	1,199.2
Operating liabilities				
Trade accounts payable	–	–	1,712.2	1,712.2
Other operating liabilities ²	–	–	76.6	76.6
	0.0	0.0	1,788.8	1,788.8
Total financial instruments	10.6	7.6	2,969.8	2,988.0
2015				
Financial instruments				
Interest-bearing liabilities and derivatives				
Financial liabilities ¹				
Financial liabilities at fair value	15.8	15.2	–	31.1
Financial liabilities at amortized cost	–	–	1,232.0	1,232.0
	15.8	15.2	1,232.0	1,263.1
Operating liabilities				
Trade accounts payable	–	–	1,793.0	1,793.0
Other operating liabilities ²	–	–	86.6	86.6
	0.0	0.0	1,879.6	1,879.6
Total financial instruments	15.8	15.2	3,111.6	3,142.7

The fair value is USD 5.2 M (7.7) higher than the carrying amount for financial liabilities.

¹ The carrying amount for financial liabilities totaling USD 1,199.2 M (1,263.1) is reported in the statement of financial position along with financial liabilities of USD 1,140.4 M (1,242.2) from Note 27 and contingent consideration of USD 58.8 M (20.8) from Note 29. Contingent consideration is included in financial liabilities measured at fair value at USD 0.0 M (1.9) and in financial liabilities measured at amortized cost at USD 58.0 M (18.9). During the year USD 1.9 M (2.6) of the contingent consideration was paid out, and USD 0 M (1.9) accrued as interest income.

² Other financial operating liabilities, totaling USD 1,788.8 M (1,879.6), are reported in the statement of financial position together with trade accounts payable of USD 1,712.2 M (1,793.0) and other financial instruments of USD 76.6 M (86.6). The total item in the statement of financial position amounts to USD 3,980.5 M (4,164.7). See Note 30. Accrued interest expense, checks issued but not cashed, liabilities for unpaid properties etc. are recognized as other financial operating liabilities. Other non-financial operating liabilities are, for example, interim items other than accrued interest, VAT liabilities, pension-related liabilities and other employee-related liabilities. Operating liabilities are measured at amortized cost.

Note 6. Continued

Reconciliation with statement of financial position	Dec 31, 2016	Dec 31, 2015
Equity and liabilities		
Financial instruments	2,988.0	3,142.7
Other liabilities		
Equity	3,034.5	2,883.3
Pensions	540.7	472.8
Tax liabilities	218.4	219.9
Provisions	738.6	745.3
Liabilities to clients for contract work	2,038.0	1,884.5
Other operating liabilities ¹	2,191.7	2,285.1
Total equity and liabilities	11,749.9	11,633.5

¹ Other financial operating liabilities, totaling USD 1,788.8 M (1,879.6), are reported in the statement of financial position together with trade accounts payable of USD 1,712.2 M (1,793.0) and other financial instruments of USD 76.6 M (86.6). The total item in the statement of financial position amounts to USD 3,980.5 M (4,164.7). See Note 30. Accrued interest expense, checks issued but not cashed, liabilities for unpaid properties etc. are recognized as other financial operating liabilities. Other non-financial operating liabilities are, for example, interim items other than accrued interest, VAT liabilities, pension-related liabilities and other employee-related liabilities. Operating liabilities are measured at amortized cost.

Financial instruments – carrying amount	2016	2015
Assets at fair value	19.7	14.4
Assets at amortized cost	4,443.3	4,912.0
Total financial assets	4,463.0	4,926.4
Liabilities at fair value	18.2	31.1
Liabilities at amortized cost	2,969.8	3,111.6
Total financial liabilities	2,988.0	3,142.7

Financial instruments are measured at fair value or amortized cost in the balance sheet depending on classification. Financial instruments measured at fair value in the balance sheet belong to level two of the hierarchy in IFRS 13. The difference between fair value and carrying amount is marginal.

Disclosures on offsetting of financial instruments	2016		2015	
	Financial assets	Financial liabilities	Financial assets	Financial liabilities
Gross amounts	4,463.0	2,988.0	4,926.4	3,142.7
Amounts offset	0.0	0.0	0.0	0.0
Recognized in balance sheet	4,463.0	2,988.0	4,926.4	3,142.7
Amounts covered by netting arrangements	-6.7	-6.7	-5.7	-5.7
Net amount after netting arrangements	4,456.3	2,981.3	4,920.7	3,137.0

Financial assets and liabilities measured at fair value through profit or loss

Financial assets and liabilities at fair value through profit or loss belong to the category that has been identified as such on the first recognition date or consist of derivatives. The amounts for 2016 and 2015 are attributable to derivatives.

Hedge-accounted derivatives

Derivatives belong to the category “Financial assets and liabilities at fair value through profit or loss.”

Skanska separately reports hedge-accounted derivatives.

The amounts for 2016 and 2015 are related to forward currency contracts for hedging of net investments outside Sweden, as well as interest-rate swaps for loan hedges with variable interest rates.

Fair value

There are three different levels for establishing fair value. The first level uses the official price quotation in an active market. The second level, which is used when a price quotation in an active market does not exist, calculates fair value by discounting future cash flows based on observable market interest rates for each respective maturity and currency. The third level uses substantial elements of input data that are not observable in the market.

Fair values for the categories “At fair value through profit or loss” and “Hedge-accounted derivatives” have been set according to the second level above. In calculating fair value in the borrowing portfolio, Skanska takes into account current market interest rates, which include the credit risk premium that Skanska is estimated to pay for its borrowing. In total and assets totaling USD -19.7 M (14.4) and liabilities totaling USD -18.2 M (31.1) have been calculated according to this level.

The fair value of financial instruments with option elements is calculated using the Black-Scholes model. As of December 31, 2016, Skanska had no instruments with option elements.

Skanska’s liabilities for contingent considerations are measured according to level three. All other financial assets and liabilities are measured according to level two.

Note 6. Continued

Impact of financial instruments on the consolidated income statement, other comprehensive income and equity

Revenue and expenses from financial instruments recognized in the income statement	2016	2015
Recognized in operating income		
Interest income on loan receivables	0.7	0.6
Interest expenses on financial liabilities at cost	-0.4	-0.1
Cash flow hedges removed from equity and recognized in the income statement	216.3	-61.2
Total income and expenses in operating income	216.6	-60.7
Recognized in financial items		
Interest income on financial assets at fair value through profit or loss ¹	0.0	2.6
Interest income on held-to-maturity investments	0.2	1.1
Interest income on loan receivables	4.6	2.0
Interest income on cash	3.5	4.7
Dividends	5.0	3.8
Changes in market value of financial assets measured at fair value through profit or loss	0.6	0.8
Total income in financial items	13.9	15.1
Interest expenses on financial liabilities measured at fair value through profit or loss	-9.8	-12.7
Interest expenses on financial liabilities measured at amortized cost	-18.8	-26.1
Changes in market value of financial liabilities measured at fair value through profit or loss	-0.4	-0.2
Financial items from hedging of net investments in foreign subsidiaries ²	0.0	-3.6
Net exchange-rate differences	-2.8	-11.4
Expenses for borrowing programs	-2.0	-3.3
Bank-related expenses	-2.8	-7.0
Total expenses in financial items	-36.6	-64.3
Net income and expenses from financial instruments recognized in the income statement	193.9	-109.9
of which interest income on financial assets not measured at fair value through profit or loss	9.0	8.4
of which interest expenses on financial liabilities not measured at fair value through profit or loss	-19.2	-26.2

¹ The amount refers to positive interest rate differences for currency swaps for the Group's borrowing, in the amount of USD 0.0 M (2.4).

² The amount refers to interest income/interest expense totaling USD +0.4 M (-3.6) attributable to currency forward contracts.

Reconciliation with financial items	2016	2015
Total income from financial instruments in financial items	13.9	15.1
Total expense from financial instruments in financial items	-36.6	-64.3
Net interest income on pensions	-11.8	-11.0
Other interest expense	20.6	23.0
Total financial items	-13.9	-37.2

See also Note 14 Financial items.

Income and expenses from financial instruments recognized under other comprehensive income	2016	2015
Cash flow hedges recognized directly in equity	-112.8	-21.5
Cash flow hedges removed from equity and recognized in the income statement	216.3	61.2
Translation differences for the year	-155.5	-194.8
Less hedging on foreign exchange rate risk in operations outside Sweden	61.6	5.4
Total	9.6	-149.7
of which recognized in cash flow hedge reserve	103.5	39.7
of which recognized in translation reserve	-93.9	-189.4
	9.6	-149.7

Collateral

The Group has provided collateral (assets pledged) in the form of financial receivables amounting to USD 112.6 M (158.2). Also see Note 33 Assets pledged, contingent liabilities and contingent assets. These assets may be utilized by customers if Skanska does not fulfill its obligations according to the respective construction contract.

To a varying extent, the Group has obtained collateral for trade accounts receivable in the form of guarantees issued by banks and insurance companies and, in some cases, in the form of guarantees from the parent companies of customers.

Note 7. Business combinations

Business combinations (acquisitions of businesses) are reported in compliance with IFRS 3 Business Combinations. See "Accounting and valuation principles" in Note 1.

Acquisitions of Group companies/operations

No acquisitions were made in 2016 or 2015.

Note 8. Revenue

Projects within Skanska's contracting operations are reported in compliance with IAS 11 Construction Contracts. See Note 9.

Revenue other than project revenue is recognized in compliance with IAS 18 Revenue. See Note 1 Accounting and valuation principles.

Revenue by business stream

	2016	2015
Construction	16,123.7	16,674.5
Residential Development	884.6	1,034.3
Commercial Property Development	1,134.6	1,243.4
Infrastructure Development	27.7	12.6
Other		
Central	167.9	538.2
Eliminations, see below	-1,354.4	-1,358.3
Total	16,984.1	18,144.7

Reported as eliminations

	2016	2015
Intra-Group construction for		
Construction	-60.3	-84.3
Residential Development	-546.6	-420.3
Commercial Property Development	-634.0	-721.5
Infrastructure Development ¹		
Intra-Group property divestments	-1.1	-1.4
Other	-112.4	-130.8
	-1,354.4	-1,358.3

1 Construction includes USD 843.7 M (716.7) in intra-Group construction for Infrastructure Development. Elimination does not occur since this revenue consists of invoices issued to joint ventures, which are recognized according to the equity method of accounting.

Revenue by category

	2016	2015
Construction contracts	14,382.2	14,953.1
Services	358.2	731.2
Sales of goods	240.8	192.8
Rental income	69.4	71.5
Property divestments	1,933.5	2,196.1
Total	16,984.1	18,144.7

As for other types of revenue, dividends and interest income are recognized in financial items. See Note 14 Financial items.

Other matters

Invoices issued to associated companies and joint ventures amounted to USD 854.1 M (756.5). For other related party transactions, see Note 39 Related party disclosures.

Note 9. Construction contracts

Construction contracts are recognized as revenue as projects progress to completion. See Note 1 Accounting and valuation principles.

For risks in ongoing assignments, see Note 2 Key estimates and judgments, and the Report of the Directors.

Information from the income statement

Revenue recognized during the year amounted to USD 14,382.2 M (14,953.1).

Information from the statement of financial position

Receivables due from clients for contract work	Dec 31, 2016	Dec 31, 2015
Accrued revenue	20,311.5	14,191.2
Invoiced revenue	-19,677.0	-13,513.2
Total assets	634.5	678.0
Liabilities payable to customers for contract work	Dec 31, 2016	Dec 31, 2015
Invoiced revenue	33,242.1	31,604.2
Accrued revenue	-31,204.1	-29,719.7
Total liabilities	2,038.0	1,884.5

Accrued revenue in ongoing projects including recognized gains minus recognized loss provisions amounted to USD 51,515.6 M (43,910.9).

Advance payments received totaled USD 195.4 M (125.7).

Amounts retained by customers, which have been partly invoiced according to an established plan and which the client is retaining in accordance with contractual terms until all the conditions specified in the contract are met, amounted to USD 485.9 M (540.2).

Note 10. Operating expenses by category of expense

In 2016, revenue decreased by USD –1,160.6 M to USD 16,984.1 M (18,144.7). Operating income increased by USD 97.9 M, to USD 843.5 M (745.7). Personnel expenses for the year amounted to USD –3,257.3 M (–3,555.9).

Other operating expenses adjusted for current-asset properties divested and income in joint ventures and associated companies amounted to USD –11,526.5 M (–12,133.4).

	2016	2015
Revenue	16,984.1	18,144.7
Personnel expenses ¹	–3,257.3	–3,555.9
Depreciation/amortization	–168.0	–187.2
Impairment losses	–62.4	–12.1
Carrying amount of current-asset properties divested	–1,374.8	–1,661.0
Income from joint ventures and associated companies	248.4	150.6
Other ²	–11,526.5	–12,133.4
Total expenses	–16,140.6	–17,399.0
Operating income	843.5	745.7

¹ Personnel expenses include salaries and other remuneration of USD 2,544.5 M (2,795.7), social insurance contributions of USD 646.2 M (698.3) recognized according to Note 36 Personnel, as well as non-monetary remuneration such as company car benefits and shares received under Seop amounting to USD 66.6 M (61.9).

² Other includes purchased materials, machinery rentals and subcontractors.

Note 11. Selling and administrative expenses

Selling and administrative expenses are recognized as one item. See Note 1 Accounting and valuation principles.

Selling and administrative expenses	2016	2015
Construction	–767.3	–734.8
Residential Development	–65.3	–65.2
Commercial Property Development	–87.7	–80.3
Infrastructure Development	–17.2	–18.5
Central expenses ¹	–131.8	–152.7
Total	–1,069.3	–1,051.5

¹ Including eliminations.

Note 12. Depreciation/amortization

Depreciation and amortization are carried out in compliance with IAS 16 Property, Plant and Equipment, and IAS 38 Intangible Assets. See Note 1 Accounting and valuation principles.

Depreciation and amortization are presented below by business stream.

For further information on depreciation and amortization, see Note 17 Property, plant and equipment, and Note 19 Intangible assets.

Depreciation/amortization by asset class and business stream

	Construction	Residential Development	Commercial Property Development	Infrastructure Development	Central and eliminations	Total
2016						
Intangible assets	–9.0				–6.5	–15.5
Property, plant and equipment						
Property (buildings and land)	–9.0				–0.1	–9.1
Plant and equipment	–139.4	–0.1	–0.4	–0.5	–3.0	–143.4
Total	–157.4	–0.1	–0.4	–0.5	–9.6	–168.0
2015						
Intangible assets	–9.0				–3.1	–12.1
Property, plant and equipment						
Property (buildings and land)	–11.3				–0.1	–11.4
Plant and equipment	–153.6	–0.2	–0.7	–0.6	–8.5	–163.7
Total	–173.9	–0.2	–0.7	–0.6	–11.7	–187.2

Note 13. Impairment losses/reversals of impairment losses

Impairment losses are recognized in compliance with IAS 36 Impairment of Assets. See Note 1 Accounting and valuation principles.

Impairment losses on current-asset properties are recognized in compliance with IAS 2 Inventories.

Impairment loss/reversals of impairment losses are presented below by business stream.

For further information on impairment losses/reversals of impairment losses, see Note 17 Property, plant and equipment, Note 18 Goodwill, Note 19 Intangible assets and Note 22 Current-asset properties/project development.

Impairment losses/reversals of impairment losses by asset class and business stream

	Construction	Residential Development	Commercial Property Development	Infrastructure Development	Central and eliminations	Total
2016						
Recognized in operating income						
Property, plant and equipment non-current assets						
Property (buildings and land)	0.9					0.9
Plant and equipment						
Investments in joint ventures and associated companies				-38.7		-38.7
Current-asset properties						
Commercial Property Development			-23.1		3.4	-19.7
Residential Development		-4.9				-4.9
Total	0.9	-4.9	-23.1	-38.7	3.4	-62.4
2015						
Recognized in operating income						
Property, plant and equipment non-current assets						
Property (buildings and land)	-1.3					-1.3
Plant and equipment						
Investments in joint ventures and associated companies			-1.9			-1.9
Current-asset properties						
Commercial Property Development			-6.6			-6.6
Residential Development		-2.3				-2.3
Total	-1.3	-2.3	-8.5	0.0	0.0	-12.1

Note 14. Financial items

	2016	2015
Financial income		
Interest income	8.3	10.4
Income from sale of shares	1.4	
Dividends	3.6	3.8
Change in market value	0.6	0.8
	13.9	15.1
Financial expense		
Interest expense	-28.6	-38.8
Net interest income on pensions	-11.8	-11.0
Capitalized interest expenses	20.6	23.0
Change in market value	-0.4	-3.8
Net exchange-rate differences	-2.8	-11.4
Other financial items	-4.8	-10.3
	-27.8	-52.3
Total	-13.9	-37.2

Disclosures on the portion of income and expenses in financial items that comes from financial instruments are presented in Note 6 Financial instruments and financial risk management.

Net interest items

Financial items amounted to USD -13.9 M (-37.2). Net interest items improved to USD -11.5 M (-16.4). Interest income decreased to USD 8.3 M (10.4), mainly due to lower market interest rates. Interest expense before capitalized interest improved to USD -28.6 M (-38.8), which was mainly attributable to lower borrowing volumes as well as lower interest rates on loans. During the year, Skanska capitalized interest expenses of USD 20.6 M (23.0) in ongoing projects for its own account.

Interest income was received at an average interest rate of 0.49 (0.53) percent. Interest expense, excluding interest on pension liability, was paid at an average interest rate of 1.21 (1.65) percent during the year. Taking into account derivatives, the average interest rate was 2.04 (2.32) percent.

Net interest on pensions, which refers to the estimated net amount of interest expenses related to defined-benefit pension obligations and return on pension plan assets on January 1, 2016, based on the outcome in 2015, increased to USD -11.8 M (-11.0). See also Note 28 Pensions.

The Group had net interest items of USD 0.4 M (0.5) that were recognized in operating income. See Note 1 Accounting and valuation principles.

Change in market value

The change in market value amounted to USD 0.2 M (-3.0) and the increase is mainly due to lower interest expense relating to hedging of investments in foreign subsidiaries, as most of the hedges were divested at the end of 2015.

Other financial items

Other financial items totaled USD -4.8 M (-10.3) and mainly consisted of various fees for credit facilities and bank guarantees.

Note 15. Borrowing costs

Borrowing costs relating to investments that require a substantial period for completion are capitalized. See accounting and valuation principles in Note 1.

In 2016, borrowing costs were capitalized at an interest rate of around 1.5 (1.5) percent.

	Capitalized interest during the year		Total accumulated capitalized interest included in	
	2016	2015	2016	2015
Current-asset properties	20.6	23.0	27.0	27.9
Total	20.6	23.0	27.0	27.9

Note 16. Income taxes

Income taxes are reported in compliance with IAS 12 Income Taxes. See Note 1 Accounting and valuation principles.

Tax expense

	2016	2015
Current taxes	-113.2	-118.9
Deferred tax assets/expenses from change in temporary differences	-45.0	1.1
Deferred tax expenses from change in loss carryforwards	9.6	-14.2
Taxes in joint ventures	-11.0	-8.4
Total	-159.6	-140.5

Tax items recognized under other comprehensive income

	2016	2015
Deferred taxes attributable to cash flow hedges	-0.5	-1.8
Deferred taxes attributable to pensions	22.1	-20.7
Total	21.6	-22.5

There was no deferred tax attributable to the category "available-for-sale financial assets."

Relationship between taxes calculated after aggregating nominal tax rates and recognized taxes

The Group's recognized tax rate amounted to 19 (20) percent.

The Group's aggregated nominal tax rate was estimated at 26 (23) percent.

The average nominal tax rate in Skanska's home markets in Europe amounted to about 21 (21) percent, and in the U.S., just over 40 (40) percent, depending on the allocation of income between the different states.

The relationship between taxes calculated after aggregating nominal tax rates of 26 (23) percent and recognized taxes of 19 (20) percent is explained in the table below.

	2016	2015
Income after financial items	829.6	708.5
Tax according to aggregation of nominal tax rates, 26 (23) percent	-215.7	-162.9
Tax effect of:		
Property divestments ¹	42.8	41.8
Divestment of infrastructure projects	31.4	10.1
Other	-18.1	-29.5
Recognized tax expense	-159.6	-140.5

1 In a number of the markets where Skanska operates, the sale of real estate projects via the divestment of companies is tax-free.

2 In a number of the markets where Skanska operates, the sale of infrastructure projects via the divestment of companies is tax-free.

Income taxes paid in 2016 amounted to USD -140.8 M (-95.3).

Income taxes paid can vary greatly from year to year for the countries where the Group operates.

Income taxes are often calculated based on different principles to those that apply to the preparation of the consolidated income statement. If the final income tax is less than the amount provisionally withdrawn in previous years, income taxes paid for the year may be substantially reduced.

Note 16. Continued

The table below shows a breakdown by country of income taxes paid:

Country	2016	Country	2015
Sweden	73.6	Sweden	56.9
USA	34.1	USA	19.1
Norway	9.2	Finland	12.1
Finland	6.9	Peru	5.7
Czech Republic	6.1	Norway	5.2
Other	10.9	Other	-3.7
	140.8		95.3

Tax assets och tax liabilities

	Dec 31, 2016	Dec 31, 2015
Tax assets	86.5	82.3
Tax liabilities	53.9	66.7
Net tax assets (+), tax liabilities (-)	32.6	15.6

Tax assets and tax liabilities refer to the difference between estimated income tax for the year and preliminary tax paid, as well as income taxes for prior years that have not yet been paid.

Deferred tax assets and deferred tax liabilities

	Dec 31, 2016	Dec 31, 2015
Deferred tax assets according to the statement of financial position	181.9	164.9
Deferred tax liabilities according to the statement of financial position	164.5	153.2
Net deferred tax assets (+), deferred tax liabilities (-)	17.4	11.7
	Dec 31, 2016	Dec 31, 2015
Deferred tax assets for loss carryforwards	18.4	12.0
Deferred tax assets for other assets	30.0	53.2
Deferred tax assets for provisions for pensions	125.8	108.4
Deferred tax assets for ongoing projects	71.4	43.0
Other deferred tax assets	180.2	161.0
Total before net accounting	425.8	377.7
Net accounting of offsettable deferred tax assets/liabilities	-243.9	-212.9
Deferred tax assets according to the statement of financial position	181.9	164.9
	Dec 31, 2016	Dec 31, 2015
Deferred tax liabilities for non-current assets	47.7	47.1
Deferred tax liabilities for ongoing projects	176.1	180.8
Deferred tax liabilities for other current assets	22.3	15.1
Other deferred tax liabilities	162.3	123.0
Total before net accounting	408.4	366.0
Net accounting of offsettable deferred tax assets/liabilities	-243.9	-212.9
Deferred tax liabilities according to the statement of financial position	164.5	153.2

Change in net deferred tax assets (+), liabilities (-)

	2016	2015
Net deferred tax assets, January 1	11.7	33.2
Divestments of companies	24.4	14.5
Recognized under other comprehensive income	20.4	-22.5
Deferred tax expenses	-33.4	-13.2
Reclassifications	-2.1	
Exchange-rate differences	-3.6	-0.3
Net deferred tax assets, December 31	17.4	11.7

Deferred tax assets other than for loss carryforwards refer to temporary differences between carrying amounts for tax purposes and carrying amounts recognized in the statement of financial position. These differences arise, for example, when the Group's valuation principles deviate from those applied locally by a Group company. These deferred tax assets are mostly expected to be realized within five years.

Deferred tax assets arise, for example, when a recognized depreciation/amortization/impairment loss on assets becomes tax-deductible only in a later period, when eliminating intra-Group profits, when the provisions for defined-benefit pensions differ between local rules and IAS 19, when the required provisions become tax-deductible in a later period and when advance payments for ongoing projects are taxed on a cash basis.

Deferred tax liabilities for other assets and other deferred tax liabilities refer to temporary differences between carrying amounts for tax purposes and carrying amounts in the statement of financial position. These differences arise, for example, when the Group's valuation principles deviate from those applied locally by a Group company. These deferred tax liabilities are expected to be mostly realized within five years.

For example, deferred tax liabilities arise when depreciation/amortization for tax purposes in the current period is larger than the required economic depreciation/amortization and when accrued profits in ongoing projects are taxed only when the project is completed.

Temporary differences attributable to investments in Group companies, branches, associated companies and joint ventures for which deferred tax liabilities were not recognized amount to USD 0 M (0). In Sweden and a number of other countries, divestments of holdings in limited companies are tax-exempt under certain circumstances. Temporary differences thus do not normally exist for the share holdings of the Group's companies in these countries.

Temporary differences and loss carryforwards that are not recognized as deferred tax assets

	Dec 31, 2016	Dec 31, 2015
Loss carryforwards that expire within one year		
Loss carryforwards that expire in more than one year but within three years	1.4	0.7
Loss carryforwards that expire in more than three years	198.5	194.5
Total	199.9	195.2

Skanska has loss carryforwards in a number of countries. In some of these countries the likelihood that a loss carryforward will be able to be used is difficult to assess and therefore no deferred tax asset is reported.

Note 17. Property, plant and equipment

Property, plant and equipment are reported in compliance with IAS 16 Property, Plant and Equipment. See Note 1 Accounting and valuation principles.

Office buildings and other buildings used in the Group's operations are recognized as property, plant and equipment. Machinery and equipment are recognized as a single item ("Plant and equipment").

Property, plant and equipment by asset class

	2016	2015
Property (buildings and land)	204.6	218.8
Plant and equipment	536.8	545.8
Property, plant and equipment under construction	12.9	10.1
Total	754.3	774.7

Depreciation of property, plant and equipment by asset class and function

	Cost of sales		Selling and administration		Total	
	2016	2015	2016	2015	2016	2015
Property (buildings and land)	-6.3	-6.9	-2.8	-4.5	-9.1	-11.4
Plant and equipment	-125.8	-147.0	-17.6	-16.7	-143.4	-163.7
Total	-132.1	-153.9	-20.4	-21.2	-152.5	-175.1

Impairment losses/reversals of impairment losses on property, plant and equipment

In 2016, gross reversals of impairment losses in the amount of USD 0.9 (-1.3) were recognized. Reversals of impairment losses were applied in Poland and in the comparative year impairment losses were recognized in the U.S. All impairment losses/reversals of impairment losses were recognized under "Cost of production and management."

	Property (buildings and land)		Plant and equipment		Total	
Impairment losses/reversals of impairment losses	2016	2015	2016	2015	2016	2015
Impairment losses		-1.3			0	-1.3
Reversals of impairment losses	0.9				0.9	0
Total	0.9	-1.3	0	0	0.9	-1.3

Amount of impairment losses/reversals of impairment losses based on	2016	2015	2016	2015	2016	2015
Fair value less selling expenses/costs of disposal		-1.3			0	-1.3
Value in use	0.9				0.9	0
Total	0.9	-1.3	0	0	0.9	-1.3

Information about cost, accumulated depreciation and accumulated impairment losses

	Property (buildings and land)		Plant and equipment		Property, plant and equipment under construction	
	2016	2015	2016	2015	2016	2015
Accumulated cost						
January 1	415.7	457.7	2,504.0	2,665.3	10.1	12.1
Investments	4.9	8.7	172.0	158.0	14.3	11.5
Acquisitions of companies						
Divestments	-8.6	-23.1	-88.2	-131.2	-4.2	
Reclassifications	3.4	2.7	4.3	10.1	-6.5	-12.1
Exchange rate differences for the year	-18.6	-30.2	-223.3	-198.1	-0.8	-1.3
	396.8	415.7	2,368.8	2,504.0	12.9	10.1
Accumulated depreciation according to plan						
January 1	-163.1	-166.8	-1,936.8	-1,995.5		
Divestments and disposals	2.1	2.4	64.3	69.4		
Reclassifications						
Amortization for the year	-9.1	-11.4	-143.4	-163.7		
Exchange rate differences for the year	9.2	12.7	204.0	153.1		
	-160.9	-163.1	-1,811.9	-1,936.8		
Accumulated impairment losses						
January 1	-33.8	-35.5	-21.4	-23.4		
Divestments	-0.1	0.1				
Reclassifications						
Impairment losses/reversals of impairment losses for the year	0.9	-1.3				
Exchange rate differences for the year	1.7	2.9	1.3	1.9		
	-31.3	-33.8	-20.1	-21.4		
Carrying amount, December 31	204.6	218.8	536.8	545.8	12.9	10.1
Carrying amount, January 1	218.8	255.3	545.8	646.4	10.1	12.1

Other items

Information about capitalized interest is presented in Note 15 Borrowing costs.

For information on finance leases, see Note 40 Leases.

Skanska has obligations to acquire property, plant and equipment in the amount of USD 0 M (0).

Skanska did not receive any significant compensation from third parties for property, plant and equipment that was damaged or lost during the year or in the comparative year.

Not 18. Goodwill

Goodwill is recognized in compliance with IFRS 3 Business Combinations.

See Note 1 Accounting and valuation principles. For key judgments, see Note 2.

Goodwill amounted to USD 581.4 M (626.1). In 2016 goodwill decreased by USD –44.7 M net due to exchange-rate differences and deductions for divested goodwill. During the comparative year, goodwill decreased by USD 50.9 M.

Goodwill amounts by cash-generating units

	2016	2015	Change during the year	of which exchange-rate differences	Of which divestments
Construction					
Sweden	5.4	13.7	–8.3	–0.5	–7.8
Norway	109.9	107.8	2.1	2.1	0.0
Finland	46.2	47.9	–1.7	–1.7	0.0
Poland	5.1	5.4	–0.3	–0.3	0.0
Czech Republic/Slovakia	59.0	61.1	–2.1	–2.1	0.0
UK	174.1	209.5	–35.4	–35.4	0.0
USA Building	40.6	40.5	0.1	0.1	0.0
USA Civil	93.8	93.8	0.0	0.0	0.0
Residential Development					
Norway	46.2	45.3	0.9	0.9	0.0
Finland	1.1	1.1	0.0	0.0	0.0
Total	581.4	626.1	–44.7	–36.9	–7.8

The goodwill recoverable amount is based exclusively on value in use. The amounts of goodwill together with other non-current assets, current-asset property and net working capital are tested annually.

Expected cash flows are based on forecasts for the development of the construction investments and residential development in each market and in the countries where the Group has operations. The forecasts are based on the units' two-year forecasts and the established five-year business plan. Future macroeconomic development and changes in interest rates are also important variables. The forecast period is 10 years, which is the period used in models for measurement of other types of assets, such as commercial projects. Using 10-year models it is easier to make assumptions concerning cycles, and there is less reliance on residual values.

The growth rate used to extrapolate cash flow forecasts beyond the period covered by the 10-year forecasts is the normal growth rate for the industry in each respective country.

Each Business Unit uses a unique discount factor based on weighted average cost of capital (WACC).

Parameters that affect the WACC are interest rates for borrowing, market risks and the ratio between borrowed funds and equity. The WACC interest rate is stated both before and after taxes.

The following table shows how the carrying amount relates to the recoverable amount for the respective Business Units for Skanska's largest goodwill items. The recoverable amount is expressed as 100. The tests are based on an assessment of anticipated development over the next ten-year period.

	Norway	Finland	Czech Republic	UK	USA Civil
Recoverable amount, 100	100	100	100	100	100
Carrying amount ¹	40	21	8	5	n.a
Carrying amount, previous year	22	28	n.a	0	n.a
Interest rate, percent (WACC), before taxes	12	8	9	10	10
Interest rate, percent (WACC), after taxes	8	7	8	9	7
Expected growth, %	2	2	3	3	2
Interest rate, percent (WACC), previous year (before taxes)	9	9	9	9	11
Interest rate, percent (WACC), previous year (after taxes)	7	7	7	7	7
Expected growth, %, previous year	0	0	2	2	2
Carrying amount in relation to recoverable amount, 100 in case of increase in interest rate by					
+ 1 percentage point	48	26	9	6	n.a
+ 5 percentage points	81	49	15	8	n.a
Carrying amount, previous year, in relation to recoverable amount 100 in case of increase in interest rate by					
+ 1 percentage point	28	32	n.a	0	n.a
+ 5 percentage points	48	55	n.a	1	n.a

¹ Value > 100 indicates that the recoverable amount is less than the carrying amount and an impairment loss needs to be recognized. For Skanska's operations in the U.S., the carrying amount was negative due to negative working capital exceeding the value of non-current assets.

Goodwill impairment losses

In both 2016 and the previous year no impairment losses were recognized within the Group.

Note 19. Intangible assets

Intangible assets are recognized in compliance with IAS 38 Intangible Assets, see Note 1 Accounting and valuation principles.

Intangible assets and useful life applied

	Dec 31, 2016	Dec 31, 2015	Useful life applied
Intangible assets, internally generated	51.5	41.6	3–7 years
Intangible assets, externally acquired	62.6	48.2	3–10 years
Total	114.1	89.8	

Internally generated intangible assets consist of business systems.

Externally acquired intangible assets include acquired software in the U.S. and Poland and licenses in Sweden.

Business systems are amortized over three to seven years. Service contracts are amortized over a period of three to six years, customer contracts are amortized at the pace of completion and patents are amortized over ten years.

Amortization of other intangible assets by function

All intangible assets are amortized as they have a limited useful life.

Amortization by function	2016	2015
Cost of sales	–6.2	–6.4
Selling and administration	–9.3	–5.7
Total	–15.5	–12.1

Impairment losses/reversals of impairment losses on other intangible assets

There were no impairment losses/reversals of impairment losses on other intangible assets in 2016 nor in the previous year.

Information about cost, accumulated depreciation and accumulated impairment losses

	Intangible assets, externally acquired		Intangible assets, internally generated ¹	
	2016	2015	2016	2015
Accumulated cost				
January 1	167.6	170.1	46.6	8.0
Other investments	27.1	22.8	18.9	23.4
Divestments	–0.1	0.1		
Reclassifications	–9.1	–15.6	0.0	15.6
Exchange rate differences for the year	–9.6	–9.8	–4.7	–0.4
	175.9	167.6	60.8	46.6
Accumulated amortization				
January 1	–112.9	–110.6	–5.0	–1.2
Divestments		0.2		
Amortization for the year	–10.4	–8.7	–5.1	–3.4
Reclassifications	9.1	0.5		–0.5
Exchange rate differences for the year	6.4	5.6	0.8	0.1
	–107.8	–112.9	–9.3	–5.0
Accumulated impairment losses				
January 1	–6.4	–6.8	0.0	0.0
Exchange rate differences for the year	0.9	0.4		
	–5.5	–6.4	0.0	0.0
Carrying amount, December 31	62.6	48.2	51.5	41.6
Carrying amount, January 1	48.2	52.7	41.6	6.8

¹ Internally generated intangible assets consist of business systems.

Other items

Information about capitalized interest is presented in Note 15 Borrowing costs.

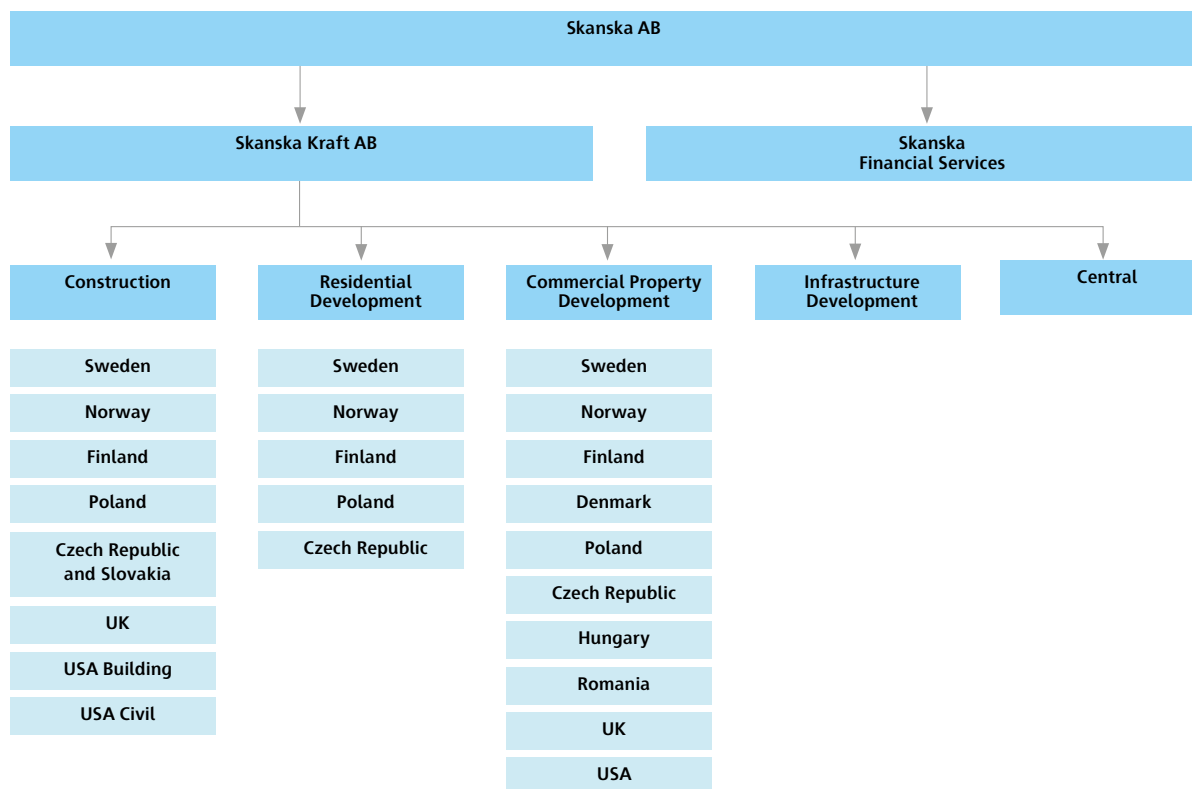
Direct research and development expenses amounted to USD 27.0 M (24.9).

Note 20A. Subsidiaries

The Parent Company Skanska AB holds 100 percent of the shares in Skanska Financial Services AB and Skanska Kraft AB. Skanska Kraft AB in turn directly or indirectly owns the subsidiaries in the countries in which Skanska has operations.

All subsidiaries are independent limited companies, or the equivalent legal form in each country.

Skanska's Company Structure



According to Note 26, there are only minor interests in non-controlling interests.

Note 20B. Investments in joint ventures and associated companies

For all joint arrangements an assessment is made of their legal form, agreements between the owning parties and other circumstances. In compliance with IFRS 11, the joint arrangement is reported as a joint venture if the owning parties only have rights to the net assets. See also Note 1.

Investments in joint ventures and associated companies are reported according to the equity method of accounting. Income from joint ventures and associated companies is reported on a separate line in operating income. This income consists of the Group's share of the income in joint ventures and associated companies after financial items, adjusted for any impairment losses on consolidated goodwill and intra-Group profits.

Income from joint ventures and associated companies is presented in the following table:

	2016	2015
Share of income in joint ventures according to the equity method ¹	84.6	100.8
Share of income in associated companies according to the equity method ¹	0.5	0.2
Divestments of joint ventures	202.0	51.5
Impairment losses in joint ventures	-38.7	-1.9
Total	248.4	150.6

¹ When calculating the income of joint ventures and associated companies according to the equity method, the Group's share of taxes is recognized on the "Taxes" line in the income statement. The Group's share of taxes in joint ventures amounts to USD -11.0 M (-8.4) and its share of associated companies' taxes amounts to USD 0 M (0). See also Note 16 Income taxes.

The carrying amount according to the statement of financial position and the change that occurred can be seen in the following table:

	2016			2015		
	Joint ventures	Associated-companies	Total	Joint ventures	Associated-companies	Total
January 1	337.5	2.3	339.7	333.5	2.4	335.9
New acquisitions	194.1		194.1	53.8		53.8
Divestments	-155.2		-155.2	-82.8		-82.8
Reclassifications	4.7		4.7	-4.6		-4.6
Exchange rate differences for the year	-16.4	-0.1	-16.5	-20.1	-0.2	-20.3
The year's provision/reversal for intra-Group profit on contracting work	-1.3		-1.3	-1.3		-1.3
Changes in fair value of derivatives	99.9		99.9	33.3		33.3
Impairment losses for the year	-38.7		-38.7	-1.9		-1.9
The year's change in share of income in joint ventures and associated companies after subtracting dividends received	31.8	0.4	32.2	27.5		27.5
Carrying amount, December 31	456.4	2.6	458.9	337.5	2.3	339.7

Joint ventures

Joint ventures are reported in compliance with IFRS 11 Interests in Joint Ventures. See Note 1 Accounting and valuation principles.

The Group has holdings in joint ventures with a carrying amount of USD 456.4 M (337.5).

Infrastructure Development includes carrying amounts in joint ventures totaling USD 297.9 M (228.2).

Income from joint ventures

Share of income in joint ventures is reported in operating income, because these holdings are an element of Skanska's business.

Share of income in joint ventures according to the equity method comes mainly from Infrastructure Development operations.

Note 20B. Continued

Infrastructure Development

Infrastructure Development specializes in identifying, developing and investing in privately financed infrastructure projects, such as roads, hospitals and airports. The business stream focuses on creating new potential projects, mainly in the markets where the Group has operations.

Specification of major holdings of shares and participations in joint ventures

Company	Type	Country	Percentage of share capital	Percentage of voting power	Consolidated carrying amount	
					Dec 31, 2016	Dec 31, 2015
Joint ventures in Infrastructure Development ¹						
Bristol LEP Ltd ²	Education	UK	80	80	0.7	1.0
Connect Plus Holdings Ltd ³	Highway	UK	40	40		37.6
Elizabeth River Crossings LLC	Highway/tunnel	USA	50	50	0.0	0.0
Elizabeth River Crossings Holdco LLC	Highway/tunnel	USA	50	50	187.9	66.9
Essex LEP Ltd ²	Education	UK	70	70	1.4	1.7
Gdansk Transport Company S.A	Highway	Poland	30	30	44.2	49.3
I-4 Mobility Partners Holdco LLC	Highway	USA	50	50	1.2	0.0
Mullbergs Vindpark AB	Wind power	Sweden	50	50	0.0	11.4
NPH Healthcare (Holdings) Limited shares	Healthcare	UK	50	50	0.0	0.0
Sjjsjka Vind AB ²	Wind power	Sweden	67	67	15.2	0.0
Swedish Hospital Partners Holding AB	Healthcare	Sweden	50	50	47.1	44.7
LaGuardia Gateway Partners LLC	Airport	USA	33	33	0.2	0.0
Other					0.0	15.6
Total joint ventures in Infrastructure Development					297.9	228.2
AB Sydsten	Construction	Sweden	50	50	11.3	11.4
Alley 111 Owner LLC	Commercial Property Development	USA	20	20	6.8	7.0
SKPR 1350 Boylston LP	Commercial Property Development	USA	50	50	25.8	11.4
SKPR Watermark Seaport Operating Company LLC	Commercial Property Development	USA	50	50	21.3	20.2
Sundtkvartalet Holding AS	Commercial Property Development	Norway	50	50	10.4	10.4
T-C/SK 400 Fairview Holding LLC	Commercial Property Development	USA	10	10	14.7	14.7
Tiedemannsbyen DA	Residential Development	Norway	50	50	11.5	12.6
Botkyrka Södra Porten Holding AB	Construction	Sweden	50	50	11.4	0.0
Nacka 13:79 JV AB	Residential Development	Sweden	50	50	10.3	1.2
Sjöstadsbo AB	Residential Development	Sweden	50	50	15.7	0.4
Other joint ventures					19.3	19.8
Total joint ventures, Group					456.4	337.5

1 Carrying amounts for joint ventures in Infrastructure Development are affected by cash flow hedges. The value of these cash flow hedges amounts to USD -70.6 (-191.3). When joint ventures where the carrying amount is affected by cash flow hedges are sold, the income from the sale will be affected as the effect of the cash flow hedges is rebooked against income.

2 For the companies Bristol LEP Ltd, Essex LEP Ltd and Sjjsjka Vind AB shareholder agreements exist between the co-owners stating, among other things, that key issues such as budgets and investments must be determined jointly; Skanska has concluded that this means Skanska does not have a controlling interest, despite having a high percentage of the capital and voting rights.

3 Holding divested in 2016.

Unrealized development gain in Infrastructure Development

USD bn	Dec 31, 2016	Dec 31, 2015
Present value of cash flow from projects	0.6	0.7
Present value of remaining investments	-0.1	-0.2
Present value of projects	0.5	0.6
Carrying amount before cash flow hedging	-0.3	-0.4
Unrealized development gain	0.2	0.2
Cash flow hedges	0.1	0.2
Effect on unrealized equity ¹	0.2	0.4

1 Tax effects not included.

Note 20B. Continued

Details of Skanska's significant joint ventures

All significant joint ventures are within Infrastructure Development. Major joint ventures in which Skanska participates are reported below. The amounts correspond to 100 percent of each joint venture's income statement and statement of financial position.

	I4 Ultimate	Capital Hospitals (Holdings) Ltd	Connect Plus Holdings Ltd	Elizabeth River Crossings Holdings LLC	Gdansk Transport Company S.A.	NPH Healthcare (Holdings) Limited shares/Paworth Hospital	Swedish Hospital Partners Holdings AB	LaGuardia Airport	Other joint ventures	All joint ventures, total
Income statement	2016	2016	2016	2016	2016	2016	2016	2016	2016	2016
Revenue	215.6		144.6	351.6	42.5	35.8	270.7	538.3	186.3	1,785.4
Depreciation/amortization				-5.5					-2.8	-8.3
Impairment losses									-9.2	-9.2
Other operating expenses	-226.1		-124.3	-297.6	-21.0	-33.5	-266.9	-537.6	-171.7	-1,678.7
Operating income	-10.5		20.3	48.5	21.5	2.3	3.8	0.7	2.6	89.2
Interest income	35.1		117.7		70.8	0.0	86.2	0.0	0.9	310.7
Interest expense	-20.9		-85.2	0.0	-52.3	-1.5	-56.2	0.0	-5.7	-221.8
Financial items									-65.2	-65.2
Income after financial items ¹	3.7		52.8	48.5	40.0	0.8	33.8	0.7	-67.4	112.9
Taxes			-5.8		-7.6	-0.1	-4.3		-2.9	-20.7
Profit for the year	3.7		47.0	48.5	32.4	0.7	29.5	0.7	-70.3	92.2
Comprehensive Income for the year	3.7		47.0	48.5	32.4	0.7	29.5	0.7	-70.3	92.2

Statement of financial position

Non-current assets	777.5			1,441.5	1,665.3	106.9	1,095.0	2,600.5	953.7	8,640.4
Current assets	75.1			56.6	7.0	0.0	0.0	99.3	238.7	476.7
Cash	16.3			8.4	67.1	0.0	0.0	79.4	53.2	224.4
Total assets	868.9		0.0	1,506.5	1,739.4	106.9	1,095.0	2,779.2	1,245.6	9,341.5
Equity attributable to equity holders ²	-4.2			375.8	147.5	-6.6	94.3	0.8	572.3	1,179.9
Non-controlling interests										
Financial non-current liabilities	843.0			1,127.1	1,403.4	108.5	950.1	2,618.7	243.6	7,294.4
Other non-current liabilities					56.2				50.6	106.8
Financial current liabilities									290.0	290.0
Other current liabilities	30.1			3.6	132.3	5.0	50.6	159.7	89.1	470.4
Total equity and liabilities	868.9			1,506.5	1,739.4	106.9	1,095.0	2,779.2	1,245.6	9,341.5
Skanska received the following dividend ³			3.3		10.5				28.0	41.8
Reconciliation with participations in joint ventures										
Equity attributable to the investors in joint ventures	-4.2		0.0	375.8	147.5	-6.6	94.3	0.8	572.3	1,179.9
Less equity attributable to investors other than Skanska	2.1		0.0	-187.9	-103.3	3.3	-47.2	-0.6	-364.6	-698.2
Skanska's portion of equity in joint ventures, adjusted for surplus value and goodwill	-2.1		0.0	187.9	44.2	-3.3	47.1	0.2	207.7	481.7
+ Losses recognized as provisions	3.3					3.3	0.0	0.0	8.7	15.3
- Impairment losses									-38.7	-38.7
+ Elimination of intra-Group profit									-4.1	-4.1
Exchange rate differences for the year									2.2	2.2
Carrying amount of participations	1.2		0.0	187.9	44.2	0.0	47.1	0.2	175.8	456.4

1 The amount includes impairment losses in the consolidated accounts.

2 Equity includes subordinated loans from the owners.

3 Dividend include interest paid on the subordinated loans.

Note 20B. Continued

Details of Skanska's significant joint ventures

All significant joint ventures are within Infrastructure Development

Major joint ventures in which Skanska participates are reported below.

The amounts correspond to 100 percent of each joint venture's income statement and statement of financial position.

	I4 Ultimate	Capital Hospitals (Holdings) Ltd	Connect Plus Holdings Ltd	Elizabeth River Crossings Holdings LLC	Gdansk Transport Company S.A.	NPH Healthcare (Holdings) Limited shares/Paworth Hospital	Swedish Hospital Partners Holdings AB	LaGuardia Airport	Other joint ventures	All joint ventures total
Income statement	2015	2015	2015	2015	2015	2015	2015	2015	2015	2015
Revenue	446.7	99.6	214.7	351.8	49.0	64.4	262.6		155.0	1,643.6
Depreciation/amortization				-4.3					-2.8	-7.1
Impairment losses									0.0	0.0
Other operating expenses	-444.5	-96.1	-185.9	-304.6	-32.2	-61.9	-258.3		-133.8	-1,517.4
Operating income	2.3	3.4	28.8	42.9	16.7	2.5	4.3		18.3	119.1
Interest income		84.5	178.7		97.1		70.1		0.4	430.7
Interest expense	-2.5	-68.3	-128.0		-68.4	-1.8	-46.1		-3.3	-318.4
Financial items	2.8	1.2	0.0			-0.4			-7.2	-3.6
Income after financial items ¹	2.6	20.9	79.4	42.9	45.4	0.4	28.2		8.1	227.8
Taxes		-1.9	-8.8		-8.8	-0.1	-3.8		0.8	-22.5
Profit for the year	2.6	19.0	70.7	42.9	36.6	0.3	24.4		8.8	205.3
Comprehensive Income for the year	2.6	19.0	70.7	42.9	36.6	0.3	24.4		8.8	205.3

Statement of financial position

Non-current assets	452.3		1,780.6	1,017.0	1,555.2	85.9	901.8		725.6	6,518.4
Current assets	0.0		213.2	36.0	203.0	0.0	52.6		266.2	771.0
Cash	25.3		0.0	150.8	69.9	0.0	11.6		39.8	297.3
Total assets	477.5	0.0	1,993.9	1,203.8	1,828.1	85.9	966.0		1,031.6	7,586.7
Equity attributable to equity holders ²	-9.9		94.2	133.9	164.3	-1.4	89.3		522.3	992.7
Non-controlling interests										
Financial non-current liabilities	444.5		1,899.6	1,069.9	1,480.1	83.7	872.6		327.3	6,177.9
Other non-current liabilities									63.6	63.6
Financial current liabilities									56.9	56.9
Other current liabilities	42.9				183.7	3.6	4.0		61.5	295.6
Total equity and liabilities	477.5	0.0	1,993.9	1,203.8	1,828.1	85.9	966.0		1,031.6	7,586.7
Skanska received the following dividend ³		5.7	13.3		12.8				33.2	65.0
Reconciliation with participations in joint ventures										
Equity attributable to the investors in joint ventures	-9.9	0.0	94.2	133.9	164.3	-1.4	89.3		522.3	992.7
Less equity attributable to investors other than Skanska	4.9	0.0	-56.6	-66.9	-115.0	0.7	-44.7		-374.7	-652.3
Skanska's portion of equity in joint ventures, adjusted for surplus value and goodwill	-5.0	0.0	37.6	66.9	49.3	-0.7	44.7		147.6	340.4
+ Losses recognized as provisions	5.0					0.7	0.0		7.4	13.1
- Impairment losses									-1.9	-1.9
+ Elimination of intra-Group profit									-14.2	-14.2
Carrying amount of participations	0.0	0.0	37.6	66.9	49.3	0.0	44.7		138.9	337.5

¹ The amount includes impairment losses in the consolidated accounts.

² Equity includes subordinated loans from the owners.

³ Dividend include interest paid on the subordinated loans.

Note 20B. Continued

Assets pledged

Shares in joint ventures pledged as collateral for loans and other obligations amount to USD 295.9 M (198.6).

Other items

Skanska's joint ventures are owned by Skanska and other investors. Each are capital-intensive projects and are financed in part by capital from the owning parties, but the majority are financed via banks or credit institutions. The assets of the respective joint ventures are used as collateral for the liabilities. According to agreements with the banks, the ability to access bank account funds from these joint ventures is restricted.

Skanska's portion of the total investment obligations of partly owned joint ventures amounts to USD 424.6 (423.2), of which Skanska has remaining obligations to invest USD 154.7 M (191.2) in Infrastructure Development in the form of equity holdings and loans. The remaining portion is expected to be financed mainly in the form of bank loans or bonds in the respective joint ventures and in the form of participations and loans from other co-owners.

Contingent liabilities for joint ventures amounted to USD 152.1 M (225.1).

Associated companies

Associated companies are reported in compliance with IAS 28 Investments in Associates. See Note 1 Accounting and valuation principles.

The carrying amount of associated companies is USD 2.6 M (2.3).

Information on the Group's share of revenue, income, assets, liabilities and equity in associated companies

	2016	2015
Revenue	3.5	2.8
Earnings	0.4	0.0
Assets	2.8	3.0
Equity ¹	2.6	2.3
Liabilities	0.2	0.7
	2.8	3.0

¹ Reconciliation between equity and carrying amount of holdings, in accordance with the equity method of accounting.

	2016	2015
Equity in associated companies	2.6	2.3
Adjustment for losses not recognized	0.0	0.0
Carrying amount	2.6	2.3

Other items

The associated companies have no liabilities or contingent liabilities which the Group may become responsible for paying. Nor are there any obligations for further investments.

Note 20c. Joint operations

Skanska executes certain projects with a joint party without a separate legal company being formed for the purpose. These projects are then classified as joint operations in compliance with IFRS 11. Joint operations without the formation of a separate company are found mainly in the USA.

Skanska also executes certain projects with a joint party where a separate company is formed for the purpose. These projects are classified as joint operations provided that the other criteria in IFRS 11 are fulfilled.

Specification of significant holdings in joint operations, according to sales in current year

Name of joint operation	Type	Country	Percentage of share capital
AMP6 Thames water	Water maintenance	UK	33
Skanska Morrison	Gas maintenance	UK	50
Skanska/Walsh	Airport	USA	70
Skanska-Shimmick-Herzog	Public transit	USA	45
Regional Connector Constructors	Public transit	USA	63
Skanska-Traylor-Shea	Public transit	USA	50
SKW Constructors	Tunnel	USA	45
Skanska-Granite-Lane	Highway/bridges	USA	40
Skanska Koch - Kiewit	Highway/bridge	USA	54
Skanska Granite Skanska	Public transit	USA	50
Skanska Kiewit Ecco	Highway/bridge	USA	45
Skanska Burns & McDonnell ECCO III	Power plant	USA	55

There are around 150 other small joint operations in the above countries, as well as in Sweden, Norway, the Czech Republic and Slovakia.

Note 21. Financial assets

Financial investments, financial receivables and shareholdings where ownership is less than 20 percent and the Group has no significant influence are recognized as financial non-current assets.

Financial investments and financial receivables are recognized as financial current assets. See also Note 6 Financial instruments and financial risk management.

Financial non-current assets	Dec 31, 2016	Dec 31, 2015
Financial investments		
Financial assets at fair value through profit or loss		
Derivatives	0.0	0.0
Hedge-accounted derivatives	0.2	0.1
Financial assets available for sale ¹	4.9	7.3
	5.1	7.4
Financial receivables, interest-bearing		
Receivables from joint ventures	22.5	29.4
Restricted cash and cash equivalents	39.2	91.0
Net assets in funded pension plans	40.2	27.3
Other interest-bearing receivables	5.1	6.6
	107.0	154.3
Total	112.1	161.6
of which interest-bearing financial non-current assets	107.0	154.3
of which non-interest-bearing financial non-current assets	5.1	7.4
Financial current assets	Dec 31, 2016	Dec 31, 2015
Financial investments		
Financial assets at fair value through profit or loss		
Derivatives	18.8	12.9
Hedge-accounted derivatives	0.8	1.4
Held-to-maturity investments	142.9	191.1
	162.5	205.4
Financial receivables, interest-bearing		
Restricted cash and cash equivalents	875.7	643.6
Receivables from joint ventures	20.9	16.9
Other interest-bearing receivables	54.6	27.0
	951.2	687.5
Total	1,113.7	892.9
of which interest-bearing financial current assets	1,094.1	878.6
of which non-interest-bearing financial current assets	19.6	14.3
Total carrying amount, financial assets	1,225.8	1,054.5
of which financial assets excluding shares	1,220.9	1,047.3

¹ Shares recognized at the lower of cost and fair value are included for an amount of USD 4.9 M (7.3). In 2016, shareholdings were affected by impairment losses of USD 0 M (0).

Note 22. Current-asset properties/project development

Current-asset properties are recognized in compliance with IAS 2 Inventories. See Note 1 Accounting and valuation principles.

The allocation of items in the statement of financial position by business stream is presented below.

Business stream	Dec 31, 2016	Dec 31, 2015
Commercial Property Development	2,176.5	1,983.3
Residential Development	1,539.0	1,235.2
Total	3,715.5	3,218.5

For a further description of the respective business streams, see Note 4 Operating segments.

Completed properties, properties under construction and development properties are all reported as current-asset properties.

Impairment losses/reversals of impairment losses

Current-asset properties are valued in compliance with IAS 2 Inventories, and are thus carried at cost or net realizable value, whichever is lower. Adjustment to net realizable value via an impairment loss is recognized, as are reversals of previous impairment losses, in the income statement under "Cost of production and management."

Net realizable value is affected by the type and location of the property and by the yield requirement in the market.

The following table shows that impairment losses totaling USD 0 M (0) were reversed during the year.

	Impairment losses		Reversals of impairment losses		Total	
	2016	2015	2016	2015	2016	2015
Commercial Property Development	-19.7	-6.6	0.0	0.0	-19.7	-6.6
Residential Development	-4.9	-2.3	0.0	0.0	-4.9	-2.3
Total	-24.6	-8.9	0.0	0.0	-24.6	-8.9

Carrying amount

	Completed properties		Properties under construction		Development properties		Current-asset properties	
	Dec 31, 2016	Dec 31, 2015	Dec 31, 2016	Dec 31, 2015	Dec 31, 2016	Dec 31, 2015	Dec 31, 2016	Dec 31, 2015
Commercial Property Development	436.3	267.2	867.3	950.5	872.9	765.5	2,176.5	1,983.3
Residential Development	69.6	111.3	767.3	515.6	702.1	608.3	1,539.0	1,235.2
Total	505.9	378.4	1,634.6	1,466.2	1,575.0	1,373.9	3,715.5	3,218.5

	Commercial Property Development		Residential Development		Total current-asset properties	
	2016	2015	2016	2015	2016	2015
Carrying amount						
January 1	1,983.3	1,919.0	1,235.2	1,431.8	3,218.5	3,350.9
Investments	946.7	1,033.7	1,052.1	787.8	1,998.8	1,821.5
Carrying amount sold properties	-670.6	-815.7	-704.2	-845.3	-1,374.8	-1,661.0
Impairment losses/reversals of impairment losses	-19.7	-6.6	-4.9	-2.3	-24.6	-8.9
The year's provision for intra-Group profits in contracting work	-19.4	-29.3	-3.5	-4.3	-22.9	-33.6
Reclassifications	58.0	20.6	39.4	1.7	97.4	22.3
Exchange rate differences for the year	-101.8	-138.5	-75.1	-134.3	-176.9	-272.8
December 31	2,176.5	1,983.3	1,539.0	1,235.2	3,715.5	3,218.5

The carrying amount of current-asset properties is allocated between properties carried at cost and properties carried at net realizable value as shown in the following table.

	Cost		Net realizable value		Total	
	Dec 31, 2016	Dec 31, 2015	Dec 31, 2016	Dec 31, 2015	Dec 31, 2016	Dec 31, 2015
Commercial Property Development	2,167.5	1,969.6	9.0	13.7	2,176.5	1,983.3
Residential Development	1,538.1	1,233.8	0.9	1.4	1,539.0	1,235.2
Total	3,705.6	3,203.3	9.9	15.1	3,715.5	3,218.5

Note 22. Continued

Difference between fair value and carrying amount for current-asset properties

USD bn	Surplus value	Surplus value
	Dec 31, 2016	Dec 31, 2015
Commercial Property Development		
Completed projects	0.14	0.05
Undeveloped land and development properties	0.03	0.05
Ongoing projects ¹	0.55	0.57
	0.72	0.67
Residential Development		
Undeveloped land and development properties	0.11	0.12
Total	0.83	0.79

1 Estimated market value. Internal appraisal, with valuation on respective completion dates.

Assets pledged

Shares in joint ventures pledged as collateral for loans and other obligations amount to USD 49.1 M (50.3). See Note 33 Assets pledged, contingent liabilities and contingent assets.

Other items

Information about capitalized interest is presented in Note 15 Borrowing costs. Skanska has committed to investing USD 129.4 M (125.4) in current-asset properties.

Note 23. Inventories etc.

Inventories are reported in compliance with IAS 2 Inventories. See Note 1 Accounting and valuation principles.

	Dec 31, 2016	Dec 31, 2015
Raw materials and supplies	46.3	48.7
Products being manufactured	14.1	6.6
Finished products and merchandise	54.6	57.2
Total	115.0	112.4

There are no significant differences between the carrying amount for inventories and their fair value.

No portion of inventories was adjusted due to an increase in net realizable value.

No merchandise was used as collateral for loans and other obligations.

Note 24. Other operating receivables

Non-interest-bearing business receivables are reported as "Other operating receivables." Other operating receivables are part of the Group's operating cycle and are recognized as current assets.

	Dec 31, 2016	Dec 31, 2015
Trade accounts receivable, joint ventures	15.3	19.4
Trade accounts receivable, others	2,612.1	2,438.9
Other operating receivables	344.2	366.9
Prepaid costs and accrued income	311.3	257.2
Total	3,282.9	3,082.3
Of which financial instruments reported in Note 6 Financial instruments and financial risk management.		
Trade accounts receivable	2,627.4	2,458.3
Other operating receivables including accrued interest income	10.7	3.3
	2,638.1	2,461.6
Of which non-financial instruments	644.8	620.7

Note 25. Cash

"Cash" consists of cash and available funds at banks and equivalent credit institutions. Cash totaled USD 599.1 M (1,410.3). The Group had no cash equivalents on the closing day, or on the previous year's closing day.

Note 26. Equity/earnings per share

In the consolidated financial statements, equity is allocated between equity attributable to equity holders (shareholders) and non-controlling interests (minority interests). Non-controlling interests account for about 1 percent of total equity.

Equity changed during the year as follows:

	2016	2015
January 1	2,883.3	2,746.5
of which non-controlling interests	19.1	22.3
Total comprehensive income for the year		
Profit for the year attributable to		
Equity holders	668.5	566.7
Non-controlling interests	1.5	1.3
Other comprehensive income		
Items that will not be reclassified to profit or loss for the period		
Remeasurement of defined benefit plans ¹	-131.7	93.1
Tax related to items that will not be reclassified to profit or loss for the period	22.1	-20.8
Total	-109.6	72.3
Items that have been or will be reclassified to profit or loss for the period		
Translation differences attributable to equity holders ²	-155.5	-194.8
Translation differences attributable to non-controlling interests	0.9	-0.4
Hedging of exchange rate risk in foreign operations ²	61.6	5.4
Effect of cash flow hedges ³	103.5	39.7
Tax related to items that have been or will be reclassified to profit or loss	-0.5	-1.7
Total	10.0	-151.8
Other comprehensive income for the year after tax	-99.6	-79.5
Comprehensive income for the year	570.4	488.5
of which attributable to equity holders	568.0	487.6
of which attributable to non-controlling interests	2.4	0.9
Other changes in equity not included in comprehensive income for the year		
Dividend to equity holders	-359.3	-329.0
Dividend to non-controlling interests	-0.7	-4.1
Change in Group structure	1.7	0.0
Effect of share-based remuneration	31.8	30.7
Shares repurchased	-92.7	-49.3
Total	-419.2	-351.8
Equity, December 31	3,034.5	2,883.3
of which non-controlling interests	22.5	19.1

1 Remeasurement of defined benefit pension plans, USD -131.7 M (93.1), together with tax, USD 22.1 M (-20.7), totaling USD -109.6 M (72.4), constitutes the Group's total effect on other comprehensive income of remeasurement of pensions recognized in compliance with IAS 19 and is recognized in retained earnings.

2 Translation differences attributable to equity holders, USD -155.5 M (-194.8), plus hedging of exchange rate risk in foreign operations, USD 61.6 M (5.4), totaling USD -93.9 M (-189.4), constitute the change in the Group's in translation reserve.

3 Effect on cash flow hedges USD 103.5 M (39.7), together with taxes USD -0.5 M (-1.8), totaling USD 103.0 M (38.0) constitutes change in the Group's cash flow hedge reserve.

Equity attributable to equity holders is allocated as follows:

	Dec 31, 2016	Dec 31, 2015
Share capital	173.4	173.4
Paid-in capital	308.8	277.0
Reserves	-437.1	-446.2
Retained earnings	2,966.9	2,860.0
Total	3,012.0	2,864.2

Paid-in capital

Paid-in capital in excess of quota (par) value from historical issues of new shares is recognized as "Paid-in capital."

The change in 2016 and 2015 was attributable to share-based payments and amounted to USD 31.8 M (30.7).

Reserves	2016	2015
Translation reserve	-281.0	-187.1
Cash flow hedge reserve	-156.1	-259.1
Total	-437.1	-446.2

Reconciliation of reserves	2016	2015
Translation reserve		
January 1	-187.1	2.3
Translation differences for the year	-155.5	-194.8
Less hedging on foreign exchange rate risk in operations outside Sweden	61.6	5.4
December 31	-281.0	-187.1
Cash flow hedge reserve		
January 1	-259.1	-297.1
Cash flow hedges recognized in other comprehensive income		
Hedges for the year	-112.8	-21.5
Transferred to the income statement	216.3	61.2
Taxes attributable to hedging for the year	-0.5	-1.7
December 31	-156.1	-259.1
Total reserves	-437.1	-446.2

Translation reserve

The translation reserve consists of accumulated translation differences from the translation of financial reports for foreign operations. The translation reserve also includes exchange rate differences that have arisen when hedging net investments in foreign operations. The translation reserve was reset at zero upon the transition to IFRS on January 1, 2004.

Translation differences for the year amount to USD -155.5 M (-194.8) and consist of negative translation differences in SEK, GBP, EUR, PLN and CZK, and of positive translation differences in the other currencies in which the Group does business.

(For currency abbreviations, refer to Note 34 Foreign exchange rates and effect of changes in foreign exchange rates.)

In 2016 the translation reserve was affected by exchange rate differences of USD 61.6 M (-5.4) due to currency hedging.

The Group has currency hedges against net investments mainly in EUR, GBP and USD.

The accumulated translation reserve totaled USD 281.0 M (-187.1).

Note 26. Continued

Cash flow hedge reserve

Hedge accounting is applied mainly to Infrastructure Development.

Recognized in the cash flow hedge reserve are unrealized gains and losses on hedging instruments.

The change in 2016 amounts to USD 103.0 M (38.0), which is mainly explained by interest rate swaps in Skanska's joint venture company for the M25 project no longer being included in the reserve following the sale of the motorway project. The reserve at year-end amounted to USD -156.1 M (-259.1).

Retained earnings

Retained earnings include the profit for the year plus undistributed Group profits earned in prior years. The Parent Company's statutory reserve is part of retained earnings, along with remeasurements of pension liabilities, which in compliance with IAS 19 are recognized under "Other comprehensive income."

Remeasurement of defined benefit pension plans

In 2016 equity was affected by remeasurement of defined-benefit plans in the amount of USD -109.6 M (72.3) after taking into account social insurance contributions and taxes. The change due to remeasurement of pension obligations in 2016 was USD -271.6 M (87.8) and was attributable to the net result of changed assumptions and experience-based adjustments. Remeasurement of plan assets during the year amounted to USD 152.2 M (-15.8) which is mainly due to return on interest-bearing securities in 2016 not reaching the expected level. See also Note 28 Pensions.

	2016	2015
Remeasurement of pension liabilities	-271.6	87.8
Difference between expected and actual return on plan assets	152.2	-15.8
Social insurance contributions including special payroll tax	-12.3	21.0
Taxes	22.1	-20.7
Total	-109.6	72.3

IFRS 2 Share-based Payment

The share incentive programs introduced in 2011 and 2014 respectively are recognized as share-based payment, which is settled with an equity instrument in compliance with IFRS 2. This means that fair value is calculated on the basis of estimated fulfillment of established financial targets during the measurement period. After the end of the measurement period the fair value is established. This value is allocated over the three-year vesting period. There is no reappraisal after fair value is established during the remainder of the vesting period, aside from changes in the number of shares because the condition of continued employment during the vesting period is no longer fulfilled.

Dividend

After the closing day, the Board of Directors proposed a regular dividend of SEK 8.25 (7.50) (corresponding to USD 0.91 [0.88]) per share for the 2016 financial year.

The proposed dividend for 2016 amounts to USD 372.6 M (359.3).

No dividend is paid for the Parent Company's holding of Series B shares. The total dividend amount may change by the record date, depending on repurchases of shares and transfers of Series B shares to participants in Skanska's long-term employee ownership programs. The dividend is subject to the approval of the Annual General Meeting on April 4, 2017.

Shares

Information on the number of shares as well as earnings and equity per share is presented in the table below.

	2016	2015
Number of shares at year-end	419,903,072	419,903,072
of which Series A shares	19,793,202	19,859,200
of which Series B shares	400,109,870	400,043,872
Average price, repurchased shares, SEK	132.18	121.02
Corresponding to USD	15.44	14.35
of which repurchased during the year	4,345,000	2,340,000
Number of Series B treasury shares, December 31	10,594,644	8,866,223
Number of shares outstanding, December 31	409,308,428	411,036,849
Average number of shares outstanding	409,896,419	411,059,056
Average number of shares outstanding after dilution	412,174,095	414,445,854
Average dilution, %	0.55	0.82
Earnings per share, USD	1.63	1.38
Earnings per share after dilution, USD	1.62	1.37
Equity per share, USD	7.36	6.98

	2016	2015
Change in number of shares		
Number on January 1	411,036,849	410,789,258
Number of Series B shares repurchased	-4,345,000	-2,340,000
Number of shares transferred to employees	2,616,579	2,587,591
Number on December 31	409,308,428	411,036,849

Dilution effect

In the employee ownership programs introduced 2014 the number of potential ordinary shares is calculated during the measurement period based on the estimated number of shares that will be issued upon fulfillment of the established targets. After the end of the measurement period, Skanska establishes the number of shares that may be issued, provided that the requirement of continued employment is fulfilled. The number of potential ordinary shares thus calculated is then reduced by the difference between the payment Skanska is expected to receive and the average share price during the period.

Excluding social insurance contributions, the cost of both employee ownership programs is estimated at a total of around USD 214.3 M, allocated over three years, corresponding to 12,290,787 shares. The maximum dilution at the end of the vesting period is estimated at 1.23 percent. In 2016 the cost of both programs amounted to USD 31.8 M, excluding social insurance contributions. Share awards earned but not yet allocated by the end of 2016 totaled 2,567,457 shares. The dilution effect up to and including 2016 totaled 0.55 percent.

Capital management

Capital requirements vary between business streams. Skanska's construction projects are mainly based on customer funding. As a result, in its Construction business stream, the company can operate with negative working capital. However, the equity requirement for a construction company is substantial and is related to the large business volume and to the risks inherent in the various types of construction assignments carried out. Skanska must also take into account the financing of goodwill and the performance guarantees required in publicly procured projects in the U.S. market.

The Board has determined that the Group's equity is at a reasonable level based on what Skanska's financial position and market circumstances require.

Note 27. Financial liabilities

Financial liabilities are allocated between non-current and current liabilities. Normally, a maturity date within one year is required if a liability is to be treated as current. This does not apply to discounted operating liabilities, which are part of Skanska's operating cycle and are therefore recognized as current liabilities regardless of their maturity date.

For information on financial risks and financial policy, see Note 6 Financial instruments and financial risk management.

Financial non-current liabilities	Dec 31, 2016	Dec 31, 2015
Financial liabilities at fair value through profit or loss		
Derivatives	5.3	5.4
Hedge-accounted derivatives	7.5	15.2
Other financial liabilities		
Liabilities to credit institutions	67.4	145.1
Liabilities to joint ventures	1.1	
Other liabilities	322.0	295.8
Total	403.3	461.4
of which interest-bearing financial non-current liabilities	390.5	440.8
of which non-interest-bearing financial non-current liabilities	12.8	20.6
Financial current liabilities		
Financial liabilities at fair value through profit or loss		
Derivatives	5.3	8.6
Hedge-accounted derivatives	0.1	0.0
Other financial liabilities		
Construction loans to cooperative housing associations	533.9	448.0
Liabilities to credit institutions	12.1	34.9
Commercial papers		
Other liabilities	185.7	289.3
Total	737.1	780.8
of which interest-bearing financial current liabilities	731.7	772.2
of which non-interest-bearing financial current liabilities	5.4	8.6
Total carrying amount for financial liabilities	1,140.4	1,242.2

Note 28. Pensions

Pension provisions are recognized in compliance with IAS 19 Employee Benefits. See Note 1 Accounting and valuation principles.

Pension liability according to the statement of financial position

According to the statement of financial position, interest-bearing pension liabilities amounted to USD 540.7 M (472.8) and interest-bearing pension receivables amounted to USD 40.2 M (27.3). The net amount of interest-bearing pension liabilities and interest-bearing pension receivables was USD 500.5 M (445.5).

Skanska has defined-benefit pension plans in Sweden, Norway and the UK. The pension in these plans is mainly based on final salary or average earnings during the term of employment. The plans include a large number of employees, but Skanska also has defined-contribution plans in these countries. Group companies in other countries have pension plans reported as defined-contribution plans.

Defined-benefit plans

The pension plans mainly consist of retirement pensions. Each respective employer usually has an obligation to pay a lifetime pension. Benefits are based on the number of years of employment. The employee must belong to the plan for a certain number of years to earn a full retirement pension entitlement. For each year, the employee earns increased pension entitlements, which are reported as pension earned during the period plus an increase in pension obligation. Pension plans are funded by securing pension obligations with assets in pension funds and provisions in the accounts.

The plan assets in Sweden and the UK are smaller than the pension obligations. The difference is therefore recognized as a liability in the statement of financial position. The plan assets in Norway exceed the pension obligations. The difference is therefore recognized as a receivable. The ceiling rule which, in some cases, limits the value of these assets in the accounts does not apply according to the existing pension foundation statutes, with the exception of one of the plans in Norway and one of the smaller plans in the UK. The carrying amount of the plan assets was reduced by USD 5.3 M (0.1) due to the limit in the ceiling rule.

On the closing day, the pension obligation amounted to USD 2,405.4 M (2,340.1). The obligation for pensions increased mainly due to remeasurements of pension obligations as a result of lower discount rates for the pension plans in Sweden and the UK. The remeasurements are included in other comprehensive income and for 2016 the net result was USD 271.6 M (–87.8). Pension obligations have increased due to the costs for vested pensions and interest expense exceeding pensions paid, which was partially offset by lower exchange rates for GBP.

Plan assets amounted to USD 1,904.8 M (1,894.6). The plan assets increased in value due to paid-in funds and return on plan assets exceeding benefits paid, which was to some extent set off by lower exchange rates for GBP. The result of remeasurement of plan assets via other comprehensive income in 2016 was USD 152.2 M (–15.8), which is mainly due to return on interest-bearing securities in 2016 not reaching the expected level of interest income.

The return on plan assets recognized in the income statement amounted to USD 60.5 M (59.8), while the actual return amounted to USD 212.8 M (44.0). The higher return was mainly attributable to pension plans in the UK. The plan assets mainly consist of equities, interest-bearing securities, mutual fund units and investments in properties and infrastructure projects. No assets were used in Skanska's operations. The number of directly owned shares in Skanska AB totaled 370,000 (370,000) Series B shares. There is also an insignificant percentage of indirectly owned shares in Skanska AB via investments in various mutual funds.

There are various types of risk inherent in the company's defined-benefit pension plans. Pension obligations are mainly affected by the relevant discount rate, wage increases, inflation and life expectancy. The risk inherent in the plan assets is mainly market risk. Overall, these risks may result in volatility in the company's equity and in increased future pension costs and higher than estimated pension disbursements. Skanska continually monitors changes in its pension commitments and updates assumptions at least once a year. Pension commitments are calculated by independent actuaries. The company has prepared policy documents for the management of plan assets in the form of investment guidelines regulating permitted investments and allocation frameworks for these. In addition, the company uses external investment advisors who continually monitor development of

Note 28. Continued

the plan assets. The long duration of the pension commitments is partly matched by long-term investments in infrastructure projects and property investments and investments in long-term interest-bearing securities.

The largest defined-benefit plan for Skanska in Sweden is the ITP 2 plan, in which pensions are based on final salary on retirement. ITP 2 covers salaried employees born in 1978 or earlier. The pension commitments are secured through assets in a pension foundation and through insurance with PRI Pensionsgaranti. The pension commitment is lifelong and sensitive to changes in the discount rate, pay increases, inflation and life span.

A small portion of the ITP 2 plan is secured by insurance from the retirement insurance company Alecta. This is a multi-employer insurance plan, and there is insufficient information to report these obligations as a defined-benefit plan. Pensions secured by insurance from Alecta are therefore reported as defined-contribution plans. Contributions paid in 2016 amounted to around USD 0.4 M. At the end of 2016, the collective consolidated level of defined-benefit plans in Alecta totaled 149 percent (153). The collective consolidated level consists of assets as a percentage of actuarial obligations.

Within Skanska Norway, the largest defined-benefit pension plan is the Skanska Norge Pensionskassa pension fund. This plan covered almost all employees of Skanska in Norway and the pension is based on final salary and number of years of employment with Skanska. The pension commitments are secured through assets in the pension fund. The pension commitment is lifelong and sensitive to changes in the discount rate, pay increases, inflation and life span.

The largest of Skanska's defined-benefit pension plans in the UK is the Skanska Pension Fund. The plan covers salaried employees and is based on average earnings over the period of employment. The pension is remeasured following changes in inflation (index-linked). The pension commitments are secured through assets in the pension fund. The pension commitment is sensitive to changes in the discount rate, inflation and life span.

Net liability related to employee benefits, defined-benefit plans

	2016	2015
Pension obligations, funded plans, present value, December 31	2,405.4	2,340.1
Plan assets, fair value, December 31	-1,904.8	-1,894.6
Net pension liability according to the statement of financial position	500.6	445.5

Pension obligations and plan assets by country

	Sweden	Norway	UK	Total
2016				
Pension obligations	892.1	439.5	1,073.8	2,405.4
Plan assets	-473.2	-479.7	-951.9	-1,904.8
Net pension liability according to the statement of financial position	418.9	-40.2	121.9	500.6
2015				
Pension obligations	885.7	408.3	1,046.1	2,340.1
Plan assets	-487.7	-435.6	-971.4	-1,894.6
Net pension liability according to the statement of financial position	398.1	-27.3	74.7	445.5

Interest-bearing pension liability, net

	2016	2015
Net pension liability, January 1	445.5	570.6
Pension expenses	89.1	94.7
Benefits paid by employers	-26.4	-26.9
Funds contributed by employers	-54.2	-82.5
Remeasurements ¹	119.4	-72.1
Divestments ²	-14.4	
Curtailments and settlements	-7.2	-1.5
Exchange-rate differences	-51.2	-36.8
Net pension liability according to the statement of financial position	500.6	445.5

¹ See also Note 26, which shows the tax portion and social insurance contributions recognized in comprehensive income.

² Skanska Installation in Sweden was divested in 2016.

Pension obligations

	2016	2015
January 1	2,340.1	2,537.0
Pensions earned during the year	78.4	84.9
Interest on obligations	72.3	70.8
Benefits paid by employers	-26.4	-26.9
Benefits paid from plan assets	-39.7	-39.4
Remeasurements:		
– Actuarial gains (-), losses (+) changed financial assumptions	334.2	-104.0
– Actuarial gains (-), losses (+) changed demographic assumptions	-18.1	
– Experience-based changes	-44.4	16.1
Divestments	-24.0	
Curtailments and settlements ¹	-7.2	-1.5
Exchange-rate differences	-259.8	-196.9
Pension obligations, present value	2,405.4	2,340.1

¹ For 2016 this relates to reductions in Norway.

Distribution of pension obligations and average duration by country

	Sweden	Norway	UK
2016			
Active members' portion of obligations	38%	53%	16%
Dormant pension rights	24%	5%	50%
Pensioners' portion of obligations	38%	42%	34%
Weighted average duration	19 years	20 years	21 years
2015			
Active members' portion of obligations	36%	58%	14%
Dormant pension rights	23%	4%	59%
Pensioners' portion of obligations	41%	38%	27%
Weighted average duration	18 years	20 years	23 years

Note 28. Continued

Plan assets

	2016	2015
January 1	1,894.6	1,966.4
Estimated return on plan assets	60.5	59.8
Funds contributed by employers	54.2	82.5
Funds contributed by employees	1.1	1.2
Benefits paid	-39.7	-39.4
Difference between actual return and estimated return	152.2	-15.8
Divestments	-9.6	
Exchange-rate differences	-208.5	-160.1
Plan assets, fair value	1,904.8	1,894.6

Amounts contributed are expected to total about USD 55.2 M in 2017.

Distribution of pension obligations and average duration by country

	Sweden	Norway	UK
2016			
Shares	26%	38%	29%
Interest-bearing securities	29%	42%	38%
Alternative investments	45%	20%	33%
Estimated return	3.00%	2.75%	3.75%
Actual return	7.90%	7.10%	15.60%
2015			
Shares	24%	35%	30%
Interest-bearing securities	32%	43%	32%
Alternative investments	44%	22%	38%
Estimated return	2.25%	2.75%	3.75%
Actual return	1.90%	2.90%	2.40%

Total plan assets by asset class

	2016	2015
Equities and mutual funds:		
Swedish equities and mutual funds	41.8	38.2
Norwegian equities and mutual funds	75.2	53.5
UK equities and mutual funds	105.5	156.9
Global mutual funds	361.5	312.3
Total equities and mutual funds	584.0	560.9
Interest-bearing securities:		
Swedish bonds	105.7	114.6
Norwegian bonds	105.0	95.2
UK bonds	363.7	310.2
Bonds in other countries	130.2	135.9
Total interest-bearing securities	704.6	655.8
Alternative investments:		
Hedge funds	107.0	121.7
Property investments	168.9	165.6
Infrastructure projects	179.4	192.7
Other	160.9	197.8
Total alternative investments	616.2	677.9
Total plan assets	1,904.8	1,894.6

Equities and mutual funds, interest-bearing securities and hedge funds were measured at current market prices. Property investments and infrastructure projects were measured by discounting future cash flows. About 80 percent of total plan assets have a quoted price on an active market.

Actuarial assumptions

	Sweden	Norway	UK
2016			
Financial assumptions			
Discount rate, January 1	3.00%	2.75%	3.75%
Discount rate, December 31	2.50%	3.00%	2.75%
Estimated return on plan assets for the year	3.00%	2.75%	3.75%
Expected pay increase, December 31	3.00%	2.50%	3.50%
Expected inflation, December 31	1.50%	2.00%	3.25%
Demographic assumptions			
Life expectancy after age 65, men	23 years	21 years	24 years
Life expectancy after age 65, women	25 years	24 years	25 years
Life expectancy table	PRI	K2013	S2
2015			
Financial assumptions			
Discount rate, January 1	2.25%	2.75%	3.75%
Discount rate, December 31	3.00%	2.75%	3.75%
Estimated return on plan assets for the year	2.25%	2.75%	3.75%
Expected pay increase, December 31	3.00%	2.50%	3.50%
Expected inflation, December 31	1.50%	1.50%	3.00%
Demographic assumptions			
Life expectancy after age 65, men	23 years	21 years	24 years
Life expectancy after age 65, women	25 years	24 years	25 years
Life expectancy table	PRI	K2013	S1

All three countries where Skanska has defined-benefit plans have an extensive market for high-grade long-term corporate bonds, including mortgage bonds. The discount rate is established on the basis of the market yield for these bonds on the closing day.

Sensitivity of pension obligations to changes in assumptions

	Sweden	Norway	UK	Total ¹
Pension obligations, December 31, 2016	892.1	439.5	1,073.8	2,405.4
Discount rate increase of 0.25%	-40	-25	-55	-120
Discount rate decrease of 0.25%	40	25	55	120
Increase of 0.25% in expected pay increase	15	5	0	20
Reduction of 0.25% in expected pay increase	-15	-5	0	-20
Increase of 0.25% in expected inflation	30	15	40	85
Decrease of 0.25% in expected inflation	-30	-15	-40	-85
Life expectancy increase of 1 year	35	15	35	85

¹ Estimated change in pension obligation/pension liability in the event of a change in the assumption for all three countries. If pension liability increases, the Group's equity is reduced by about 90 percent of the increase in pension liability, after taking into account deferred tax and social insurance contributions.

Note 28. Continued

Sensitivity of plan assets to changes in estimated return

	Sweden	Norway	UK	Total ¹
Plan assets, December 31, 2016	473.3	479.7	951.8	1,904.8
Return increase of 5%	20	25	50	95
Return decrease of 5%	-20	-25	-50	-95

¹ If actual return exceeds the estimated interest income by 5 percent, the gain upon remeasurement is expected to amount to around USD 95 M. If actual return falls below the estimated interest income by 5 percent, the loss upon remeasurement is expected to amount to around USD 95 M.

The sensitivity analyses are based on existing circumstances, assumptions and populations. Application at other levels may produce different effects of changes.

Defined-contribution plans

These plans mainly cover retirement pension, disability pension and family pension. The premiums are paid regularly during the year by the respective Group company to separate legal entities, for example insurance companies. The size of the premium is based on salary. The pension expense for the period is included in the income statement.

Total pension expenses in the income statement for defined-benefit plans and defined-contribution plans

	2016	2015
Defined-benefit pensions vested during the year	-78.4	-84.9
Less: Funds contributed by employees	1.1	1.2
Interest on obligations	-72.3	-70.8
The expected level of interest income in plan assets	60.5	59.8
Curtailments and settlements	7.2	1.5
Pension expenses, defined-benefit plans	-81.9	-93.2
Pension expenses, defined-contribution plans	-165.1	-187.2
Social insurance contributions, defined-benefit and defined-contribution plans ¹	-15.3	-16.4
Total pension expenses	-262.3	-296.7

¹ Refers to special payroll tax in Sweden and employer fee in Norway.

Allocation of pension expenses in the income statement

	2016	2015
Cost of production and management	-199.9	-225.6
Selling and administrative expenses	-50.6	-60.1
Financial items	-11.8	-11.0
Total pension expenses	-262.3	-296.7

Note 29. Provisions

Provisions are reported in compliance with IAS 37 Provisions, Contingent Liabilities and Contingent Assets. See Note 1 Accounting and valuation principles.

Provisions are allocated in the statement of financial position between non-current liabilities and current liabilities. Provisions are both interest-bearing and non-interest-bearing. Provisions that are part of Skanska's operating cycle are recognized as current. Interest-bearing provisions that fall due within a year are treated as current.

	Dec 31, 2016	Dec 31, 2015
Non-current provisions		
Interest-bearing	0.1	0.0
Current provisions		
Interest-bearing	2.8	4.9
Non-interest-bearing	794.5	761.3
Total	797.4	766.1

The change in provisions broken down into reserve for legal disputes, provisions for warranty obligations and other provisions is presented in the following table.

Note 29. Continued

	Reserve for legal disputes		Provision for warranty obligations		Other provisions		Total	
	2016	2015	2016	2015	2016	2015	2016	2015
January 1	129.2	152.0	319.0	316.5	317.9	301.9	766.1	770.5
Divested provisions	0.0	0.0	-0.5	0.0	-0.5	-1.2	-1.0	-1.2
Provisions for the year	85.4	66.0	110.3	103.5	195.0	182.6	390.7	352.1
Provisions utilized	-63.9	-40.7	-59.6	-42.6	-100.4	-75.3	-223.9	-158.5
Unutilized amounts that were reversed, change in value	-49.3	-32.6	-26.4	-36.6	-9.3	-44.6	-85.0	-113.8
Exchange-rate differences	-6.4	-14.3	-25.4	-24.8	-19.7	-22.1	-51.5	-61.2
Reclassifications	9.8	-1.3	6.7	3.0	-14.5	-23.5	2.0	-21.8
December 31	104.8	129.2	324.1	319.0	368.5	317.9	797.4	766.1

Specification of "Other provisions"

	2016	2015
Provisions for restructuring measures	51.9	50.1
Employee-related provisions	38.6	39.4
Environmental obligations	13.9	14.1
Provision for social insurance contributions on pensions	83.0	73.5
Contingent considerations ¹	58.8	20.8
Provisions for commitments in joint ventures	15.3	13.1
Other provisions	107.0	106.8
Total	368.5	317.9

¹ Of which USD 0.0 M (1.9) is from acquisitions of operations and USD 58.8 M (18.9) from acquisitions of current-asset properties. These are reported as financial instruments. See Note 6.

The normal cycle time for "Other provisions" is about one to three years.

Provisions for warranty obligations are for expenses that may arise during the warranty period. Such provisions in Construction are based on individual assessments of each project or average experience-based cost, expressed as a percentage of sales during a five-year period. The expenses are charged to each project on a continuous basis. Provisions for warranty obligations in other business streams are based on individual assessments of each projects. The change in 2016 was mainly related to Construction.

Provisions for legal disputes refer to provisions in the Construction business stream for projects that have been completed.

Provisions for restructuring measures mainly include items related to Poland and the discontinuation of operations in Latin America.

Employee-related provisions included such items as the cost of profit-sharing, certain bonus programs and other obligations to employees.

Provisions for environmental obligations include the costs of restoring gravel pits to their natural state in Swedish operations.

Note 30. Other operating liabilities

Non-interest-bearing liabilities in business operations are recognized as "Other operating liabilities." Such liabilities are part of the Group's operating cycle and are recognized as current liabilities.

	Dec 31, 2016	Dec 31, 2015
Trade accounts payable	1,712.2	1,793.0
Other operating liabilities to joint ventures	0.0	0.0
Other operating liabilities ¹	710.4	726.7
Accrued expenses and prepaid income	1,557.9	1,645.0
Total	3,980.5	4,164.7
Of which financial instruments reported in Note 6		
Financial instruments and financial risk management		
Trade accounts payable	1,712.2	1,793.0
Other operating liabilities including accrued interest expenses	76.6	86.6
	1,788.8	1,879.6
Of which non-financial instruments	2,191.7	2,285.1

¹ "Other operating liabilities" includes USD 59.4 M (63.4) for checks issued but not yet cashed in the U.S. See Note 1 Accounting and valuation principles.

Note 31. Specification of interest-bearing net receivables/liabilities per asset and liability

The following table shows the breakdown of financial current and non-current assets as well as liabilities between interest-bearing and non-interest-bearing items.

	Dec 31, 2016			Dec 31, 2015		
	Interest-bearing	Non interest-bearing	Total	Interest-bearing	Non interest-bearing	Total
ASSETS						
Non-current assets						
Property, plant and equipment		754.3	754.3		774.7	774.7
Goodwill		581.4	581.4		626.1	626.1
Other intangible assets		114.1	114.1		89.8	89.8
Investments in joint ventures and associated companies		458.9	458.9		339.7	339.7
Financial non-current assets	107.0	5.1	112.1	154.3	7.4	161.7
Deferred tax assets		181.9	181.9		164.9	164.9
Total non-current assets	107.0	2,095.7	2,202.7	154.3	2,002.5	2,156.8
Current assets						
Current-asset properties		3,715.5	3,715.5		3,218.5	3,218.5
Inventories		115.0	115.0		112.4	112.4
Financial current assets	1,094.1	19.6	1,113.7	878.6	14.3	892.9
Tax assets		86.5	86.5		82.3	82.3
Gross amount due from customers for contract work		634.5	634.5		678.0	678.0
Other operating receivables		3,282.9	3,282.9		3,082.3	3,082.3
Cash	599.1		599.1	1,410.3		1,410.3
Total current assets	1,693.2	7,854.0	9,547.2	2,288.9	7,187.8	9,476.7
TOTAL ASSETS	1,800.2	9,949.7	11,749.9	2,443.2	9,190.4	11,633.5
LIABILITIES						
Non-current liabilities						
Financial non-current liabilities	390.5	12.8	403.3	440.8	20.6	461.4
Pensions	540.7		540.7	472.8		472.8
Deferred tax liabilities		164.5	164.5		153.2	153.2
Non-current provisions	0.1		0.1	0.0		0.0
Total non-current liabilities	931.3	177.3	1,108.6	913.6	173.8	1,087.4
Current liabilities						
Financial current liabilities	731.7	5.4	737.1	772.2	8.6	780.8
Tax liabilities		53.9	53.9		66.7	66.7
Current provisions	2.8	794.5	797.3	4.9	761.3	766.1
Liabilities to clients for contract work		2,038.0	2,038.0		1,884.5	1,884.5
Other operating liabilities		3,980.5	3,980.5		4,164.7	4,164.7
Total current liabilities	734.5	6,872.3	7,606.8	777.1	6,885.8	7,662.9
TOTAL LIABILITIES	1,665.8	7,049.6	8,715.4	1,690.7	7,059.5	8,750.3
Total equity			3,034.5			2,883.3
EQUITY AND LIABILITIES			11,749.9			11,633.5
Interest-bearing net receivables/net debt	134.4			752.4		

Note 32. Expected recovery periods of assets and liabilities

Amounts expected to be recovered	Dec 31, 2016			Dec 31, 2015		
	Within 12 months	After 12 months	Total	Within 12 months	After 12 months	Total
ASSETS						
Non-current assets						
Property, plant and equipment ¹	144.0	610.3	754.3	188.2	586.5	774.7
Goodwill		581.4	581.4		626.1	626.1
Other intangible assets ¹	14.9	99.2	114.1	11.9	77.9	89.8
Investments in joint ventures and associated companies ²		458.9	458.9		339.7	339.7
Financial non-current assets		112.1	112.1		161.6	161.6
Deferred tax assets ³		181.9	181.9		164.9	164.9
Total non-current assets	158.9	2,043.8	2,202.7	200.1	1,956.7	2,156.8
Current assets						
Current-asset properties ⁴	1,875.5	1,840.0	3,715.5	1,667.6	1,550.9	3,218.5
Inventories	53.4	61.6	115.0	44.3	68.1	112.4
Financial current assets	1,113.7		1,113.7	892.9		892.9
Tax assets	86.5		86.5	82.3		82.3
Receivables from clients for contract work ⁵	491.7	142.8	634.5	594.7	83.3	678.0
Other operating receivables ⁵	3,101.0	181.9	3,282.9	2,896.9	185.5	3,082.3
Cash	599.1		599.1	1,410.3		1,410.3
Total current assets	7,320.9	2,226.3	9,547.2	7,589.0	1,887.7	9,476.7
TOTAL ASSETS	7,479.8	4,270.1	11,749.9	7,789.1	3,844.4	11,633.5
LIABILITIES						
Non-current liabilities						
Financial non-current liabilities	25.0	378.3	403.3	5.2	456.2	461.4
Pensions ⁶	27.7	513.0	540.7	31.4	441.3	472.8
Deferred tax liabilities		164.5	164.5		153.2	153.2
Non-interest-bearing liabilities		0.1	0.1			
Total non-current liabilities	52.7	1,055.9	1,108.6	36.7	1,050.7	1,087.4
Current liabilities						
Financial current liabilities	537.2	199.9	737.1	591.8	189.0	780.8
Tax liabilities	53.9		53.9	66.7		66.7
Current provisions	307.9	489.4	797.3	329.0	437.1	766.1
Liabilities to clients for contract work	1,691.0	347.0	2,038.0	1,562.8	321.7	1,884.5
Other operating liabilities	3,896.0	84.5	3,980.5	4,091.3	73.4	4,164.7
Total current liabilities	6,486.0	1,120.8	7,606.8	6,641.6	1,021.3	7,662.9
TOTAL LIABILITIES	6,538.7	2,176.7	8,715.4	6,678.3	2,072.0	8,750.3
Total equity			3,034.5			2,883.3
EQUITY AND LIABILITIES			11,749.9			11,633.5

¹ In case of amounts expected to be recovered within twelve months, the expected annual depreciation/amortization has been recognized.

² The breakdown cannot be estimated.

³ Deferred tax assets are expected to be recovered in their entirety after 12 months.

⁴ Recovery of current-asset properties within one year is based on a historical assessment from the past three years.

⁵ Current receivables that fall due in more than twelve 12 months' time are part of the operating cycle and are thus recognized as current.

⁶ "Within 12 months" refers to expected benefit payments (payments from funded plans are not included).

Note 33. Assets pledged, contingent liabilities and contingent assets

Assets pledged

	2016	2015
Mortgages, current-asset properties	49.1	50.3
Shares and participations	295.9	198.6
Receivables	112.6	158.2
Total	457.6	407.1

Joint ventures within the Infrastructure Development business stream are reported as pledged assets when the holdings in the project company, which may be owned directly by Skanska or owned through intermediary holding companies, are provided as security for loans from banks or lenders other than the co-owners. The comparative year has been restated according to this principle.

Assets pledged for liabilities

	Property mortgage		Shares and receivables		Total	
	2016	2015	2016	2015	2016	2015
Own obligations						
Liabilities to credit institutions	49.1	49.8	4.9	4.2	54.0	54.0
Other liabilities		0.5	107.7	154.0	107.7	154.5
Total own obligations	49.1	50.3	112.6	158.2	161.7	208.4
Other obligations			295.9	198.6	295.9	198.6
Total	49.1	50.3	408.5	356.8	457.6	407.1

Assets pledged for other liabilities, USD 0.1 billion (0.2), relate predominantly to financial instruments pledged as collateral to clients in conjunction with contracting work in the U.S.

Contingent liabilities

Contingent liabilities are reported in compliance with IAS 37 Provisions, Contingent Liabilities and Contingent Assets. See Note 1 Accounting and valuation principles.

	2016	2015
Contingent liabilities related to joint construction operations	6,603.6	5,130.6
Contingent liabilities related to other joint operations	3.1	2.9
Contingent liabilities related to joint ventures	152.1	225.1
Other contingent liabilities	69.6	147.6
Total	6,828.4	5,506.2

The Group's contingent liabilities related to contracting work executed jointly with other contractors totaled USD 6.6 billion (5.1). This amount refers to the portion of the joint and several liability relating to the obligations of the joint operation in question that affect other participants in the joint operation. Such liability is often required by the customer. To the extent it is deemed likely that Skanska will be subject to liability claims, the obligation is reported as a liability.

Contingent liabilities related to joint ventures refer mainly to guarantees issued for joint ventures belonging to the Residential Development, Commercial Property Development and Infrastructure Development business streams.

In the Group's other contingent liabilities, just over USD 0.1 billion (0.1) related mainly to obligations for residential projects.

In December 2016 Skanska received a claim from the Maltese government regarding defective concrete in the Mater Dei hospital, a hospital in Malta that Skanska International was involved in starting in 1995. Skanska is opposing this claim in its entirety.

In October 2016, the Helsinki Court of Appeal in Finland ruled on the damages claim relating to the asphalt cartel. The Court of Appeal denied parts of the municipalities' claim against Skanska, but at the same time upheld certain parts of the Finnish government's claim which had been denied in its entirety by the district court based on the fact that the Finnish government was found to have been part of the cartel. Under the Court of Appeal's ruling, the total damages for Skanska Asfaltti Oy converted at an exchange rate on December 31, 2016 may be just over USD 2.9 M. Skanska Asfaltti Oy has filed an appeal with the Supreme Court regarding the order to pay damages to the Finnish government.

As Skanska announced in March 2015, the Administrative Council of Economic Defence (CADE) and the Comptroller General (CGU) in Brazil included Skanska Brazil in their investigation into corruption and cartels linked to specific Petrobras projects. At the end of 2015 two administrative legal proceedings were initiated aimed at Skanska Brazil and twenty other companies. In June 2016 the CGU (now the Ministry of Transparency, Inspection and Control) excluded Skanska from participating in public procurement negotiations in Brazil for a period of no less than two years. CADE's legal proceedings are still in their early stages and are expected to last for several years.

Other authorities in Brazil have initiated legal proceedings based on the same investigations. As Skanska announced in April 2016 the Brazilian government (AGU) has filed a lawsuit against seven companies, one of which is Skanska Brazil, and seven individuals connected to Skanska. The lawsuit focuses on alleged payments made by a joint venture partner of Skanska Brazil. The judge dismissed the case against Skanska. The decision was appealed by the AGU. There is great uncertainty about how these proceedings will develop and when they will be concluded.

Skanska has been informed by the Swedish Prosecution Authority in Stockholm that it has initiated a preliminary investigation into the case relating to operations in Brazil and Czech Republic.

From time to time, disputes arise with customers about contractual terms related to both ongoing and completed projects. Their outcomes are often difficult to predict. To the extent it is probable that a dispute will lead to an expense for the Group, this is taken into account in the financial statements.

Contingent assets

The Group has no contingent assets of significant importance in assessing the position of the Group.

See Note 1 Accounting and valuation principles.

Note 34. Foreign-exchange rates and effect of changes in foreign exchange rates

Exchange rates are dealt with in compliance with IAS 21 The Effect of Changes in Foreign Exchange Rates. See Note 1 Accounting and valuation principles.

Exchange rates

In 2016 the USD fluctuated against currencies in countries in which the Group does business.

Currency	Country	Average exchange rate			Change, percent	
		2016	2015	2014	2015–2016	2014–2015
CZK	Czech Republic	0.041	0.041	0.048	0	–15
DKK	Denmark	0.149	0.149	0.177	0	–16
EUR	EU	1.106	1.109	1.322	0	–16
GBP	UK	1.354	1.528	1.642	–11	–7
NOK	Norway	0.119	0.124	0.157	–4	–21
PLN	Poland	0.254	0.265	0.316	–4	–16
SEK	Sweden	0.117	0.119	0.145	–2	–18

Currency	Country	Closing day exchange rate			Change, percent	
		2016	2015	2014	2015–2016	2014–2015
CZK	Czech Republic	0.039	0.040	0.044	–3	–8
DKK	Denmark	0.142	0.146	0.163	–3	–10
EUR	EU	1.056	1.092	1.216	–3	–10
GBP	UK	1.230	1.481	1.553	–17	–5
NOK	Norway	0.116	0.114	0.135	2	–16
PLN	Poland	0.239	0.257	0.282	–7	–9
SEK	Sweden	0.110	0.119	0.128	–8	–7

Income statement

In 2016 the average exchange rate of the USD against the Group's other currencies strengthened against DKK, EUR, GBP, NOK and PLN and SEK and weakened against the currency CZK.

The total exchange rate effect on the Group's revenue was USD –454.4 M (2,088.4), equivalent to –2.7 (–11.5) percent. Total total exchange rate effect on the Group's operating income was USD –11.7 M (–117.6), equivalent to –1.4 (–15.8) percent. See the table below.

Exchange-rate effect by currency

2016	SEK	EUR	GBP	NOK	CZK	PLN	Other	Total
Revenue	–54.1	–3.1	–292.1	–63.5	4.1	–44.8	–0.9	–454.4
Operating income	–6.7	–0.1	–5.1	–2.6	0.2	1.7	0.9	–11.7
Income after financial items	–7.1	–0.1	–5.0	–2.9	0.2	1.7	0.7	–12.5
Profit for the year	–6.5	–0.1	–3.4	–2.2	0.2	1.7	0.7	–9.6

2015	SEK	EUR	GBP	NOK	CZK	PLN	Other	Total
Revenue	–807.8	–275.9	–162.7	–407.2	–124.4	–227.8	–82.6	–2,088.4
Operating income	–63.6	–26.2	–4.8	–16.1	–3.4	–10.1	6.6	–117.6
Income after financial items	–70.0	–24.6	–4.8	–18.2	–3.3	–10.3	8.0	–123.2
Profit for the year	–56.8	–23.6	–4.3	–13.9	–1.6	–7.7	9.1	–98.8

Note 34. Continued

Consolidated statement of financial position by currency

Consolidated total assets increased by USD 0.2 billion, from USD 11.6 billion to USD 11.8 billion. Changes in foreign exchange rates had a positive impact of USD –0.6 billion. The closing exchange rate of the USD appreciated against CZK, DKK, EUR, GBP, PLN and SEK.

Dec 31, 2016, USD billion	USD	GBP	EUR	NOK	CZK	PLN	DKK	Other foreign currencies ¹	Hedge loans ²	SEK	Total
Assets											
Property, plant and equipment	0.28	0.02	0.04	0.11	0.06	0.04	0.00	–0.01		0.21	0.75
Intangible assets	0.17	0.18	0.06	0.15	0.06	0.01	0.00	0.01		0.06	0.70
Shares and participations	0.15	0.00	0.04	0.03	0.01	0.00	0.00	0.00		0.23	0.46
Interest-bearing receivables	2.22	0.33	0.20	0.45	0.21	0.25	0.01	–2.65	–0.29	0.47	1.20
Current-asset properties	0.54	0.10	1.04	0.31	0.11	0.08	0.09	0.00		1.45	3.72
Non-interest-bearing receivables	1.76	0.73	0.25	0.43	0.12	0.29	0.00	0.03		0.71	4.32
Cash and cash equivalents	0.07	0.00	0.03	0.00	0.01	0.00	0.00	0.03		0.46	0.60
Total	5.19	1.36	1.66	1.48	0.58	0.67	0.10	–2.59	–0.29	3.59	11.75
Equity and liabilities											
Equity attributable to equity holders ³	1.19	0.40	0.64	0.41	0.29	0.19	0.06	0.01	–0.60	0.42	3.01
Non-controlling interests	0.00	0.00	0.00	0.00	0.01	0.00	0.00	0.01		0.00	0.02
Interest-bearing liabilities	1.11	0.35	0.50	0.28	0.01	0.09	0.01	–2.65	0.31	1.66	1.67
Non-interest-bearing liabilities	2.89	0.61	0.52	0.79	0.27	0.39	0.03	0.04		1.51	7.05
Total	5.19	1.36	1.66	1.48	0.58	0.67	0.10	–2.59	–0.29	3.59	11.75
Dec 31, 2015, USD billion	USD	GBP	EUR	NOK	CZK	PLN	DKK	Other foreign currencies¹	Hedge loans²	SEK	Total
Assets											
Property, plant and equipment	0.26	0.02	0.05	0.10	0.06	0.04	0.00	0.01		0.23	0.77
Intangible assets	0.15	0.21	0.06	0.15	0.06	0.01		0.00		0.06	0.71
Shares and participations	0.12	0.06	0.05	0.04	0.01			0.00		0.07	0.35
Interest-bearing receivables	1.93	0.44	0.29	0.36	0.24	0.30	0.00	–2.64	–0.12	0.25	1.04
Current-asset properties	0.62	0.11	0.80	0.23	0.11	0.07	0.08	0.01		1.19	3.22
Non-interest-bearing receivables	1.83	0.55	0.21	0.35	0.13	0.26	0.01	0.06		0.74	4.15
Cash and cash equivalents	0.35	0.00	0.04	0.01	0.01	0.10		0.04		0.87	1.41
Total	5.26	1.39	1.49	1.23	0.62	0.77	0.10	–2.53	–0.12	3.42	11.64
Equity and liabilities											
Equity attributable to equity holders ³	1.12	0.19	0.44	0.39	0.30	0.27	0.06	0.02	–0.14	0.21	2.87
Non-controlling interests	0.00				0.01			0.00		0.00	0.01
Interest-bearing liabilities	1.45	0.36	0.49	0.18	0.00	0.10	0.00	–2.66	0.02	1.75	1.69
Non-interest-bearing liabilities	2.69	0.85	0.56	0.66	0.31	0.40	0.04	0.11		1.45	7.06
Total	5.26	1.39	1.49	1.23	0.62	0.77	0.10	–2.53	–0.12	3.42	11.64

1 Including elimination of intra-Group receivables and liabilities.

2 Amount refers to hedges before tax deduction. Net investments outside Sweden are currency-hedged to a certain extent through foreign currency loans and forward currency contract, see also Note 6. Hedging of net investments through foreign currency loans in EUR and GBP amounts to USD 0.31 billion (0.02). Hedging of net investments through foreign currency contracts amounts to USD 0.29 billion (0.12), which breaks down as USD 0.01 (0.08), EUR 0.04 (0.04) and GBP 0.24 (0.00).

3 The respective currencies are calculated including goodwill on consolidation and the net amount of Group surpluses after subtracting deferred taxes.

Effect on the Group of change in USD against other currencies

The following sensitivity analysis, based on the 2016 income statement and statement of financial position shows the sensitivity of the Group to a unilateral 10-percent change in the USD against all currencies, (+ indicates a weakening of the USD, – indicates a strengthening of the USD).

USD bn	+/- 10%
Revenue	+/- 1,02
Operating income	+/- 0,01
Equity	+/- 0,20
Net receivables/net liabilities	+/- 0,05

Other items

For information on the change in the translation reserve in equity, see Note 26 Equity/earnings per share.

Note 35. Cash flow statement

Aside from the cash flow statement prepared in compliance with IAS 7 Cash flow Statements, Skanska prepares a cash flow statement based on the operations carried out by the respective business streams. This cash flow analysis is called the “Consolidated operating cash flow statement.” The connection between the respective cash-flow statements is explained below.

Adjustments for items not included in cash flow

	2016	2015
Depreciation/amortization and impairment losses/reversals of impairment losses	230.4	199.3
Income from divestments of non-current assets and current-asset properties	-576.7	-562.9
Income after financial items from joint ventures and associated companies	-85.1	-100.9
Dividends from joint ventures and associated companies	41.8	65.0
Provision for the year, intra-Group profits on contracting work	24.2	34.9
Pensions recognized as expenses but not related to payments	70.1	82.2
Pensions paid	-66.1	-66.3
Cost of Seop	31.8	30.7
Gain on joint ventures divested	-207.3	-51.8
Other items that have not affected cash flow from operating activities	-37.7	-11.0
Total	-574.6	-380.9

Taxes paid

Taxes paid are divided into operating activities, investing activities and financing activities.

Total taxes paid for the Group during the year amounted to USD -140.8 M (-95.3).

Information about interest and dividends

	2016	2015
Interest income received during the year	8.1	10.4
Interest payments made during the year	-28.4	-51.9
Dividend received during the year	45.4	68.8

Cash and cash equivalents

Cash and cash equivalents in the cash-flow statement consist of cash and short-term investments. The definition of cash in the statement of financial position can be found in Note 1 Accounting and valuation principles.

The same rule that has been used in determining cash and cash equivalents in the statement of financial position has been used in determining cash and cash equivalents according to the cash flow statement. Only amounts that can be used without restrictions are recognized as cash.

	2016	2015
Cash	599.1	1,410.3
Total	599.1	1,410.3

Other items

At year-end, the Group's unutilized credit facilities amounted to USD 630.3 M (654.8).

Information about assets and liabilities in divested Group companies/businesses

	2016	2015
Assets		
Intangible assets	-7.8	
Property, plant and equipment	-4.6	-34.3
Shares and participations	-2.6	
Interest-bearing assets	-80.5	5.6
Non-interest-bearing assets	-81.6	-125.1
Total	-177.1	-153.8
Liabilities		
Non-controlling interests		
Interest-bearing liabilities	-3.0	-8.7
Non-interest-bearing liabilities	-105.7	-115.5
Total	-108.7	-124.2
Consideration	112.3	56.8
Cash and cash equivalents in divested companies	-11.6	-2.7
Effect on cash and cash equivalents, divestment	100.7	54.1

Divested Group companies provided a profit of USD 31.3 M (7.0). This reduced, among other things, the cost of production and management.

For both 2016 and 2015, divestments constituted 100 percent of the holdings in the respective Group companies.

Relation between consolidated operating cash flow statement and consolidated cash flow statement

The difference between the consolidated operating cash flow statement and the consolidated cash flow statement in compliance with IAS 7 Cash flow Statements, is presented below.

The consolidated cash flow statement prepared in compliance with IAS 7 recognizes cash flow divided into:

Cash flow from operating activities
Cash flow from investing activities
Cash flow from financing activities

The consolidated operating cash flow statement recognizes cash flow divided into:

Cash flow from business operations
Cash flow from financing activities
Cash flow from strategic investments
Dividend etc.
Change in interest-bearing receivables and liabilities

The consolidated operating cash flow statement refers to operating activities as “business operations.” Unlike the cash flow statement in compliance with IAS 7, “business operations” also includes net investments, which are regarded as an element of business operations together with tax payments on these. Such net investments are net investments in property, plant and equipment and intangible non-current assets as well as net investments in Infrastructure Development.

Investments of a strategic nature are recognized under cash flow from strategic investments.

Under cash flow from financing activities, the operating cash flow statement recognizes only interest and other financial items as well as taxes paid on these. Dividends are recognized separately. Loans provided and repayment of loans are also recognized separately along with changes in interest-bearing receivables at the bottom of the operating cash flow statement, resulting in a subtotal in that statement that shows cash flow before changes in interest-bearing receivables and liabilities.

Note 35. Continued

Cash flow for the year

	2016	2015
Cash flow from business operations including taxes paid according to operating cash flow	-126.0	953.2
Less net investments in property, plant and equipment and intangible assets	18.7	56.3
Less tax payments on property, plant and equipment and intangible assets divested and divestment of assets in Infrastructure Development	4.1	8.2
Cash flow from operating activities	-103.1	1,017.7
Cash flow from strategic investments according to operating cash flow	100.7	54.1
Net investments in property, plant and equipment and intangible assets	-18.7	-56.3
Increase and decrease in interest-bearing receivables	-264.1	-153.8
Taxes paid on property, plant and equipment and intangible assets divested and assets in Infrastructure Development	-4.1	-8.2
Cash flow from investing activities	-186.2	-164.2
Cash flow from financing activities according to operating cash flow statement, including changes in interest-bearing receivables and liabilities	-289.4	-310.0
Increase and decrease in interest-bearing liabilities	264.1	153.8
Dividend etc. ¹	-452.7	-382.5
Cash flow from financing activities	-478.1	-538.7
Cash flow for the year	-767.4	314.8
1 Of which repurchases of shares	-92.7	-49.3

Relation between the Group's investments in the cash flow statement and investments in the operating cash flow statement

Total net investments are recognized in the cash flow statement divided into operating activities and investing activities, taking into account the settlement of payments for investments and divestments.

Purchases and divestments of current-asset properties are recognized under operating activities, while other net investments are recognized under investing activities.

	2016	2015
Net investments in operating activities	-76.5	366.6
Net investments in investing activities	82.0	-2.3
	5.5	364.3
Less accrual adjustments, cash flow effect of investments	11.1	8.1
Total net investments	16.6	372.4

The consolidated operating cash flow statement recognizes net investments divided into net investments in operations and strategic net investments as follows.

Investments/divestments

	2016	2015
Operations – investments		
Intangible assets	-46.0	-46.5
Property, plant and equipment	-191.1	-176.1
Assets in Infrastructure Development	-156.1	-27.7
Shares	-38.0	-16.1
Current-asset properties	-1,998.9	-1,821.5
of which Residential Development	-1,052.2	-787.8
of which Commercial Property Development	-946.7	-1,033.7
	-2,430.1	-2,087.9
Operations – divestments		
Intangible assets	0.2	0.0
Property, plant and equipment	48.0	75.4
Assets in Infrastructure Development	362.4	132.1
Shares	1.9	2.6
Current-asset properties	1,933.5	2,196.1
of which Residential Development	877.2	1,022.2
of which Commercial Property Development	1,056.3	1,173.9
	2,346.0	2,406.2
Net investments in operations	-84.1	318.3
Strategic divestments		
Divestments of businesses	100.7	54.1
Net strategic investments	100.7	54.1
Total net investments	16.6	372.4

Note 36. Personnel

Wages, salaries, other remuneration and social insurance contributions

	2016	2015
Wages, salaries and other remuneration		
Board members, Presidents, Executive Vice Presidents and other executive team members ¹	68.7	60.9
of which variable remuneration	26.1	22.2
Other employees	2,475.8	2,734.8
Total wages, salary and other remuneration	2,544.5	2,795.7
Social insurance contributions	646.2	698.3
of which pension expenses	250.5	285.7

¹ The amount related to Board members, Presidents, Executive Vice Presidents and other executive team members includes remuneration to former Board members, Presidents and Executive Vice Presidents in all Group companies during the financial year.

Of the Group's total pension expenses, USD 6.1 M (7.1) relates to the category "Board members, Presidents, Executive Vice Presidents and other executive team members." The amount includes remuneration to former Board members, Presidents and Executive Vice Presidents.

Average number of employees

Personnel is calculated as the average number of employees. See Note 1 Accounting and valuation principles.

	2016	of whom men	%	of whom women	%	2015	of whom men	%	of whom women	%
Sweden	10,158	8,476	83	1,682	17	10,330	8,964	87	1,366	13
Norway	3,864	3,482	90	382	10	4,053	3,642	90	411	10
Denmark	18	11	61	7	39	17	10	59	7	41
Finland	2,056	1,760	86	296	14	2,031	1,742	86	289	14
UK	5,617	4,387	78	1,230	22	5,434	4,273	79	1,161	21
Poland	6,892	5,396	78	1,496	22	7,009	5,561	79	1,448	21
Czech Republic	3,141	2,626	84	515	16	3,180	2,708	85	472	15
Slovakia	790	656	83	134	17	745	638	86	107	14
USA	9,276	7,941	86	1,335	14	10,169	8,856	87	1,313	13
Argentina	1	1	100	0	0	9	6	67	3	33
Brazil	93	88	95	5	5	1,485	1,386	93	99	7
Chile	5	4	80	1	20	29	25	86	4	14
Peru	156	156	100	0	0	3,157	2,980	94	177	6
Other countries	836	774	93	62	7	822	775	94	47	6
Total	42,903	35,758	83	7,145	17	48,470	41,566	86	6,904	14

The number of employees as of December 31, 2016 was 40,642 (43,122).

Men and women on Boards of Directors and in executive teams on closing day

	2016	of whom men	of whom women	2015	of whom men	of whom women
Number of Board members	206	86%	14%	183	86%	14%
Number of Presidents and members of executive teams in Business Units	189	80%	20%	180	83%	17%

Other items

No loans, assets pledged or contingent liabilities have been provided for the benefit of any Board member or President within the Group.

Note 37. Remuneration to senior executives and Board members

The Senior Executive Team (SET) consists of the President and CEO and the eight Executive Vice Presidents. The SET consisted of a total of nine individuals at the end of 2016.

Senior executives are defined as the members of the Senior Executive Team.

Preparation and decision-making processes

Principles for remuneration to senior executives are established annually by the Annual General Meeting. The salary and other benefits for the President and CEO are established by the Board of Directors of Skanska AB following recommendations from the Board's Compensation Committee. The Committee sets salaries, variable remuneration and other benefits for the other members of the Senior Executive Team. The President and CEO regularly informs the Compensation Committee about the salaries, variable remuneration and other benefits of the heads of Group staff units and Business Units. In 2016 the Compensation Committee consisted of Hans Björck, Chairman of the Board, who took over from Stuart Graham at the 2016 Annual General Meeting, Charlotte Strömberg, Board member, and John Carrig, Board member. The Compensation Committee met seven times during the year. The Annual General Meeting approves the directors' fees and remuneration for committee work for members of the Board, following recommendations from the Nomination Committee.

Remuneration to senior executives

Principles for remuneration

The 2016 Annual General Meeting approved the following principles for salaries and other remuneration to senior executives:

Remuneration to senior executives of Skanska AB is to consist of a fixed salary, possible variable remuneration, other customary benefits and pension. The senior executives include the President and CEO, and the other members of the Senior Executive Team.

The combined remuneration for each executive must be market-based and competitive in the job market in which the executive works, and outstanding performance should be reflected in the total remuneration package.

Fixed salary and variable remuneration are to be linked to the responsibility and authority of the executive. The variable remuneration is to be payable in cash and/or shares and it is to have a ceiling and be related to fixed salary. To receive shares a three-year vesting period is required and the shares are to be part of a long-term incentive program. Variable remuneration is to be based on outcomes in relation to established targets and be designed to achieve better alignment between the

interests of the executive and the company's shareholders. The terms of variable remuneration should be designed in such a way that if exceptional economic conditions exist, the Board has the possibility of limiting or refraining from paying variable remuneration if it is deemed unreasonable and incompatible with the company's other responsibilities to shareholders, employees and other stakeholders. With respect to the annual bonus, the Board has the possibility of limiting or refraining from paying this variable remuneration if it deems such action reasonable for other reasons.

If a Board member performs work on behalf of the company in addition to his or her Board duties, a consultant fee and other compensation for such work may be payable.

In case of termination or resignation, the normal notice period is six months combined with severance pay equivalent to a maximum of 18 months of fixed salary or, alternatively, a notice period of a maximum of 24 months.

Pension benefits are to be either defined-benefit or defined-contribution plans, or a combination of both, and will entitle the executive to receive an occupational pension from the age of 65. In individual cases, however, the pension age may be as early as 60. To earn full defined-benefit pension, the individual is required to have been employed for as long a period as is required under the company's general pension plans in each respective country. Variable remuneration is not pensionable except in cases where it follows from the rules in a general pension plan, e.g. Sweden's ITP occupational pension plan.

The Board of Directors may deviate from these guidelines if there are special reasons to do so in an individual case.

The President and CEO's salary and other remuneration are addressed by the Compensation Committee in preparation for decisions by the Board. The salary and other remuneration of other senior executives are determined by the Compensation Committee.

Targets and performance relating to variable remuneration

Variable remuneration may consist of two parts: annual variable salary, which is cash-based, and the share incentive program, which provides compensation in the form of shares.

The long-term share programs are described in the sections entitled "Long-term share programs" and "Previous long-term share programs" in this note. The table below specifies, by business stream, the starting point and "outperform" targets that were set by the Board for the 2016 cash-based variable remuneration.

Financial targets for variable salary elements 2016

Group	Measure of earnings	Starting Point	Outperform	Outcome	Percentage fulfilled ²
	Income after financial items, segment, SEK bn ¹	4.8	6.7	8.0	100%
	Corresponding to USD	0.57	0.78	0.94	100%
Construction ³	Operating income, SEK bn	3.4	4.6	3.5	64%
	Corresponding to USD	0.40	0.54	0.41	89%
	Skanska Value Added, SEK bn	3,7	4,9	4,4	89%
	Corresponding to USD	0,44	0,58	0,51	89%
Residential Development ⁴	Operating income, SEK bn	0,7	1,0	1,6	100%
	Corresponding to USD	0,08	0,12	0,19	100%
	Return on capital employed, %	7	11	19	100%
Commercial Property Development	Operating income, SEK bn	1,0	1,5	2,3	94%
	Corresponding to USD	0,12	0,17	0,27	94%
	Return on capital employed, % ⁵	8	11	16	100%
	Leasing, thousands of sq m	181	333	317	69%
Infrastructure Development	Operating income, SEK bn	0.5	0.7	1.8	100%
	Corresponding to USD	0,06	0,09	0,21	100%
	Project development, % ⁶	0	100	72	72%

1 The income excludes eliminations at the Group level. The "Outperform" target at the Group level constitutes 95 percent of the business stream's total "Outperform" target and the "Starting point" target constitutes 105 percent of the business stream's total starting point target.

2 Percentage fulfilled is based on the outcomes in the respective Business Unit, which are weighed together.

3 The Skanska Value Added (SVA) target corresponds to operating profit less cost of capital employed. Cost of capital refers to the estimated cost of borrowed capital and equity before tax.

4 Residential Development in Central Europe as well as BoKlok are also measured according to number of sold units. Rental properties are also measured according to the number of units started.

5 Including unrealized development gains and changes in market value. Covers the Business Units for Commercial Property Development in the Nordic region, Europe and the U.S.

6 Includes targets for project development in Europe and the U.S. as well as asset management and divestments.

Note 37. Continued

In addition to the above-mentioned financial-performance targets, each person in the Senior Executive Team has non-financial targets that may reduce the outcome measured only according to the financial targets. These non-financial targets mainly relate to strategic initiatives linked to the business plan. The outcome is reduced in cases where the operations for which the person is responsible have not achieved the non-financial targets.

For the Senior Executive Team, excluding the President and CEO, annual variable remuneration is mainly tied to the Group targets and/or to the Business Units they are directly responsible for. The non-financial targets are connected to the Business Units and/or operations that individuals in the SET are responsible for. The preliminary outcome for the other SET members averaged 83 (80) percent of fixed annual salary. This calculation is preliminary, insofar as any deductions as a consequence of non-financial targets have not yet been taken into account. The Board will determine the final outcome of variable remuneration after reviewing operational performance in the first quarter of 2017.

Targets and performance related to variable remuneration for the President and CEO

For the President and CEO, the financial targets have been the same as the Group targets according to the table on the previous page. The Board of Directors has the option of reducing the final outcome of variable remuneration that is measured solely on the financial targets by a maximum of 50 percent, based on the outcome of the Group's non-financial targets. The preliminary outcome for the variable remuneration of the President and CEO (i.e. excluding the employee ownership program) shows an outcome of 100 percent (100) of fixed salary, based on financial targets with a target fulfillment of 100 percent (100). This calculation is preliminary, insofar as any deductions as a consequence of non-financial targets have not yet been taken into account. The Board will determine the final outcome in 2017 after reviewing operational performance.

Pension benefits

The retirement age for members of the Senior Executive Team is 62 to 65 years, and employees in Sweden are entitled to pension benefits according to the ITP occupational pension plan. The ITP plan encompasses the premium-based ITP 1 pension system and the defined-benefit ITP 2 pension system. Employees outside Sweden are covered by local pension plans. The ITP 1 premium is 4.5 percent of gross cash salary up to 7.5 base amounts (as defined by Swedish social insurance rules, and amounting to USD 52,000 in 2016) of income per year and 30 percent of gross cash salary above that. The defined-benefit ITP 2 plan guarantees a lifetime pension from age 55. The pension amount is a certain percentage of final salary, and the service period to qualify for a full pension is 30 years. The pension entitlement is 10 percent for portions of salary up to 7.5 base amounts, 65 percent for portions between 7.5 and 20 base amounts (in 2016: USD 139,000) and 32.5 percent for portions of salary between 20 and 30 base amounts (in 2016: USD 208,000). For portions of salary exceeding 30 base amounts, this ITP 2 group is covered by a supplementary pension entitlement, with a premium of 20 percent.

Severance pay

For members of the Senior Executive Team, in the case of termination by the company, the notice period is six months with retention of fixed salary and benefits, excluding variable remuneration. After the notice period, severance pay is disbursed for 12 to 18 months. When payments are disbursed after the notice period, other income must normally be subtracted from the amount payable.

A mutual notice period of 24 months applies between Skanska and the President and CEO, with retention of fixed salary and benefits, excluding variable remuneration. No severance pay will be disbursed in the case of termination.

Remuneration and benefits recognized as expenses in 2016

Directors' fees

The 2016 Annual General Meeting resolved that fees would be paid to the Board members elected by the Meeting, with the exception of the President and CEO, totaling USD 991,400 (972,100), including a special allowance for committee work. See the table below.

Board of Directors

USD thousand	Director's fee		Audit Committee		Compensation Committee		Project Review Committee		Total	
	2016	2015	2016	2015	2016	2015	2016	2015	2016	2015
Chairman of the Board										
Hans Biörck (Stuart Graham)	233.1	231.2	17.5	14.8	11.7	11.9	23.4	23.7	285.7	281.6
Other Board members										
John Carrig	77.7	77.1	17.5	14.8	11.7	11.9	23.4	23.7	130.3	127.4
Nina Linander	77.7	77.1	17.5	14.8	0.0	0.0	23.4	23.7	118.6	115.6
Fredrik Lundberg	77.7	77.1	0.0	0.0	0.0	0.0	23.4	23.7	101.1	100.8
Charlotte Strömberg	77.7	77.1	23.4	17.8	11.7	11.9	23.4	23.7	136.1	130.4
Pär Boman	77.7	77.1	17.5	14.8	0.0	0.0	23.4	23.7	118.6	115.6
Jayne McGivern	77.7	77.1	0.0	0.0	0.0	0.0	23.4	23.7	101.1	100.8
Board of Directors	699.3	693.5	93.5	77.1	35.1	35.6	163.6	166.0	991.4	972.1

Chairman of the Board

During the 2016 financial year the Chairman of the Board, Hans Biörck, received a director's fee totaling USD 285,700, of which USD 52,600 was for committee work. The Chairman was also awarded a benefit value of around USD 74,900 relating to participation in the long-term employee ownership program (Seop) during his time as an employee of Skanska AB.

Board members

Other members of the Board did not receive any remuneration for their role as Board members beyond their regular directors' fees and remuneration for committee work. John Carrig received USD 90,000 (90,000) for his work as an advisor to Skanska's U.S. operations.

For Board members appointed by the employees, no disclosures are made concerning salaries and remuneration or pensions, since they do not receive these in their capacity as Board members. For Board members who were employees of the company before the beginning of the financial year, disclosures are made concerning pension obligations in their former role as employees.

Note 37. Continued

Senior Executive Team

USD thousand	Annual salary		Variable remuneration ¹		Allocated value of employee ownership programs ²		Other remuneration and benefits		Pension expense		Total	
	2016	2015	2016	2015	2016	2015	2016	2015	2016	2015	2016	2015
President and CEO												
Johan Karlström	1,444.1	1,422.7	1,444.1	1,422.7	1,010.1	777.4	8.5	8.5	722.1	711.3	4,628.9	4,342.5
Other SET members (8 persons)	4,647.7	4,648.5	3,364.0	3,144.7	3,206.0	2,061.8	136.9	104.3	1,548.1	1,424.6	12,902.8	11,383.9
Total	6,091.8	6,071.2	4,808.1	4,567.3	4,216.1	2,839.2	145.4	112.8	2,270.2	2,135.9	17,531.7	15,726.4

1 Variable remuneration relating to the 2016 financial year is preliminary and will be finally determined and disbursed after the outcome is established in the first quarter of 2017. The amounts included under the heading "Variable remuneration" in the table above refer to the 2016 financial year. The variable remuneration agreements include a general clause stipulating that the Board of Directors and the Compensation Committee are entitled to wholly or partly reduce variable remuneration.

2 The value stated refers to a preliminary allotment of matching shares and performance shares for 2016, at the share price on December 30, 2016 (SEK 215.1 kr corresponding to USD 23.7). The Senior Executive Team will receive an estimated 6,990 (6,055) matching shares and 160,768 (139,264) performance shares. The Board will determine the final outcome in 2017 after reviewing operational performance. In order to receive matching shares and performance shares, an additional three years of service are required. The cost is allocated over three years in compliance with IFRS 2. See the section entitled "Long-term share programs." The President and CEO as well as some other members of the Senior Executive Team received remuneration related to the 2013 financial year. After a three-year lock-up period as part of the previous employee ownership program, Seop 2, the President and CEO received 35,302 (27,638) shares equivalent to USD 837,800 (542,600) in 2016, related to shares acquired for the financial year 2013. In 2016, as part of Seop 2, the other members of the Senior Executive Team, after a three-year lock-up period, received 86,998 (70,627) Series B Skanska shares, equivalent to USD 2,064,500 (1,386,400), related to shares acquired for the financial year 2013.

President and CEO

In 2016 the President and CEO, Johan Karlström, received a fixed salary of USD 1,444,100 (1,422,700) plus an estimated variable salary component of USD 1,444,100 (1,422,700) based on financial targets being 100 percent fulfilled. Variable remuneration may total a maximum of 100 percent of fixed annual salary. The final outcome of variable remuneration for the President and CEO will be established by the Board in 2017 following a review of operational performance. The preliminary outcome was equivalent to 100 (100) percent of fixed annual salary. Disbursement normally occurs in May of the year following the performance year.

The President and CEO is also participating in the Group's ongoing employee ownership program, Seop 3, involving an allocation of matching shares and performance shares. See the section entitled "Long-term share programs" in this note. Within the framework of Seop 3, Johan Karlström acquired 6,698 (6,631) Series B Skanska shares in 2016, USD 39,700 (32,500). An estimated 38,515 (38,130) performance shares may be allocated, at a value of USD 914,000 (748,500), since the Outperform targets were preliminarily 100 (100) percent fulfilled. The stated value refers to the share price on December 30, 2016 (SEK 215.1, corresponding to USD 23.7). The allocation of performance shares will be finally determined in the first quarter of 2017 after a review of operational performance.

The President and CEO is eligible for a pension from age 62 at the earliest. Annual pension provisions will total 50 percent of fixed annual salary. The cost in 2016 amounted to USD 722,100 (711,300).

Other members of the Senior Executive Team

In 2016 one new individual joined the Senior Executive Team (SET) and one individual left the SET. At the end of 2016 the rest of the SET consisted of a total of eight individuals.

SET members received a fixed salary and variable remuneration based on the Group's earnings and/or the earnings of the Business Units for which they are directly responsible. In addition, senior executives were covered by the Group's ongoing employee ownership program, Seop 3, with an allocation of matching shares and performance shares. See the section entitled "Long-term share programs" in this note. A total of 21,261 (17,588) Series B Skanska shares were purchased by the other SET members in 2016 under the Seop 3 program, which resulted in 5,315 (4,397) matching shares, equivalent to USD 126,100 (86,400). An estimated 122,252 (101,134) performance shares may be allocated, at a value of USD 2,901,100 (1,985,300), since the Outperform targets were preliminarily 100 (100) percent fulfilled. The stated value refers to the share price on December 30, 2016 (SEK 215.1, corresponding to USD 23.7). Variable remuneration and the outcome of performance shares for 2016 are preliminary. The final outcome will be established in the first quarter of 2017 after a review of operational performance. Disbursement of the cash-based variable remuneration normally occurs in May of the year following the performance year.

All above-mentioned remuneration and benefits were charged to Skanska AB, except for USD 3,640,300 (3,263,100) to other SET members, which was charged to other Group companies.

Pension obligations to current and former senior executives

In 2016, outstanding pension obligations to Presidents and CEOs, including former Presidents and CEOs, amounted to USD 16,542,600 (21,471,500). Outstanding obligations to other current and former members of the Senior Executive Team amounted to USD 12,365,500 (13,346,600).

Long-term share programs

Share incentive program – Skanska employee ownership program, Seop 3 (2014–2016)

In 2013, the Annual General Meeting approved the introduction of the Seop 3 long-term share ownership program for employees of the Skanska Group, which is essentially an extension of the earlier Seop 2 share ownership program that ran from 2011 to 2013. The terms and conditions are the same in all material respects as those of the earlier Seop 2 program.

The program is aimed at about 40,000 permanent employees of the Skanska Group, of whom some 2,000 are key employees and about 300 are executives, including the President and CEO and the rest of the Senior Executive Team.

The program offers employees, key employees and executives the opportunity – provided they have made their own investment in Series B Skanska shares during a given financial year – to receive Series B Skanska shares from Skanska free of charge. For each four Series B investment shares purchased, the employee will be entitled, after a three-year lock-up period, to receive one Series B Skanska share free of charge. In addition, after the lock-up period, the employee will be able to receive additional Series B Skanska shares free of charge, contingent upon the fulfillment of certain earnings-based performance criteria during the purchase period.

The purchase period covers the years 2014–2016 and the lock-up period runs for three years from the month in which the investment shares are acquired. For each four investment shares purchased, employees may, in addition to one matching share, receive a maximum of three performance shares. For each four investment shares, key employees may, in addition to one matching share, receive a maximum of seven performance shares. For each four so-called investment shares, executives (split into three subcategories) may, in addition to one matching share, receive a maximum of 15, 19 or 23 performance shares respectively. The maximum number of investment shares that each employee participating in the program may acquire, through monthly saving, depends on the employee's salary and whether an employee is participating in the program as an employee, a key employee or an executive.

Note 37. Continued

Financial targets for the employee ownership program, Seop 3, 2016 ¹

	Measure of earnings	Starting Point	Outperform	Outcome	Percentage fulfilled ²
Group	Earnings per share, segment, SEK ³	10.8	12.3	15.9	100%
	Corresponding to USD	1.26	1.44	1.86	100%
Construction	Operating income, SEK bn	3.7	4.8	3.5	54%
	Corresponding to USD	0.44	0.56	0.41	54%
Residential Development⁴	Operating income, SEK bn	0.8	1.0	1.6	100%
	Corresponding to USD	0.09	0.12	0.19	100%
Commercial Property Development	Operating income, SEK bn	1.2	1.6	2.3	94%
	Corresponding to USD	0.14	0.19	0.27	94%
	Leasing, thousands of sq m	181	333	317	69%
Infrastructure Development	Operating income, SEK bn	0.7	0.8	1.8	100%
	Corresponding to USD	0.08	0.09	0.21	100%
	Project development, %	0	100	72	72%

1 For further information, see the table "Financial targets for variable salary elements" in Note 37 on page 134.

2 Percentage fulfilled is based on outcomes in the respective Business Units, which are weighed together.

3 Profit for the period attributable to shareholders, divided by the average number of outstanding shares during the year.

4 The units for housing development in Central Europe, as well as BoKlok are also measured on return on capital employed. Rental properties are also measured according to the number of units started.

To qualify to receive matching and performance shares, a participant must be employed within the Skanska Group throughout the lock-up period and must have retained his or her investment shares during this period.

The program has two cost ceilings. The first ceiling depends on the extent to which financial "Seop-specific Outperform targets" are met, which limits Skanska's total cost per year to USD 24–78 M, related to fulfillment of the financial "Seop-specific Outperform targets" at the Group level. The first cost ceiling is adjusted in accordance with the Consumer Price Index, with 2013 as the base year for Seop 3. The other cost ceiling is that Skanska's total cost per year may not exceed 15 percent of earnings before interest and taxes (EBIT) at the Group level. The actual cost ceiling will be the lower of these two cost ceilings. The cost for the outcomes of stock purchase programs from previous years is included in annually established earnings goals. In addition to the cost ceilings, the number of shares that may be repurchased as part of the three-year program is also limited to 13,500,000 shares.

The table above shows Seop 3 target fulfillment in 2016 for each business stream.

In the Skanska Group, a total of 30 (27) percent of permanent employees participated in Seop 3 in 2016.

Excluding social insurance contributions, the cost of Seop 3 is estimated at around USD 100.6 M, of which the cost for 2016 amounts to around USD 27.9 M. The remaining cost of Seop 3 up to and including 2019 is estimated at about USD 50.0 M.

The dilution effect through 2016 in respect of Seop 3 for the 2016 program is estimated at 2,567,457 shares or 0.55 percent of the number of Skanska Series B shares outstanding. Maximum dilution for the program in 2016 is projected at 5,090,778 shares or 1.23 percent.

The number of issued shares will not change; instead the matching and performance shares will be allocated from repurchased shares. Repurchasing will be evenly distributed over time. There will therefore be essentially no dilution effect.

Share incentive program – Skanska employee ownership program, Seop 4 (2017–2019)

In 2016, the Annual General Meeting approved the introduction of the Seop 4 long-term share ownership program for employees of the Skanska Group, which is essentially an extension of the earlier Seop 3 share ownership program that ran from 2014–2016. The terms and conditions are the same in all material respects as those of the earlier Seop 3 program.

Previous long-term share programs

Share incentive program – Skanska employee ownership program, Seop 2 (2011–2013)

For the previous Skanska employee ownership program, which ran from 2011 to 2013, the distribution of shares was implemented in 2014, 2015 and 2016. This related to shares that were earned in 2011, 2012 and 2013, which, after a three-year lock-up period, were distributed to those who had been employed by the Group throughout the lock-up period and who had retained their investment shares during this lock-up period.

Excluding social insurance contributions, the cost of Seop 2 totaled USD 113.7 M, of which USD 109.8 M was expensed in 2011–2015, while the costs for 2016 amounted to about USD 3.9 M.

Local incentive programs

Salaries and other remuneration are established with reference to prevailing conditions in the rest of the construction industry and customary practices in each local market. The Skanska Group applies a remuneration model for the affected executives and managers that consists of a fixed annual salary plus variable remuneration based on financial targets achieved.

Note 38. Fees and other remuneration to auditors

	Ernst & Young		KPMG	
	2016	2015	2016	2015
Audit assignments	5.4	0	0.9	6.2
Tax advisory services	0.4	0	0.1	0.7
Other services	0.1	0	0.2	0.9
Total	5.9	0	1.2	7.8

“Audit assignments” refers to the statutory audit of the annual accounts and accounting documents as well as the administration of the company by the Board of Directors and the President and CEO, as well as audit and other review work conducted according to agreements or contracts. This includes other tasks that are incumbent upon the company’s auditors as well as advisory services or other assistance required as a result of observations made during such review work or the completion of such other tasks.

“Other services” refers to advisory services relating to accounting issues, advisory services concerning the divestment and acquisition of businesses and advisory services relating to processes and internal control.

Note 39. Related party disclosures

Skanska sells administrative services to pension funds that manage assets intended to cover the Group’s pension obligations.

Associated companies and joint ventures are companies related to Skanska. Information on transactions with these is presented in the following tables.

Information on remuneration and transactions with senior executives is found in Note 36 Personnel, and Note 37 Remuneration to senior executives and Board members.

Transactions with joint ventures	2016	2015
Sales to joint ventures	854.1	756.5
Purchases from joint ventures	6.7	7.6
Dividends from joint ventures	41.8	65.0
Receivables from joint ventures	58.7	65.8
Liabilities to joint ventures	1.1	0.0
Contingent liabilities for joint ventures	152.1	225.1

Transactions with associated companies	2016	2015
Purchases from associated companies	0.0	0.0
Receivables from associated companies	0.0	0.0
Liabilities to associated companies	0.0	0.0

L E Lundbergföretagen AB group has assigned Skanska to undertake four construction contracts for a total order backlog of USD 51.3 M (66.2). Sales in 2016 amounted to USD 10.6 M (1.4).

Skanska’s pension fund directly owns 370,000 (370,000) Series B shares in Skanska. There is also an insignificant percentage of indirectly owned shares via investments in various mutual funds.

In 2016 Skanska Trean Allmän Pensionsstiftelse (Skanska’s Swedish pension fund) acquired for around USD 4.7 M a property in Luleå with other three external funds. The total consideration was around USD 18.7 M.

In 2015, Skanska sold its holding in Capital Hospitals (Holdings) Ltd to Skanska Trean Allmän Pensionsstiftelse (Skanska’s Swedish pension fund), Skanska Norge Konsernpensjonskass and Skanska Construction Services Trustee Ltd (Skanska UK’s pension fund) for USD 122.2 M.

Note 40. Leases

Skanska is a lessee in both finance and operating leases.

When Skanska is a lessee, finance lease assets are recognized as a non-current asset in the statement of financial position, while the future obligation to the lessor is recognized as a liability in the statement of financial position.

Skanska is not a financial lessor.

As an operating lessor, Skanska leases properties to tenants mainly via its Commercial Property Development business stream.

A. Skanska as a lessee

Finance leases

Leased property, plant and equipment including buildings and land ("Property") as well as machinery and equipment ("Plant and equipment") are recognized in the consolidated financial statements as finance leases.

Of the amount in the statement of financial position for finance leases, most relates to car leases in Sweden. Agreements with lease companies in other countries are operating leases.

Financial leases, carrying amount	2016	2015
Property, plant and equipment		
Property (buildings and land)	0.0	0.0
Plant and equipment	29.3	35.4
Total	29.3	35.4
Acquisition cost	121.1	126.0
Depreciation for the year	-8.8	-9.9
Accumulated depreciation, January 1	-83.0	-80.8
Carrying amount	29.3	35.4

Variable fees for finance leases included in 2016 income amounted to USD 0 M (0). No property leased to Skanska has been subleased to others.

Future minimum lease payments and their present value are presented in the following table.

	Future minimum lease payments		Present value of future minimum lease payments	
Expenses, due date	2016	2015	2016	2015
Within one year	-5.5	-13.0	-4.2	-12.0
Later than one year but within five years	-21.6	-22.2	-16.8	-20.4
Later than five years	0.0	0.0	0.0	0.0
Total	-27.1	-35.2	-21.0	-32.4
Reconciliation, future minimum lease payments and their present value			2016	2015
Future minimum lease payments			-27.2	-35.1
Less interest charges			6.2	2.7
Present value of future minimum lease payments			-21.0	-32.4

Operating leases

Most of the amounts for future minimum lease payments are related to leased cars and office space in the UK, Poland and the U.S. Also included are site leasehold agreements for land, especially in the UK.

The Group's lease expenses related to operating leases in 2016 totaled USD -74.5 M (-65.7), of which USD -71.9 M (-60.7) relates to minimum lease payments and USD -2.7 M (-5.0) to variable payments. The Group had USD 1.5 M (1.3) in lease income related to subleasing of operating leases.

The due dates of future minimum lease payments for non-cancellable operating leases break down as follows:

Expenses, due date	2016	2015
Within one year	-58.7	-64.4
Later than one year but within five years	-138.6	-157.3
Later than five years	-233.8	-130.7
Total	-431.1	-352.5

Of this amount, USD 5.8 M (1.4) relates to properties that were subleased.

B. Skanska as lessor

Finance leases

Skanska is not a financial lessor.

Operating leases

Operating leases in the form of property leases mainly entered into by the Commercial Property Development business stream.

These properties are recognized as current assets in the statement of financial position. See Note 4 Operating segments.

Lease income for Commercial Property Development in 2016 amounted to USD 66.7 M (61.1).

The Group's variable lease income related to operating leases amounted to USD 15.3 M (0.0) during the year.

The due dates of future minimum lease payments for non-cancellable operating leases break down as follows:

Revenue, due date	2016	2015
Within one year	46.9	11.1
Later than one year but within five years	69.7	8.1
Later than five years	74.4	36.8
Total	191.0	56.0

Carrying amount for current-asset properties in Commercial Property Development amounted to USD 2,176.5 M (1,983.3).

Note 41. Events after the reporting period

There were no events after the end of the reporting period.

Note 42. Consolidated quarterly results¹

In compliance with IFRS	2016				2015			
	Q4	Q3	Q2	Q1	Q4	Q3	Q2	Q1
Order bookings	4,330.7	5,452.7	6,518.6	3,588.9	3,520.7	3,995.9	3,332.4	3,627.0
Profit/loss								
Revenue	4,379.7	4,162.5	4,846.1	3,595.8	5,052.9	4,290.4	4,803.6	3,997.8
Cost of sales	-3,962.1	-3,813.8	-4,218.8	-3,325.0	-4,469.7	-3,991.6	-4,362.4	-3,674.4
Gross income	417.6	348.7	627.3	270.8	583.2	298.8	441.1	323.4
Selling and administrative expenses	-284.0	-252.9	-279.6	-252.8	-281.0	-236.7	-276.5	-257.4
Income from joint ventures and associated companies	187.9	25.9	15.8	18.8	67.1	28.3	26.6	28.5
Operating income	321.5	121.7	363.5	36.8	369.4	90.4	191.3	94.6
Interest income	2.0	1.6	1.1	3.6	1.3	3.8	2.1	3.2
Interest expense	-5.8	-3.9	-4.2	-5.9	1.6	-9.3	-11.8	-7.3
Change in market value	1.9	0.9	0.2	-2.8	0.5	-1.5	-0.6	-1.3
Other financial items	-5.1	-0.4	4.3	-1.4	3.5	-7.8	-1.1	-12.5
Financial items	-7.0	-1.8	1.4	-6.5	6.9	-14.9	-11.4	-17.9
Income after financial items	314.5	119.9	364.9	30.3	376.3	75.6	179.9	76.8
Taxes	-51.3	-25.2	-76.9	-6.2	-70.8	-10.6	-40.6	-18.5
Profit for the period	263.2	94.7	288.0	24.1	305.5	65.0	139.3	58.3
Profit for the period attributable to Equity holders	262.7	94.3	287.5	24.0	304.8	64.7	139.0	58.2
Non-controlling interests	0.5	0.4	0.5	0.1	0.6	0.4	0.2	0.1
Order backlog	21,651.3	22,220.6	21,039.5	19,051.9	18,849.6	19,980.6	20,482.5	20,955.1
Capital employed	4,700.3	4,485.7	4,344.3	4,541.0	4,574.0	4,329.8	4,408.3	4,334.8
Interest-bearing net receivables/net debt	134.4	-372.3	-54.8	291.7	752.4	-402.6	-474.2	-153.6
Debt/equity ratio	0.0	0.2	0.0	-0.1	-0.3	0.2	0.2	0.1
Return on capital employed, %	19.0	20.1	19.5	15.7	17.2	13.7	17.4	16.1
Cash flow								
Cash flow from operating activities	-52.4	45.5	247.2	-343.3	1,028.6	89.8	123.4	-224.1
Cash flow from investing activities	192.1	-191.2	-161.2	-25.9	117.6	-115.1	-62.9	-103.9
Cash flow from financing activities	-21.8	-24.9	-295.4	-136.0	-63.5	-56.1	-284.2	-134.9
Cash flow for the year	117.9	-170.6	-209.4	-505.2	1,082.8	-81.4	-223.7	-462.9

Note 42. Continued¹

Business streams

In compliance with IFRS	2016				2015			
	Q4	Q3	Q2	Q1	Q4	Q3	Q2	Q1
Order bookings								
Construction	4,330.7	5,452.7	6,518.6	3,588.9	3,520.7	3,995.9	3,332.4	3,627.0
Total	4,330.7	5,452.7	6,518.6	3,588.9	3,520.7	3,995.9	3,332.4	3,627.0
Revenue								
Construction	4,310.4	4,106.4	4,106.9	3,600.0	4,470.4	4,217.7	4,304.5	3,681.9
Residential Development	279.0	202.9	220.6	182.1	206.9	170.0	372.5	284.8
Commercial Property Development	208.9	126.3	731.1	68.3	761.6	124.5	239.5	117.8
Infrastructure Development	3.6	3.2	18.6	2.3	3.4	2.7	2.6	3.8
Central and eliminations	-422.2	-276.3	-231.1	-256.9	-389.5	-224.4	-115.6	-90.5
Total	4,379.7	4,162.5	4,846.1	3,595.8	5,052.9	4,290.4	4,803.6	3,997.8
Operating income								
Construction	142.5	110.9	108.6	52.3	165.0	92.9	126.8	74.6
Residential Development	39.6	20.2	17.0	10.4	7.9	8.1	44.3	26.0
Commercial Property Development	16.5	5.3	236.2	-1.1	186.5	16.2	42.8	15.4
Infrastructure Development	171.6	14.8	15.8	10.2	54.2	18.1	11.7	18.3
Central	-48.7	-26.6	-28.5	-29.6	-46.1	-41.7	-33.7	-38.1
Eliminations	0.0	-3.1	14.6	-5.4	1.9	-3.2	-0.6	-1.6
Total	321.5	121.5	363.7	36.8	369.4	90.4	191.3	94.6

According to segment reporting	2016				2015			
	Q4	Q3	Q2	Q1	Q4	Q3	Q2	Q1
Order bookings								
Construction	4,330.7	5,452.7	6,518.6	3,588.9	3,520.7	3,995.9	3,332.4	3,627.0
Total	4,330.7	5,452.7	6,518.6	3,588.9	3,520.7	3,995.9	3,332.4	3,627.0
Revenue								
Construction	4,310.4	4,106.4	4,107.0	3,600.0	4,470.4	4,217.7	4,304.5	3,681.9
Residential Development	509.2	303.6	422.3	314.6	376.2	289.0	434.8	358.0
Commercial Property Development	295.1	153.8	223.1	522.8	639.6	114.0	177.7	139.7
Infrastructure Development	3.6	3.2	18.7	2.2	3.4	2.7	2.6	3.9
Central and eliminations	-432.2	-283.3	-237.2	-264.9	-397.5	-230.5	-121.7	-98.1
Total	4,686.1	4,283.7	4,533.9	4,174.7	5,092.1	4,392.9	4,797.9	4,085.4
Operating income								
Construction	142.4	111.0	108.6	52.3	165.0	92.9	126.8	74.6
Residential Development	77.4	29.2	45.9	35.1	38.4	25.5	47.7	27.6
Commercial Property Development	33.0	22.4	56.5	161.1	150.4	12.7	45.9	21.8
Infrastructure Development	171.5	14.8	15.9	10.2	54.2	18.1	11.7	18.3
Central	-48.7	-26.5	-28.5	-29.5	-46.2	-41.5	-33.8	-38.1
Eliminations	-1.3	-3.4	4.8	3.8	-0.2	-1.8	0.4	-4.4
Total	374.3	147.5	203.2	233.0	361.6	105.9	198.7	99.8

¹ This information is from the company's quarterly reports which have not been examined separately by the company's auditors.

Note 43. Five-year Group financial summary

Income statements, in compliance with IFRS ¹

	2016	2015	2014	2013	2012
Revenue	16,984.1	18,144.7	20,776.8	20,965.2	19,100.7
Cost of sales	-15,319.7	-16,498.1	-18,876.3	-19,057.6	-17,393.5
Gross income	1,664.4	1,646.6	1,900.5	1,907.6	1,707.2
Selling and administrative expenses	-1,069.3	-1,051.5	-1,213.3	-1,179.0	-1,256.3
Income from joint ventures and associated companies	248.4	150.6	97.0	124.8	142.5
Operating income	843.5	745.7	784.1	853.4	593.3
Financial items	-13.9	-37.2	-40.6	-37.0	-34.6
Income after financial items	829.6	708.5	743.5	816.4	558.8
Taxes	-159.6	-140.5	-185.4	-238.1	-136.3
Profit for the year	670.0	568.0	558.1	578.4	422.5
Profit for the year attributable to					
Equity holders	668.5	566.7	557.1	577.9	421.3
Non-controlling interests	1.5	1.3	1.0	0.5	1.2
Other comprehensive income					
Items that will not be reclassified to profit or loss for the period					
Remeasurement of defined-benefit pension plans	-131.7	93.1	-333.3	111.0	-19.2
Tax related to items that will not be reclassified to profit or loss for the period	22.1	-20.7	73.8	-28.1	-13.1
	-109.6	72.3	-259.5	82.9	-32.3
Items that have been or will be reclassified to profit or loss for the period					
Translation differences attributable to equity holders	-155.5	-194.8	-438.6	-35.5	147.2
Translation differences attributable to non-controlling interests	0.9	-0.4	0.9	-1.4	-0.6
Hedging of exchange rate risk in foreign operations	61.6	5.4	90.7	5.9	-32.0
Effects of cash flow hedges	3.6	6.4	-10.9	-13.4	1.6
Tax related to items that have been or will be reclassified to profit or loss for the period	99.9	33.3	-108.4	94.1	-7.8
Tax related to items that have been or will be reclassified to profit for the period	-0.5	-1.7	3.3	2.6	-0.1
	10.0	-151.8	-463.0	52.4	108.3
Other comprehensive income after tax	-99.6	-79.5	-722.5	135.2	76.0
Comprehensive income for the year	570.4	488.5	-164.4	713.6	498.5
Comprehensive income for the year attributable to					
Equity holders	567.9	487.6	-166.3	714.5	497.9
Non-controlling interests	2.5	0.9	1.9	-0.9	0.6
Cash flow ¹					
Cash flow from operating activities	-103.0	1,017.7	689.4	959.6	-13.4
Cash flow from investing activities	-186.2	-164.2	34.5	-222.1	-176.2
Cash flow from financing activities	-478.1	-538.7	-524.0	-497.0	276.4
Cash flow for the year	-767.3	314.8	199.9	240.5	86.8

¹ Comparative figures for 2012 have not been adjusted for the effects of IFRS 10 and IFRS 11.

Note 43. Continued

Income statement, in compliance with Segment Reporting ¹

	2016	2015	2014	2013	2012
Revenue					
Construction	16,123.7	16,674.5	18,651.3	18,261.7	18,386.7
Residential Development	1,549.8	1,458.0	1,385.6	1,417.3	1,282.1
Commercial Property Development	1,194.8	1,071.0	1,482.7	952.6	995.6
Infrastructure Development	27.7	12.6	23.6	13.4	35.7
Central and eliminations	-1,217.6	-847.8	-519.4	298.2	-1,217.4
Group	17,678.4	18,368.3	21,023.8	20,943.2	19,482.7
Operating income					
Construction	414.3	459.3	653.5	595.5	513.0
Residential Development	187.6	139.2	99.0	88.0	-16.8
Commercial Property Development	273.0	230.8	246.4	163.9	213.8
Infrastructure Development	212.4	102.3	67.1	61.5	86.8
Central	-133.2	-159.6	-232.5	-112.4	-106.8
Eliminations	3.9	-6.0	2.3	-7.1	-10.0
Operating income	958.0	766.0	835.9	789.6	680.0
Financial items	-13.8	-37.1	-42.5	-37.0	-34.6
Income after financial items	944.2	728.9	793.4	752.6	645.4
Taxes	-181.7	-144.5	-197.9	-219.5	-157.4
Profit for the year	762.5	584.4	595.5	533.1	488.0
Earnings per share, segment, USD	1.86	1.42	1.45	1.29	1.18
Earnings per share after dilution, segment, USD	1.85	1.41	1.43	1.29	1.18

¹ Comparative figures for 2012 have not been adjusted for the effects of IFRS 10 and IFRS 11.

Note 43. Continued

Statements of financial position ¹

	Dec 31, 2016	Dec 31, 2015	Dec 31, 2014	31 dec 2013	Jan 1, 2013	Dec 31, 2012
ASSETS						
Non-current assets						
Property, plant and equipment	754.3	774.7	913.8	1,152.3	1,218.4	1,218.4
Goodwill	581.4	626.1	677.0	750.1	749.3	749.3
Intangible assets	114.1	89.8	59.5	53.5	28.5	28.5
Investments in joint ventures and associated companies	458.9	339.7	335.9	422.9	296.4	371.0
Financial non-current assets ^{2,4}	112.1	161.6	167.1	292.7	282.7	282.7
Deferred tax assets	181.9	164.9	157.2	163.8	192.6	192.6
Total non-current assets	2,202.7	2,156.8	2,310.5	2,835.3	2 768.1	2,842.7
Current assets						
Current-asset properties ³	3,715.5	3,218.5	3,350.9	3,984.3	4,239.5	4,129.5
Inventories	115.0	112.4	130.5	146.0	165.6	165.6
Financial current assets ⁴	1,113.7	892.9	749.2	921.2	896.1	896.1
Tax assets	86.5	82.3	119.2	152.2	87.2	87.2
Gross amount due from customers for contract work	634.5	678.0	702.1	964.0	919.6	919.6
Other operating receivables	3,282.9	3,082.3	3,373.1	3,438.2	3,608.6	3,617.0
Cash	599.1	1,410.3	1,168.5	1,129.7	891.3	885.6
Total current assets	9,547.2	9,476.7	9,593.5	10,735.5	10,808.1	10,700.7
TOTAL ASSETS	11,749.9	11,633.5	11,904.0	13,570.8	13,576.2	13,543.4
of which interest-bearing	1,800.2	2,443.2	2,059.3	2,319.8	2,033.6	2,027.9
EQUITY						
Equity attributable to equity holders	3,012.0	2,864.2	2,724.2	3,277.6	2,946.7	2,946.7
Non-controlling interests	22.5	19.1	22.3	27.1	28.3	23.9
Total equity	3,034.5	2,883.3	2,746.5	3,304.7	2,975.0	19,353
LIABILITIES						
Non-current liabilities						
Financial non-current liabilities ⁴	403.3	461.4	912.6	1,014.1	741.1	739.8
Pensions	540.7	472.8	597.3	527.6	628.2	628.2
Deferred tax liabilities	164.5	153.2	123.9	155.0	87.8	87.8
Non-current provisions	0.1	0.0	0.0	0.3	1.8	1.8
Total non-current liabilities	1,108.6	1,087.4	1,633.8	1,697.1	1,458.9	1,457.7
Current liabilities						
Financial current liabilities ⁴	737.1	780.8	524.3	637.0	984.5	964.4
Tax liabilities	53.9	66.7	64.7	96.2	36.8	36.8
Current provisions	797.3	766.1	770.5	873.8	923.4	923.4
Gross amount due to customers for contract work	2,038.0	1,884.5	1,866.3	2,322.3	2,420.3	2,419.0
Other operating liabilities	3,980.5	4,164.7	4,297.9	4,639.7	4,777.2	4,771.5
Total current liabilities	7,606.8	7,662.9	7,523.7	8,569.0	9,142.3	9,115.1
TOTAL EQUITY AND LIABILITIES	11,749.9	11,633.5	11,904.0	13,570.8	13,576.2	13,543.4
of whom interest-bearing	1,665.8	1,690.7	1,969.7	2,169.5	2,342.7	2,321.4
1 Comparative figures for 2012 have not been adjusted for the effects of IFRS 10 and IFRS 11.						
2 Of which shares	4.9	7.3	4.5	4.9	7.7	7.7
3 Current-asset properties						
Commercial Property Development	2,176.5	1,983.3	1,919.0	2,119.2	2,161.3	2,161.3
Residential Development	1,539.0	1,235.2	1,431.8	1,741.3	1,804.5	1,745.2
Central	0.0	0.0	0.0	123.7	273.8	223.0
Total	3,715.5	3,218.5	3,350.9	3,984.3	4,239.6	4,129.5
4 Items related to non-interest-bearing unrealized changes in the value of derivatives/securities are included as follows.						
Financial non-current assets	0.2	0.1	0.0	0.9	0.0	0.0
Financial current assets	19.6	14.3	21.0	17.8	28.9	28.9
Financial non-current liabilities	12.8	20.6	25.9	7.6	7.5	7.5
Financial current liabilities	5.4	8.6	43.0	8.5	13.5	13.5

Note 43. Continued

Financial ratios ^{1,5}

	Dec 31, 2016	Dec 31, 2015	Dec 31, 2014	Dec 31, 2013	Jan 1, 2013	Dec 31, 2012
Order bookings ⁶	19,890.9	14,476.0	21,300.6	17,489.4		17,732.8
Order backlog ⁶	21,651.3	18,849.6	21,876.9	20,810.2		22,514.0
Average number of employees	42,903	48,470	57,858	57,105		56,618
Regular dividend per share, SEK	8.25	7.50	6.75	6.25		6.00
Corresponding to regular dividend per share, USD	0.91	0.88	0.80	0.91		0.92
Earnings per share, USD	1.63	1.38	1.36	1.40		1.02
Earnings per share after dilution, USD	1.62	1.37	1.34	1.40		1.02
Operating financial assets	1,168.9	1,645.9	1,072.2	1,039.2		700.4
Capital employed	4,700.3	4,574.0	4,716.2	5,474.2	5,317.7	5,291.9
Interest-bearing net receivables /net debt	134.4	752.4	89.6	150.4	-309.1	-293.5
Equity per share, USD	7.36	6.98	6.64	7.96		7.15
Equity/assets ratio, %	25.8	24.8	23.1	24.4		21.9
Debt/equity ratio	0.0	-0.3	0.0	0.0		0.1
Interest cover	88.7	57.9	59.5	40.5		29.2
Return on equity, %	24.7	21.6	18.7	18.9		15.0
Return on capital employed, %	19.0	17.2	15.5	16.1		12.9
Return on equity, segments, %	28.1	22.3	20.0	17.4		17.4
Consolidated return on capital employed in project development units, segments, %	18.3	14.7	10.4	10.1		8.7
Operating margin, %	5.0	4.1	3.8	4.1		3.1
Operating margin, Construction, %	2.6	2.8	3.5	3.3		2.8
Cash flow per share, USD	-1.19	1.41	0.32	0.76		-1.70
Number of shares at year-end	419,903,072	419,903,072	419,903,072	419,903,072		419,903,072
of which Series A shares	19,793,202	19,859,200	19,901,355	19,923,597		19,947,643
of which Series B shares	400,109,870	400,043,872	400,001,717	399,979,475		399,955,429
Average price, repurchased shares	132.18	121.02	113.81	107.85		105.53
Corresponding to average price, repurchased shares USD	15.44	14.35	16.50	16.55		15.58
Number of repurchased Series B shares	4,345,000	2,340,000	2,484,648	2,392,580		2,417,000
Number of Series B treasury shares, December 31	10,594,644	8,866,223	9,113,814	8,625,005		8,066,894
Number of shares outstanding, December 31	409,308,428	411,036,849	410,789,258	411,278,067		411,836,178
Average number of shares outstanding	409,896,419	411,059,056	411,088,591	411,721,772		412,035,381
Average number of shares outstanding after dilution	412,174,095	414,445,854	415,286,339	413,426,939		413,529,383
Average dilution, percent	0.55	0.82	1.01	0.41		0.36

1 Comparative figures for 2012 have not been adjusted for the effects of IFRS 10 and IFRS 11.

5 For definitions, refer to Note 44.

6 Refers to Construction.

7 Proposed by the Board of Directors: Regular dividend of SEK 8.25 per share (corresponding to USD 0.91).

Note 44. A Definitions

Average capital employed	Calculated on the basis of five measuring points: half of capital employed on January 1 plus capital employed at the end of the first, second and third quarters plus half of capital employed at year-end, divided by four.
Average visible equity	Calculated on the basis of five measurement points: half of equity attributable to equity holders on January 1 plus equity attributable to equity holders at the end of the first, second and third quarters plus half of equity attributable to equity holders at year-end, divided by four.
Capital employed in business streams, markets and Business Units/reporting units	Total assets less tax assets and deposits in Skanska's treasury unit minus non-interest-bearing liabilities excluding tax liabilities. Capitalized interest expense is removed from total assets for the Residential Development and Commercial Property Development segments.
Cash flow per share	Cash flow before change in interest-bearing receivables and liabilities divided by the average number of shares outstanding.
Comprehensive income	Change in equity not attributable to transactions with owners.
Consolidated capital employed	Total assets minus non-interest-bearing liabilities.
Consolidated operating cash flow	In the consolidated operating cash flow statement, which includes taxes paid, investments are recognized both in cash flow from business operations and in cash flow from strategic investments. See also Note 35.
Consolidated return on capital employed	Operating income plus financial income as a percentage of average capital employed.
Debt/equity ratio	Interest-bearing net liabilities divided by visible equity including non-controlling interests.
Earnings per share	Profit for the period attributable to equity holders divided by the average number of shares outstanding.
Earnings per share after dilution	Profit for the year attributable to equity holders divided by the average number of shares outstanding after dilution.
Equity/assets ratio	Equity including non-controlling interests as a percentage of total assets.
Equity per share	Visible equity attributable to equity holders divided by the number of shares outstanding at year-end.
Interest-bearing net receivables/net debt	Interest-bearing assets minus interest-bearing liabilities.
Interest cover	Operating income and financial income plus depreciation/amortization divided by net interest items.
Negative/free working capital	Non-interest-bearing receivables less non-interest-bearing liabilities excluding taxes.
Operating cash flow	Cash flow from operations before taxes and before financial activities. See also Note 35.
Operating financial assets/liabilities net	Interest-bearing net receivables/liabilities excluding construction loans to cooperative housing associations and interest-bearing pension liabilities.
Order backlog	Contracting assignments: The difference between order bookings for the period and accrued revenue (accrued project costs plus accrued project income adjusted for loss provisions) plus order backlog at the beginning of the period. Services: The difference between order bookings and accrued revenue plus order backlog.
Order bookings	Contracting assignments: Upon written order confirmation or signed contract, where financing has been arranged and construction is expected to begin within 12 months. If a previously received order is canceled in a subsequent quarter, the cancellation is recognized as a negative item when reporting order bookings for the quarter when the cancellation occurs. Reported order bookings also include orders from Residential Development and Commercial Property Development, which assumes that a building permit has been obtained and construction is expected to begin within three months. Services: For fixed-price assignments, upon signing of contract. For cost-plus assignments, order bookings coincide with revenue. For service agreements, a maximum of 24 months of future revenue is included. No order bookings are reported in Residential Development and Commercial Property Development.
Other comprehensive income	Comprehensive income minus profit according to the income statement. The item includes translation differences, hedging of exchange-rate risk in foreign operations, remeasurements of defined-benefit pension plans, effects of cash flow hedges and tax attributable to other comprehensive income.
Return on equity	Profit attributable to equity holders as a percentage of average visible equity attributable to equity holders.
Return on equity, segments	Revenue according to segment reporting attributable to equity holders as a percentage of average visible equity attributable to equity holders.
Return on capital employed, business streams, markets and business/reporting units	Operating income, financial income minus interest income from Skanska's treasury unit (internal bank) and other financial items as a percentage of average capital employed. For the Residential Development and Commercial Property Development segments, capitalized interest expense is removed from operating income so that the return reflects the return before mortgages.
Return on capital employed in project development units, segments	Operating income, financial income minus interest income from Skanska's treasury unit (internal bank) and other financial items as a percentage of average capital employed. For the Residential Development and Commercial Property Development segments, capitalized interest expense is removed from operating income so that the return reflects the return before mortgages. For Commercial Property Development and Infrastructure Development, the profit is adjusted so that the change in value of projects in progress is added and the difference between the market value and selling price for the year is added.

Note 44 B. Definitions – Non-IFRS key performance indicators

Non-IFRS key performance indicators

Definition	Reason for use
	The following key performance indicators are used because they are deemed to optimally and correctly show Skanska's operations reflected in the business model and strategy. They also help investors and management to analyze trends and results for Skanska.
Adjusted equity attributable to equity holders, USD bn	
Equity attributable to equity holders	3.0
Unrealized surplus value in land in Residential Development	0.1
Unrealized development gain in Commercial Property Development	0.8
Effect on unrealized equity in Infrastructure Development	0.2
Less standard tax of 10%	-0.1
Adjusted equity	4.0
Average capital employed	Calculated on the basis of five measuring points, see below.
Average free working capital in Construction operations, USD M	Measures financial capacity generated from negative working capital in Construction.
Calculated on the basis of five measuring points.	
Q4 2016 -2,477.9 x 0.5 -1,239.0	
Q3 2016 -2,197.3 -2,197.3	
Q2 2016 -2,094.2 -2,094.2	
Q1 2016 -2,319.3 -2,319.3	
Q4 2015 -2,446.8 x 0.5 -1,223.4	
- 9,073.2 / 4 -2,268.3	
Average equity attributable to equity holders, USD M	
Calculated on the basis of five measuring points.	
Q4 2016 3,012.0 x 0.5 1,506.0	
Q3 2016 2,443.9 2,443.9	
Q2 2016 2,577.5 2,577.5	
Q1 2016 2,879.9 2,879.9	
Q4 2015 2,864.2 x 0.5 1,432.1	
10,839.4 / 4 2,709.9	
Capital employed, business streams, markets and business/reporting units.	Measures capital use and efficiency in business streams.
Total assets less tax assets, receivables from Skanska's internal bank and pension receivables minus non-interest-bearing liabilities, excluding tax liabilities. For Residential Development and Commercial Property Development, capitalized interest expense is also deducted from total assets.	
Capital employed Commercial Property Development, USD M	Measures capital use and efficiency in Commercial Property Development.
Total assets 2,481.3	
- tax assets -46.6	
- receivables from internal bank -0.1	
- pension receivables 0.0	
- non-interest-bearing liabilities (excluding tax liabilities) -215.7	
- capitalized interest expense -19.5	
2,199.4	
Capital employed Infrastructure Development, USD M	Measures capital use and efficiency in Infrastructure Development.
Total assets 648.0	
- tax assets -13.9	
- receivables from internal bank 0.0	
- pension receivables 0.0	
- non-interest-bearing liabilities (excluding tax liabilities) -34.6	
599.5	

Note 44 B. Continued

Non-IFRS key performance indicators Definitions		Reason for use
Capital employed Residential Development, USD M	Total assets	1,830.0
	– tax assets	–28.4
	– receivables from internal bank	–8.6
	– pension receivables	–2.0
	– non-interest-bearing liabilities (excluding tax liabilities)	–503.1
	– capitalized interest expense	–7.5
		1,280.4
Consolidated capital employed	Total assets minus non-interest-bearing liabilities.	Measures capital use and efficiency.
Debt/equity ratio	Interest-bearing net liabilities divided by visible equity including non-controlling interests.	Measures debt equity ratio/leverage effect in financial position.
Earnings per share, segments	Profit for the period, segments attributable to equity holders divided by average number of shares outstanding	Measures earnings per share, segments
Equity/assets ratio	Equity including non-controlling interests as a percentage of total assets.	Measures financial position.
Financial items	Net of interest income, pension interest, interest expense, capitalized interest expense, change in market value and other financial items.	Measures net financial activities.
Free working capital in construction	Non-interest-bearing receivables less non-interest-bearing liabilities excluding taxes.	Measures financial capacity generated from negative working capital in Construction.
Gross income	Revenue minus the cost of production and management.	Measures income generated by the projects.
Gross margin	Gross income divided by revenue.	Measures profitability of the projects.
Income after financial items	Operating income minus net of financial items.	Measures pre-tax profit
Interest-bearing net receivables/net debt	Interest-bearing assets minus interest-bearing liabilities.	Measures financial position.
Net divestments/investments	Total investments minus total divestments.	Measures the balance between investments and divestments.
Net operating financial assets/liabilities (ONFAL)	Interest-bearing net receivables/liabilities excluding construction loans to cooperative housing associations and interest-bearing net pension liabilities.	Measures financial position and investment capacity. The latter is determined in a comparison with ONFAL against limits set by the Board of Directors.
Operating cash flow from business operations	Cash flow from business operations including taxes paid and cash flow from financing activities.	Measures financial capacity generated from negative working capital in Construction.
Operating income	Revenue minus the cost of production and management, sales and administrative expenses and income from joint ventures and associated companies.	Measures income in operations.
Operating income, segments	Revenue minus the cost of production and management, sales and administrative expenses and income from joint ventures and associated companies, according to segment reporting and where Residential Development uses the proportional method for joint ventures.	Measures income in operations in the prevailing market situation.
Operating income, rolling 12-month basis	Revenue minus the cost of production and management, sales and administrative expenses and income from joint ventures and associated companies, rolling 12-month basis.	Measures income in operations.
Operating margin	Operating income divided by revenue.	Measures profitability in operations.
Order bookings in relation to revenue in Construction, rolling 12-month basis.	Order bookings divided by revenue in Construction, rolling 12-month basis.	Measures to what extent new orders replace completed work.

Note 44 B. Continued

Non-IFRS key performance indicators Definitions

Reason for use

Return on capital employed in Commercial Property Development segment, rolling 12-month basis, USD M

For Commercial Property Development earnings are adjusted so that changes in value in ongoing projects and the difference between the market value and selling price in the current year are reflected.

Measures earnings (profitability and capital efficiency) in Commercial Property Development.

Operating income	273.0
+/- adjustments according to the above	27.1
+ capitalized interest expense	11.8
+/- financial income and other financial items	-1.3
- interest income from the internal bank	0.0
Adjusted earnings	310.6
Average capital employed ¹	2,121.8
Return on capital employed in CPD	14.6%

¹ Average capital employed

Q4 2016	2,199.4	x 0.5	1,099.7
Q3 2016	2,147.8		2,147.8
Q2 2016	2,027.5		2,027.5
Q1 2016	2,228.9		2,228.9
Q4 2015	1,966.5	x 0.5	983.3
8,487.2 / 4 2,121.8			

Return on capital employed in Project Development units, segments

Adjusted operating income (operating income, financial income minus interest income from Skanska's internal bank and other financial items. For the RD and CPD segments, capitalized interest is also deducted from operating income so that the return will reflect the return before mortgages as a percentage of average capital employed. When calculating for ID, financial income is reported less interest income from Skanska's internal bank and other financial items. Average capital employed adjusted for IAS 39 and for tax in projects in the U.S., which are set up as limited liability companies, not subject to tax.

Measures earnings (profitability and capital efficiency) in project development operations.

Return on capital employed in Project Development units, segments USD M

Total return on capital employed in Residential Development, Commercial Property Development and Infrastructure Development.

Measures profitability and capital efficiency.

	Adjusted earnings	Average capital employed	Return on capital employed
Residential Development	202.0	1,193.8	16.9%
Commercial Property Development	310.6	2,121.8	14.6%
Infrastructure Development	169.8	414.8	40.9%
	682.4	3,730.4	18.3%

Revenue, segments

Revenue, segments, is the same as revenue IFRS in all business streams except Residential Development and Commercial Property Development, where revenue is recognized when binding contracts are signed for the sale of homes and properties. In segment reporting Residential Development uses the proportional method for joint ventures, which also impacts revenue segments.

Measures revenue generated in the existing market situation.

Note 44 B. Continued

Non-IFRS key performance indicators	Definitions	Reason for use
Return on capital employed in Residential Development segment, rolling 12-month basis excluding Residential Development in the UK (as these operations have been discontinued), USD M	Operating income	Measures earnings (profitability and capital efficiency) in Residential Development.
	+ capitalized interest expense	
	+/- financial income and other financial items	
	– interest income from the internal bank	
	Adjusted earnings	
	Average capital employed ¹	
	Return on capital employed in RD	
	1 Average capital employed	
	Q4 2016 1,284.4 x 0.5	
	Q3 2016 1,246.1	
	Q2 2016 1,215.8	
	Q1 2016 1,130.3	
	Q4 2015 1,081.8 x 0.5	
	4,775.3 / 4 1,193.8	
Return on capital employed in Infrastructure Development segment, rolling 12-month basis, USD M	For Infrastructure Development earnings are adjusted so that changes in value in ongoing projects and the difference between the market value and selling price in the current year are reflected.	Measures earnings (profitability and capital efficiency) in Infrastructure Development.
	Operating income	
	+/- adjustments according to the above	
	Adjusted earnings	
	Average capital employed ¹	
	+/- adjustments according to the above	
	Adjusted average capital employed	
	Return on capital employed in Infrastructure Development	
	1 Average capital employed	
	Q4 2016 299.7 x 0.5	
	Q3 2016 240.2	
	Q2 2016 167.9	
	Q1 2016 187.8	
	Q4 2015 109.7 x 0.5	
	800.7 / 4 200.2	
Return on equity, segments, rolling 12-month basis, USD M	Profit attributable to equity holders as a percentage of average equity attributable to equity holders.	Measures profitability in invested capital.
	760.9 / 2,709.9 = 28.1%	
Sales and administrative expenses, %	Selling and administrative expenses divided by revenue.	Measures cost effectiveness in sales and administrative expenses
Unrealized development gains, Commercial Property Development	Market value minus invested capital upon completion for ongoing projects, completed projects, and undeveloped land and development properties. Excludes projects sold according to segment reporting.	Measures potential future development gains in Commercial Property Development.

Statement by the President and Chief Executive Officer

These financial statements have been prepared in accordance with the international accounting standards referred to in Regulation (EC) No 1606/2002 of the European Parliament and of the Council of July 19, 2002 on the application of international accounting standards and give a true and fair view of the Group's financial position and results.

Stockholm, April 11, 2017

Johan Karlström

President and Chief Executive Officer

Independent auditor's report

**To the Shareholders of Skanska AB (publ),
Corporate identity number 556000–4615**

Report on the annual accounts and consolidated accounts

Opinion

We have audited the consolidated financial statements of Skanska AB (publ) on pages 72–150, which comprise the statement of financial position as at December 31, 2016, and the income statement, the statement of comprehensive income, statement of changes in equity and statement of cash flows for the year then ended, and notes to the financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of the Company as at December 31, 2016, and its financial performance and its cash flows for the year then ended in accordance with International Financial Reporting Standards (IFRSs).

Basis for Opinion

We conducted our audit in accordance with International Standards on Auditing (ISAs). Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are independent of the company in accordance with professional ethics for accountants in Sweden and have otherwise fulfilled our ethical responsibilities in accordance with these requirements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Other matters

The audit of the annual accounts for 2015 was performed by another auditor who submitted an auditor's report dated 4 March 2016, with unmodified opinions in the Report on the annual accounts.

Key Audit Matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the financial statements of the current period. These matters were addressed in the context of our audit of the financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

Initial Audit

Initial audit engagements involve a number of considerations not associated with recurring audits and therefore is a key audit matter. Additional planning activities and considerations necessary to establish an appropriate audit strategy and audit plan for an initial audit include: Gaining an initial understanding of the Group and its business including its control environment and information systems, sufficient to make audit risk assessments and develop the audit strategy and plan; Obtaining sufficient appropriate audit evidence regarding the opening balances including the selection and application of accounting principles and Communicating with the

previous auditors. We presented our audit plan to the Company's Audit Committee in May 2016, with particular emphasis on initial audit considerations, and we reported key findings from our audit process throughout the year.

Prior to being elected as Company auditors in April 2016, we developed a comprehensive transition plan starting in January 2016 to understand the connection between the Company's business risks and the way this impacts the Company's financial reporting and internal controls framework. Our procedures included for example: Close interaction with the previous auditor, including a process of review of reporting documents and formal hand over procedures as prescribed by our professional standards; active knowledge sharing with the Internal Audit function to understand their perspectives on the business, risks and key findings from their work; attendance of formal clearance meetings with senior management and the Audit Committee during the 2015 year-end financial closing and reporting process; evaluation of key accounting positions and audit matters from prior years; review of management's control documentation to assist in obtaining an understanding of the Company's financial reporting processes.

Percentage-of-completion method

A significant portion of the company's income relating to construction contracts. For 2016 the income from construction contracts amount to USD 16,123.7 M. The company applies the percentage-of-completion method i.e. using a forecast of final project results and income is recognized gradually over the course of the project based on the degree of completion. This requires that the project revenues and project expenses can be reliably determined. This in turn requires that the Group has effective, coordinated systems for cost estimating, forecasting and revenue/expense reporting. The system also requires a consistent process to assess the final outcome of the project, including analysis of differences compared with earlier assessment dates. This critical judgment is performed at least once per quarter.

Our audit procedures included, among others, review of material contracts including significant judgements relating to profit recognition and allocation of costs. We have reviewed material contracts to identify penalties due to any delayed milestones in the projects. We also assessed the historical accuracy of management's estimates of the final outcomes of projects and evaluated the adequacy of the Company's disclosures included in Note 9 Construction contracts.

Valuation of Investments in Infrastructure Development

Potential impairment in completed infrastructure projects remaining in a joint venture ownership structure could have significant impact on Skanska's net income. These projects are normally very large, the investment cycle is long with the expected cash flows from investments in a number of cases extending beyond 20 to 30 years into the future. The Valuation of Investments in Infrastructure Development is therefore a key audit matter.

The Investments in Infrastructure Development amounts to USD 297.9 M as of December 31, 2016. As outlined in Note 20 B "Investments in joint ventures and associated companies of the Annual Report the company determines an estimated value for infrastructure projects by discounting estimated future cash flows in the form of dividends and repayments of

loans and equity. The discount rate chosen is applied to all future cash flows starting on the appraisal date.

Our audit procedures included among others assessing budgets and financial projections and reviewing other financial input used to determine the value in use models. We have also – as applicable – audited work performed by external appraisers. We specifically focused on the sensitivity in the difference between the estimated value and book values of the projects, where a reasonably possible change in assumptions could cause the carrying amount to exceed its estimated present value. We also assessed the historical accuracy of management's estimates. We evaluated the adequacy of the Company's disclosures included in Note 20 B.

Claims and litigations

The non-current provision for legal disputes amounts to USD 104.8 M as of December 31, 2016. As outlined in Note 29 "Provisions" of the Annual Report, the Company is exposed to potential claims and disputes in the Construction business stream for projects that have been completed. Claims and disputes including any provisions are a key audit matter to our audit because management judgement is required. The assessment process is complex and entails assessing future developments. In addition some of the claims are in countries where the legal proceedings can stretch out over an extended period of time, which further complicates the assessment process.

We gained an understanding of the claims and litigation facing the Company through discussions with in house Legal Counsel. We have read the internal position papers prepared by the Company. We also obtained lawyers' letters to the extent considered necessary for our audit. For all potentially material claims we tested the underlying facts and circumstances considered relevant for the legal advisors to reach their conclusions and assessed the best estimate of outflows as determined by the Company. We also assessed the completeness and adequacy of the related disclosures.

Other Information than the annual accounts and consolidated accounts

This document also contains other information than the annual accounts and consolidated accounts and is found on pages 1–48. The Board of Directors and the Managing Director are responsible for this other information.

Our opinion on the annual accounts and consolidated accounts does not cover this other information and we do not express any form of assurance conclusion regarding this other information.

In connection with our audit of the annual accounts and consolidated accounts, our responsibility is to read the information identified above and consider whether the information is materially inconsistent with the annual accounts and consolidated accounts. In this procedure we also take into account our knowledge otherwise obtained in the audit and assess whether the information otherwise appears to be materially misstated.

If we, based on the work performed concerning this information, conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

Responsibilities of Management and Those Charged with Governance for the Financial Statements

Management is responsible for the preparation and fair presentation of the financial statements in accordance with IFRSs, and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, management is responsible for assessing the Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Company or to cease operations, or has no realistic alternative but to do so. Those charged with governance are responsible for overseeing the Company's financial reporting process.

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

As part of an audit in accordance with ISAs, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group to cease to continue as a going concern.

- Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

We must inform the Board of Directors of, among other matters, the planned scope and timing of the audit. We must also inform of significant audit findings during our audit, including any significant deficiencies in internal control that we identified.

We must also provide the Board of Directors with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

From the matters communicated with the Board of Directors, we determine those matters that were of most significance in the audit of the consolidated financial statements, including the most important assessed risks for material misstatement, and are therefore the key audit matters. We describe these matters in the auditor's report unless law or regulation precludes disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in the auditor's report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

Stockholm April 11, 2017

Ernst & Young AB

Hamish Mabon

Authorized Public Accountant

Jonas Svensson

Authorized Public Accountant

Northern Finland's new hub

Valkea and Pajarinkulma, Oulu, Finland
Residential Development and Construction

This northern Finland city has a new downtown hub, courtesy of Skanska: the Group built the new Valkea enclosed shopping mall, and on top of that developed and constructed the Pajarinkulma residential tower. It is a destination that cannot be missed, as Pajarinkulma stands 12 stories above street level – the tallest building in the city.

"This is a project that residents were waiting for," says Mikko Herva, Skanska Regional Director. "It has become the place where people like to meet."

To deliver this complex project, Skanska joined its expert knowledge of the local residential market and ability to self-finance developments with its construction know-how. Building information modeling (BIM) and mobile technologies were important to the efficient construction process.

Mixed-use city center projects like Valkea/Pajarinkulma are becoming more common in Finland. Skanska is among the few companies in Finland with the resources and expertise that these projects require.



Senior Executive Team



	Johan Karlström	Richard Cavallaro	Anders Danielsson	Caroline Fellenius-Omnell	Claes Larsson
Position	President and Chief Executive Officer	Executive Vice President	Executive Vice President	Executive Vice President and General Counsel ¹	Executive Vice President
	Responsible for Group staff units/support unit – Communication	Responsible for Business Units – Skanska USA Building – Skanska USA Civil Responsible for Group staff units/support unit – Safety	Responsible for Business Units – Skanska Infrastructure Development – Skanska UK	Responsible for Group staff units/support unit – Legal Affairs	Responsible for Business Units – Skanska Commercial Property Development Nordic, Europe and USA – Skanska Residential Development Europe
Born	1957	1961	1966	1968	1965
Joined Skanska in	1983–95, 2001	1996	1991	2017	1990
Shareholding in Skanska, December 31, 2016	363,077 B-shares	24,141 B-shares	73,443 B-shares	0 B-shares	130,777 B-shares
Board assignments	– Sandvik AB, Board member – Skanska AB, Board member	– New York Building Congress – Family and Children's Association – New York Building Congress, Chairman	–	–	– Handelsbanken's regional bank board of directors, western Sweden, Board member
Education	– M.Sc. Engineering, Royal Institute of Technology, Stockholm – Advanced Management Program, Harvard, Boston, MA, USA	– BEME – Mechanical Engineering, CCNY	– M.Sc. Engineering, Royal Institute of Technology, Stockholm – Advanced Management Program, Harvard, Boston, MA, USA	– Master of Laws Stockholm University – Master of Laws College of Europe, Brügge	– M.Sc. Engineering, Chalmers University of Technology, Gothenburg – MBA, Chalmers University of Technology and Göteborg University
Work experience	– Regional Manager, Skanska Norrland – President and CEO, BPA (now Bravida) – Executive Vice President, Skanska AB responsible for Nordic construction operations – Executive Vice President, Skanska AB responsible for U.S. construction operations	– Airport Engineer, Port Authority of New York & New Jersey – Senior Estimator, Skanska – Vice President Design Build Skanska USA Civil – Chief Operating Officer, Skanska USA Civil – Business Unit President, Skanska USA Civil – President, Skanska USA	– President, Skanska Norway – President, Skanska Sweden	– Senior Associate, Mannheimer Swartling – Senior Associate, Skadden Arps – Corporate Counsel, Electrolux – General Counsel Europe, Tetra Pak – Group General Counsel, Sidel – Group General Counsel, Tele2	– President, Skanska Fastigheter Göteborg – President, Skanska Commercial Property Development Nordic

¹ From January, 2017

Presidents of Business Units

Gunnar Hagman	Skanska Sweden
Ståle Rød	Skanska Norway
Tuomas Särkilähti	Skanska Finland
Piotr Janiszewski	Skanska Poland
Michal Jurka	Skanska Czech Republic and Slovakia
Mike Putnam	Skanska UK
Richard Kennedy	Skanska USA Building
Michael Cobelli	Skanska USA Civil
Jonas Spangenberg	BoKlok Housing
Mikael Matts	Skanska Residential Development Europe
Jan Odelstam	Skanska Commercial Property Development Nordic
Katarzyna Zawodna	Skanska Commercial Property Development Europe
Shawn Hurley	Skanska Commercial Property Development USA
Johan Henriksson	Skanska Infrastructure Development



Pierre Olofsson	Veronica Rörsgård	Peter Wallin	Mats Williamson	Christel Åkerman
Executive Vice President	Executive Vice President, Human Resources	Executive Vice President, Chief Financial Officer	Executive Vice President	Executive Vice President
Responsible for Business Units – Skanska Finland, Norway, Sweden – BoKlok Housing – Skanska Rental Properties Responsible for Group staff units/support unit – Nordic Procurement Unit	Responsible for Group staff units/support unit – Human Resources – Information Technology	Responsible for Group staff units/support unit – Skanska Financial Services – Controlling – Corporate Finance – Reporting – Internal Audit and Compliance – Investor Relations	Responsible for Business Units – Skanska Czech Republic and Slovakia – Skanska Poland Responsible for Group staff units/support unit: – Operational Efficiency	Responsible for Group staff units/support unit – Risk Management – Ethics – Green & Corporate Community Investment
1966	1974	1967	1958	1965
1993	2009	2000	1981–87, 1989	1994
5,554 B-shares	39,330 B-shares	20,624 B-shares	163,474 B-shares	13,580 B-shares
–	– Aditro AB, Board member	–	– KTH Royal Institute of Technology, Board Member	–
– M.Sc. Engineering, Lund Institute of Technology, Lund	– Master of Science in Business and Economics, Mälardalen University – Université Jean Moulin Lyon III	– Master of Science in Business and Economics, Uppsala University	– M.Sc. Engineering, Lund Institute of Technology – Advanced Management Program, Harvard, Boston, MA, USA	– LL.M, University of Lund
– Regional Manager, Skanska Sweden – EVP Building, Skanska Sweden – COO, Skanska Sweden – President, Skanska Sweden	– International Account Manager, IBM – Managing Director, Propell – Managing Director, Alumni Sweden	– Equities Manager/Analyst, Trygg Hansa/SEB – Equities Analyst, Hagströmer & Qviberg – Senior Vice President, Investor Relations, Skanska AB – CFO, Skanska Infrastructure Development – CFO, Skanska Sweden	– Project Director, Skanska - Öresund Bridge – President, Skanska International Projects – President, Skanska Sweden – President, Skanska UK	– Legal counsel at Lindahl, business law firm – Various commercial management roles on Skanska projects in Colombia, Latvia, Lithuania, Sweden, Malta and Poland – Head of Legal department in Skanska Poland – Ethics, Skanska AB – Senior Vice President Risk Management, Skanska AB

President of Support Unit	Therese Tegner	Skanska Financial Services
Senior Vice Presidents, Group Staff Units	George Fadool Katarina Bylund Katarina Grönwall Anders Göransson Caroline Walméus ¹ Jarosław Urbańczyk Neil Moore Per Olsson André Löfgren Veronica Rörsgård Mark Lemon Roger Bayliss	Ethics Reporting Communications Internal Audit & Compliance Controlling, acting Information Technology (IT) Safety Green & Corporate Community Investment, acting Investor Relations Human Resources Risk Management Operational Efficiency

¹ From February, 2017

Board of Directors



	Hans Björck	Pär Boman	John Carrig	Johan Karlström
Position	Chairman	Board member	Board member	Board member
Born	Sweden, 1951	Sweden, 1961	USA, 1952	Sweden, 1957
Elected	2016	2015	2014	2008
Shareholding in Skanska, December 31, 2016	20,273 B shares own 666 B shares related person	1,000 B shares	8,000 B shares	363,077 B shares
Other Board assignments	<ul style="list-style-type: none"> – Trelleborg AB, Board member – Bure Equity AB, Board member – Henry Dunkers Stiftelse, Board member – Crescit Asset Management AB, Board member 	<ul style="list-style-type: none"> – Svenska Handelsbanken, Chairman – AB Industrivärden, Vice Chairman – SCA, Chairman 	<ul style="list-style-type: none"> – Forum Energy Technologies Inc. – TRC Companies Inc. – WPX Energy Inc. – Alley Theatre in Houston – The British American Foundation of Texas – Jones Graduate School of Business, Rice University 	<ul style="list-style-type: none"> – Sandvik AB, Board member
Education	– Stockholm School of Economics	<ul style="list-style-type: none"> – Degree in engineering and in economics – Dr. (Econ.) h.c. 	<ul style="list-style-type: none"> – Law Degree, Temple University, Philadelphia – Advanced degree in Tax Law, New York University School of Law 	<ul style="list-style-type: none"> – M.Sc. Engineering, Royal Institute of Technology Stockholm – Advanced Management Program, Harvard, Boston MA, USA
Work experience	<ul style="list-style-type: none"> – CFO, Skanska AB – CFO, Autoliv AB – CFO, Esselte AB 	<ul style="list-style-type: none"> – President and Group Chief Executive, Handelsbanken 	<ul style="list-style-type: none"> – Chief Operating Officer, ConocoPhillips 	<ul style="list-style-type: none"> – Regional Manager, Skanska Norrland – President and CEO, BPA (now Bravida) – Executive Vice President, Skanska AB responsible for Nordic construction operations – Executive Vice President, Skanska AB responsible for U.S. construction operations – President and CEO, Skanska AB
Dependency relationship in accordance with Code of Corporate Governance	<ul style="list-style-type: none"> – Dependent in relation to company and company management – Independent in relation to major shareholders 	<ul style="list-style-type: none"> – Independent in relation to company and company management – Dependent in relation to major shareholders 	<ul style="list-style-type: none"> – Independent in relation to company and company management – Independent in relation to major shareholders 	<ul style="list-style-type: none"> – Dependent in relation to company and company management – Independent in relation to major shareholders



Richard Hörstedt
Born: Helsingborg, 1963
Swedish Building Workers' Union, appointed 2007
Board member
Shareholding in Skanska
0 shares



Pär-Olow Johansson
Born: Stockholm, 1954
Region Hus Stockholm Nord Byggnads, appointed 2014
Deputy Board member
Shareholding in Skanska
3,392 B-shares



Lennart Karlsson
Born: Norrköping, 1957
SEKO, appointed 2016
Board member
Shareholding in Skanska
0 shares



Nina Linander	Fredrik Lundberg	Jayne McGivern	Charlotte Strömberg
Board member	Board member	Board member	Board member
Sweden, 1959	Sweden, 1951	United Kingdom, 1960	Sweden, 1959
2014	2011	2015	2010
3,000 B shares own 2,600 B shares related persons	6,032,000 A-shares and 10,550,000 B-shares through L E Lundbergföretagen AB (publ) 1,000,000 B-shares via privately owned enterprise 5,376 A-shares and 500,000 B-shares privately	0 shares	7,000 B shares own 900 B shares related person
<ul style="list-style-type: none"> – Telia Company AB, Board member – Aw Holding AB, Board member – AB Industrivärden, Board member – Castellum AB, Board member – OneMed AB, Board member 	<ul style="list-style-type: none"> – AB Industrivärden, Chairman – Holmen AB, Chairman – Hufvudstaden, Chairman – Indutrade AB, Chairman – Svenska Handelsbanken, Vice Chairman – L E Lundbergföretagen AB, Board member 	<ul style="list-style-type: none"> – Chair of Defence Infrastructure Organisation (Ministry of Defence) 	<ul style="list-style-type: none"> – Bonnier Holding AB, Board member – Castellum AB, Chairman – Ratos AB (publ), Board member – Rezidor Hotel Group (publ), Board member – The Swedish Securities Council, Board member
<ul style="list-style-type: none"> – MBA, IMEDE, Switzerland – Master of Science in Business and Economics, Stockholm School of Economics 	<ul style="list-style-type: none"> – M.Sc. Engineering, Royal Institute of Technology, Stockholm – MBA, Stockholm School of Economics – Dr. (Econ.) h.c., Stockholm School of Economics – Dr. (Eng.) h.c., Linköping University 	<ul style="list-style-type: none"> – Harrogate Ladies College – Fellow of the Royal Institution of Chartered Surveyors 	<ul style="list-style-type: none"> – MBA, Stockholm School of Economics
<ul style="list-style-type: none"> – Vattenfall AB – AB Electrolux – Stanton Chase International AB 	<ul style="list-style-type: none"> – President and CEO, L E Lundbergföretagen AB 	<ul style="list-style-type: none"> – Red Grouse Properties – Multiplex plc (Europe), Chief Executive Officer – Anschutz Entertainment Group, Managing Director UK – MWB Group Holdings plc, Group Development Director – Redrow plc, Divisional Managing Director 	<ul style="list-style-type: none"> – Senior Project and Account Manager, Alfred Berg, ABN AMRO, Stockholm – Head of Investment Banking, Carnegie Investment Bank – President, Jones Lang LaSalle Norden
<ul style="list-style-type: none"> – Independent in relation to company and company management – Dependent in relation to major shareholders 	<ul style="list-style-type: none"> – Independent in relation to company and company management – Dependent in relation to major shareholders 	<ul style="list-style-type: none"> – Independent in relation to company and company management – Independent in relation to major shareholders 	<ul style="list-style-type: none"> – Independent in relation to company and company management – Independent in relation to major shareholders

**Gunnar Larsson**

Born: Kalix, 1953
Asfalt och Betong Norr
Ledarna, appointed 2014
Board member

Shareholding in Skanska
3,448 B-shares

**Thomas Larsson**

Born: Täby, 1969
Unionen, appointed 2011
Deputy Board member

Shareholding in Skanska
0 shares

Auditors

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

Major orders, investments and divestments

Orders

January

Skanska develops and constructs new premises at Linnaeus University in Kalmar, Sweden, for SEK 1.5 billion.

Skanska builds shopping center in Jyväskylä, Finland, for EUR 57 M, about SEK 480 M.

Skanska expands road in eastern Poland for PLN 335 M, about SEK 750 M.

February

Skanska builds the Irving Music Factory in Texas, USA, for USD 94 M, about SEK 800 M.



Skanska constructs commercial building in London, UK, for GBP 45 M, about SEK 550 M.

March

Skanska constructs school in Norway for NOK 580 M, about SEK 570 M.

Skanska awarded Network Rail contract in Manchester, UK, for GBP 74 M, about SEK 900 M.

Skanska renovates and expands hospital in Tulsa, USA, for USD 62 M, about SEK 530 M.

April

Skanska expands hospital in New York, USA, for USD 140M, about SEK 1.2 billion.

Skanska builds research and education facility for hospital in Florida, USA, for USD 63 M, about SEK 530 M.

Skanska builds corporate headquarter in Tennessee, USA, for USD 70 M, about SEK 590 M.

May



Skanska renovates Fifth Third Arena at the University of Cincinnati, USA, for USD 50 M, about SEK 420 M.

Skanska builds tunnel for National Grid pipeline in Northern England for GBP 40 M, about SEK 480 M.

June

Skanska reaches financial close on LaGuardia project in New York, USA, worth USD 2.8 billion, about SEK 23 billion.

Skanska constructs and renovates schools in Cincinnati, USA, for USD 54 M, about SEK 450 M.

Skanska expands and renovates Gulf Coast Medical Center in Florida, USA, for USD 178 M, about SEK 1.5 billion.

Skanska builds Orkla's new headquarter in Oslo, Norway, for NOK 530 M, about SEK 520 M.

July

Skanska rebuilds phase of E16 in Norway for NOK 735 M, about SEK 730 M.



Skanska builds the new Regionens Hus in Gothenburg, Sweden, for about SEK 580 M.

Skanska builds new JW Marriott Hotel in Nashville, USA, for USD 153 M, about SEK 1.3 billion.



Skanska builds the new D.C. Water headquarters in Washington, D.C., USA, for USD 60 M, about SEK 500 M.

Skanska builds new high school in Skien, Norway, for NOK 460 M, about SEK 450 M.

August

Skanska builds Women and Children's Health Building in Delaware, USA, for USD 178 M, about SEK 1.5 billion.

Skanska builds hospital in Michigan, USA, for USD 175 M, about SEK 1.5 billion.

Skanska builds extension of D1 highway in Slovakia for EUR 197 M, about SEK 1.8 billion.

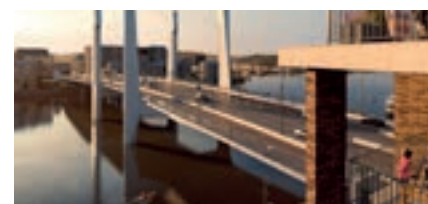
Skanska builds the new Pensacola Bay Bridge in Florida, USA, for USD 399 M, about SEK 3.3 billion.

September

Skanska builds hospital in New Jersey, USA, for USD 200 M, about SEK 1.7 billion.

Skanska improves freeway interchange in Tacoma, USA, for USD 122 M, about SEK 1.0 billion.

Skanska builds Nedre Otta power plant in Norway for NOK 657 M, about SEK 650 M.



Skanska builds the bridge Hisingsbron in Gothenburg, Sweden, for about SEK 1.4 billion.

Skanska builds light rail in San Diego, USA, for USD 307 M, about SEK 2.6 billion.

October

Skanska repairs sections of expressway in New York, USA, for USD 63 M, about SEK 530 M.



Skanska builds new premises in Huddinge at Karolinska University Hospital for about SEK 1.2 billion.

Skanska improves the A14 highway in England for GBP 290 M, about SEK 3.4 billion.

Skanska builds corporate office building in Atlanta, USA, for USD 56 M, about SEK 470 M.

Skanska signs seven-year highways maintenance contract in Devon, England, worth GBP 245 M, about SEK 2.9 billion.

November

Skanska renovates residential buildings in Stockholm, Sweden, for about SEK 430 M.

Skanska upgrades rail network in southern England for GBP 165 M, about SEK 1.9 billion.

Skanska to build new dining hall for James Madison University in Virginia, USA, for USD 42 M, about SEK 355 M.

December

Skanska expands and renovates University hospital in Virginia, USA, for USD 142 M, about SEK 1.2 billion.

Skanska builds third stage of advanced research facility in Lund, Sweden, for SEK 2.5 billion

Investments

February

Skanska invests DKK 277 M, about SEK 340 M, in the first phase of office project in Ørestad City, Denmark.

March

Skanska invests EUR 48 M, about SEK 450 M, in phase I of office project in Cracow, Poland.

April

Skanska invests about SEK 300 M in property in Solna, Sweden.

May

Skanska invests DKK 560 M, about SEK 700 M, in a residential project in Ørestad City, Denmark.

June

Skanska reaches financial close on LaGuardia project in New York, USA.



Skanska invests SEK 1.3 billion in the office building Solna United in Sweden.

Skanska invests EUR 30 M, about SEK 280 M, in phase I of an office project in Warsaw, Poland.

August

Skanska invests NOK 360 M, about SEK 360 M, in residential development property in Oslo, Norway.

Skanska builds hotel and develops apartments in Oslo, Norway, for NOK 495 M, about SEK 490 M.

September

Skanska invests EUR 46 M, about SEK 430 M, in new office project in Helsinki, Finland.

October

Skanska invests USD 112 M, about SEK 940 M, in a multi-family development project in Washington, D.C., USA.

Skanska invests about SEK 600 M in apartment building in Nacka Strand, Sweden.

November

Skanska invests in a new office project in Oslo, Norway, for NOK 630 M, about SEK 630 M.

December

Skanska invests in land in Warsaw, Poland, for EUR 43 M, about SEK 410 M.

Divestments

April



Skanska divests office development in Boston for USD 452 M, about SEK 3.8 billion.

May



Skanska sells office property in Malmö, Sweden, for SEK 1 billion.



Skanska sells office property in Malmö, Sweden, for SEK 580 M.

July



Skanska sells Hotel Hagaplan in Stockholm, Sweden, to SPP for about SEK 970 M.

August

Skanska divests school in Linköping, Sweden, to Vacse for about SEK 200 M.

October

Skanska sells office property in Karlstad, Sweden, to Vacse for about SEK 250 M.

December

Skanska sells office building in Warsaw, Poland, for EUR 88 M, about SEK 830 M.



Skanska divests its investment in the M25 motorway in London, UK, for SEK 3.1 billion.



Skanska sells hotel in Warsaw, Poland, for EUR 56 M, about SEK 530 M.



Skanska sells office building in Budapest, Hungary, for EUR 67 M, about SEK 630 M.

Annual General Meeting Investors

The Annual General Meeting of Skanska AB (publ) will be held at 10:00 a.m. on April 4, 2017 at the Stockholm Waterfront Congress Centre, Nils Ericsons Plan 4, Stockholm, Sweden.

Notification and registration

Shareholders who wish to participate in the Annual General Meeting must be listed in the register of shareholders maintained by Euroclear Sweden AB, the Swedish central securities depository and clearing organization, on Wednesday, March 29, 2017 and must notify Skanska by March 29, 2017, preferably before 12 noon, of their intention to participate in the Meeting.

Shareholders whose shares have been registered in the name of a trustee must have requested re-registration in their own name in the register of shareholders maintained by Euroclear Sweden AB to be entitled to participate in the Meeting. Such re-registration, which may be temporary, should be requested well in advance of Wednesday, March 29, 2017 from the bank or brokerage house holding the shares in trust.

Notification may be made in writing to:

Skanska AB, Group Legal Affairs,
SE-112 74 Stockholm, Sweden
Telephone: +46 8 402 92 81
Website: www.skanska.com

The notification must always state the shareholder's name, personal identification or corporate identity number, address and telephone number. For shareholders represented by proxy, a power of attorney should be sent to the company before the Meeting. Shareholders who have duly notified the company of their participation will receive an admittance card, which should be brought and shown at the entrance to the Meeting venue.

Dividend

The Board's assessment is that the Group's financial position justifies an increased dividend and proposes a dividend of SEK 8,25 (7,50) per share for the 2016 financial year. The dividend is equivalent to a total dividend of SEK 3,377 M (3,075). The Board proposes April 6 as the record date for the dividend. Provided that the Meeting approves this proposal, the dividend is expected to be distributed by Euroclear AB on April 11, 2017.

The total dividend amount may change by the record date, depending on repurchases of shares and transfers of shares to participants in the company's long-term employee ownership programs.

Calendar

The Skanska Group's interim reports will be published on the following dates:

Three Month Report

May 5, 2017

Six Month Report

July 20, 2017

Nine Month Report

October 27, 2017

Year-end Report

February 1, 2018

Distribution and other information

The interim reports and the Annual Report can be read or downloaded from Skanska's website www.skanska.com/investors.

Those wishing to order the printed Annual Report can easily use the order form found on the above website, or contact Skanska AB, Investor Relations.

The website also contains an archive of interim reports and Annual Reports, as well as Financial Reports in USD.



www.facebook.com/skanska



www.linkedin.com/company/skanska



www.twitter.com/skanslagroup

If you have questions, please contact:

Skanska AB, Investor Relations
SE-112 74 Stockholm, Sweden
Telephone: +46 10 448 00 00
E-mail: investor.relations@skanska.se

Addresses

Skanska AB (publ)

SE-112 74 Stockholm
Sweden
Street address:
Warfvinges väg 25
Tel: +46 10-448 0000
www.skanska.com

Skanska Sweden

SE-112 74 Stockholm
Sweden
Tel: +46 10-448 0000
Customer service:
+46 20-30 30 40
www.skanska.se

Skanska Norway

Postboks 1175 Sentrum
NO-0187 Oslo
Street address:
Lakkegata 53
Norway
+47 40 00 64 00
www.skanska.no

Skanska Finland

PL 114
Nauvontie 18
00101 Helsinki
Finland
+358 20 719 211
www.skanska.fi

Skanska Poland

ul. Gen. J. Zajaczka 9
PL-01 518 Warszawa
Poland
Tel: +48 22 561 30 00
www.skanska.pl

Skanska Czech Republic and Slovakia

Křižikova 682/34a
186 00 Prague 8, Karlín
Czech Republic
Phone: +420 267 095 111
www.skanska.cz
www.skanska.sk

Skanska UK

Maple Cross House
Denham Way
Maple Cross
Rickmansworth, Hertfordshire
WD3 9SW
United Kingdom
+44 (0) 1923 423100
www.skanska.co.uk

Skanska USA

Empire State Building
350 Fifth Avenue, 32nd floor
New York
New York 10118
USA
Tel: +1 917 438 4500
www.usa.skanska.com

Skanska USA Building

389 Interpace Parkway, 5th floor
Parsippany, NJ 07054
USA
Tel: +1 973 753 3500
www.usa.skanska.com

Skanska USA Civil

75–20 Astoria Boulevard
Suite 200
Queens, New York, N.Y. 11370
USA
Tel: +1 718 340 07 77
www.usa.skanska.com

Skanska Commercial Property Development Nordic

SE-112 74 Stockholm
Sweden
Tel: +46 10-448 00 00
www.skanska.com/property

Skanska Commercial Property Development Europe

SE-112 74 Stockholm
Sweden
Tel: +46 10-448 00 00
www.skanska.com/property

Skanska Commercial Property Development USA

Empire State Building
350 Fifth Avenue, 32nd floor
New York
New York 10118
USA
Tel: +1 917 438 4514
www.usa.skanska.com

Skanska Infrastructure Development

SE-112 74 Stockholm
Sweden
Tel: +46 10-448 00 00
www.skanska.com/id

Skanska Financial Services

SE-112 74 Stockholm
Sweden
Tel: +46 10-448 00 00
www.skanska.com

For other addresses:

www.skanska.com



More information about Skanska:
www.skanska.com

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SKANSKA

Skanska AB
www.skanska.com

Warfvinges väg 25
SE-112 74 Stockholm
Sweden
Tel: +46 10-448 00 00

