SKANSKA

# Annual Report 2017


**We build for a better society.**

Top photo: the 121 Seaport and 101 Seaport office developments. From left in bottom photo: the 121 Seaport and 101 Seaport office developments, and the Watermark Seaport residential development.

# A bold addition to Boston

**121 Seaport Boulevard,** Boston, USA
Commercial Property Development and Construction

It's a building impossible to miss. In a boxy city, 121 Seaport stands out as a 17-story ellipse.

This bold, curved look was key to attracting the companies now secured as office tenants. It also enabled a highly efficient and flexible design, benefiting both customers and Skanska. During design, data analysis showed that an elliptical building has less direct sun exposure, producing 15 percent energy savings compared to a similarly sized rectangular building.

Also, the elliptical design required 10 percent less cladding, and utilized a lighter structure because of decreased wind loads. These reduced material needs led to lower costs and less carbon emissions.

Skanska speculatively began this building, which is targeting the top LEED Platinum green building rating. The combination of Skanska Commercial Property Development USA, Skanska USA Building and Skanska USA Civil led to innovative solutions for a rapid delivery. In 2017, all 37,000 sq m of office space was leased.

Skanska has led the transformation of this neighborhood. Along with 121 Seaport, Skanska developed 101 Seaport, an office property divested in 2016 for about SEK 3.8 billion, and Watermark Seaport, a residential property that Skanska and an equity partner divested in 2017; the Group's portion of that divestment was about SEK 510 M. A public park will be Skanska's final addition to that row of buildings.

# Contents



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

Reporting of revenue and earnings in the first part of the Annual Report (pages 1–48) complies with the segment reporting method. The statements of financial position and cash flow are presented in compliance with IFRS in all parts of the Annual Report.

Skanska AB, Swedish corporate identity number 556000-4615.

# Synergies from Skanska's business streams

**Skanska's business streams**

Project Development

| Construction | Residential Development | Commercial Property Development | Infrastructure Development |
|---|---|---|---|
| Builds civil and building projects | Initiates, develops and sells homes to private individuals | Initiates, develops and divests properties | Produces solutions for essential infrastructure in the form of public-private partnerships (PPP) |

**Operational synergies**

- Shared common values and people's expertise in all areas on a Group-wide scale.
- Collaboration reduces risks, maximizes opportunities and improves project delivery, providing benefits to customers.
- Close cooperation in procurement and production increases efficiencies.
- Internally generated construction contracts.
- Operations in different geographies reduces risks and creates a stable platform for increased operating income over time.

**Leads to Skanska being more competitive through**

- Ability to take on large, complex projects.
- Ability to offer customers a wide range of services and products.
- Innovative solutions to challenges.
- Maximized opportunities in the marketplace.
- Improved cost control.
- Strong financial position.
- Enhanced returns from multiple sources.

Operational and financial synergies are among the benefits achieved through collaboration between business streams and Business Units in Skanska.

**SEK 30.8 bn**

of Skanska's total order backlog were contracts involving more than one Business Unit.

**SEK 23.2 bn**

in Construction revenue were from internal Project Development contracts in 2017.

In New York City, significant progress is being made redeveloping LaGuardia Airport's Central Terminal B, the biggest US public-private partnership (PPP). In 2018, travelers will begin using the project's first new facilities: the initial terminal section and a 3,200-space parking garage. Skanska Infrastructure Development is part of LaGuardia Gateway Partners, which is responsible for financing, design, construction, operations and maintenance. The Group's 70 percent share of the design-build contract is about SEK 23 billion, equally divided between Skanska USA Building and Skanska USA Civil.

# Skanska as an investment

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

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

In 2017, the Group's 40,000 employees delivered good results while building for a better society.

**Strong global trends**
Demographic changes and continued urbanization lead to 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.

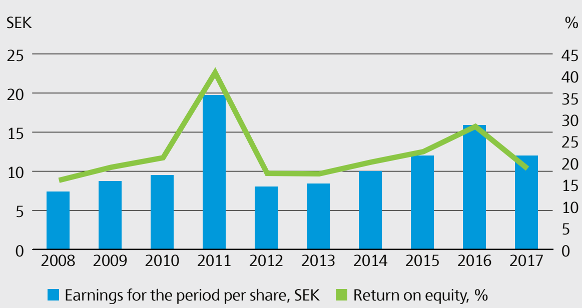
**Diversification**
Skanska's risk diversification across four business streams with operations in several geographic markets and segments helps ensure a balanced and diversified risk profile.

**Strong cash flow**
Through an attractive business model, Skanska generates strong cash flow which puts the Group in a stable financial position.

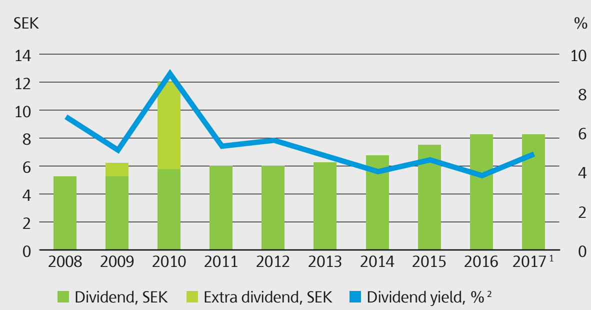
**Financial synergies**
The strong cash flow from Construction is invested in the Group's own high-return development projects. The investments in Project Development will continue to increase.

**Attractive total shareholder return**
Skanska has a competitive total shareholder return with more than fifteen 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**

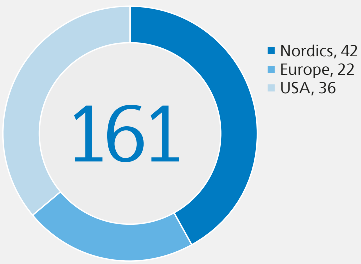



1 Based on the dividend proposed by the Board of Directors.
2 Dividend per share divided by the closing share price for each respective year.

# 2017 in brief

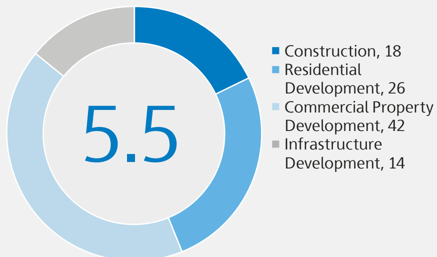
### Revenue, SEK 161 bn

by geography, %[2]



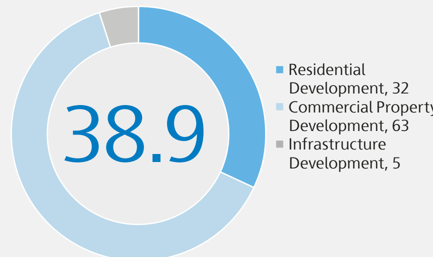

### Operating income, SEK 5.5 bn[1]

by business stream, %[2]




### Capital employed, SEK 38.9 bn

in Project Development, by business stream, %




1 Operating income in 2017 was negatively affected by impairment charges of SEK 1.0 billion and project write-downs of SEK 1.5 billion.
2 Before Central and eliminations.

**Construction**

- Order bookings amounted to SEK 151.8 billion. The major contracts included:
  – Farley Post Office in New York, USA
  – George Washington Bridge in New York, USA
- Order backlog amounted to SEK 188.4 billion, corresponding to 15 months of production.
- The operating margin in the stream was 0.8 percent:
  – Strong performance in the Nordics and USA Building
  – Weak performance in Poland, the UK and in USA Civil.
- Operating income was negatively affected by impairment charges of SEK 1.0 billion and project write-downs of SEK 1.5 billion.
- Actions to restore profitability have been initiated and consist of restructuring of the Polish operations, exiting the power sector in USA, focusing on core business in the UK and continuing to adapt to tougher market conditions in the Czech Republic.

**Residential Development**

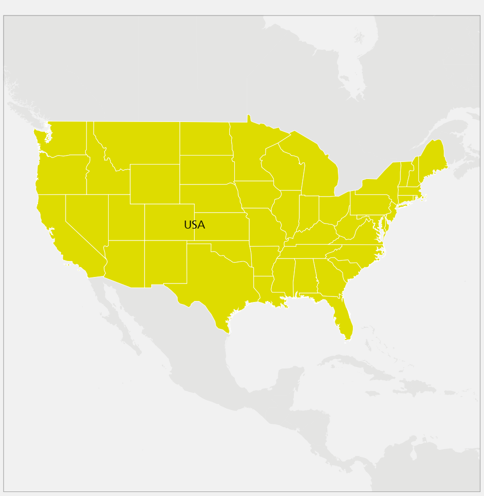
- Continued improved performance with an all-time high in operating income, SEK 1,716 M, and clearly met return targets.
- The number of homes sold and started totaled 4,285 and 4,318, respectively.
- BoKlok, the affordable homes business, continued to deliver great returns and represented almost half the homes Skanska sold in Sweden.

**Commercial Property Development**

- A new all-time high in divestment gains of SEK 3.5 billion from divesting 27 projects.
- The number of ongoing property projects was 46 at the end of the year, corresponding to an investment value upon completion of SEK 27.6 billion.
- 24 projects started across all geographies: in the Nordics, Europe and USA.

**Infrastructure Development**

- Operating income totaled SEK 925 M.
- The investment in the A1 motorway project in Poland was divested for about SEK 1.4 billion.
- Net present value of the portfolio was SEK 3.0 billion.
- Focusing on the US market.





**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's financial position remains strong, powered by continued high performances from Project Development. We are taking actions to improve Construction profitability, while our values and sustainability expertise provide competitive advantages. In 2018, we will advance further with our Profit with Purpose Business Plan.

Guiding Skanska until 2020 is our Profit with Purpose Business Plan, which has two core elements: delivering an industry-leading total shareholder return, while building for a better society through the important projects we undertake and our innovative, sustainable solutions. These ambitions arise from what we have long done. We are determined to resume providing an industry-leading return, while increasing our positive contributions to society.

Profit with Purpose is based on Skanska's strengths. We are strong through our business model, which has consistently provided significant financial returns. We are strong from how our 13 Business Units in eleven countries increasingly collaborate and share expertise to provide customers with the best solutions. And we are strong through our values, which more and more customers appreciate. These strengths form our foundation. They position us to create long-term value for Skanska and our shareholders.

Our performance in 2017 consisted of solid accomplishments, but also significant challenges that we are urgently addressing. Overall, Group operating income for the year was lower at SEK 5.5 billion. Our financial position remains strong, so the Board of Directors proposes to maintain the dividend at SEK 8.25 per share.

### Residential Development's top performance

Our Residential Development stream's performance was even stronger than in 2016, with returns significantly above our targets and operating income reaching an all-time-high of SEK 1.7 billion. We started 4,318 homes, and sold 4,285 homes. This stream's geographic breadth provides resiliency to market shifts and local fluctuations in demand. Also, we mainly operate in the affordable and core segments, where demand tends to be durable.

### New Commercial Development records

Commercial Property Development set a new record in 2017 with divestment gains of more than SEK 3.5 billion from divesting 27 projects. At the same time, we continue to increase investments in new commercial developments - starting 24 projects in 2017 - and secure major leases, with leasing also achieving record high levels last year. These actions improve our ability to create value to be realized in future years.

### Significant Infrastructure Development gains

We made significant gains in Infrastructure Development from divesting three public-private partnership (PPP) projects, most notably the A1 highway in Poland. We are selectively pursuing new projects as well as bringing existing projects into a fully operational state, increasing their value.

### Improving profitability in Construction

In Construction, our Nordic units and Skanska USA Building continued to achieve top results, but it was not enough to offset weaknesses in several other units. Consequently, we did not reach our target Construction margin of 3.5 percent – a result that is not acceptable.

To improve profitability across the Group, we are downsizing operations with continuously low profitability or that are no longer strategically important. In the Construction stream, this involves restructuring Polish operations, exiting the power sector in USA, increasing focus on the core business in the UK, and continuing to adapt to tougher market conditions in the Czech Republic. Furthermore, with a thin pipeline of PPPs in Europe, we are focusing Infrastructure Development operations on the US market.

Overall, we are increasing our focus on cost control and risk management. During 2018, we will implement a new Group management structure, including a new Group Leadership Team (GLT). This model is intended to increase organizational effectiveness – including bringing leadership closer to operations – and reduce costs.

### Growing Project Development

Boosting profitability also includes increasing investments in Commercial Property Development and Residential Development. This is key to securing Skanska's strong financial performance into the future. Investments include acquiring additional land and building rights, and bolstering our capabilities. In 2017, Commercial Property Development delivered 42 percent of Skanska's operating income, and Residential Development 26 percent.

### Synergies through collaborations

We continue to drive One Skanska collaborations between and within Business Units, resulting in operational and financial synergies. These synergies enable Skanska to self-finance Project Development activities, while raising efficiencies, lowering risks and strengthening customer offerings. Ultimately, both Profit and Purpose are advanced. Deepening these synergies is a key priority.

"Increasing investments in Project Development will help secure Skanska's strong financial performance into the future."

**Values attract employees and customers**

Everything we do at Skanska is grounded in our four values: Care for Life, Act Ethically and Transparently, Be Better Together and Commit to Customers. Through our people living the Skanska values in their daily work, we become more attractive as an employer, as people want to work for companies that stand up for larger beliefs. And we become more appealing to customers, as they can trust us.

**Creating a sustainable future**

Skanska's values are essential to creating a sustainable future for our people, customers and communities. Our sustainability agenda consists of five focus areas linked to our values and to our core activities in Construction and Project Development: Safety, Ethics, Green, Community Investment and Diversity and Inclusion.

In 2017, we continued to make important progress with sustainability, including launching a business-focused Green strategy and driving vital conversations about diversity and inclusion. Core to the Green strategy is significantly reducing carbon emissions by 2030 to align with the Paris international climate agreement. Beyond environmental benefits, lowering carbon emissions will help us both lift our operational efficiencies and deliver solutions that help customers meet their own carbon and energy objectives.

Even with those forward steps, the three work-related fatalities on Skanska sites in 2017 make us deeply aware of the importance of continuous focus.

**Supporting global priorities**

Our sustainability expertise is a key differentiator in our markets, and an important part of how we contribute to society.

For 17 years, Skanska has actively supported the universal sustainability principles defined by the United Nations Global Compact. More recently, the UN's member countries adopted 17 Sustainable Development Goals to transform the world by 2030.

In 2017, Skanska began using these goals to measure the performance and contributions of the Group's sustainability work. The UN goal of sustainable cities and communities – making cities inclusive, safe, resilient and sustainable – is most relevant to Skanska, providing us with the greatest opportunities to effect positive change.

**Ongoing good market conditions**

For 2018, we see continued robustness in the world economy, and stable to strong conditions across all home markets. Plentiful opportunities enable Skanska to focus on pursuing projects right for us, while our strong balance sheet allows us to capitalize on development possibilities. At the same time, Skanska will continue to monitor ongoing political uncertainties in our home markets.

**Sweden's favorable environment**

In Sweden, we anticipate strong market conditions continuing for construction and commercial properties. The Swedish residential market, our largest housing market, has returned to a sounder and more stable condition.

Almost half the homes we sell in Sweden are through the BoKlok affordable residential business. We are investing about SEK 250 M to increase production capacity nearly 50 percent at BoKlok's main plant. That will grow an important part of Skanska, while enabling us to provide even more people with the opportunity of homeownership.

**Benefiting customers and shareholders**

I am fortunate to lead a company with deeply embedded values that is guided by Profit and Purpose – for these I thank my predecessor, Johan Karlström.

Together with our great people, my new Group Leadership Team (GLT) and I are committed to improving Construction profitability. We are also dedicated to leveraging Skanska's extensive Construction and Project Development expertise and strong balance sheet to provide customers with the most compelling solutions. I am confident our actions will benefit shareholders too.

I look forward to earning the trust of Skanska's shareholders, customers and communities in the years ahead.

Stockholm, February 2018

Anders Danielsson
President and CEO

# Engineering future scientific breakthroughs

**European Spallation Source (ESS)**, Lund, Sweden
Construction

Amid the low landscape of southern Sweden, the most powerful research facility of its type is being created. Comparable to a giant microscope, ESS will use neutrons to enable scientific breakthroughs with materials, energy, health and the environment. Also, the facility's unique capabilities will help scientists tackle some of the most complex challenges confronting science and medicine.

Delivering this pioneering facility requires a true partnership. That's because well into construction, specifications are still being developed for major pieces of scientific equipment. An agreement based on mutual transparency and trust between the customer and Skanska – leveraging expertise from Sweden and the UK – accommodates such evolving requirements. It is intended to set a new industry standard for collaboration.

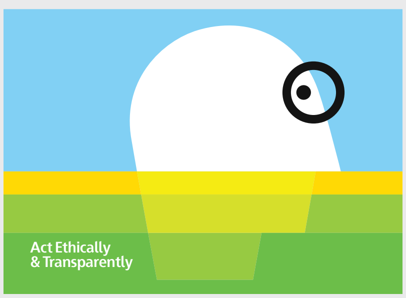
Another ESS aspiration is to be the world's most sustainable research facility. A key Skanska contribution is eliminating waste to landfill, requiring new ways of working with materials and suppliers.

# Skanska's values

Fundamental to Skanska's success are four values, which keep the Group moving in the right direction in a fast-changing world. Skanska constantly drives the need for every employee to strongly live these values in all they do. Skanska selects customers and partners that share the Group's values.

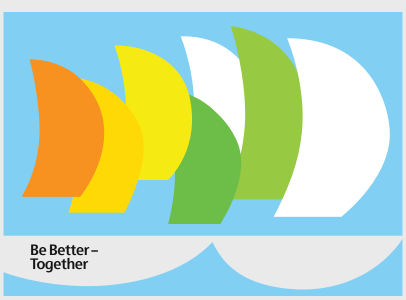

**Care for Life**

Through Care for Life, Skanska supports health and well-being. Aiding in advancing this priority is the Well Building Standard, an external certification of building features that affect health and well-being. In 2017, Skanska committed to pursuing Well certification for all office development projects in Poland, Czech Republic, Romania and Hungary. This early commitment will help drive the market for healthy buildings in Central and Eastern Europe, and advance Group-wide sustainability efforts. Research shows that green and healthy work environments lead to improved occupant well-being and productivity.



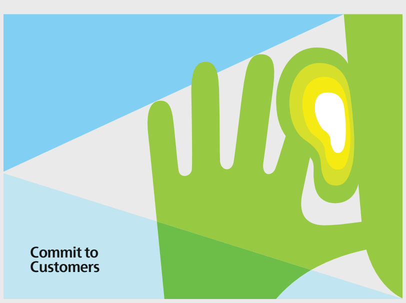

**Act Ethically and Transparently**

Living Skanska's value of doing business with a high degree of integrity and transparency depends on the Group's employees, and those working on the Group's behalf. In 2017, Skanska increased due diligence efforts on the broad network of consultants, partners, suppliers and subcontractors essential to delivering projects. This increased scrutiny – done through a risk-based approach – will continue to intensify, further ensuring adherence with Skanska's Supplier Code of Conduct. The Supplier Code, which describes behaviors expected of suppliers, is incorporated into every supplier agreement.




**Be Better – Together**

The Group wants to move forward together with customers, partners and communities. In the UK, a Skanska consortium is pioneering new ways of analyzing and visualizing data to help local governments more proactively manage infrastructure, such as highways. This starts with public customers sharing large databases – including about emergency vehicle routes and flood zones – with companies such as Skanska during the tender process. The Group rapidly analyzes this information to identify trends of value to the customer, and these are used to create optimized offerings. Data analytics are increasingly forming a central role in how Skanska plans projects.




**Commit to Customers**

Skanska helps customers be successful, and aims to build partnerships that endure. Since 1962, the Group has partnered with Boeing to build and upgrade facilities, and has established a track record of successfully delivering critical projects while not impacting production. Often, Skanska is engaged early to offer cost and schedule insights. Safety has been another area of collaboration, with Skanska supporting Boeing safety goals. Skanska has been recognized as a Boeing Supplier of the Year, and now actively supports Boeing in three US states.

# 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. Internal collaborations produce operational and financial synergies that create further value.

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 Group-wide 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.

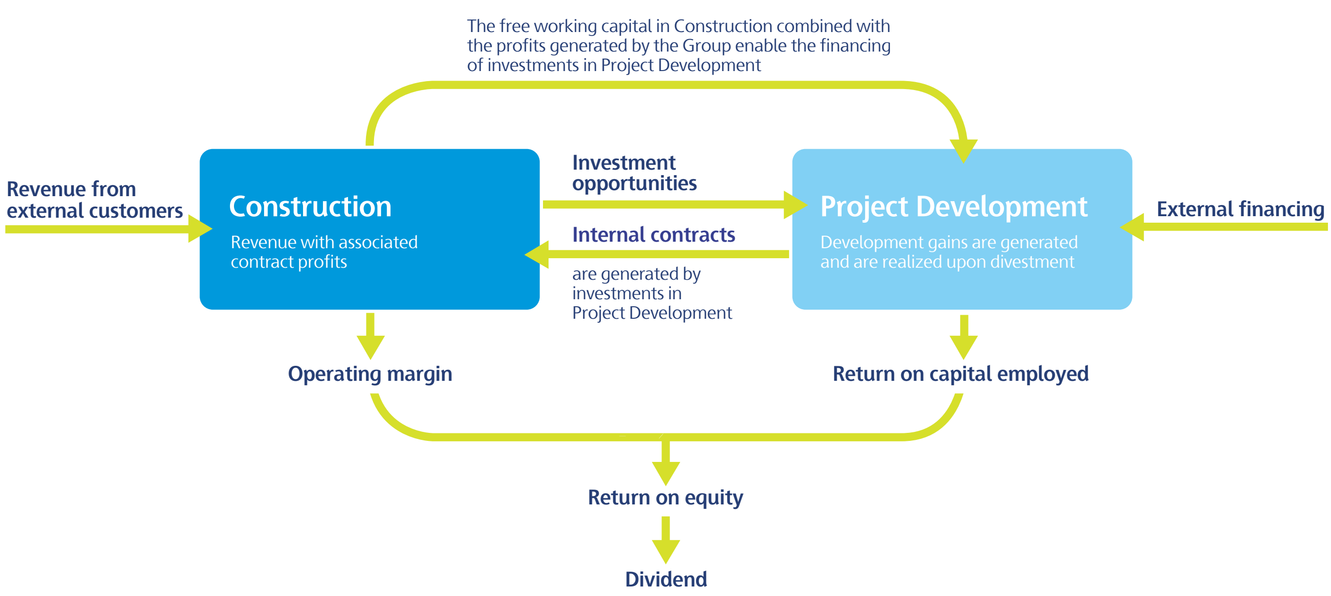
### Size provides competitive advantages

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 customer needs.

The Group's operations are based on local Business Units with good knowledge of their respective markets, customers and suppliers. Local units are backed by Skanska's brand and financial strength, as well as Group-wide expertise and 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

Guided by this business plan, Skanska is striving to increase shareholder value while building for a better society. Advancing with these interlinked priorities is how Skanska creates Profit with Purpose. Key actions for 2018 include boosting Construction performance while continuing to create value through Project Development.

**Profit with Purpose**

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

This business plan – lasting until 2020 – supports Skanska's aspiration to deliver an industry-leading total shareholder return. This financial aim includes stable, long-term earnings and the cash flow necessary for an attractive dividend. The plan focuses on three areas, which are described in more detail on pages 12–14:

- Great people
- Market Making
- Operational Excellence

### Strategic actions

Under the Profit with Purpose plan, key actions during 2017 included increasing investments in Project Development; driving collaboration to unlock synergies; establishing digital strategies; enhancing Skanska's customer focus; promoting an inclusive culture; and launching a business-focused Green strategy. Additionally, a primary focus was improving the profitability of the Construction stream.

### Restructuring for profitability

Following a strategic review initiated in fall 2017, at the beginning of 2018 Skanska announced a comprehensive restructuring to increase profitability. This involves downsizing operations with continuously low profitability or that are no longer strategically important, as well as further increasing the Group's focus on cost control and risk management. Also during 2018, a new Group managment structure will be implemented to increase organizational effectiveness and reduce costs.

### 2018 priorities

Boosting Construction profitability and continuing to create value through Project Development – both while living Skanska's values – are the Group's fundamental priorities in 2018. Also, the Group will progress with purpose, such as providing customers with solutions based on innovation and sustainability, encompassing Safety, Ethics, Green, Community Investment and Diversity and Inclusion.

## Aspirations 2020

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

## Focus areas within Sustainability

- Safety
- Ethics
- Green
- 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 2017**

In 2017, Skanska reached its return target, and its financial position remains strong, powered by continued high performances from Project Development. 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 can be maintained at stable levels.

The operating margin in the Construction stream was below the target, mainly due to underperformance of some of the Construction units outside the Nordic region. To improve profitability a restructuring was initiated, which led to impairment charges of SEK 1.0 billion. Operating income was also negatively affected by project write-downs of SEK 1.5 billion. Adjusted for impairments and write-downs, the operating margin in 2017 was 2.5 percent.

| Financial targets 2016–2020 | Outcome 2017 |
|---|---|
| **Group**<br>Return on equity<br>≥ 18% | **Group**<br>Return on equity was<br>18.6% |
| **Financial strength**<br>Net operating financial assets/liabilities<br>can be negative<br>if opportunities arise | **Financial strength**<br>Net operating financial assets/liabilities were<br>SEK 9.7 billion |
| **Construction**<br>Operating margin<br>≥ 3.5% | **Construction**<br>The operating margin was<br>0.8% |
| **Project Development**<br>Return on capital employed for the combined Project Development operations<br>≥ 10% | **Project Development**<br>Return on capital employed was<br>14.5% |

Definitions are provided in note 44.

# Developing places where people want to gather

**Sundtkvartalet,** Oslo, Norway
Commercial Property Development and Construction

Skanska's first office development in Norway fills five floors and 31,300 sq m, and is loaded with such tenants as IBM and Manpower. It is a showpiece full of energy and natural light that achieved the rigorous BREEAM Excellent environmental rating.

Less obvious are the ways that Sundtkvartalet and Skanska are improving the local community. The Group leveraged the Construction period to provide unemployed young adults with opportunities. In the completed building is a multipurpose hall for schools and sports clubs – a city requirement that the Group implemented in a model way. And to help residents move about the area, Skanska is contributing a pedestrian bridge.

In 2017, Skanska sold the Group's 50 percent ownership in Sundtkvartalet to the project's development partner for about SEK 830 M. Now established as an Oslo developer, the Group has more local office properties on the way.

# Great People

Success in Skanska's project-based business depends on having people with the right skills and commitment, and who share the Group's values. Recruiting and developing Great People are key priorities, as is becoming more diverse and inclusive.

Skanska aims to be the most attractive employer in its industry. Progress toward this was measured in 2017 through a first-ever Group-wide employee survey. Out of 32 questions, 27 responses were significantly above the general industry benchmark provided by Korn Ferry Hay Group, which has created one of the world's largest databases of employee opinion.

### Enabling high-performing teams

The Group helps employees do their best. Skanska's culture is based on transparency, trust, values and high performance, with employees collaborating in teams to build for a better society. Employees are provided many opportunities to learn and grow: professional development benefits the entire organization.

Broadening employees' experiences is an important means of development and boosting organizational knowledge sharing and collaboration, thereby driving performance. Employees are provided opportunities to work in different functions, Business Units and geographies. Every management team should have a member with experience from other parts of Skanska.

### Employee ownership shows engagement

Seop, the Skanska employee ownership program, helps build pride and an understanding of creating shareholder value. Seop has nearly 11,500 participants who invested about SEK 350 M in 2017. In combination with the Parent Company's holding of Series B treasury shares securing the future delivery of shares in Seop, they are the largest Skanska shareholder in terms of capital. That high level of participation demonstrates employees' motivation and commitment, which drives improved performance.

### Strengthening customer connections

The Group is working to achieve a more diverse workforce by attracting, recruiting and retaining employees from more segments of society. This enables Skanska to build better relationships with customers. Also, a more diverse Skanska is able to leverage a greater variety of employee experiences and perspectives, which is key to producing the best customer solutions. Increased diversity is coupled with including all employees in Skanska's culture. Improving diversity and inclusion is a priority at every level of the Group.


In Sweden, there's a great need for engineers. Yet in Sweden, engineers from other countries often have trouble practicing their profession. The Skanska International Leadership Program aims to bridge that divide while increasing Skanska's diversity. This strategic recruitment program starts with training and ends with jobs for many participants. That's how Diana Baghdo from Syria started at Skanska – she's now a crew leader.

# Market Making

Market Making is about understanding customer needs so Skanska can collaboratively offer and deliver the best solutions, including innovations new to local markets. This requires staying close to customers, and proactive and structured ways of working. Skanska wants to be customers' preferred partner.

Skanska seeks to align the Group's broad talents and offerings to help customers succeed. Essential to this is understanding the evolving needs and challenges of customers, markets and government leaders. Early and ongoing engagement aids Skanska in developing the best, most sustainable solutions. Such early contractor involvement is increasingly valued by customers, especially those with highly challenging assignments.

Staying close to customers and other leaders can provide Skanska opportunities to shape markets and raise customer demands. This occurs through contributing insights related to Construction, Project Development and sustainability. Such sharing can better position Skanska for future success.

### Values appreciated by customers

Skanska's values are key to the Group's aspiration of being a preferred partner through creating solutions that meet customers' needs. Customers and others appreciate how Skanska has integrated values into the Group's culture and daily activities. Values help differentiate Skanska, as people want to collaborate with companies that are responsible and trusted.

### Driving stronger customer focus

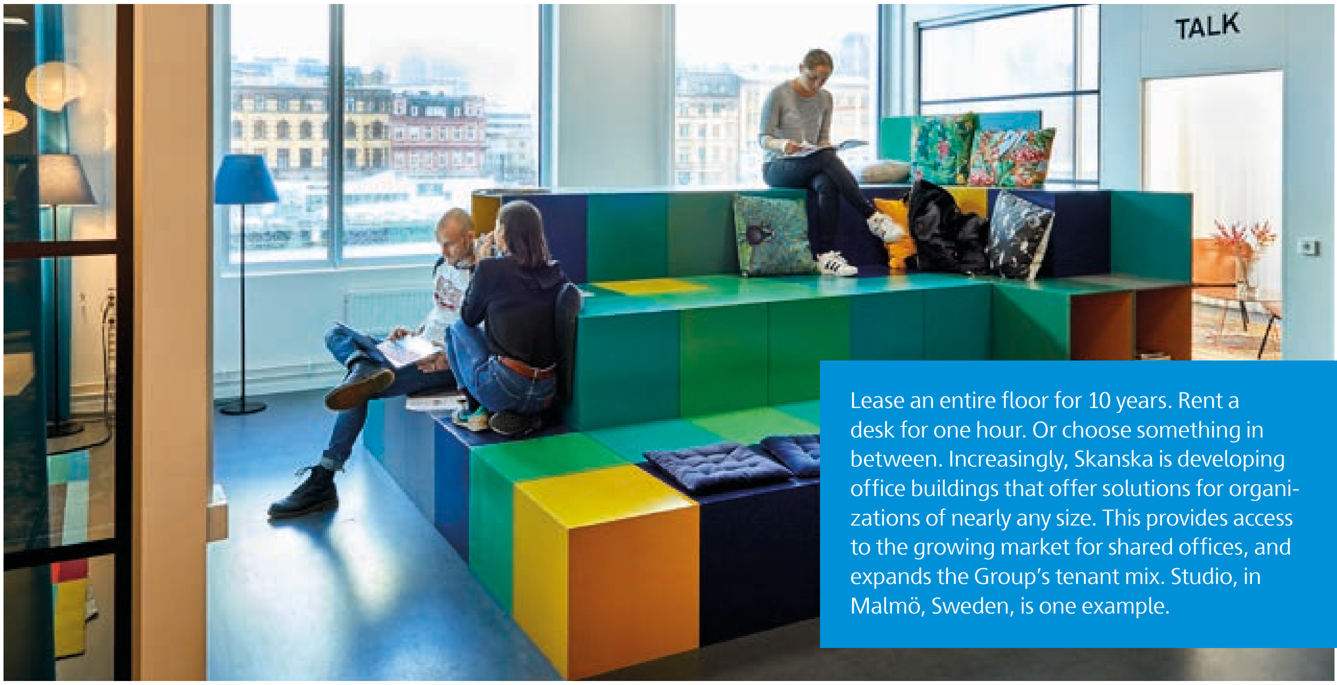
Satisfied customers that lead to long-term partnerships are key to Skanska's success. The new Group Staff Unit Market Making is driving a stronger customer focus across Skanska. Also, it is improving how innovative Market Making activities are shared across the Group, helping Skanska better support customers.

### Project Development requires deep awareness

A high level of market and customer awareness is increasingly important as Skanska boosts investments in Project Development. With development projects, Skanska is initiating the creation of the building or infrastructure asset. Deep understandings of trends and market forces are key to maximizing opportunities and lowering risks.

### Broader perspectives

More and more customers see success in multiple dimensions, including contributions to society. Skanska shares this perspective, so the Group seeks to broaden collaborations with customers to create holistic solutions that benefit local communities. This amplifies the benefits provided by projects.




Lease an entire floor for 10 years. Rent a desk for one hour. Or choose something in between. Increasingly, Skanska is developing office buildings that offer solutions for organizations of nearly any size. This provides access to the growing market for shared offices, and expands the Group's tenant mix. Studio, in Malmö, Sweden, is one example.

# Operational Excellence

Strong results for Skanska and high customer satisfaction depend on excellence in the Group's operations. Top priorities are increased process discipline, digitalization, collaboration and knowledge sharing. A focus on continuous improvement spans all of Skanska's activities.

Skanska is focused on continuously improving all aspects of the Group's operations. It means ensuring the right systems and efficient processes are in place, as well as relevant resources. Equally important is that all employees have the proper skills. Finally, it is about leveraging knowledge and expertise across Skanska.

### Stricter bid strategy

The Group has placed special focus on improving construction project execution. This begins with a stricter bid strategy. Skanska prioritizes pursuing projects in sectors and geographies in which the Group has proven strengths. Also, the Group will only bid on projects after identifying teams with the right competencies. More broadly, management of the design process, commercial terms and project scope changes are being given increased attention.

### Digitalizing the business

Skanska has commenced a program to enhance digital capabilities across the Group. Digitalization presents enormous opportunities to increase project delivery certainty and efficiency, and to strengthen collaboration and knowledge sharing. In 2017, all Business Units established digital strategies, building on existing digital activities. These activities include building information modeling (BIM), machine learning, drones, robotics, 3-D printing, data analytics, autonomous equipment, and virtual and augmented reality. Skanska's Research and Innovation function develops innovative and more efficient ways of working.

### Setting more common processes

The Group is increasing the use of common, proven project delivery practices. This builds on Skanska Sweden's work establishing a more structured approach to delivering world-class projects. Such projects are profitable, have high sustainability achievements, develop the skills of those who create them and result in satisfied customers.

### Implementing good practices

Skanska continues to use knowledge sharing networks and capabilities to drive collaborative ways of working. Sharing and adopting good practices from across the Group improves performance and is a competitive advantage.

Skanska in the UK is embedding digital rehearsals into the project delivery process. Before on-site activities begin, Skanska, key partners and sometimes the customer jointly practice the construction process using a digital model to ensure proper planning and risk mitigation. Smaller rehearsals occur during construction. These help boost safety while increasing budget and schedule certainty.

# Making essential infrastructure reality

**Autostrada A1,** Gdańsk, Poland
Infrastructure Development and Construction

Stretching from Gdańsk on the Baltic Sea south toward Poland's central regions, this 152 km section of four-lane highway opened in phases between 2007 and 2011. It replaced a two-lane road that was narrow, congested and accident stricken.

The new highway provides a fast and safe link that has become essential to traveling. It is also a major contributor to social and economic development, opening new possibilities to live and work.

Skanska's consortium was assigned responsibility for financing, designing, building, operating and maintaining this A1 stretch under a 35-year public-private partnership (PPP) that started in 2004. Construction included 137 bridges, including two large river spans.

In 2017, Skanska secured the value created, divesting the Group's 30 percent project ownership for about SEK 1.4 billion. Demand from long-term investors is strong for such high-quality infrastructure assets.

# Risk and opportunity management

Skanska has embedded proactive and structured risk and opportunity management at all levels of the organization. Consistency is enabled by Group-wide risk and opportunity management procedures. The breadth of the Group's Project Development and Construction operations provides increased resilience to risks and greater ability to capture opportunities.

## 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.

Beginning in 2008, scrutiny and approval of large and complex projects have been managed at the Group level by the Skanska Risk Team – a staff function providing scrutiny and analysis – and the Group Leadership Team Tender Board, a decision making body. The largest projects go to the Project Review Committee of the Board of Directors for final approval.

## Enhanced operational risk management

In the 2020 Profit with Purpose Business Plan, risk management is an important part of the Operational Excellence focus area. Building on the Skanska Risk Team and the Group Leadership Team Tender Board, all Business Units established their own risk teams and project boards in 2016. This was done to improve the quality and objectivity of scrutiny at the operational level, enabling Group-level reviews to add more value. In 2017, the Business Units further integrated their risk teams and project boards into their ways of working. The efforts to further increase risk and opportunity management continues in 2018.

## Group-wide risk and opportunity management procedures

Skanska uses Group-wide procedures for identifying and managing risks and opportunities: the Skanska Tender Approval Procedure and the Skanska Investment Approval Procedure.

Guided by the procedures, the Skanska Risk Team supports the Group Leadership Team by examining and analyzing tenders along with investment and divestment proposals subject to top management approval – approximately 400 projects per year. Initially, each Business Unit conducts risk and opportunity assessments and identifies measures for managing risks. The proposals are then processed by the Risk Team, which issues a recommendation based on the business case, risks and opportunities. The final decision is made by the Group Leadership Team Tender Board and, in certain cases, by the Board of Directors.

**Skanska Tender Approval Procedure: Construction and Infrastructure Development**

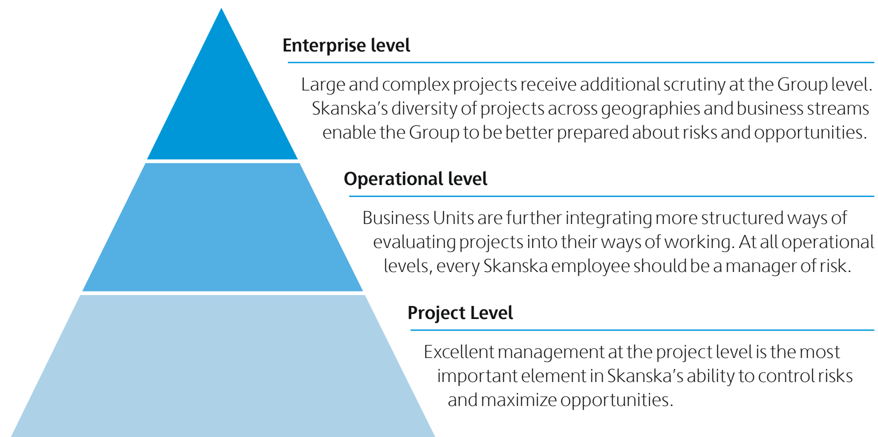
| | | | | |
|---|---|---|---|---|
| Activity | Preliminary evaluation of the project with a focus on Skanska's core geographies, competence, customer, contract and partners. | Draft tender with a focus on the main risks and opportunities. | Final tender | Execution according to contract with a continual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

**Skanska Investment Approval Procedure: Commercial Property Development and Residential Development**

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

## Skanska's approach

Proactive and structured risk and opportunity management is embedded at every level of the organization.




### 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'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 organize for risk management, and it acts as a roadmap for a 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 to proceed with Construction and Project Development undertakings, respectively. These procedures guide project teams through a structured presentation of risks and opportunities, facilitating scrutiny and approval at the required level.

Each Business Unit has a Risk 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. This depends on people being properly equipped, trained and supported to bid, negotiate and execute work. Business Units and support units work together to ensure that project teams are selected, trained and supported so they deliver Profit with Purpose every time.

To ensure that risks and opportunities identified during project planning are managed effectively during project execution, an early warning process is used on larger and more challenging projects within the Construction business stream. Through this, senior management is alerted if certain events occur, or if key performance indicators are outside a set tolerance level.

### Benefiting 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 related to 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 units, such as building and civil, are involved and collaborate on assignments for external customers. Many of these advantages are also realized when different Construction Business Units collaborate on assignments for customers.

# Main risks

Skanska conducts an annual Group-wide risk survey that involves more than 200 managers. This generates a ranking of enterprise risks: for each of the main risks, the appropriateness and effectiveness of management and mitigation measures are assessed and calibrated, as required. Skanska's main risks are:

### Loss or lack 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 is focused on attracting, developing and retaining a skilled, diverse and committed workforce, and providing an inclusive workplace in which people can flourish and everyone can contribute.

### Ethical breach

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 the Group's ethics organization and compliance processes, and has taken many steps to bolster the ethical culture. The Code of Conduct provides employees with expectations for everyday behavior.

### Project or systemic losses

Not every project or investment goes to plan. Skanska has several layers of defense to protect against one-off and Business Unit-wide financial losses. These include the Group's procedures for scrutiny, approval, follow-up, review and reporting, plus the early warning system for all construction projects subject to Group Leadership Team Tender Board approval.

### Macro financial instability

Macro-economic risks cannot be avoided, so Skanska focuses on mitigating their effects and ensuring the Group's business is strong enough to weather economic downturns. Skanska Financial Services plays a lead role in managing the Group's financial exposure and looking ahead at markets. The diversity of Skanska's operations 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. Skanska continually works to improve the Group's 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 has been learned.

### Other risks

Skanska presents sustainability-related risks – along with potential impacts and mitigation strategies – on pages 82-83 of this Annual Report. These risks encompass environment; health and safety; human rights; supply chain management; diversity and inclusion; and anti-corruption and bribery matters. Additionally, financial risks are presented on pages 68-69.


## A complex project, structured for success

**Ordsall Chord,** Manchester, UK, Construction

How Skanska and customers collectively manage risks is an important factor in the financial success of projects. Increasingly, customers are choosing to use contract structures that collaboratively and openly share risks and opportunities.

For Skanska, such contracts – called early contractor involvement, alliances or integrated project delivery – are ways to execute large and challenging projects with a reduced risk profile and the predictable performance desired by shareholders.

Early in the Ordsall Chord project, customer Network Rail, a Skanska joint venture and two other contractors joined together in an alliance. An integrated project culture underpinned by the collaborative contract was key to unlocking innovative approaches.

The alliance delivered this challenging project on budget and two years less than the duration expected with a traditional approach. Furthermore, Skanska and the other alliance companies achieved target financial margins with reduced risk.

# Connected to the UN Sustainable Development Goals

Sustainability at Skanska is grounded in the Group's values, and supports the Profit with Purpose Business Plan. The Group's five sustainability focus areas are strengthened by their connection to the United Nations' Sustainable Development Goals. These goals further guide Skanska's efforts to make the most significant positive contributions to society.

Driven by Skanska's values, the Group helps create sustainable futures for customers, communities and employees. This is integral to Skanska's purpose of building for a better society, as well as delivering profit.

Skanska's sustainability agenda consists of five focus areas that are linked to those values and most relevant to the Group's core Construction and Project Development operations. The focus areas are Safety, Ethics, Green, Community Investment, and Diversity and Inclusion. During 2017, a review was conducted of how the focus areas best fit into an evolving Skanska and society in general.

**Significant ways to contribute**

This review highlighted strong ties between sustainability at Skanska and the United Nations' Sustainable Development Goals (SDGs). The 17 SDGs are essential to the 2030 Agenda for Sustainable Development adopted by the UN's 193 member countries. Achieving the SDGs depends on actions by all of society, including governments and the private sector.

Through the scale and type of Skanska's operations, the Group has significant opportunities to contribute to society's needed solutions while running a profitable business. In 2017, Skanska began using the SDGs as a framework to measure the performance and contributions of the Group's sustainability work. The SDGs have an important role in the future of sustainability at Skanska.

**Increasing positive benefits**

Skanska's operations most directly connect with Goal 11: Sustainable Cities and Communities. Goal 11 is about making cities inclusive, safe, resilient and sustainable – areas that Skanska can positively impact. Also, in 2017 Skanska focused on other closely related SDGs – see image below. Through these SDGs, the Group seeks to harness interconnected risks and opportunities.

Skanska recognizes that the built environment produces negative external effects, both during production and operation. Skanska strives to minimize negative impacts and increase positive benefits. Further information is provided in Skanska's Sustainability Report on pages 70-83.

Skanska recognizes relevance with many of the 17 Sustainable Development Goals (SDGs). During 2017, the Group focused on the SDGs selected in the graphic below, most directly Goal 11, Sustainable Cities and Communities.

## Sustainability focus areas

### Safety

Skanska is determined to eliminate injuries and support employees' health and well-being. In 2017, Skanska created a health and well-being strategy that focuses on ensuring healthy workplaces, helping employees and workers to be physically and mentally fit so they can perform at their best and live full lives. This includes providing improved practices to reduce long-term health hazards, such as noise and dust. Health and well-being is an important way of furthering Skanska's caring culture, which underpins the Group's safety approach.

Focusing on health and well-being extends Skanska's caring culture.

### Ethics

Acting ethically and transparently is central to Skanska's culture. Following the 2016 launch of a new Code of Conduct, in 2017 all employees were trained on the expected behaviors. Code of Conduct training is consistent across all Group operations, helping align behaviors. To help keep ethics top of mind, employees are encouraged to have ethical dilemma discussions. Inspiration for these discussions can be found in the growing library of value moments videos, which depict real situations faced by Skanska employees.

Ethics is not a silent topic at Skanska. Regular conversations keep it top of mind.

### Green

During the year, Skanska set a new green strategy, which focuses on delivering profitable, resilient and zero/low-carbon solutions to customers. This strategy also involves significantly reducing the Group's carbon footprint by 2030, in alignment with the Paris climate agreement. Such steps support society and customer ambitions, and they reduce energy consumption, carbon, materials and water use – driving Operational Excellence while lowering project costs. In 2017, the environment organization CDP (Carbon Disclosure Project) recognized Skanska for leadership in managing environmental impacts.

A new green strategy will significantly reduce Skanska's carbon footprint by 2030.

### Community Investment

By leveraging the Group's core competencies and business activities, Skanska seeks to address local social challenges, together with customers, partners and communities. The aim is creating shared value that provides long-term benefits to all stakeholders. In 2017, the Group set a new Community Investment Guideline that focuses on three areas: educating youths; increasing employability; and using design to help improve communities. Efforts continue to further integrate Community Investment into Skanska's business.

Shared value is created together with customers, partners and communities.

### Diversity and Inclusion

Skanska continues to make progress toward the Group's vision of mirroring society's diversity at all levels, and having leaders who excel in fostering an inclusive culture. Both employee survey results and headcount statistics demonstrate this advancement. With the 2017 Group-wide employee survey, responses to diversity and inclusion questions were 3 and 6 percentage points higher than the external benchmark. By improving with diversity and inclusion, Skanska can better connect with customers and stakeholders, and has greater capacity for the creative thinking needed to be most competitive.

Skanska's success lies in welcoming people of all types, and enabling them to reach their full potential.

# Faster and safer journeys, one year early

**Highway 6 Taavetti-Lappeenranta,** South Karelia, Finland
Construction

In the southeast corner of Finland, close to the Russian border, runs the VT6 highway. It's the main axis through the region, and the road's popularity led to much congestion.

Skanska was part of the multidisciplinary alliance charged with widening and improving a 28-kilometer stretch. Skanska, the Finnish Transport Agency and two design firms collaboratively planned the project under a contract structure that shared risks and rewards.

That joint effort, further strengthened by the diversity of the alliance's people, enabled trust and innovative approaches that enhanced operational efficiency. Methods included advanced uses of technology, such as machine learning to support quality control and safety. Also, drones for rapid and accurate quantity estimating.

It all led to the road opening one year ahead of schedule and people got an early start to faster and safer journeys.

# Share data

Skanska's Series B shares are listed on Nasdaq Stockholm, and the market capitalization on December 31, 2017, was SEK 69.5 billion. The last price paid for Skanska Series B shares in 2017 was SEK 170.0.

- Skanska's Series B shares (SKA B) are listed on Nasdaq Stockholm
  Bloomberg ticker SKAB:SS
  Reuters quote SKAb.ST
- Skanska has a sponsored American Depositary Receipt program (Level I) in the USA that is traded under the symbol SKBSY.
- In February 2017, Skanska's share price reached a new record high of SEK 226.6.
- 109,951 shareholders.
- Market capitalization of SEK 69.5 billion and a share price of SEK 170.0 on December 31,2017.
- In 2017, 2.3 million Skanska Series B shares were traded on average per day.
- The Board of Directors proposes a maintained dividend of SEK 8.25.

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

The stable underlying level of earnings in the Group is an result 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 fifteen years, as well as achieving a stable financial position that allows it to borrow at attractive rates.

### Market development 2017

The Nasdaq Stockholm exchange had a positive development during the first six months, with a temporary drop during the summer. The exchange had a positive journey in the beginning of second half of the year, ending 2017 up six percent for the year.

### Dividend policy

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

### Dividend

For the 2017 financial year, the Board's assessment is that the Group's financial position remains strong and has proposed a maintained dividend of SEK 8.25 (8.25) per

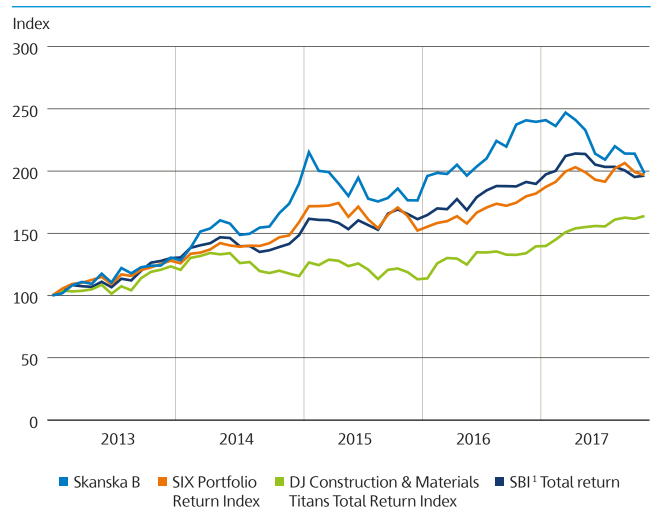
**The largest shareholders in Skanska AB, ranked by voting power, December 31, 2017**

| Shareholders | % of votes | % of capital |
|---|---|---|
| Industrivärden AB | 23.9 | 6.9 |
| Lundberg Group | 12.4 | 4.7 |
| Skanska employees through Seop[1] | 4.9 | 7.0 |
| Alecta | 4.8 | 6.8 |
| Swedbank Robur Funds | 3.0 | 4.3 |
| AMF Insurance & Funds | 2.7 | 3.9 |
| BlackRock | 1.5 | 2.1 |
| Vanguard | 1.4 | 2.1 |
| Carnegie Funds | 1.2 | 1.7 |
| SEB Funds & Trygg Life Insurance | 1.0 | 1.4 |
| **10 largest shareholders in Skanska** | 56.9 | 40.8 |
| other shareholders in Skanska | 43.1 | 59.2 |
| **Total** | 100.0 | 100.0 |
| of which shareholders in Sweden | 81.4 | 73.5 |
| of which shareholders abroad | 18.6 | 26.5 |

1 Not treated as a unified ownership group and includes the Parent Company's holding of Series B treasury shares securing the future delivery of shares to the participants.

Source: Modular Finance Holdings

**Total return of the Skanska share compared to indices**




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

Skanska's share price reached a new record high of SEK 226.6 in February 2017.

share. The proposal is equivalent to a dividend totaling SEK 3,372 M (3,380), corresponding to 69 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 Lundberg Group with voting power of 12.4 percent. The Skanska employees in combination with the Parent Company's holding of Series B treasury shares securing the future delivery of shares in Seop is the largest shareholder in terms of capital. During the year, foreign ownership decreased to 19 percent of voting power.

## Funding

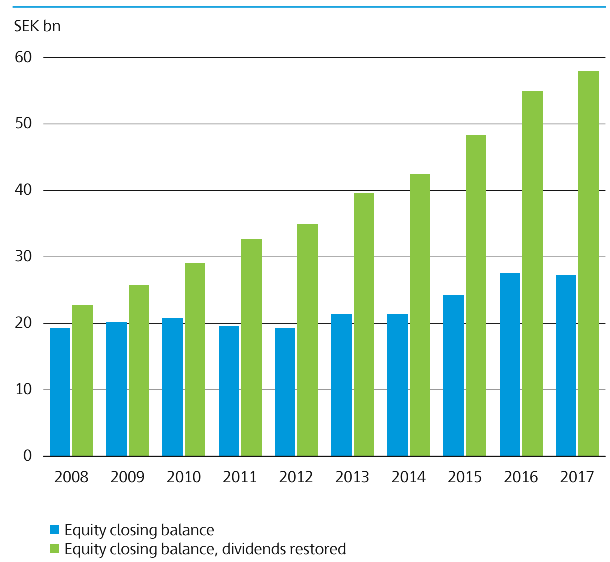
Skanska has several borrowing programs – both committed bank credit facilities and market funding programs – which provide good preparedness for temporary fluctuations in the Group's short-term liquidity requirements and help ensure long-term funding. In 2017, Skanska refinanced the Revolving Credit Facility (RCF). The new facility amounts to EUR 600 M and has a 5-year term with two consecutive 1-year extension options. Further, an additional EUR 200 M RCF was established, with a green profile and 2-year term with a 1-year extension option. In 2017, Skanska established two 7-year private placements amounting to USD 100 M respectively, in order to extend the credit maturity profile and to safeguard access to US dollars. No new MTN bonds were issued during the year. Short term funding needed due to seasonality in cash flow, was covered through commercial papers. At the end of the year, the central debt portfolio amounted to SEK 4.6 billion. The unutilized credit facilities of SEK 8.2 billion combined with the operating financial assets of SEK 9.7 billion (which includes the central debt) ensure the Group has sufficient financial capacity.

### Skanska share history

| | 2017 | 2016 | 2015 | 2014 | 2013 |
|---|---|---|---|---|---|
| Year-end market price, SEK | 170.0 | 215.1 | 164.8 | 167.9 | 131.4 |
| Year-end market capitalization, SEK bn | 69.5 | 88.0 | 67.7 | 69.0 | 54.0 |
| Number of shares for the year, million [1] | 408.9 | 409.3 | 411.0 | 410.8 | 411.3 |
| Highest share price during the year, SEK | 226.6 | 218.7 | 208.4 | 170.0 | 131.6 |
| Lowest share price during the year, SEK | 170.0 | 149.2 | 151.4 | 126.7 | 104.6 |
| Yield, percent [2] | 4.9 | 3.8 | 4.6 | 4.0 | 4.8 |
| Earnings per share [3], SEK | 12.01 | 15.89 | 11.96 | 9.98 | 8.43 |
| Regular dividend per share, SEK | 8.25 [4] | 8.25 | 7.50 | 6.75 | 6.25 |
| Dividend pay-out ratio [5], % | 69 | 52 | 63 | 68 | 74 |

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

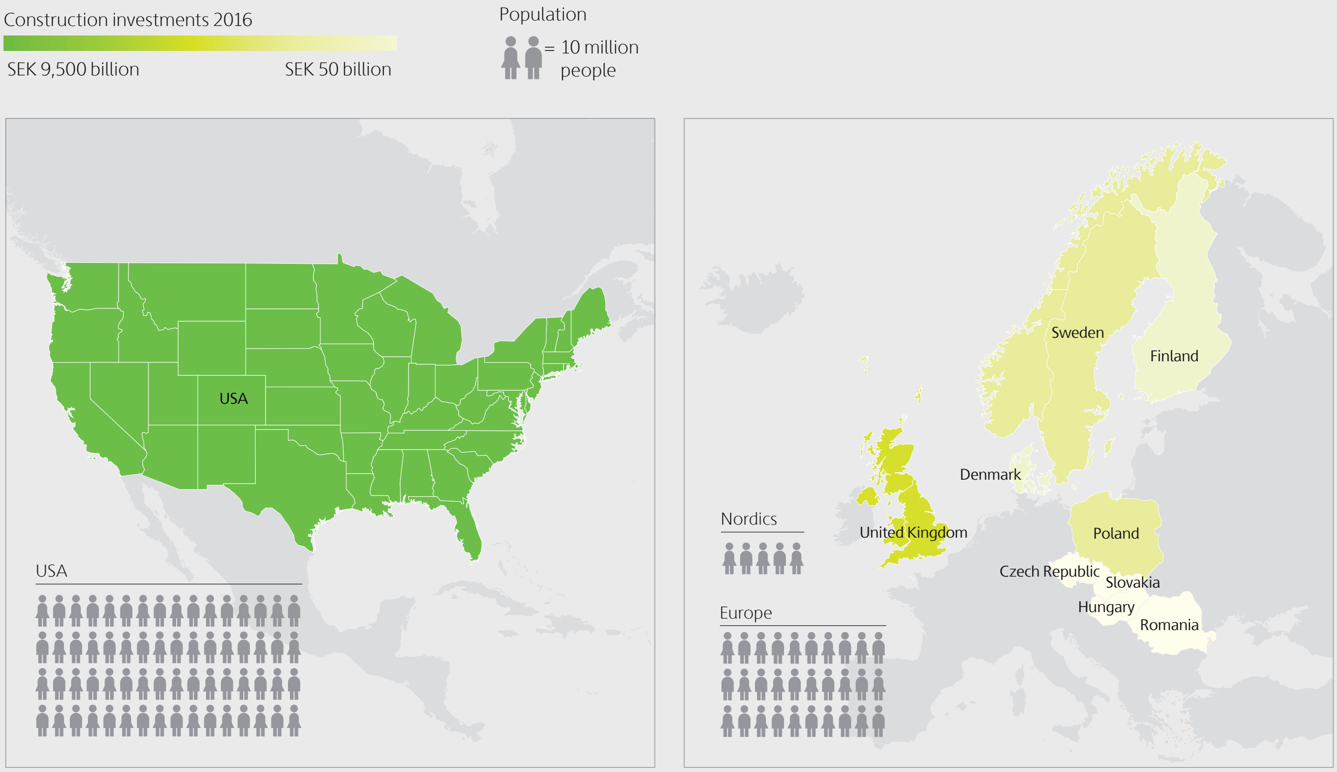
### Growth in equity



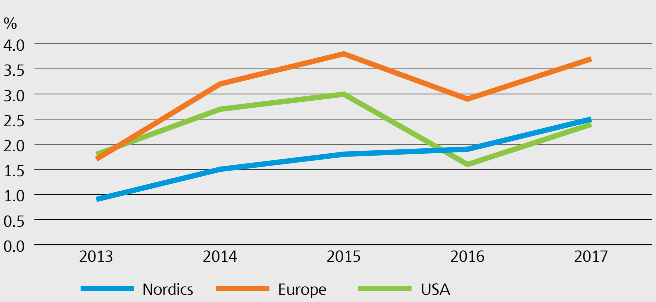
# Market overview

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

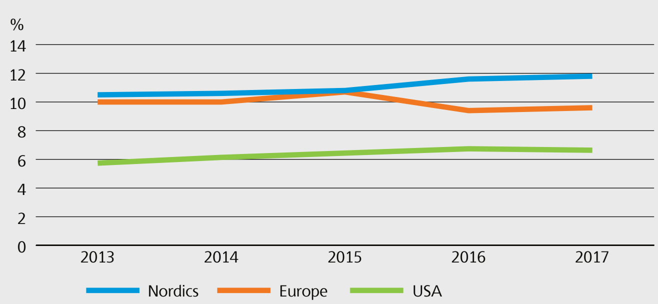



### GDP growth in Skanska's home markets



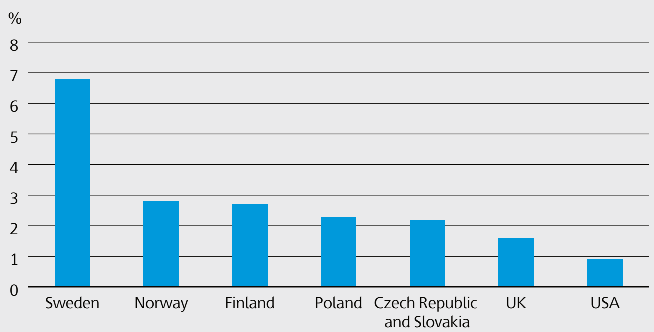

The global upswing in economic activity during 2017 was also noticeable in Skanska's markets. The Central European countries continued to perform strongly, while the Nordics showed synchronized growth. In the USA, the pick-up was driven by the recovery in business investments. The only country reporting slightly slower development was the UK, due to Brexit uncertainty.

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



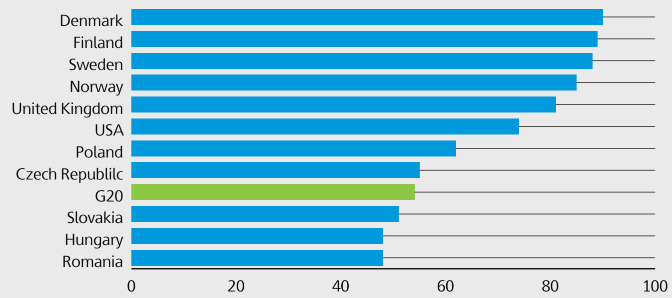

Led by Norway, the Nordics have the highest level of construction investment as a percentage of GDP of Skanska's markets. In the USA, the level is much lower and is far below pre-crisis levels, but is slowly increasing. The weaker intensity of construction investments in other European countries can be primarily explained by temporary lower use of EU funds in Central Europe.

**Market share, Skanska's Construction business stream**



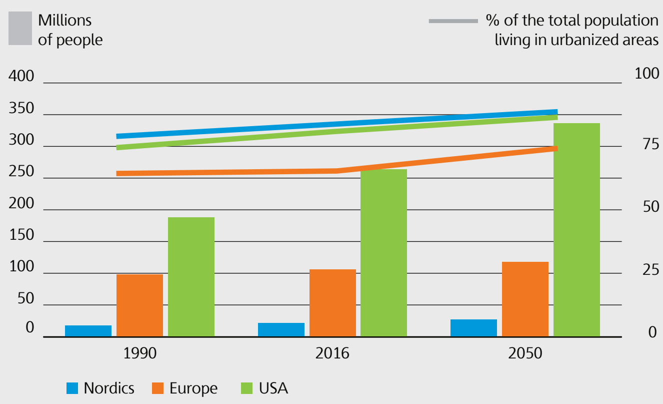

The market share in Sweden is significantly higher than in the rest of Skanska's markets. Despite this Skanska is one of the leading companies in the USA and the UK markets. The low market share in these countries is due to higher market fragmentation and competition.

**Transparency index**



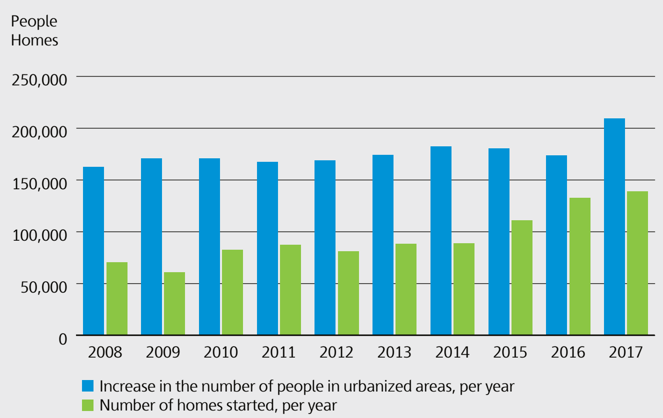

This corruption perception index goes from 0-100. The closer to 100 the better, being less perceived as corrupt. The Central European countries are still struggling with corruption issues, while the environment in the Nordic region is among the best in the world.

**Urbanization in Skanska's home markets**



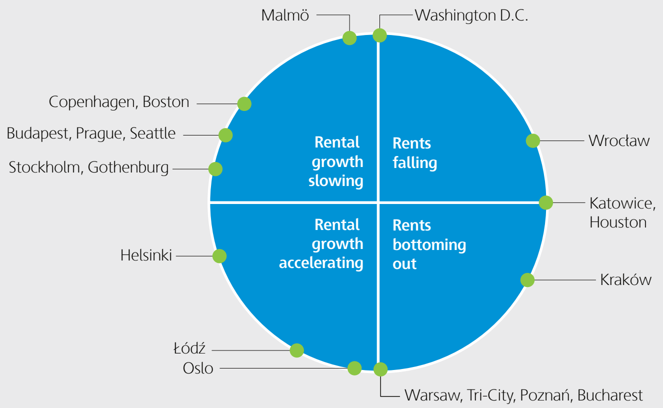

The urban population is increasing all over the world, with an average of 70 percent of the global population living in urban areas by 2050. All of Skanska's markets are above that average and have a higher degree of urban population.

**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. In 2017, the number of homes started was in line with 2016.

**Property clock**




Source: JLL, Q3, Q4 2017

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.

# Establishing Stockholm's new hub for creative companies

**Sthlm New Creative Business Spaces,** Stockholm, Sweden
Commercial Property Development and Construction

There's a cool, new office district in Stockholm. It's a place that a few years ago was known as an industrial area. It's just across the water from hip Södermalm, but imagination was needed to see the great commercial possibilities.

What Skanska imagined is now reality. Two office buildings have been developed, and these were sold in 2017 for about SEK 1.3 billion in total. Skanska will develop five other office buildings nearby, including the 27-story Sthlm 01 under construction.

Skanska's broad capabilities have produced a diverse and integrated area. The initial office properties were built on top of a bus terminal the Group was constructing below, providing operational synergies by leveraging various Construction competencies. And the offices buffer three Residential Development projects emerging from a former heating plant.

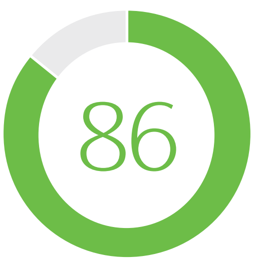
# Business streams

Skanska's operations consist of 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**

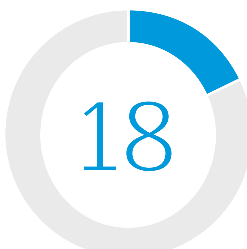
share of Group, %[1]




SEK 150,050 M
USD 17,552 M
EUR 15,569 M

**Operating income[2]**

share of Group, %[1]




SEK 1,205 M
USD 141 M
EUR 125 M

### Market drivers and key trends

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

Public investment
– Infrastructure investments are largely driven by the public sector.

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

### Countries[3]

Sweden
Norway
Finland
Poland
Czech Republic
Slovakia
UK
USA

## Residential Development

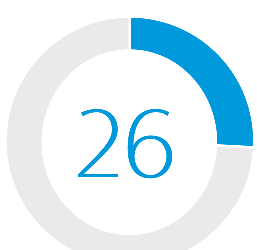
**Revenue**

share of Group, %[1]


SEK 13,237 M
USD 1,548 M
EUR 1,373 M

**Operating income**

share of Group, %[1]




SEK 1,716 M
USD 201 M
EUR 178 M

### Market drivers and key trends

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

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

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

### Countries

Sweden
Norway
Finland
Poland
Czech Republic

1 Before central and eliminations.
2 Operating income in Construction was negatively affected by impairment charges of SEK 1.0 billion and project write-downs of SEK 1.5 billion.
3 Skanska has decided to down-size operations with continously low profitability or are no longer strategically important. Read more on page 34.

# Commercial Property Development

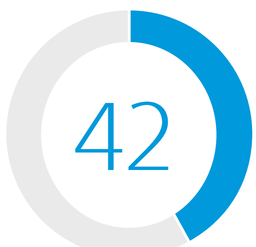
**Revenue**

share of Group, %[1]


SEK 11,440 M
USD 1,338 M
EUR 1,187 M

**Operating income**

share of Group, %[1]




SEK 2,714 M
USD 317 M
EUR 282 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.

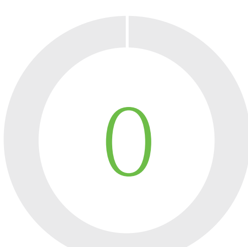
## Countries

Sweden
Norway
Finland
Denmark
Poland
Czech Republic
UK
Hungary
Romania
USA

# Infrastructure Development

**Revenue**

share of Group, %[1, 2]




SEK 81 M
USD 9 M
EUR 8 M

**Operating income**

share of Group, %[1]


SEK 925 M
USD 108 M
EUR 96 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-term cash flows with public counterparties offer attractive returns for investors.

## Countries[3]

Sweden
Norway
UK
USA

1 Before Central and eliminations.
2 Accounted for according to the equity method.
3 The primary market going forward is the US market due to a thin pipeline of PPPs in Europe.

# Construction

For society to thrive, people need well-functioning workplaces, housing, transportation hubs, schools, hospitals and other key facilities. Construction – the largest business stream in terms of revenue and people – leverages Skanska's local and Group-wide expertise and resources to enhance communities.


**James A. Farley Post Office Building Renovation,** New York City, USA

For 106 years, New York City's Farley Post Office Building has been a grand presence along Eighth Avenue. Now Skanska, with developers Related Companies and Vornado Realty Trust, is transforming this landmark into a new way of accessing trains serving adjacent Pennsylvania (Penn) Station, the Western Hemisphere's busiest transit hub and one of the most crowded.

The new portal, called the Moynihan Train Hall, will feature a spectacular 3,300 sq m skylight supported by original steel trusses. Natural light will illuminate the main concourse area, with restaurants, shops and escalators to train platforms below.

This large and complicated assignment requires the combined strengths of Skanska USA Building and Skanska USA Civil, working together under a roughly SEK 11 billion design-build contract. All work is being carefully executed to ensure safe and smooth passages of people and trains currently using Penn Station.

Moynihan Train Hall will be the third major New York City transportation hub delivered by Skanska, joined by the World Trade Center hub and the ongoing LaGuardia Airport Central Terminal B redevelopment.

# Construction

The performance in 2017 was strong in the Nordic region and in USA Building, while the underperformance in Construction units outside the Nordic region impacted the profitability of the Construction stream negatively.

**Targets and actions – business plan 2016–2020**

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

**Selection of competitors**

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

**Major events 2017**

Despite a very strong performance in the Nordic region during 2017, the profitability of the Construction stream was impacted by the underperformance of some Construction units outside the Nordics.

Operating income amounted to SEK 1.2 billion, with a corresponding operating margin of 0.8 percent. The operating income in 2017 was negatively affected by impairment charges of SEK 1.0 billion related to the decision to down-size operations with continuously low profitability or are no longer strategically important. In addition, operating income was affected by project write-downs of SEK 1.5 billion, of which SEK 360 M and SEK 640 M in the UK and USA, respectively, relate to project delays and not achieving estimated production rates. Write-downs of SEK 500 M in Poland relate to cost escalation and claims mainly in completed projects.

**Market outlook 2018**

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 is slowing down slightly. In Norway, the outlook for the civil market remains positive, but with significant competition in new bids. The non-residential market also benefits from increased public investments, while the residential building market is stable with the exception of certain regions that are dependent on the energy sector. The overall market situation in Finland is steadily improving.

In the UK the uncertainty in the non-residential building market related to Brexit continues to have a negative impact. In Central Europe the overall market situation is relatively stable even though the Czech Republic civil market is experiencing significant competition.

In USA the overall market is strong. The civil construction market remains good, although competition is intense, and the building construction market is strong in the aviation, education, data center, life-science and healthcare sectors.

**Business operations in 2018**

Actions to restore profitability have been initiated and consists of restructuring of the Polish construction operations, exiting the power sector in the USA, focusing on core business in the UK and continuing to adapt to tougher market conditions in the Czech Republic. Moreover, focus on cost control and risk management will further increase going forward.

**Construction**

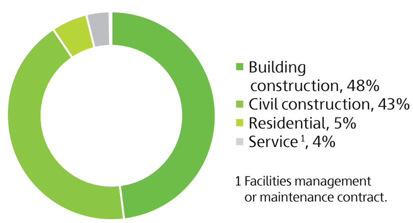
| SEK M | 2017 | 2016 | 2015 | 2014 | 2013 |
|---|---|---|---|---|---|
| Revenue | 150,050 | 138,001 | 140,648 | 128,663 | 118,976 |
| Operating income [1] | 1,205 | 3,546 | 3,874 | 4,508 | 3,880 |
| Operating margin % | 0.8 | 2.6 | 2.8 | 3.5 | 3.3 |
| Free working capital, SEK bn | 21.8 | 22.5 | 20.5 | 18.1 | 18.5 |
| Operating cash flow | 2,136 | 4,562 | 6,803 | 2,979 | 3,470 |
| Order bookings, SEK bn | 151.8 | 170.2 | 122.1 | 146.9 | 113.9 |
| Order backlog, SEK bn | 188.4 | 196.3 | 158.2 | 170.5 | 134.5 |
| Number of employees | 39,002 | 40,991 | 42,193 | 42,397 | 40,854 |

1 Operating income for 2017 was negatively affected by impairment charges of SEK 1.0 billion relating to the restructuring of construction units outside the Nordics. Adjusted for these charges, the operating margin in 2017 was 1.5 percent.

# Order backlog

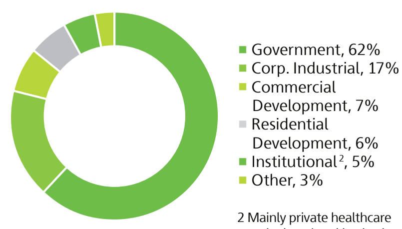
# SEK 188 bn

**Order backlog, total SEK 188 bn**
**Type of product**



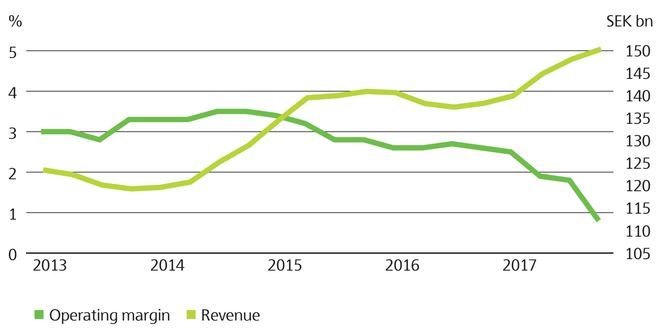

1 Facilities management or maintenance contract.

**Customer structure**

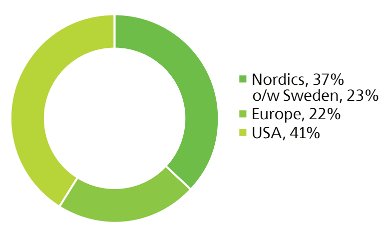



2 Mainly private healthcare and educational institutions.

**Revenue and operating margin, rolling 12 months**




**Revenue, total SEK 150 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 and resources within the Group. A combination of financial strength and global expertise in Construction and Project Development enables Skanska to take on large, complicated projects for international customers with high expectations for quality and execution. 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, Community Investment, and Diversity and Inclusion – is also a factor that strengthens Skanska's offering to customers.

# Residential Development

Modern families want homes that are well-designed, responsibly produced, reasonably priced and in good locations. Residential Development teams up with the Construction business stream to efficiently provide homes that help make people's lives better and easier.

**BoKlok Production Plant,** Gullringen, Sweden

Construction industry productivity isn't what it should be. Other sectors, such as manufacturing, have increased productivity at much higher rates in recent de-cades. To improve, construction needs to think differently. Industrialized methods are one important solution.

That future is already reality at BoKlok (Live Smart), the affordable residential concept jointly owned by Skanska and Ikea.

At this main BoKlok plant, 180 employees produce truck-sized modules nearly ready for living. These standardized sections – comprising multiple rooms – depart outfitted with tile walls, Ikea cabinets, windows and doors. Every year, this fac-tory produces some 1,570 modules, which become about 700 homes. This highly efficient approach helps ensure worker safety and high quality, while minimizing wasted materials. Also, it enables low costs, which make BoKlok's affordable prices possible.

From here, the modules are encased in plastic and transported throughout Sweden. Within days they are assembled into buildings of up to four stories, plus time for final touches and site works. Strategic partners produce BoKlok modules for Norway and Finland.

With housing costs high, demand for smartly designed BoKlok homes is strong. An expansion will increase this plant's production capacity by almost 50 percent. In 2017, BoKlok represented about half the homes Skanska sold in Sweden.

# Residential Development

The Residential Development stream continued to improve its performance during the year, with returns significantly above targets and operating income reaching an all-time-high of SEK 1.7 billion. Demand tends to be durable in the affordable and core segments, where Skanska mainly operates.

### Targets and actions – business plan 2016–2020

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

### Selection of competitors

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

### Major events 2017

In 2017, profitability within Residential Development was even stronger than in 2016 . Performance was good in all markets, particularly in Sweden and Norway. 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.

BoKlok, the affordable homes business, also made a  noticeable contribution with its high operational efficiency and sizable returns. In 2017, BoKlok represented about half the homes Skanska sold in Sweden.

During the year, 4,318 (4,848) homes were started and 4,285 (4,603) were sold. A majority of the homes were started and sold in Sweden.

### Market outlook 2018

In the residential market segments that Skanska's product range is targeting, the Swedish market has slowed down to a stable environment and the Norwegian market remains stable but with increased uncertainties. In both these markets customers are showing signs of delayed decision making. The Finnish market is steadily improving and the Central European market is solid. Common to all home markets is the challenge to acquire and develop land, due to high prices and long permitting processes.

### Business operations 2018

Skanska aims to increase investments in Residential Development in order to enhance profitability.

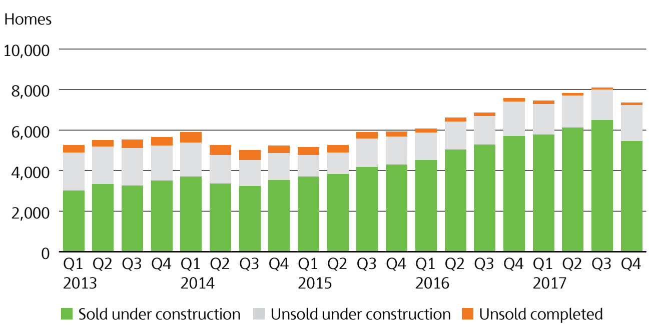
**Residential Development**

| SEK M | 2017 | 2016 | 2015 | 2014 | 2013 |
|---|---|---|---|---|---|
| Revenue | 13,237 | 13,264 | 12,298 | 9,558 | 9,234 |
| Operating income | 1,716 | 1,605 | 1,174 | 683 | 573 |
| Operating margin, % | 13.0 | 12.1 | 9.5 | 7.1 | 6.2 |
| Investments | –11,093 | –9,148 | –6,675 | –6,871 | –6,961 |
| Divestments | 11,773 | 7,517 | 8,630 | 8,939 | 7,980 |
| Operating cash flow from business operations [1] | 1,229 | –1,210 | 1,509 | 1,830 | 446 |
| Capital employed, average, SEK bn | 12.7 | 11.6 | 9.3 | 10.4 | 10.8 |
| Return on capital employed, % [2] | 15.4 | 17.1 | 14.4 | 7.1 | 7.4 |
| Number of employees | 482 | 434 | 389 | 396 | 419 |

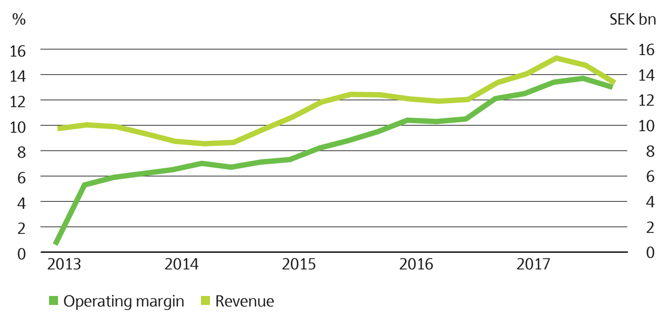
1 Before taxes, financing activities and dividends.
2 A definition is provided in note 44.

# 7,243
## homes under construction

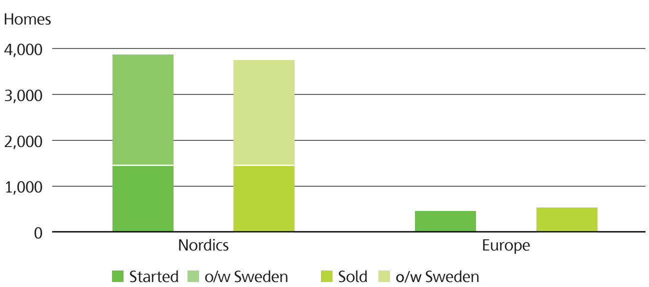
**Homes under construction and unsolded completed**



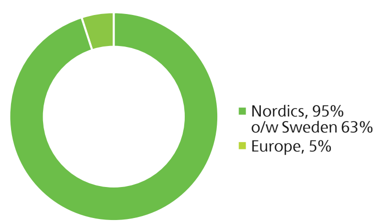

**Revenue and operating margin, rolling 12 months**




**Homes started and sold**



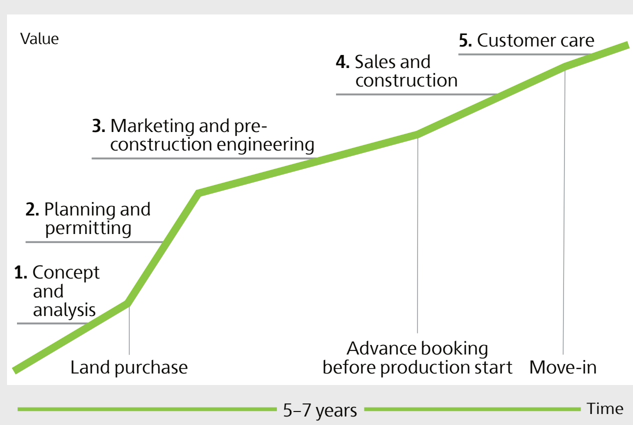

**Operating income, total SEK 1.7 bn**
**Geographic area**




## 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 site's 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

Skanska creates healthy, environmentally responsible and customer-focused offices and properties. Commercial Property Development initiates, develops, leases and divests properties built by Skanska's Construction business stream. These buildings contribute to tenants' well-being and creativity.


**Five,** Prague, Czech Republic

History was important to executing this project. After all, it involved transforming a 70-year-old tram depot into a modern office building.

In leasing Five's 14,400 sq m, history proved vital too. A few years earlier, Skanska sought to attract global healthcare company MSD to a nearby office development called Riverview. A relationship was established, and trust built. MSD secured 90 percent of that building for its Global IT Innovation Center.

The success of MSD´s Riverview operations resulted in more space being needed. When Skanska acquired an adjacent plot to develop Five, the dialogue continued. Five would be another distinctive, innovative and green building backed by the Group's commitment to MSD. Naturally, this included handling both development and construction to ensure a smooth and efficient delivery. MSD agreed to lease 80 percent of Five.

"The concept of Skanska's buildings resonates fully with the philosophy and the needs of MSD," says Richard Branton, MSD Vice President and Chief Technology Officer.

In 2017, Skanska sold Five for about SEK 480 M. The property has achieved the top LEED Platinum green building certification, and has a rooftop terrace providing views of two castles.

# Commercial Property Development

Gains from property divestments were the highest ever, reaching more than SEK 3.5 billion, including joint ventures. At the same time investments in new projects continued to grow with 24 new projects started during the year.

**Targets and actions – business plan 2016–2020**

- Increase project activity
- Increase landbank
- Drive cost efficiency
- Consider expansion in Central Europe and USA

**Selection of competitors**

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

**Major events 2017**

The high level of activity in terms of investments, leasing and divestments continued during the year, and by the end of 2017 Skanska had 46 ongoing projects. Gains from divesting 27 property projects reached an all-time high of SEK 3.5 billion including joint ventures, with all three geographies contributing to this success. For example:

In April, Skanska sold its residential project Ö-huset in Copenhagen, Denmark, for about SEK 1.1 billion.

In Kalmar, Sweden, three buildings at Linnaeus University were divested in June, for a total value of about SEK 1.1 billion.

In December, Skanska sold The Monument Building in London, UK, for about SEK 1.3 billion and its Watermark Seaport multi-family development in Boston, USA, in partnership with Twining Properties, for about SEK 510 M.

In 2017, a total of 24 projects were started, spread across all geographies. Leasing activity reached an all-time high, with 477,000 sq m leased during the year. Unrealized gains, excluding properties divested according to segment reporting, totaled SEK 7.9 billion by the end of the year.

**Market outlook 2018**

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

In all home markets there is a challenge to acquire and develop land due to high prices and long permitting processes.

**Business operations 2018**

Skanska aims to increase investments in Commercial Property Development in order to enhance profitability.

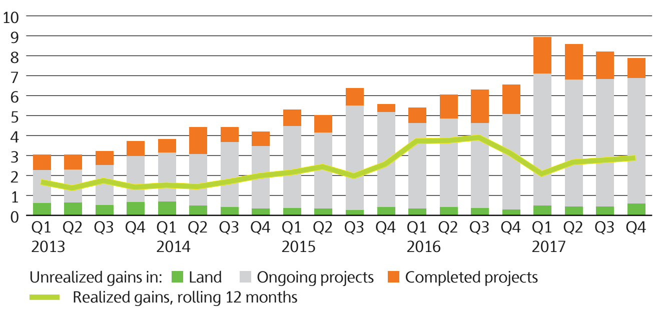
**Commercial Property Development**

| SEK M | 2017 | 2016 | 2015 | 2014 | 2013 |
|---|---|---|---|---|---|
| Revenue | 11,440 | 10,226 | 9,034 | 10,228 | 6,206 |
| Operating income | 2,714 | 2 ,336 | 1,947 | 1,700 | 1,068 |
| of which gain from divestments of properties [1] | 2,879 | 3,111 | 2,564 | 1,989 | 1 ,415 |
| Investments | –10,716 | –8,364 | –8,826 | –6,885 | –4,514 |
| Divestments | 9,341 | 9,043 | 9 ,914 | 8,237 | 6,954 |
| Operating cash flow from business operations [2] | –3,119 | –687 | 917 | 1,174 | 1,722 |
| Capital employed, SEK bn | 24.5 | 19.9 | 16.5 | 15.0 | 13.5 |
| Return on capital employed, % [3] | 15.5 | 14.8 | 15.6 | 11.4 | 10.7 |
| Number of employees | 389 | 364 | 344 | 304 | 279 |
| 1 Additional gain included in eliminations was | 197 | 173 | 190 | 279 | 112 |

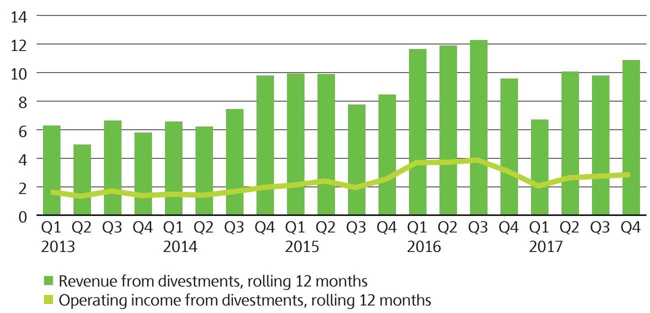
2 Before taxes, financial activities and dividends.
3 A definition is provided in note 44.

# Unrealized gains of SEK 7.9 bn

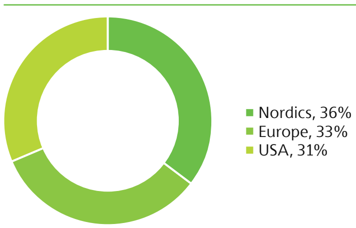
### Unrealized and realized gains



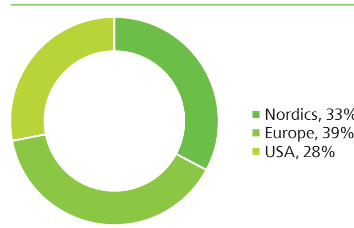

### Revenue and operating income from property divestments




### Capital employed, total SEK 24.5 bn
### Geographic area



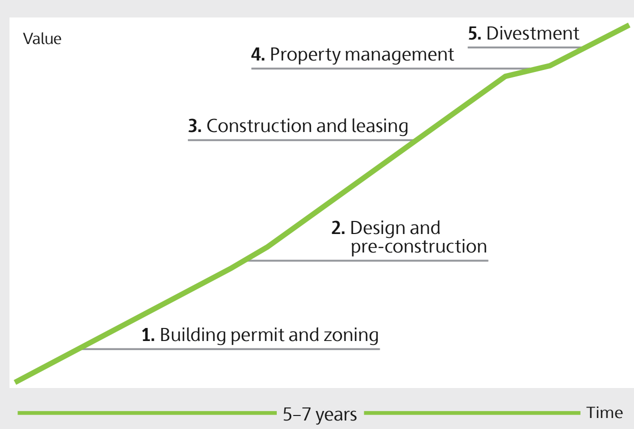

### Leasing, total 477,000 sq m
### Geographic area



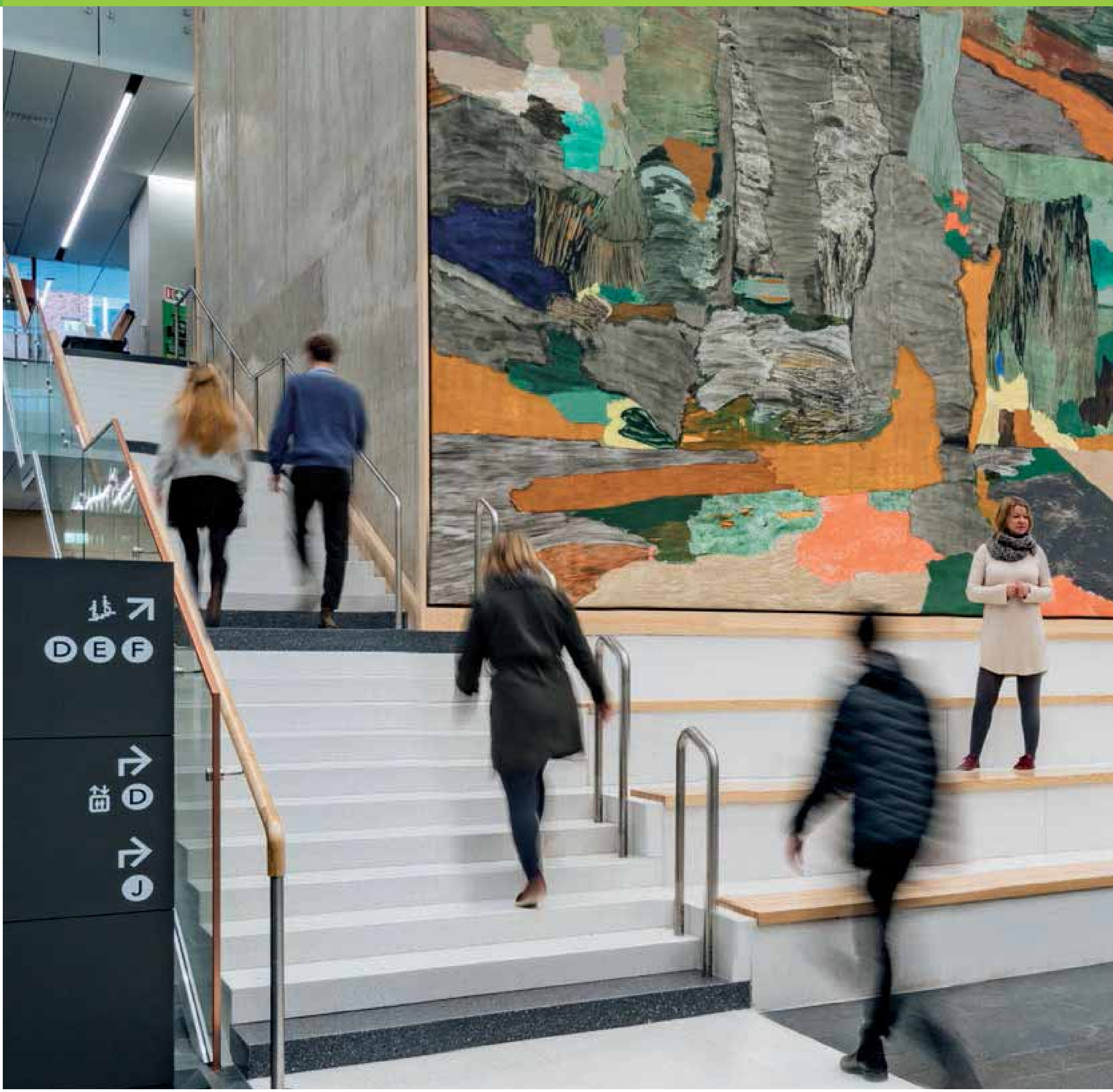

## Value creation in Commercial Property Development

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 five to seven years.

All acquisitions of land are 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 efficient construction execution. A successful leasing process usually begins in connection with the start of construction, with most leases signed before construction is completed. The construction projects are carried out by Skanska's local construction units. Property management 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



This business stream advances essential infrastructure such as hospitals, roads and airports, using Skanska's financial and development expertise and resources. These public-private partnerships – that the Construction business stream executes – provide optimal solutions for each project's entire lifecycle.

**New Karolinska Solna,** Solna, Sweden

For eight years, New Karolinska Solna has been a design and construction project, until recently Skanska's largest. Creating it required three Skanska Business Units, and at peak production 250 of the Group's managers and 2,000 workers were on-site. They pioneered uses of technology, environmentally responsible methods and public-private partnership PPP. Each phase was delivered on time and on budget.

Now construction is complete. With the handover of the final phase in December 2017, it is now fully Karolinska University Hospital's new facility. The first patients were recieved in 2016 and the remaining patients will move in during 2018.

"The facilities that NKS gives us… really strengthen our ability to deliver highly specialized care to provide patients with the best healthcare," says Melvin Samsom, Karolinska's CEO.

Under the PPP agreement, Swedish Hospital Partners, in which Skanska has a 50 percent ownership, was responsible for financing, designing and constructing this 330,000 sq m facility and are now taking the responsibility to maintain the facility and manage its lifecycle costs in cooperation with the client until 2040.

# Infrastructure Development

Skanska divested three projects, one of which was the A1 project in Poland, generating a significant gain during 2017. The primary market going forward will be the US market.

**Targets and actions – business plan 2016–2020**

- Maximize the value of existing portfolio
- Growth in the USA
- Downsize European operations

**Selection of competitors**

- Balfour Beatty
- Ferrovial
- Grupo ACS
- VINCI

**Major events 2017**

In 2017, three projects in Infrastructure Development were divested, generating a significant gain for Skanska. In the first quarter Skanska divested the A1 motorway project in Poland for about SEK 1.4 billion.

The net present value of projects at the end of the period decreased to SEK 3.0 billion (4.3). The decrease is mainly attributable to the divestment of the A1 motorway project and the divestment of Skanska's shares in two wind farms in Sweden. The unrealized development gain in the project portfolio amounted to SEK 0.5 billion at the end of the year.

**Market outlook 2018**

The public-private partnership (PPP) market in the USA is strong, albeit with considerable competition. In other markets the pipeline is thin, with opportunities being seen in the Norwegian market.

**Business operations 2018**

The work is now focused on bringing existing projects into a fully operational state, while selectively pursuing new projects. Furthermore, with a thin pipleine of PPPs in Europe, the primary market going forward is the US market.

**Infrastructure Development**

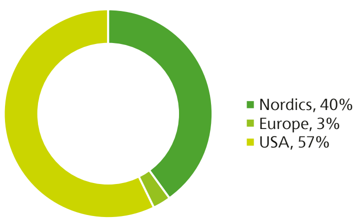
| SEK M | 2017 | 2016 | 2015 | 2014 | 2013 |
|---|---|---|---|---|---|
| Revenue | 81 | 237 | 106 | 163 | 87 |
| Operating income | 925 | 1,818 | 863 | 463 | 401 |
| Investments | –449 | –1,336 | –234 | –328 | –75 |
| Divestments | 1,950 | 3,102 | 1,114 | 419 | 242 |
| Operating cash flow from business operations [1] | 4,096 | –1,045 | 1,258 | –106 | 108 |
| Capital employed, SEK bn | 1.8 | 5.4 | 1.8 | 1.9 | 2.0 |
| Return on capital employed, % [2] | 3.6 | 41.1 | 12.7 | 16.9 | 17.5 |
| Net present value, project portfolio, SEK bn | 3.0 | 4.3 | 4.8 | 5.3 | 4.9 |
| Employees | 94 | 102 | 111 | 127 | 130 |

1 Before taxes, financial activities and dividends.
2 A definition is provided in note 44.

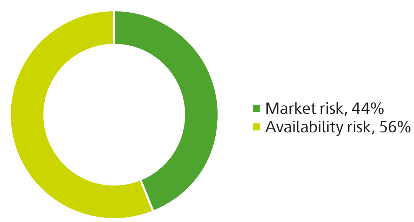
# Gains from divestments

# SEK 1.0 bn

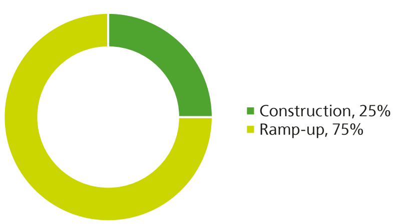
**Project portfolio, estimated gross value, total SEK 3.8 bn**
**Geographic area**



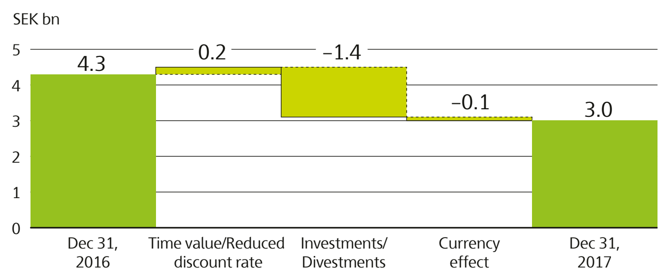

**Compensation type**




**Phase**



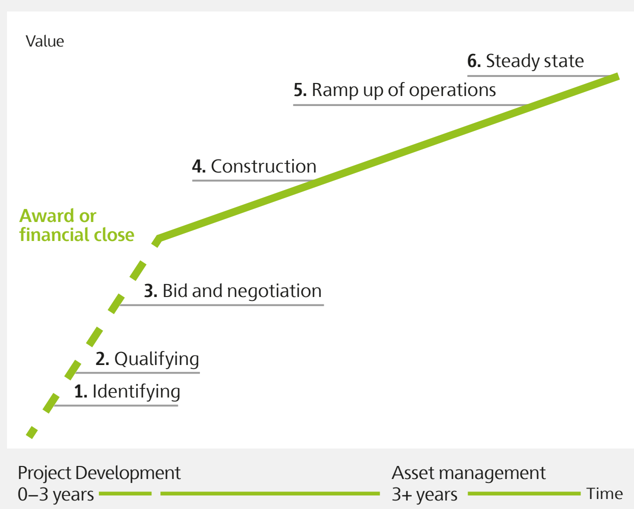

**Changes in net present value**



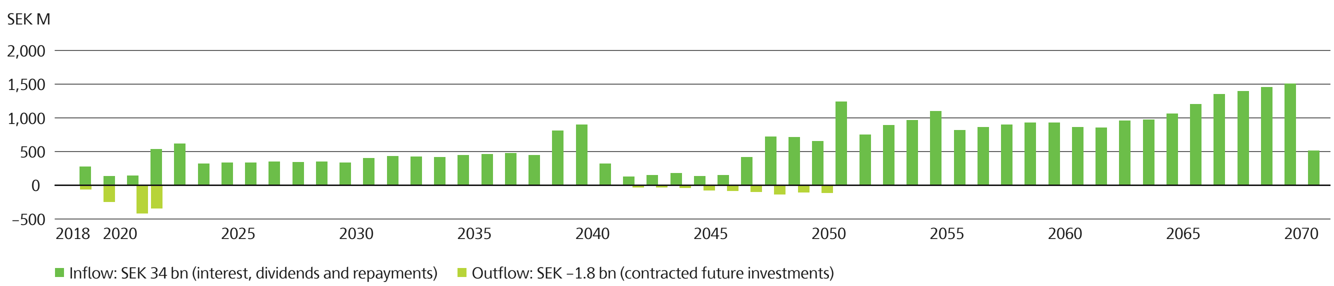

## Value creation in Infrastructure Development

Public-private partnership is a form of public procurement in which a project company owned by private companies is given 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, 2017[1]**




1 Cash flows have been translated into SEK at the exchange rates prevailing on December 31, 2017.

**Project portfolio, SEK M**

| Category | Type | Country | Payment type | Phase | Concession end | Ownership | Year of Operation/ full completion | Invested as per Dec 31, 2017 | Total Commitments |
|---|---|---|---|---|---|---|---|---|---|
| Highways | | | | | | | | | |
| Elizabeth River Tunnels | Highway | USA | Market risk | Ramp-up | 2070 | 50% | 2017 | 793 | 793 |
| I-4 Ultimate | Highway | USA | Availability | Construction | 2054 | 50% | 2022 | 0 | 602 |
| Social infrastructure | | | | | | | | | |
| New Karolinska Solna | Health | Sweden | Availability | Ramp-up | 2040 | 50% | 2018 | 591 | 591 |
| Papworth | Health | UK | Availability | Construction | 2048 | 50% | 2019 | 0 | 61 |
| Airports | | | | | | | | | |
| LaGuardia | Airport | USA | Market risk | Construction | 2051 | 32% | 2024 | 0 | 519 |
| **Total Skanska** | | | | | | | | **1,384** | **2,566** |

Essex BSF, Bristol, Essex Woodlands were 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.

# Corporate governance report [1]

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

## Corporate governance principles

Skanska AB is a Swedish public limited company. Corporate governance for Skanska AB and its subsidiaries (Skanska) is based on both external and internal governing documents and on monitoring compliance with these by all units and functions in the organisation. The most important governing documents are the following:

### External governing documents

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

### Internal governing documents

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

Skanska has no deviations from the Code to report for the 2017 financial year. Nor has Skanska been subject to any rulings by Nasdaq Stockholm's Disciplinary Committee or decisions on breaches of sound practices in the stock market by the Swedish Securities Council.

## Shareholders

Skanska AB's Series B shares are listed on Nasdaq Stockholm in the Large Cap segment. The share capital at the end of 2017 amounted to SEK 1,259,709,216 shared between a total of 419,903,072 shares, of which 19,755,414 are Series A shares and 400,147,658 are Series B shares. The company's Series A shares entitle the holders to ten votes per share and the Series B shares to one vote per share. Series A and B shares carry the same right to share in the company's assets and entitle the holder to the same dividend. There are no restrictions on the number of votes each shareholder may cast at an Annual General Meeting.

At the end of 2017 Skanska had a total of 109,951 shareholders according to statistics from Euroclear Sweden. The ten largest shareholders held 56.9 percent of the votes and 40.8 percent of the capital. Industrivärden's holding amounted to 23.9 percent and Lundberg's holding to 12.4 percent of the votes.

More information about the Skanska share and shareholders is available on page 24.

## Annual General Meeting

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

### Annual General Meeting 2017

The 2017 AGM was held on April 4 in Stockholm. A total of 1,107 shareholders were present, representing around 57.8 percent of the total number of votes. Among other matters, the meeting voted to re-elect Johan Karlström, Fredrik Lundberg, Charlotte Strömberg, Pär Boman, Jayne McGivern, John Carrig, Nina Linander and Hans Biörck as members of the Board and to elect Catherine Marcus as a new member. Hans Biörck was re-elected as Chairman of the Board. The employees were represented on the Board by Richard Hörstedt, Lennart Karlsson and Gunnar Larsson as members, with Pär-Olow Johansson and Anders Rättgård as deputy members. All members and deputy members of the Board, as well as the company's auditors and members of the Group Leadership Team, were present at the AGM. The AGM elected Ernst & Young AB as auditor, with Hamish Mabon as auditor in charge. The AGM also decided to approve a dividend to the shareholders of SEK 8.25 per share.
The Board of Directors was authorized to acquire a maximum of 3,000,000 Series B shares in Skanska AB to ensure future share allotments to participants in Skanska's employee owner-

1 This Corporate Governance Report for 2017 has been reviewed by the company's external auditors in compliance with Chapter 9, Section 31 of the Swedish Companies Act. The report contains information as required by Chapter 6, Section 6 of the Annual Accounts Act.

ship program (Seop) and on the transferal of a maximum of 763,000 Series B share in Skanska AB on Nasdaq Stockholm. These shares were acquired based on an earlier authorization to buy back treasury shares for the purpose of covering certain costs, primarily social insurance contributions, which may arise in connection with Skanska's employee ownership programs. Complete information on the AGM and the minutes of the meeting are available on Skanska's website. https://group.skanska.com/corporate-governance/annual-general-meeting/agm-archive/

### Annual General Meeting 2018

The next AGM for shareholders in Skanska AB will be held at 10:00 a.m. on April 13, 2018 at Stockholm Waterfront Congress Centre in Stockholm, Sweden.

## The Nomination Committee

The 2013 AGM 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. In determining which are deemed to be the largest shareholders in terms of voting power, the list of shareholders registered with and categorized by Euroclear Sweden AB as of the last business day in August is to be used.

The Nomination Committee's mandate includes:

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

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

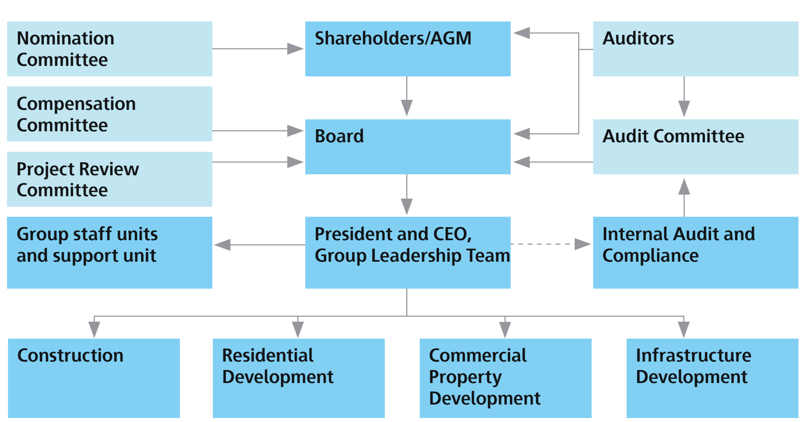
### Nomination Committee 2018

The Nomination Committee for the 2018 AGM has the following composition: Helena Stjernholm, AB Industrivärden (23.9 percent of votes), Chairman of the Nomination Committee, Mats Guldbrand, L E Lundbergföretagen AB (12.4 percent of votes), Bo Selling, Alecta (4.8 percent of votes), Lars-Åke Bokenberger, AMF (2.7 percent of votes) and Hans Biörck, Chairman of the Board, Skanska AB. This information was announced on Skanska's website and published in a press release on October 2, 2017. According to the Code, the majority of the Nomination Committee's members are to be independent in relation to the company and management and at least one member is also to be independent in relation to the largest shareholders in the company in terms of voting rights. All of the appointed members are independent in relation to the company and management and three are independent in relation to the largest shareholders in the company in terms of voting rights.

In preparation for the 2018 AGM the Nomination Committee held four meetings, at which minutes were kept, and maintained frequent contact between these meetings. No fees have been paid out for Nomination Committee duties. To perform its work, the Nomination Committee has taken part of the internal evaluation carried out of the Board's work, the Chairman's account of Board duties and the company's strategy. The Committee has also interviewed individual members of the Board as well as members of the Group Leadership Team.

The Nomination Committee applies the rules on the composition of the Board of Directors in accordance with the Code. The Nomination Committee has determined that the proposed members have a broad range of experience and complement each other's skills. The independence requirement is also deemed to have been met. The Nomination Committee has also discussed the diversity requirement. In this regard the Nomination Committee has decided to apply as its diversity policy Chapter 4.1 of the Code, which states that Board members are to collectively exhibit diversity and breadth of qualifications, experience and background. A gender balance is also to be aimed for. In addition to the information already provided on the background and experience of the members of the Board, it has been determined that the proposed Board will consist of 4 women and 3 men. The gender balance is therefore 57 percent/ 43 percent, which, in the opinion of the Nomination Committee, is consistent with the gender balance requirement.

### Governance structure



### The members and the deputy members of the Board

| Member | Position | Born, year | Nationality | Elected, year | Audit Committee | Compensation Committee | Project Review Committee | Independent in relation to the Company and GLT | Independent in relation to major shareholders |
|---|---|---|---|---|---|---|---|---|---|
| Hans Biörck | Chairman | 1951 | Sweden | 2016 | ▪ | ■ | ■ | Yes | Yes |
| John Carrig | Member | 1952 | USA | 2014 | ▪ | ▪ | ▪ | Yes | Yes |
| Johan Karlström | President and CEO [1] | 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 |
| Catherine Marcus | Member [2] | 1965 | USA | 2017 | | | ▪ | Yes | Yes |
| Richard Hörstedt | Employee Representative | 1963 | Sweden | 2007 | | | ▪ | – | – |
| Lennart Karlsson | Employee Representative [3] | 1957 | Sweden | 2016 | | | | – | – |
| Gunnar Larsson | Employee Representative | 1953 | Sweden | 2014 | | | | – | – |
| Pär-Olow Johansson | Employee Representative (Deputy) | 1954 | Sweden | 2014 | | | | – | – |
| Anders Rättgård | Employee Representative (Deputy) [2] | 1961 | Sweden | 2017 | | | | – | – |

■ = Chairman ▪ = Member

1 Until December 31, 2017.
2 From April 4, 2017.
3 Until January 18, 2018.

The Nomination Committee's proposals, work report and supplementary information on proposed members of the Board is published in connection with the notice to attend the AGM and will also be presented to the 2018 AGM.

## Board of Directors

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

In 2017 the Board of Directors consisted of nine members elected by the AGM, without deputies, plus three members and two deputy members appointed by the employees. According to the Code the majority of the Board's AGM-elected members are to be independent in relation to the company and senior executives and at least two members are to also be independent in relation to the largest shareholder in the company. Eight of the Board members elected by the AGM are independent in relation to the company and its management. Of these, five members are also independent in relation to the company's largest shareholders. The composition of the Board and an assessment of the independence of each member are presented in more detail on pages 58–59.

### The work of the Board in 2017

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 this is to ensure that the Board has the relevant information and documentation on which to base decisions. In 2017 the Board held nine meetings, including its statutory meeting. The more important issues dealt with by the Board during the year included the appointment of a new CEO, updating and monitoring operations, review and approval of the interim reports and year-end report, writedowns on construction projects in Poland, the UK and USA Civil, restructuring of Construction operations, Infrastructure Development operations and the Group management structure, renewal of the Revolving Credit Facility (RCF), establishing an additional RCF with a green profile, internal control, risk management and compliance matters.

### The Board's committees

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

## Audit Committee

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

In 2017 the Audit Committee consisted of Charlotte Strömberg (Chairman), Hans Biörck, John Carrig, Nina Linander and Pär Boman.

The Committee held six meetings in 2017. Important matters addressed during the year included capital allocation, financing, pension reporting, external reporting, implementation of the Enterprise Resource Planning (ERP) systems, IT strategy and security, impairment testing, writedowns on construction projects in Poland, the UK and USA Civil, larger disputes, review of the interim reports and year-end report, risk management and compliance matters.

## Compensation Committee

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

In 2017 the Compensation Committee consisted of Hans Biörck (Chairman), John Carrig, Jayne McGivern and Pär Boman. The Code requirements regarding independence, according to which the Chairman of the Board is permitted to be the Chairman of the Compensation Committee and other AGM-elected members are to be independent in relation to the company and the Group Leadership Team, have therefore been met.

The Committee held seven meetings in 2017. Important matters addressed during the year was appointment of a new CEO, review of executives' other assignments, review of Skanska's variable remuneration programs for the Group Leadership Team, and review and evaluation of the application of the principles for remuneration to senior executives as well as the existing remuneration structure and remuneration levels.

## Project Review Committee

The Project Review Committee makes decisions on individual projects within the Construction, Commercial Property Development and Residential Development business steams, investments and divestments within Infrastructure Development and certain project financing packages. Projects that involve especially high or unusual risks or other special circumstances may be referred to the Board for a decision. The Committee consists of all AGM-elected members and employee representative Richard Hörstedt. The Committee held eleven meetings in 2017.

## Evaluation of the work of the Board

The work of the Board is evaluated annually through a structured process aimed at improving work processes, efficiency and collective expertise, and to assess any need for change. The Chairman of the Board is responsible for the evaluation and for presenting the findings to the Board and the Nomination Committee. In 2017 an evaluation was carried out in the form of a questionnaire and individual conversations between the Chairman and each member of the Board, but also through discussion during board meetings. The Chairman was also evaluated through a written questionnaire; the board meeting on this occasion was chaired by another member appointed for the purpose. The outcome of the 2017 evaluation was that the work of the Board was deemed to be functioning well.

## Fees to the Board

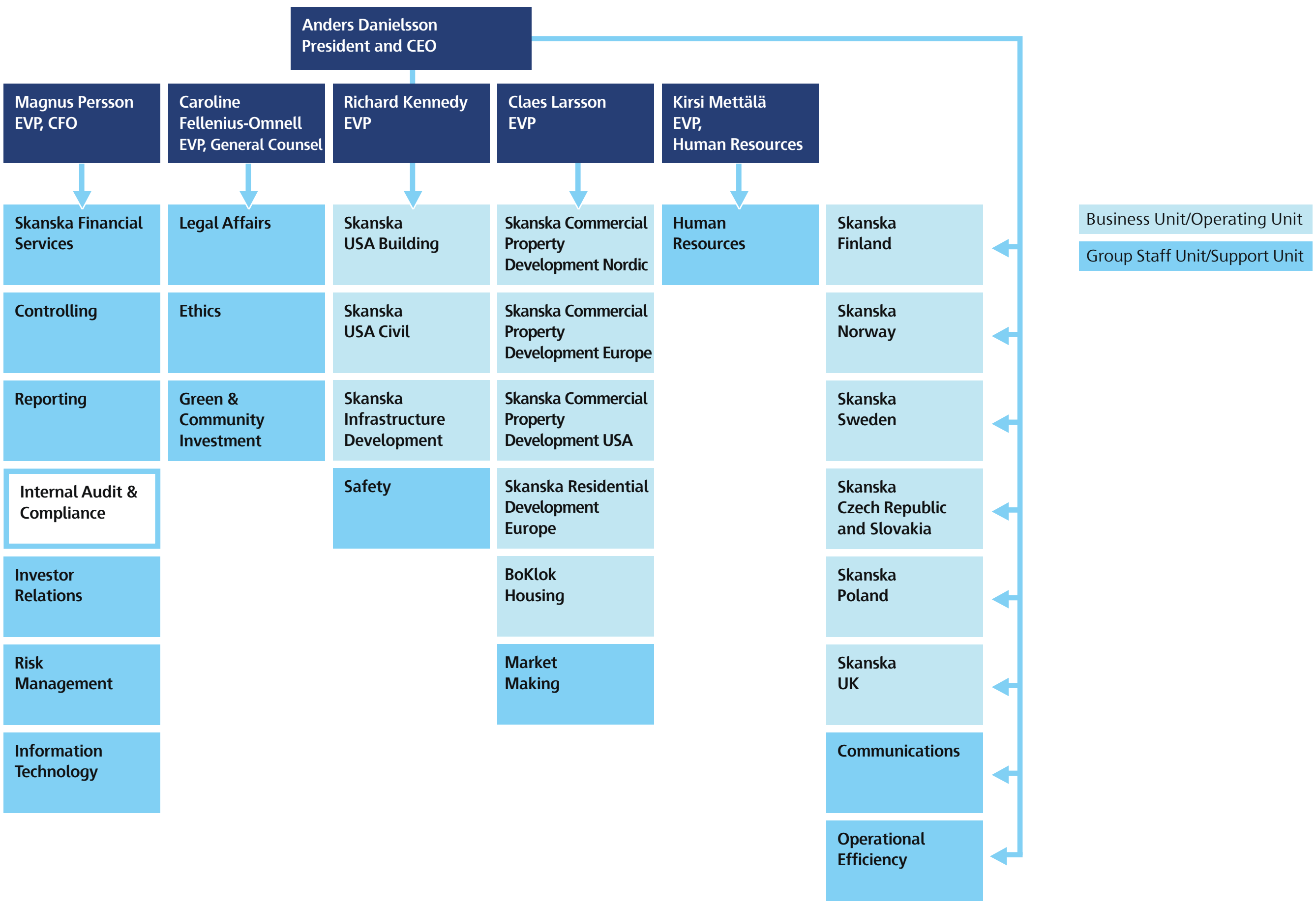
Total fees to the AGM-elected Board members were approved by the 2017 AGM in the amount of SEK 9,715,000. The Chairman of the Board received SEK 2,040,000 in fees and other Board members who are not employed by the Group received SEK 680,000 each. The Chairman of the Audit Committee received SEK 220,000 and the other members of the Committee received SEK 157,500. The Chairman of the Compensation Committee received SEK 110,000 and the other members SEK 105,000. The Chairman of the Project Review Committee received SEK 205,000 as did each of the other members, who are not employed by the Group. For more detailed information, see Note 37, "Remuneration to senior executives and Board members."

### Attendance at the Board and Committee meetings

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

1 Until December 31, 2017.
2 From April 4, 2017.
3 Until January 18, 2018.

**Skanska's management structure**
**Group Leadership Team, from 17 January, 2018**




## Operational management and internal control

### The President and CEO and the Group Leadership Team

The President and CEO is appointed by the Board of Directors and runs the company in accordance with the instructions adopted by the Board. The President and CEO is responsible for the day-do-day management of the operations of the company and the Group. The work of the President and CEO is evaluated at one board meeting each year at which no senior executives are present. On September 13, 2017 Skanska announced in a press release that Johan Karlström had informed the Board that he wished to retire from his position as CEO. He will continue to serve as a senior advisor until January 2019. On December 7, 2017, Skanska announced that the Board of Directors had appointed Anders Danielsson as the new President and CEO. Anders Danielsson started the position as the new President and CEO on January 1, 2018, when Johan Karlström left his position. The President and CEO has no business dealings of any significance with Skanska AB or its Group companies.

The President and CEO and the Executive Vice Presidents form the Group Leadership Team.

In alignment with the strategic review in 2017, Skanska is undertaking a comprehensive restructuring of the business, primarily in the Construction stream, to improve profitability. Effective as of January 17, 2018, a new Group Leadership Team in a new structure replaced the former Senior Executive Team, in order to strengthen the units' performance.

Information on the President and CEO and the members of the Group Leadership Team can be found on pages 56–57.

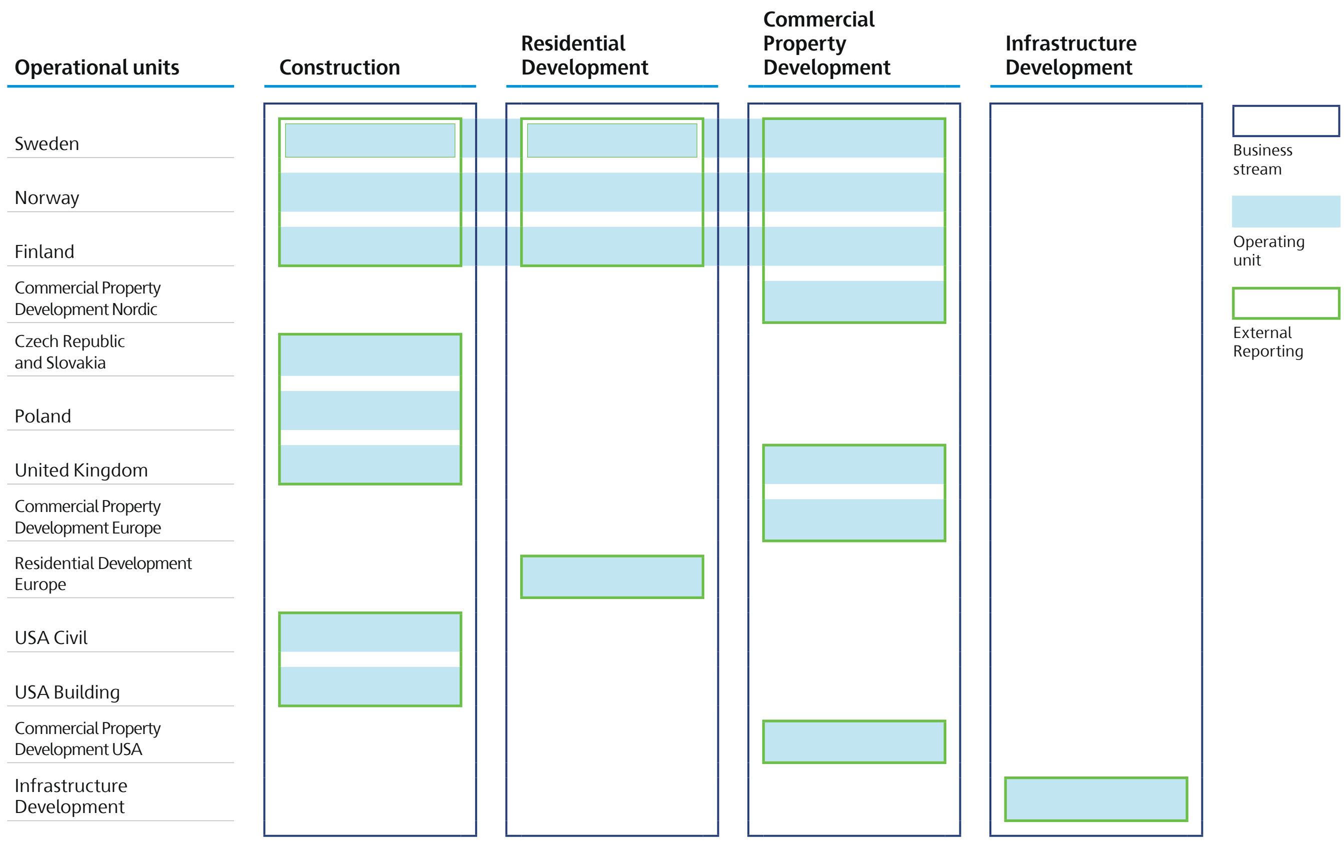
### Group Staff Units and Support unit

Group Staff Units and the Support unit, Skanska Financial Services AB, are based at the Group headquarters in Stockholm. The Group Staff Units and Support units assist the President and CEO and the Group Leadership Team on matters relating to corporate functions, coordination and oversight. They also provide support to the business units. The head of each Group Staff Unit reports directly to a member of the Group Leadership Team. The head of the Internal Audit and Compliance unit reports directly to the Board by way of the Audit Committee. A presentation of the Group Staff Units and the Support unit can be found on page 57.

### The Business Units and their governance

The Skanska Group has a 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

### Skanska reporting structure




order to conduct its operations effectively. Aside from day-to-day operations managing projects, the Business Units deal with matters such as their strategic development, business plans, investments, divestments and organization.

In addition to the Board's governing documents, the Group Leadership Team has adopted policies and guidelines for the Group. These policies and guidelines are updated regularly to reflect changes in operations or new regulations. The Board's Procedural Rules state which items of business will be decided upon by the Board of Skanska AB, by the President and CEO/Group Leadership 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 rules on decision authority. The Business Units provide regular, systematic feedback to the Group Leadership Team on compliance with the more important governing documents, such as the Risk Management Policy, Financial Policy, Information Policy and the Code of Conduct. Risk management follows a structured process in which the decision-making body depends, among other things, on the size, type and geographic location of the projects/assignments.

### Remuneration to senior executives

The 2017 AGM approved principles for salaries and other remuneration to senior executives. These are described on page 160. Information about salaries and other remuneration to the President and CEO and other members of the Group Leadership Team, as well as outstanding share award and share-related incentive programs are found in Note 37.

### The company's auditors

According to the Articles of Association, the AGM is to elect one or two authorized public accountants and no more than two deputy auditors. Registered accounting firms may also be appointed as the company's auditor. The auditors have attended two board meetings to report on the auditing process of Ernst & Young AB for Skanska and to provide the members of the Board with an opportunity to ask questions without management being present. The auditors have also attended all meetings of the Board's Audit Committee. For information on fees and other remuneration to the accounting firm, see the table below and Note 38.

#### Fees and other remuneration to auditors

| | Ernst & Young | | KPMG | |
|---|---|---|---|---|
| SEK M | 2017 | 2016 | 2017 | 2016 |
| Audit assignments | 49 | 46 | – | 8 |
| Audit-related activities besides the annual audit assignment | 5 | 0 | – | – |
| Tax advisory services | 1 | 3 | – | 1 |
| Other services | 3 | 1 | – | 2 |
| **Total** | **58** | **50** | **–** | **11** |

## Internal control

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

### Control environment

The Board of Directors has overall responsibility for ensuring that Skanska has effective and adequate risk management and internal control. The purpose is to provide a reasonable assurance that the operations are run appropriately and efficiently, that external reporting is reliable and that laws and internal rules are complied with. The Board's Procedural Rules and instructions for the CEO and Board 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, such as the company's Risk Management Policy, Financial Policy, Information Policy and Code of Conduct. The Group Leadership Team reports regularly to the Board according to established routines. The Audit Committee also presents reports on its work. The Group Leadership Team is responsible for the system of internal controls required to manage material operational risks. This includes 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 performance results. The company has subsequently ensured that the Group has rules in place to guarantee that these risks are managed. The Group Leadership Team and the 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 improvement are both greatest during the actual execution phase of the projects, and thus the work focuses heavily on this phase. Since almost every project is unique, risks and opportunities must be analyzed with respect to project type, location, execution phase and client.

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

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

- Loss or lack of key individuals
- Ethical breaches
- Project or investment losses
- Macro-financial instability
- Accidents 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 is communicated regularly. There are several information channels to the Group Leadership Team and the Board of Directors for important information. For its external communication, the Group has an Information Policy to ensure that the company meets the existing regulations for providing the market with accurate information.

### Monitoring

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

### Internal Audit and Compliance

The Internal Audit and Compliance Group Staff Unit is responsible for monitoring and evaluating risk management and internal control processes. The unit's work is planned in consultation with the Audit Committee and reporting takes place directly to the Board through the Committee. Matters relating to the internal audit are also communicated on an ongoing basis to Skanska's external auditors. In 2017 the Internal Audit and Compliance unit focused on reviewing the risks identified relating to the company's projects, business critical processes and key corporate departments. A total of some 120 audits were conducted during the year within all business units. There was a particular focus on the business operations in the USA and central Europe. The audits were performed in accordance with a uniform audit method.

# Group Leadership Team

**New Group Leadership Team as of January 17, 2018**

Skanska announced a new Group Leadership Team (GLT), effective as of January 17, 2018, which will replace the former Senior Executive Team (SET). The Business Unit Presidents will be members of an Extended Leadership Team.

**Members who have left the former SET**

– Richard Cavallaro
– Johan Karlström
– Pierre Olofsson
– Veronica Rörsgård
– Peter Wallin
– Mats Williamson
– Christel Åkerman

| | **Anders Danielsson** | **Caroline Fellenius-Omnell** | **Richard Kennedy** |
|---|---|---|---|
| **Position** | President and Chief Executive Officer | Executive Vice President, General Counsel | Executive Vice President |
| | Responsible for Business Units<br>– Skanska Finland<br>– Skanska Norway<br>– Skanska Sweden<br>– Skanska Czech Republic and Slovakia<br>– Skanska Poland<br>– Skanska UK | Responsible for Group Staff Units<br>– Legal Affairs<br>– Ethics<br>– Green & Community Investment | Reponsible for Business Units/ Group Staff Units<br>– Skanska USA Building<br>– Skanska USA Civil<br>– Skanska Infrastructure Development<br>– Safety |
| **Born** | 1966 | 1968 | 1966 |
| **Joined Skanska in** | 1991 | 2017 | 2004 |
| **Shareholding in Skanska, December 31, 2017** | 86,924 B-shares | 1,552 B-shares | 29,593 B-shares |
| **Board assignments** | – | – | – ACE Mentor Program, NY, USA<br>– Building Trades Employers Association, NY, USA |
| **Education** | – M.Sc. Engineering, Royal Institute of Technology, Stockholm<br>– Advanced Management Program, Harvard, Boston, MA, USA | – Master of Laws, Stockholm University<br>– Master of Laws, College of Europe, Brügge, Belgium | – Bachelor of Arts, Rutgers College, Rutgers University<br>– Juris Doctor, Seton Hall University School of Law<br>– Master of Laws, London School of Economics and Political Science |
| **Work experience** | – Executive Vice President, Skanska AB<br>– President, Skanska Sweden<br>– President, Skanska Norway | – Group General Counsel, Tele2 AB<br>– Group General Counsel, Sidel<br>– General Counsel Europe, Tetra Pak AB<br>– Corporate Counsel, AB Electrolux | – President and CEO, Skanska USA Building<br>– Chief Operating Officer, Skanska USA Building<br>– General Counsel, Skanska USA Building |

**Presidents of Business Units**

| | |
|---|---|
| Gunnar Hagman | Skanska Sweden |
| Ståle Rød | Skanska Norway |
| Tuomas Särkilahti | Skanska Finland |
| Magnus Persson | Skanska Poland |
| Michal Jurka | Skanska Czech Republic and Slovakia |
| Greg Craig | Skanska UK |
| Paul Hewins | Skanska USA Building |
| Richard Cavallaro | 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 |
| Robert Ward | Skanska Commercial Property Development USA |
| Johan Henriksson | Skanska Infrastructure Development |

| **Claes Larsson** | **Kirsi Mettälä** | **Magnus Persson** |
|---|---|---|
| Executive Vice President | Executive Vice President, Human Resources | Executive Vice President, Chief Financial Officer |
| Responsible for Business Units/ Group Staff Units<br>– Skanska Commercial Property Development Europe<br>– Skanska Commercial Property Development Nordic<br>– Skanska Commercial Property Development USA<br>– Residential Development Europe<br>– BoKlok Housing<br>– Market Making | Responsible for Group Staff Units<br>– Human Resources | Responsible for Group Staff Units/ Support Unit<br>– Controlling<br>– Reporting<br>– Internal Audit and Compliance<br>– Investor Relations<br>– Risk Managment<br>– Skanska Financial Services<br>– IT |
| 1965 | 1963 | 1976 |
| 1990 | 1994 | 2006 |
| 151,182 B-shares | 13,902 B-shares | 5,872 B-shares |
| – Chairman , Handelsbanken's regional bank board of directors, western Sweden | – Board member, Helsinki Region Chamber of Commerce<br>– Vice Chairman, FIBS Finnish Business Society | – |
| – M.Sc. Engineering, Chalmers University of Technology, Gothenburg<br>– MBA, Chalmers University of Technology and Göteborg University | – Bachelor of Business Administration, Haaga-Helia University of Applied Sciences<br>– eMBA, Aalto Executive Education | – Ph.D. in Business Economics, Uppsala University<br>– Master of Science in Business Economics, Uppsala University |
| – President, Skanska Commercial Property Development Nordic<br>– President, Skanska Fastigheter Göteborg | – Senior Vice President, HR and Communications Skanska Finland<br>– Senior Vice President, HR development, BU Skanska Finland<br>– HRD manager, Skanska Finland<br>– HR specialist, Skanska Finland | – Chief Financial Officer, Skanska Sweden<br>– Senior Vice President, Investor Relations, Skanska AB<br>– Group Manager, Corporate Finance, Skanska AB<br>– Head of Research & Analysis, Skanska Financial Services |

| | | |
|---|---|---|
| **President of Support Unit** | Therese Tegner | Skanska Financial Services |
| **Senior Vice Presidents, Group Staff Units** | George Fadool | Ethics |
| | Katarina Bylund | Reporting |
| | Karolina Cederhage | Communications |
| | Anders Göransson | Internal Audit & Compliance |
| | Caroline Walméus | Controlling |
| | Jarosław Urbańczyk | Information Technology (IT) |
| | Neil Moore | Safety |
| | Lena Hök | Green & Community Investment |
| | André Löfgren | Investor Relations |
| | Mark Lemon | Risk Management |
| | Roger Bayliss | Operational Efficiency |
| | Larry Casey | Market Making |

# Board of Directors

| | **Hans Biörck** | **Pär Boman** | **John Carrig** | **Nina Linander** |
|---|---|---|---|---|
| **Position** | Chairman | Board member | Board member | Board member |
| **Born** | Sweden, 1951 | Sweden, 1961 | USA, 1952 | Sweden, 1959 |
| **Elected** | 2016 | 2015 | 2014 | 2014 |
| **Shareholding in Skanska, December 31, 2017** | 20,273 B shares<br>666 B shares related person | 1,000 B shares | 8,000 B shares | 3,000 B shares<br>2,600 B shares related persons |
| **Other Board assignments** | – Board member, Trelleborg AB,<br>– Board member, Bure Equity AB<br>– Board member, Henry Dunkers Stiftelse<br>– Board member, Crescit Asset Management AB | – Chairman, Svenska Handelsbanken AB<br>– Vice Chairman, AB Industrivärden<br>– Chairman, Svenska Cellulosa Aktiebolag, SCA<br>– Chairman, Essity AB | – Board member and Chair of the Nominating and Governance Committee, Forum Energy Technologies Inc.<br>– Board member, WPX Energy Inc.<br>– Board member, Alley Theatre in Houston<br>– Board member, The British American Foundation of Texas<br>– Board member, Jones Graduate School of Business, Rice University | – Board member Telia Company AB<br>– Chairman, Awa Holding AB,<br>– Board member, AB Industri-värden<br>– Board member, Castellum AB<br>– Board member, OneMed AB |
| **Education** | – Master of Science in Business and Economics, Stockholm School of Economics | – Degree in engineering and in economics. Doctor H.C. Umeå School of Business, Economics and Statistics | – Law Degree, Temple University, Philadelphia<br>– Advanced degree in Tax Law, New York University School of Law | – MBA, IMEDE, Switzerland<br>– Master of Science in Business and Economics, Stockholm School of Economics |
| **Work experience** | – Chief Financial Officer, Skanska AB<br>– Chief Financial Officer, Autoliv AB<br>– Chief Financial Officer, Esselte AB | – President and CEO, Svenska Handelsbanken AB | – Chief Operating Officer, ConocoPhilips | – Head of Product Area Electricity, Vattenfall AB<br>– Senior Vice President, Head of Staff Unit Finance, AB Electrolux<br>– Partner, Stanton Chase International AB |
| **Dependency relationship in accordance with Code of Corporate Governance** | – Independent in relation to company and company management<br>– Independent in relation to major shareholders | – Independent in relation to company and company management<br>– Dependent in relation to major shareholders | – Independent in relation to company and company management<br>– Independent in relation to major shareholders | – Independent in relation to company and company management<br>– Dependent 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

|  |  |  |  |
|---|---|---|---|
| **Fredrik Lundberg** | **Catherine Marcus** | **Jayne McGivern** | **Charlotte Strömberg** |
| Board member | Board member | Board member | Board member |
| Sweden, 1951 | USA, 1965 | United Kingdom, 1960 | Sweden, 1959 |
| 2011 | 2017 | 2015 | 2010 |
| 6,032,000 A-shares and 11,550,000 B-shares through L E Lundbergföretagen AB (publ) 5,376 A-shares and 2,100,000 B-shares privately | 0 shares | 0 shares | 7,000 B shares<br>900 B shares related person |
| – Chairman, AB Industrivärden,<br>– Chairman, Holmen AB<br>– Chairman, Hufvudstaden AB<br>– Chairman, Indutrade AB<br>– Vice Chairman, Svenska Handelsbanken AB<br>– Board member, L E Lundbergföretagen AB | – NCREIF PREA Reporting Standards Board (Private) | – Chair of Defence Infrastructure Organisation (Ministry of Defence)<br>– Senior Advisor to Madison Square Garden plc on Development and Construction | – Board member, Bonnier Holding AB<br>– Chairman, Castellum AB<br>– Board member, Clas Ohlson AB<br>– Board member, Ratos AB<br>– Board member, Sofina S.A.<br>– Member, The Swedish Securities Council |
| – M.Sc. Engineering, Royal Institute of Technology, Stockholm<br>– MBA, Stockholm School of Economics<br>– Dr. (Econ.) h.c., Stockholm School of Economics<br>– Dr. (Eng.) h.c., Linköping University | – M.S., Real Estate Investment and Development, New York University<br>– B.S.E. Real Estate Finance and Entrepreneurial Management, Wharton School, University of Pennsylvania | – Harrogate Ladies College<br>– Fellow of the Royal Institution of Chartered Surveyors | – MBA, Stockholm School of Economics |
| – President and CEO, L E Lundbergföretagen AB | – Global Chief Operating Office, PGIM Real Estate<br>– MBL Life Assurance Corporation<br>– The Related Companies<br>– Integrated Resources | – Red Grouse Properties<br>– Chief Executive Officer, Multiplex plc (Europe)<br>– Managing Director UK, Anschutz Entertainment Group<br>– Group Development Director, MWB Group Holdings plc,<br>– Divisional Managing Director, Redrow plc. | – Senior Project and Account Manager, Alfred Berg, ABN AMRO, Stockholm<br>– Head of Investment Banking, Carnegie Investment Bank<br>– President, Jones Lang LaSalle Norden |
| – Independent in relation to company and company management<br>– Dependent in relation to major shareholders | – Independent in relation to company and company management<br>– Independent in relation to major shareholders | – Independent in relation to company and company management<br>– Independent in relation to major shareholders | – Independent in relation to company and company management<br>– 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

**Anders Rättgård**
Born: Holmestad, 1961
Unionen, appointed 2017
Deputy Board member

Shareholding in Skanska
4,173 shares

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

# Tunneling a faster connection through downtown Los Angeles

**Regional Connector,** Los Angeles, USA
Construction

In Los Angeles, the car is not just a mode of transportation – it's a way of life. But faced with very challenging traffic congestion, LA is doubling the size of its rail transit network, with Skanska as an important partner.

Perhaps the most transformational rail project is the Regional Connector, which will link three separate rail lines to streamline travel through downtown. Under a SEK 9 billion design-build contract, of which Skanska has a 62.5 percent share, the Group's joint venture is delivering 3 kilometers of double-track subway with three new stations.

Throughout 2017, a massive tunnel-boring machine snaked below the city, precisely guided by a wireless sensor system. The route was carefully chosen to avoid utilities, foundations and other underground obstacles. Boring concluded in early 2018, with a late 2021 completion targeted for the entire project.

# Report of the Directors

The Board of Directors and the President of Skanska AB (publ) hereby submit their report on the operations of both the company and the Group in 2017.

Revenue increased both in Swedish kronor and in local currencies, while operating income fell both in Swedish kronor and in local currencies compared to the previous year. The overall profitability in Construction was weak and the operating income was affected by impairment of goodwill and other tangible and intangible assets of about SEK 1.0 billion relating to the restructuring of Business Units within Construction in Europe and USA, and project write downs of about SEK 1.5 billion, also in the Construction business stream. Project write downs were caused by delayed projects, a slower than expected pace of production as well as design changes from clients in the UK and USA as well as cost increases and client claims, primarily relating to completed projects in Poland. Construction operations in the Nordic region remained strong in 2017, especially in Sweden. Skanska intends to scale down operations at Business Units with sustained low profitability or that are no longer of strategic importance, and increase the focus on cost control and risk management. Skanska intends to restructure the construction unit in Poland. In USA Skanska will exit the power sector and in the UK the focus will be on the core business. Finally, the operations in the Czech Republic will be adapted to tougher market conditions. Order bookings were strong, with USA and the Nordic countries having higher order bookings than revenue in 2017. The order backlog at the end of the year amounted to SEK 188.4 billion, which is equivalent to 15 months of production.

The Residential Development business stream continued to show improved profitability compared to the previous year and was strong in Sweden and Norway in particular. Despite slowing in the Swedish market, demand for Skanska's homes in the affordable and core segment was good. In Stockholm and Oslo, Skanska noted that customers were more cautious in their purchasing decisions, while other markets in the Nordic region and Europe remained stable. The number of speculative buyers in Sweden fell as a consequence of new regulations. This increased stability in the market.

Commercial Property Development also had a very active and profitable year in all three markets: Nordic, Central Europe and USA, and sold 24 properties in 2017, for a total of SEK 10.9 billion, generating capital gains of about SEK 2.9 billion, based on segment reporting. In addition, three projects developed in joint ventures were sold for a sales gain of SEK 0.6 billion. At the end of the year Commercial Property Development had 46 projects in progress. Skanska leased out 477,000 sq m during the year. Leasing is an important factor in the company's ability to realize surplus value generated in future years.

The Infrastructure Development business stream sold its investment in the A1 motorway in Poland during the year as well as Skanska's share of two wind power projects in Sweden. Due to a weak European market, the Infrastructure Development business stream will be concentrating on the US market in the future. The priority will be to bid selectively on new projects and complete existing ones.

### 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 residential construction market is slowing slightly. In Norway the outlook for the civil project market remains good, although there is significant competition for new bids. The building construction market is also benefiting from increased public investment, while the residential construction market is stable except in certain regions that are dependent on the power sector. In Finland the market is improving continously. The result of the EU referendum is still having a negative impact on the commercial building construction market in the UK. In Central Europe the market is relatively stable, although there is significant competition for building projects in the Czech Republic. In USA the market in general is strong. The civil construction market remains good, although competition is intense. In building construction, the markets for airports, education, data centers, healthcare and life sciences are strong.

### Residential Development

The residential market for the segments on which Skanska is focusing has slowed down to a more stable level in Sweden. The Norwegian market remains strong, although uncertainty has increased. Customers in both of these markets are showing signs of being more cautious in their purchasing decisions. The Finnish market is improving steadily and the Central European market is good. Common to all home markets are the difficulties in acquiring and developing land due to high prices and long planning processes. In 2017, 4,285 units (4,603) were sold and 4,318 units (4,848) were started, of which BoKlok sold 1,195 homes (1,211) and started 1,257 (1,176). BoKlok is a joint concept of Skanska and Ikea for affordable homes based on standardized modules. At the end of the year there were 7,243 units (7,421) in production and 76 percent (77) of these had been sold.

### Commercial Property Development

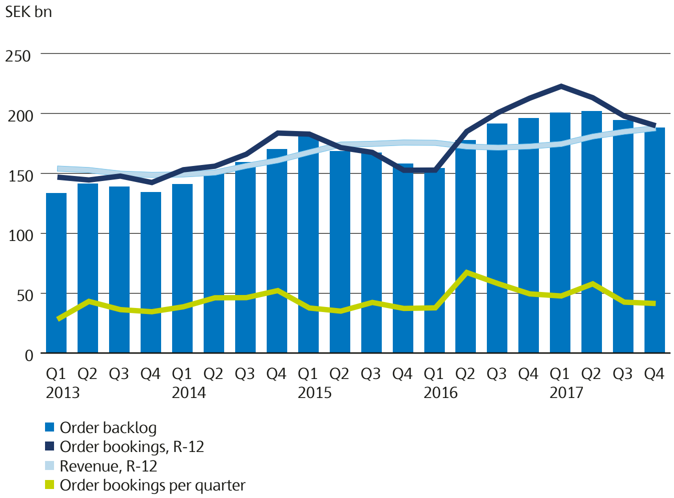
Demand for modern and efficient premises is strong. There is a balance between demand and supply in the Nordic and Central European markets, providing a stable vacancy rate. The vacancy rates are low in Sweden and rents are increasing. Demand for office space is strong in Poland and is improving in other parts of Central Europe. In USA, demand from tenants continues to improve in Washington D.C., and remains strong in Boston and Seattle, while demand in Houston's energy corridor is weaker due to low oil prices. Modern properties with long-term tenants are in high demand among property investors, resulting in attractive valuations for these properties. Investor interest remains strong in USA, Central Europe and the Nordic region , particularly Sweden. Common to all of Skanska's home markets are difficulties in acquiring and developing land due to high prices and long planning processes. During the year a total of 24 projects were started across all markets: USA, Central Europe and the Nordic region. At the end of the year a total of 46 projects were in progress. 477,000 sq m were leased during the year.

### Infrastructure Development

The market for public-private partnership (PPP) projects is strong in USA although competition is significant. In the other markets the prospects for new PPP projects are limited, although there are some opportunities in the Nowegian market. At the end of the year the net present value of the projects was SEK 3.0 billion (4.3).

## Order bookings and order backlog

### Construction order bookings, order backlog and revenue




### Order bookings

The order bookings decreased in both local currencies and Swedish kronor by 11 percent compared to the previous year, amounting to SEK 151.8 billion (170.2). Order bookings in SEK were 1 percent higher than revenue in 2017. This can be compared to the previous year when order bookings were 23 percent higher than revenue. Order bookings were good across the board, but were particularly strong for the US operations. Of the contracts signed in 2017 a number of substantial ones in segments that are important to Skanska are mentioned below.

### Nordics

Sweden received a number of substantial orders, the largest being a contract with Locum for the reconstruction and extension of Saint Göran Hospital in Stockholm with an order value of around SEK 1.3 billion. Skanska Sweden signed a contract with AMF Fastigheter to build a new building for retail and office space in Stockholm, with an order value of around SEK 1.2 billion. Skanska Sweden also signed a contract with Västfastigheter for a new medical building at Kungälv Hospital with an order value of around SEK 940 M. In Norway, Skanska signed a contract with the Norwegian Public Roads Administration for construction of the E6 route in southern Helgeland with an order value of around SEK 2.4 billion. Skanska Norway and the Cura Group signed a contract with Sykehuset i Vestfold HF for an extension at the hospital in Vestfold. The contract is worth around SEK 1 billion and will be executed by Skanska Norway (70 percent) in cooperation with Skanska UK (30 percent). In Finland, Skanska signed an agreement with the city of Helsinki to renovate its Olympic stadium for an order value of around SEK 1.5 billion.

### Europe

Several substantial orders were received in the UK in 2017. Skanska signed a contract with Consolidated Development to construct the St Giles Circus commercial property in London for an order value of around SEK 1.6 billion. Skanska also signed a contract with Partners Group Fenchurch Ltd to build Eighty Fenchurch Street, a commercial property for offices and retail in London, with an order value of around SEK 1.4 billion. Skanska also signed a seven-year motorway maintenance contract with Hampshire County Council in the south of England. The total value of the contract is around SEK 3.1 billion, of which SEK 890 M, corresponding to the first two years, will be included in order bookings for Skanska UK. An additional seven-year motorway maintenance contract was signed with Somerset County Council in southwest England. The total value of the contract is around SEK 2 billion, but the value for the first two years of around SEK 570 M will be included in order bookings for Skanska UK. Furthermore, a contract was signed with Helical Plc to renovate the property 207 Old Street, London, with an order value of around SEK 810 M.

### USA

Skanska USA secured several major projects during the year. The largest contract was one Skanska signed with the Empire State Development Corporation (ESD), the project development company Related Companies and Vornado Realty Trust to restore and improve the historic James A. Farley Post Office in New York. The contract is worth around SEK 11 billion. Skanska USA won a contract in 2017 with the Port Authority of New York & New Jersey to renovate and replace supporting structures and to upgrade the George Washington Bridge in New York with an order value of around SEK 3.9 billion. Skanska is investing in an office space project in Seattle under a construction contract worth around SEK 2.0 billion. Skanska has also signed a contract with the University of California San Francisco (UCSF) to build two graduate student housing in San Francisco for a contract value of around SEK 1.5 billion. A contract has also been signed with Meridian Group & Rockefeller Group to build a new office building and movie theater in Tysons Corner in Virginia with an order value of around SEK 1.5 billion. As part of a joint venture with Ames Construction, Skanska has signed a contract with Riverside County Transportation Commission to build express lanes on interstate highway I-15 in California. Skanska's share of the total order is around SEK 1.3 billion. Skanska has signed a contract with New York City Transit to renovate four subway stations along the Astoria Line in Queens, New York, with an order value of around SEK 1.3 billion. In another joint venture, with Stacy and Witbeck, Skanska has signed a contract with the city of Los Angeles to build the new Sixth Street Viaduct in the city. The order value for Skanska is around SEK 1.2 billion. Skanska has signed two contracts in Massachusetts. The first is with EF Education First (EF) to construct a building on EF's campus with an order value of around SEK 1.1 billion. The second contract was to build a new sports center at Boston College in Massachusetts with an order value of around SEK 1 billion. Lastly, Skanska signed an add-on order with an existing client to build a manufacturing facility in western USA with an order value of around SEK 1 billion.

### Order bookings and order backlog

| | Order bookings | | Order backlog | |
|---|---|---|---|---|
| **SEK M** | **2017** | **2016** | **2017** | **2016** |
| Nordic countries | 54,720 | 55,984 | 53,779 | 54,107 |
| of which Sweden | 33,317 | 36,041 | 34,954 | 35,416 |
| Europe | 32,401 | 36,324 | 38,158 | 38,398 |
| USA | 64,690 | 77,936 | 96,474 | 103,749 |
| **Total** | **151,811** | **170,244** | **188,411** | **196,254** |

## Order backlog

The order backlog decreased by 4 percent (increased by 1 percent in local currency) and at the end of the year amounted to SEK 188.4 billion (196.3). The order backlog is equivalent to about 15 (17) months of production. The US, Nordic and European operations accounted for 51, 29 and 20 percent respectively of the order backlog.

## Segment and IFRS Reporting

The Group reports its Residential Development and Commercial Property Development segments according to a method 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 property divestment are recognized when the purchaser takes possession of the property or home. Accrual differences within Commercial Property Development generally only occur across a few quarters. Within Residential Development, the differences can last for a longer period depending on changes in initiated projects and the rate of sales. The differences between the two methods of reporting revenue and operating income are summarized in the tables below.

## Revenue

| SEK M | 2017 | 2016 |
|---|---|---|
| **Revenue by business stream according to segment reporting** | | |
| Construction | 150,050 | 138,001 |
| Residential Development | 13,237 | 13,264 |
| Commercial Property Development | 11,440 | 10,226 |
| Infrastructure Development | 81 | 237 |
| Central and eliminations | –13,985 | –10,421 |
| **Total revenue according to segment reporting** | **160,823** | **151,307** |
| Difference in accounting principles | –2,946 | –5,942 |
| **Total revenue according to IFRS** | **157,877** | **145,365** |

Revenue according to segment reporting increased in both Swedish kronor and local currency by 6 percent to SEK 160.8 billion (151.3). In the Construction business stream, revenue rose in SEK by 9 percent. SEK 22.8 billion (17.3) of revenue in Construction, equivalent to 15 percent (12), was generated by the Group's project development operations. To reconcile with IFRS, the revenue is added from the homes and properties sold in previous years but transferred during the year. 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 SEK 13,237 M (13,264) in Residential Development revenue, SEK 875 M (1,548) is from joint ventures and this has been included line by line according to the proportional method in segment reporting.

## Operating income

| SEK M | 2017 | 2016 |
|---|---|---|
| **Operating income by business stream according to segment reporting** | | |
| Construction | 1,205 | 3,546 |
| Residential Development | 1,716 | 1,605 |
| Commercial Property Development | 2,714 | 2,336 |
| Infrastructure Development | 925 | 1,818 |
| Central | –944 | –1,140 |
| Eliminations | –112 | 34 |
| **Operating income according to segment reporting** | **5,504** | **8,199** |
| Difference in accounting principles | –926 | –979 |
| **Operating income according to IFRS** | **4,578** | **7,220** |

Operating income according to segment reporting amounted to SEK 5,504 M (8,199).

Impairment losses on current and non-current assets were charged to operating income in the amount of SEK –875 M (–534) and this was mainly attributable to intangible assets in the Construction business stream.

## Construction

In the Construction business stream, operating income decreased by 66 percent to SEK 1,205 M (3,546). The operating margin was also lower than in the previous year and amounted to 0.8 percent (2.6). Operating income was affected by impairment losses on goodwill and other tangible and intangible assets of about SEK 1.0 billion relating to the restructuring of construction operations outside the Nordic region and by project write downs of about SEK 1.5 billion. Construction operations in the Nordic region remained strong in 2017, especially in Sweden. In Poland there were project write downs of SEK 500 M due to cost increases and client claims, mainly within completed projects. In the UK there were project write downs in the amount of SEK 360 M and in the US operations of SEK 640 M. In the case of both Business Units this was driven by delayed projects and a lower than estimated pace of production. In the UK another cause for this was design changes from clients. Skanska intends to restructure the construction units in Poland. In the USA Skanska will exit the power sector and in the UK the focus will be on the core business. Finally, the operations in the Czech Republic will be adapted to the weaker market conditions.

## Residential Development

Operating income for Residential Development amounted to SEK 1,716 M (1,605) and the operating margin for the business stream increased to 13.0 percent (12.1), driven mainly by strong development in Sweden and Norway. Impairment losses on current assets in Residential Development were charged to earnings in the amount of SEK –14 M (–42).

## Commercial Property Development

Operating income for the Commercial Property Development business stream amounted to SEK 2,714 M (2,336). Properties were sold during the year for a value of SEK 10,867 M (9,555), generating capital gains of SEK 2,879 M (3,111). In addition, three projects developed in joint ventures were sold and reported as income from associated companies. Impairment losses during the year amounted to SEK –6 M (–198). In the previous year there were impairment losses on two projects in the so-called energy corridor in Houston, USA.

### Infrastructure Development

Operating income in Infrastructure Development amounted to SEK 925 M (1,818). The operating income includes a capital gain for the sale of the investment in the A1 motorway in Poland. Operating income in the comparison year includes the sale of the investment in the M25 motorway around London, UK. Impairment losses were charged to earnings in 2017 in the amount of SEK –11 M (–331). The impairment losses in the previous year were mainly related to wind power projects in Sweden.

### Central

Central expenses, including operations that are being discontinued, amounted to SEK –944 M (–1,140). Restructuring costs increased central expenses during the year in the amount of around SEK 100 M. Operations in Latin America, which as of 1 January 2013 are being reported under Central, had no impact on earnings and Skanska has no projects in progress in Latin America.

### Elimination of intra-Group profits

Reversals/eliminations of intra-Group profits amounted to SEK –112 M (34). At the Group level, this included elimination of profits relating to property projects in the Construction business stream. Eliminations are reversed when the projects are divested.

### Return on equity and capital employed according to segment reporting

Return on equity according to segment reporting amounted to SEK 18.6 percent (28.3) and return on capital employed in project development operations amounted to 14.5 percent (18.4) according to segment reporting.

### Income according to IFRS

### Operating income

| SEK M | 2017 | 2016 |
|---|---|---|
| Revenue | 157,877 | 145,365 |
| Cost of production and management | –145,103 | –131,119 |
| **Gross income** | **12,774** | **14,246** |
| Selling and administrative expenses | –9,851 | –9,152 |
| Income from joint ventures and associated companies | 1,655 | 2,126 |
| **Operating income** | **4,578** | **7,220** |

Gross income was SEK 12,774 M (14,246). 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 SEK 2,712 M (3,301). Selling and administrative expenses increased to SEK –9,851 (–9,152), which is equivalent to 6 percent (6) of revenue. The amount includes costs for operations that have been discontinued or sold.

Income from joint ventures and associated companies totaling SEK 1,655 M (2,126) 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

| SEK M | 2017 | 2016 |
|---|---|---|
| **Operating income** | **4,578** | **7,220** |
| Interest income | 89 | 71 |
| Pension interest | –102 | –101 |
| Interest expense | –266 | –245 |
| Capitalized interest expense | 257 | 176 |
| **Net interest items** | **–22** | **–99** |
| Change in fair value | 24 | 2 |
| Other net financial items | 43 | –22 |
| **Income after financial items** | **4,623** | **7,101** |

Net financial items amounted to SEK 45 M (–119).

Net interest improved to SEK –22 M (–99). Interest income increased to SEK 89 M (71), mainly due to higher interest rates in US market. Interest expense increased to SEK –266 M (–245), explained by an increase in the volume of construction loans in Sweden and new loans in USD. However, interest rate swaps and negative interest on bank balances made a negative contribution to interest expense relative to loan volume. Capitalization of interest expense in Skanska's own ongoing projects amounted to SEK 257 M (176).

Net interest on pensions, which is the net amount of interest expense for pension obligations calculated at the beginning of the year and the expected return on plan assets, amounted to SEK –102 M (–101). The change in the market value of financial instruments amounted to SEK 24 M (2) and is mainly due to a positive change in the market value of interest rate swap contracts.

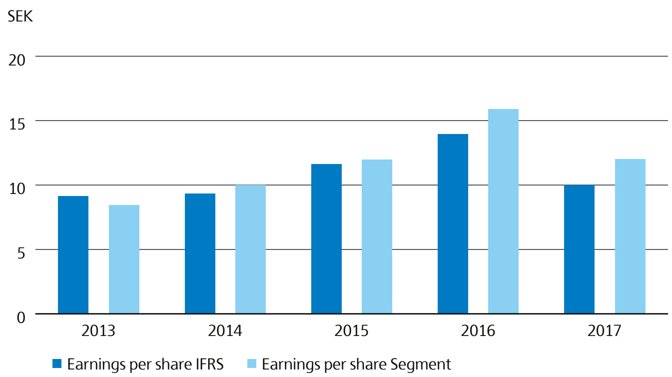
Other net financial items amounted to SEK 43 M (–22) and the change is mainly due to positive currency effects.

### Profit for the year

| SEK M | 2017 | 2016 |
|---|---|---|
| Income after financial items | 4,623 | 7,101 |
| Taxes | –512 | –1,366 |
| **Profit for the year** | **4,111** | **5,735** |
| Profit for the year attributable to | | |
| equity holders | 4,095 | 5,722 |
| non-controlling interests | 16 | 13 |
| Earnings per share for the year, SEK | 10.00 | 13.96 |

After subtracting the year's tax expense of SEK –512 M (–1,366), equivalent to a tax rate of 11 percent (19), profit for the year attributable to equity holders amounted to SEK 4,095 M (5,722). The effective tax rate for 2017 is significantly lower than for 2016. This is mainly explained by the lower earnings for operations in USA, where the nominal tax rate up to the end of 2017 was significantly higher than in Europe. In addition, the effect of reported tax expense from tax-free sales of commercial property projects was higher in 2017 than in 2016. Remeasurement of deferred taxes at the end of the year due to the tax reform in USA had a negative non-recurring effect of around SEK –100 M. Taxes paid for the year amounted to SEK –968 M (–1,205). Earnings per share amounted to SEK 10.00 (13.96).

### Earnings per share




### Comprehensive income for the year

| SEK M | 2017 | 2016 |
|---|---|---|
| **Profit for the year** | 4,111 | 5,735 |
| **Other comprehensive income** | | |
| **Items that will not be reclassified to the period's profit or loss** | | |
| Remeasurement of defined-benefit pension plans | –399 | –1,127 |
| Tax on items that will not be reclassified to profit or loss for the period | 69 | 189 |
| | **–330** | **–938** |
| **Items that have been or will be reclassified to profit or loss for the period** | | |
| Translation differences attributable to equity holders | –599 | 1,165 |
| Translation differences attributable to non-controlling interests | 8 | 8 |
| Hedging of exchange rate risk in foreign operations | –125 | 36 |
| Effect of cash flow hedges | 138 | 31 |
| Joint ventures' and associated companies' share of other comprehensive income | 83 | 855 |
| Tax on items that have been or will be reclassified to profit or loss for the period | –25 | –4 |
| | **–520** | **2,091** |
| **Other comprehensive income after tax** | **–850** | **1,153** |
| **Total comprehensive income for the year** | **3,261** | **6,888** |
| Comprehensive income for the year attributable to | | |
| Equity holders | 3,237 | 6,867 |
| Non-controlling interest | 24 | 21 |

Other comprehensive income after tax for the year amounted to SEK –850 M (1,153). The change in translation differences attributable to equity holders amounts to SEK –599 M (1,165). This item, which consists of the change in accumulated translation differences when translating the financial statements of operations outside Sweden, mainly consists of negative translation differences in USD (US dollars) and NOK (Norwegian kroner) as well as positive translation differences in the other currencies in which the Group has transactions. In 2017, the translation reserve was affected by exchange rate differences of SEK –125 M (36) relating to currency hedging.

Remeasurement of the net pension liability including social insurance contributions amounted to SEK –399 M (–1,127). The negative effect is mainly explained by high inflation in Sweden and a lower discount rate for pension plans in the UK. The effect is offset by the actual return on plan assets being greater than the expected return on plan assets.

The effect of cash flow hedges amounted to SEK 138 M (31). The positive effect of the reserve for cash flow hedges is largely explained by changed exchange rates where forward contracts are in place for future transactions in foreign currencies and hedge accounting is applied.

The share of other comprehensive income for joint ventures and associated companies amounted to SEK 83 M (855) net. 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 measurement even if Skanska will receive compensation through future client payments. The positive net effect of the reserve for cash flow hedges is explained by the fact that interest rate swaps have matured and been capitalized. This was partially offset by changed market interest rates.

Total comprehensive income for the year amounted to SEK 3,261 M (6,888).

### Investments/Divestments

| SEK M | 2017 | 2016 |
|---|---|---|
| **Operations – investments** | | |
| Intangible assets | –255 | –394 |
| Property, plant and equipment | –1,876 | –1,636 |
| Assets in Infrastructure Development | –449 | –1,336 |
| Shares | –154 | –325 |
| Current-asset properties | –21,451 | –17,108 |
| of which Residential Development | –10,801 | –9,005 |
| of which Commercial Property Development | –10,650 | –8,103 |
| **Operations – investments** | **–24,185** | **–20,799** |
| **Total investments** | **–24,185** | **–20,799** |
| **Operations – divestments** | | |
| Intangible assets | 1 | 2 |
| Property, plant and equipment | 213 | 411 |
| Assets in Infrastructure Development | 1,950 | 3,102 |
| Shares | 458 | 16 |
| Current-asset properties | 20,477 | 16,549 |
| of which Residential Development | 11,767 | 7,508 |
| of which Commercial Property Development | 8,710 | 9,041 |
| **Operations – divestments** | **23,099** | **20,080** |
| **Strategic divestments** | | |
| Divestments of businesses | 0 | 862 |
| **Strategic divestments** | **0** | **862** |
| **Total divestments** | **23,099** | **20,942** |
| **Total net investments (+)/divestments (–)** | **–1,086** | **143** |
| Depreciation/amortization, non-current assets | –1,587 | –1,439 |

The Group's investments totaled SEK –24,185 M (–20,799). Divestments amounted to SEK 23,099 M (20,942) and the Group's net investments amounted to SEK –1,086 M (143).

Investments in property, plant and equipment, which mainly consist of ongoing investments in operations, amounted to SEK –1,876 M (–1,636). Divestments of property, plant and equipment amounted to SEK 213 M (411). Depreciation of property, plant and equipment amounted to SEK –1,411 M (–1,306).

Net investments in current–asset properties amounted to SEK –974 M (–559). Projects were sold for SEK 20,477 M (16,549), while investments amounted to SEK –21,451 M (–17,108). In Residential Development investments in current–asset properties amounted to SEK –10,801 M (–9,005), of which SEK –2,437 M (–1,994) was for land equivalent to 7,215 (5,759) in building rights. Finished homes were sold for SEK 11,767 M (7,508). Net divestment of current–asset properties in Residential Development amounted to SEK 966 M (–1,497).

In Commercial Property Development investments in current–asset properties amounted to SEK –10,650 M (–8,103), of which SEK –1,386 M (–1,936) was for land, and the total investments amounted to SEK –10,716 M (–8,364). Divestments of current–asset properties amounted to SEK 8,710 M (9,041). Net divestment of current–asset properties in Commercial Property Development amounted to SEK –1,940 M (938).

Investments in the form of equity and subordinated loans in Infrastructure Development amounted to SEK –449 M (–1,336) and divestments amounted to SEK 1,950 M (3,102). Net divestment in Infrastructure Development amounted to SEK 1,501 M (1,766).

## Consolidated operating cash flow

| SEK M | 2017 | 2016 |
|---|---|---|
| Cash flow from business operations | 1,057 | 2,302 |
| Change in working capital | 3,866 | –1,328 |
| Net investments (–)/divestments (+) | –1,086 | –719 |
| Accrual adjustments | –243 | –96 |
| Taxes paid in business operations | –892 | –1,237 |
| **Cash flow from business operations including taxes paid** | **2,702** | **–1,078** |
| Net interest items and other financial items | 253 | –108 |
| Taxes paid in financing activities | –76 | 32 |
| **Cash flow from financing activities** | **177** | **–76** |
| **Cash flow from operations** | **2,879** | **–1,154** |
| Strategic net divestments (+) / investments (–) | 0 | 862 |
| Dividend etc[1] | –3,879 | –3,874 |
| **Cash flow before change in interest-bearing receivables and liabilities** | **–1,000** | **–4,166** |
| Change in interest-bearing receivables and liabilities | 2,619 | –2,400 |
| **Cash flow for the year** | **1,619** | **–6,566** |
| Cash and cash equivalents, January 1 | 5,430 | 11,840 |
| Exchange-rate differences in cash and cash equivalents | –51 | 156 |
| **Cash and cash equivalents, December 31** | **6,998** | **5,430** |
| 1 Of which repurchases of shares | –440 | –793 |

Cash flow for the year amounted to SEK 1,619 M (–6,566).

Cash flow from business operations amounted to SEK 2,879 M (–1,154). Net investments in operations amounted to SEK –1,086 M (–719). The change in working capital had a positive impact on cash flow and totaled SEK 3,866 M (–1,328). This is a result of the sale of the investment in the M25 motorway in the UK, for which the payment of SEK 3.1 billion was received at the beginning of 2017.

Taxes paid in business operations amounted to SEK –892 M (–1,237).

The change in interest–bearing receivables and liabilities amounted to SEK 2,619 M (–2,400).

Cash flow for the year of SEK 1,619 M (–6,566) combined with translation differences of SEK –51 M (156) increased cash and cash equivalents, which amounted to SEK 6,998 M (5,430).

Commercial Property Development projects that were sold but not occupied as of December 31, 2017 will have a positive effect on cash flow of around SEK 6.0 billion in 2018.

### Financing and liquidity

At year–end 2017 the Group had interest–bearing net receivables, including provisions, amounting to SEK –1,126 M (1,219). The Group's unutilized credit facilities totaled SEK 8,281 M (5,713) at the end of the year. Of these, SEK 5,901 M was unutilized long–term credit maturing at the end of June 2022 and SEK 1,967 M was an unutilized long–term green loan maturing at the end of November 2019. Interest–bearing assets decreased to SEK 15,800 M (16,318). Receivables in foreign currencies accounted for 79 percent (84) of these. The average fixed interest period for all of the Group's interest–bearing assets was 0.1 (0.1) years and the interest rate was 0.63 percent (0.58) at year–end.

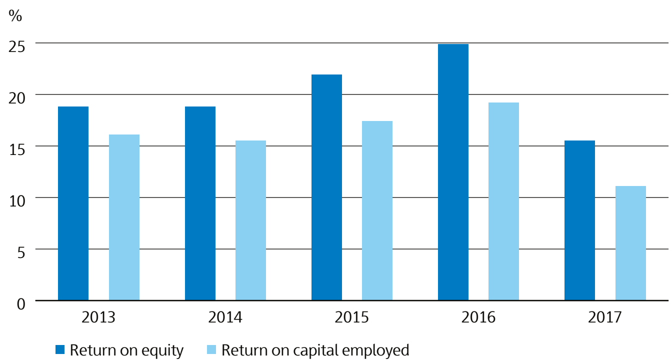
## Change in interest-bearing net receivables/net debt

| SEK M | 2017 | 2016 |
|---|---|---|
| **Interest-bearing net receivables/net debt, January 1** | **1,219** | **6,317** |
| Cash flow from business operations | 2,702 | –1,078 |
| Cash flow from financing activities excluding changes in interest-bearing receivables/liabilities | 177 | –76 |
| Cash flow from strategic investments | 0 | 862 |
| Dividend etc.[1] | –3,879 | –3,874 |
| Acquired/divested receivables/liabilities | 0 | –663 |
| Translation differences | –941 | 972 |
| Remeasurement of pension liability, net | –334 | –1,022 |
| Other changes | –70 | –219 |
| **Interest-bearing net receivables/net debt, December 31** | **–1,126** | **1,219** |
| 1 Of which repurchases of shares | –440 | –793 |

The Group's interest-bearing liabilities and provisions increased to SEK 16,926 M (15,099), of which pension liabilities and provisions amounted to SEK 5,603 M (4,927) and construction loans to housing associations totaled SEK 5,961 M (4,839). The average fixed interest period for all interest-bearing liabilities, excluding pension liabilities but taking into account derivatives, was 0.5 (0.6) years. The average maturity was 1.8 (1.1) years. Including unutilized credit facilities, the average maturity was 3.5 years.

The interest rate for all Group interest-bearing liabilities, excluding pension liabilities, amounted to 1.43 percent (1.0) at year-end. The percentage of loans in foreign currencies represented 35 percent (23). The Group's total assets increased by SEK 2.9 billion and amounted to SEK 109.4 billion (106.5). The effect of exchange rate differences on total assets was SEK 3.0 billion.

### Return on equity and capital employed




At the end of the year, equity attributable to equity holders amounted to SEK 27,064 M (27,350). Apart from comprehensive income for the year of SEK 3,237 M, the change in equity is mainly explained by dividends of SEK –3,380 M and repurchases of shares totaling SEK –440 M, as well as share-based payments in connection with long-term employee ownership programs (Seop) totaling SEK 297 M.

Return on equity decreased to 15.5 percent (24.9).

Capital employed at year-end amounted to SEK 44,111 M (42,605). Return on capital employed amounted to 11.1 percent (19.2).

### Equity/assets ratio

The equity/assets ratio amounted to 24.8 percent (25.8).

### Parent Company

The Parent Company carries out administrative tasks and includes the Group Leadership Team and management units.

Profit for the year amounted to SEK 4,321 M (3,429) and mainly consisted of dividends from subsidiaries. The average number of employees was 124 (111).

### Material risks and uncertainties

Construction and Project development operations are associated with 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 depending on requirements, circumstances and the physical environment of the project. Construction and Project development thus differ from typical manufacturing industry where companies have permanent facilities and serial production.

In Skanska's operations, there are multiple types of risk. The tasks of identifying, managing and putting a price on these risks are of fundamental importance for Skanska's profitability. The risks are normally of a technical or contract-related nature, but it is also important to consider political, ethical, social and environmental aspects when assessing risk. Skanska works with a variety of commercial mechanisms and in many jurisdictions and the degree of risk may vary greatly depending on the type of contract. Skanska's project risk management at the operational level is governed by the Operational Risk System. The philosophy for this system is that risk management is aligned with management responsibility. The system establishes how Business Units should organize their risk management process and it serves as a roadmap for all of the routines, guidelines and templates used by Skanska to manage risks and opportunities.

The Skanska Tender Approval Procedure and Investment Approval Procedure establish the level of authorization required for approval of Construction projects and project development. These procedures also provide project teams with a structured template outlining risks and opportunities. This facilitates scrutiny and approval at the level determined by the size and nature of the project.

In the Construction business stream, risks and opportunities are identified, assessed and assigned a price during the project identification and bid phases. They are then actively monitored and managed in 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, fixed-price projects; a shortage of human resources or of certain intermediate goods; delays in the design phase or changes in design; delays in the issuance of the required permits; adverse weather conditions; unexpected underground obstructions or utilities; unexpected geotechnical conditions; defects in existing structures or work undertaken by other contractors. Changes and additional work required by clients can have a major impact on the scope, design and schedule of a project. It is important for such changes to be handled in a formal and structured manner, and for the effects and responsibilities for different parties to be defined as early as possible.

Another important area of risk management is that certain counterparties such as clients, partners, subcontractors or suppliers may have difficulty living up to their contractual obligations. Skanska regularly assesses 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 risk, the goal is to complete development and sale of all 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 the supply of land and building rights in order to meet the production demand during favorable market conditions. It is also 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 have been sold or reserved in advance. Large projects are divided into multiple phases.

Risks associated with external factors, clients' space needs and the willingness of investors to buy are managed within Commercial Property Development. Through frequent contact with clients and investors, Skanska constantly tracks demand for premises and completed projects.

Skanska Group's risks are mitigated through the limits established by the Commercial Property Development and Residential Development business streams on how much capital may be tied up in projects that have not been pre-leased or sold. There are also limits on how much capital may be employed by each Business Unit.

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

During the construction phase the greatest risk is that the asset in question will not be able to be operational on schedule. Depending on the type of asset, there are risks throughout the operational 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 lifecycle costs and 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.

### Disclosure requirements according to the Annual Accounts Act, Chapter 6 Section 2a

Disclosures according to the Annual Accounts Act, Chapter 8 Section 2a on disclosures of certain circumstances that may affect the possibility of a takeover of the Company through a public takeover bid for the shares in the Company are presented in Note 64 Disclosures in compliance with the Annual Accounts Act, Chapter 6 Section 2a.

# Sustainability report

## Introduction

Skanska is one of the world's leading construction and project development companies, focused on selected home markets in the Nordic region, Europe and USA. Driven by Skanska's values – Care for Life, Act Ethically and Transparently, Be Better Together and Commit to Customers – the Group helps create sustainable futures for customers, communities and employees. This is integral to Skanska's purpose of building for a better society, as well as delivering value for shareholders.

Skanska's sustainability agenda linked to the core values consists of five focus areas: Safety, Ethics, Green, Community Investment, and Diversity and Inclusion. During 2017, a review was commenced of how these focus areas best fit into an evolving Skanska and society. This started with a comprehensive stakeholder dialog and materiality assessment. It led to updated strategies now in place at Group level for all five sustainability focus areas.

This report covers the period January 1, 2017, to December 31, 2017.

## Stakeholder dialogue

Skanska strives for an open and ongoing dialogue with the Group's stakeholders. Engagement with customers, shareholders, employees, partners, suppliers, non-governmental organizations (NGOs) and other stakeholders is a key component in day-to-day operations and long-term planning. This provides important insights regarding needs, expectations and challenges.

Skanska conducts a brand survey bi-annually, which monitors the Group's position and perception in relation to main competitors in home markets. The survey includes external stakeholders, as well as employees. Survey topics include perception of sustainability performance.

Another survey is Skanska's Group-wide employee survey, which was first conducted in 2017. It gives employees an opportunity to provide input to improve Skanska. Strengths and development areas for Skanska's five sustainability focus areas are assessed.

Furthermore, Skanska, together with Columbia University, analyzed sustainability maturity levels across USA. This unique project involved assessing market demand for sustainable buildings and infrastructure projects. Focus areas in the study are green and safety, including health and well-being. The study continues to be used to further guide Skanska's efforts within US markets to enhance sustainability opportunities.

## Materiality analysis

To further cement the Group's understanding of what should be the key focus areas in Skanska's sustainability strategy, structured conversations with a wide range of internal and external stakeholders were conducted in early 2017. These conversations were tailored around 18 relevant topics inspired by the United Nations Sustainable Development Goals, the UN Global Compact and the Global Reporting Initiative, alongside current industry trends and initiatives.

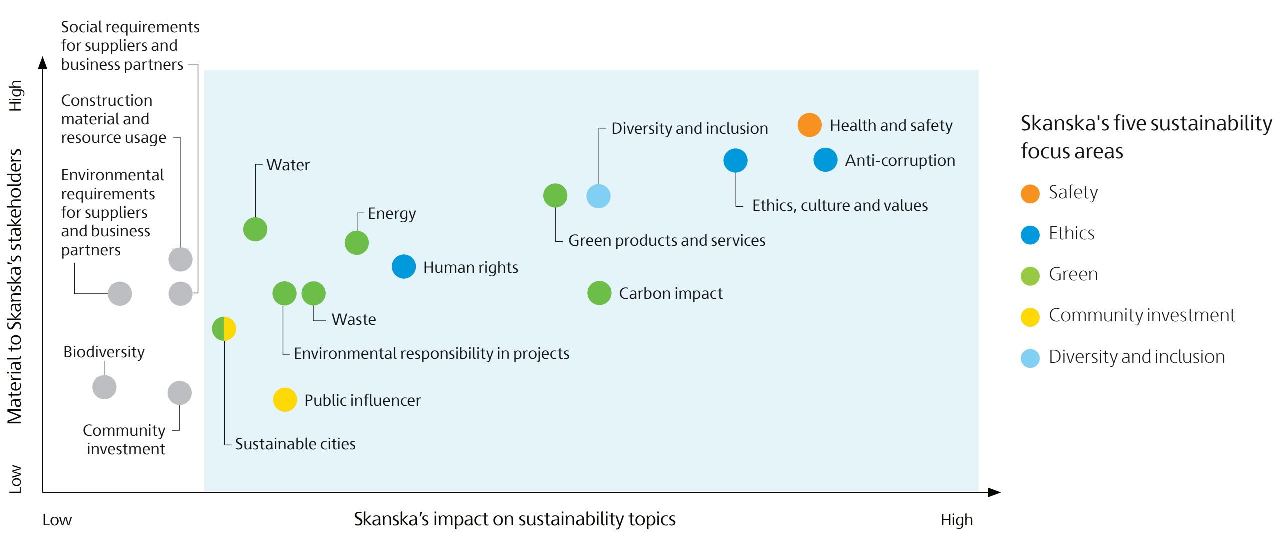
The outcomes of these interviews and an evaluation of Skanska's sustainability impacts enabled a further assessment of sustainability. This identified 13 material sustainability topics that Skanska can positively influence. These have been grouped in accordance with Skanska's five sustainability focus areas: Safety, Ethics, Green, Community Investment and Diversity and Inclusion.

The five sustainability focus areas are strengthened by their connection to the United Nations' Sustainable Development Goals (SDGs). The SDGs further direct Skanska's efforts to make the most significant positive contributions to society.

For the sustainability focus areas, Skanska has been securing a clear governance structure, and establishing appropriate key performance indicators and methods for follow-up. This work will continue during 2018 to ensure all material sustainability topics are covered by a suitable measurement and reporting framework.

## Materiality analysis

Through the materiality analysis, the below sustainability topics were identified as material to Skanska's external and internal stakeholders. The Group is focusing on the 13 topics located in the blue shaded area. Those selected topics are categorized according to Skanska's five sustainability focus areas.



## Skanska's five sustainability focus areas (with selected sustainability topics from materiality analysis)

| Safety | Ethics | Green | Community Investment | Diversity and Inclusion |
| --- | --- | --- | --- | --- |
| ▪ Health and safety | ▪ Anti-corruption<br>▪ Ethics, culture and values<br>▪ Human rights | ▪ Carbon impact<br>▪ Energy<br>▪ Water<br>▪ Waste<br>▪ Environmental responsibility in projects<br>▪ Green products and services<br>▪ Sustainable cities (shared with Community Investment) | ▪ Sustainable cities (shared with Green)<br>▪ Public Influencer | ▪ Diversity and inclusion |

## Safety

Skanska aspires to have injury-free workplaces, as part of living the Group's Care for Life value. Care for Life was the catalyst for the Group to begin developing a health and well-being strategy for all Business Units. Health issues in construction have not been given the same priority as accident injuries, and Skanska is determined to balance those efforts.

The health and well-being strategy, approved in 2017, is based on ensuring healthy workplaces, helping employees and workers to be physically and mentally fit so they can perform at their best and live full lives. This includes providing improved practices to reduce long-term health hazards, such as noise, dust and poor ergonomics. The intent is to prevent work activities from causing or worsening ill health, both physical and mental.

### Furthering a caring culture

The health and well-being strategy is founded on a health and well-being matrix that identifies six topics – leadership, knowledge, physical well-being, mental well-being, metrics and communication – around which new and existing programs will be formed. It will also give clear opportunities for Business Units to develop their own plans and identify specific areas for better knowledge sharing. For example, sharing the range of actions, programs and techniques used across Skanska to mitigate harm from musculoskeletal injuries.

### Raising global safety standards

At Skanska jobsites, everyday workers are carrying out activities that, if uncontrolled, can expose them to unacceptable safety risks. That is why Skanska introduced Global Safety Standards in 2008 and regularly reviews and updates them. These standards are significantly beyond legal requirements to help raise the safety performance of Skanska and the Group's supply chain.

During 2017, the Global Safety Standards were revised and four new ones added. These will all be incorporated into Business Unit safety systems by early 2018. These standards are an important part of how Skanska strives for a more consistent safety performance across all home markets: with injury reduction and also with mindset, attitude and behaviors.

Skanska aspires to have injury-free workplaces, as part of living the Group's Care for Life value. With Skanska's caring culture, everyone is responsible for their own safety, and the safety of those around them.

### Safety journey

The health and well-being strategy and updated Global Safety Standards represent progress on Skanska's journey to eliminating injuries. Other steps include developing safety culture programs; conducting thorough safety reviews to identify underlying obstacles to safety improvement; and training senior managers to be role models for demonstrating their safety commitment.

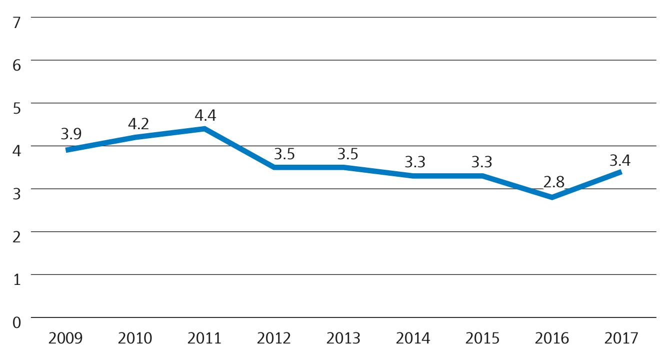
### Safety performance

Skanska's primary lagging indicator for safety is the lost-time accident rate. In 2017, the lost-time accident rate was 3.4 (2.8). Also in 2017, there were 730 (638) lost-time injuries, in which people were not available to work their next shift, and 1,029 (1,058) injuries of all types.

Also during the year, there were three work-related fatalities on Skanska project sites, two in Poland and one in Sweden. Each fatality involved a subcontractor employee. Following each fatality, Skanska held a Global Safety Stand Down at every workplace to share learnings from the accident with colleagues, and to pay respects.

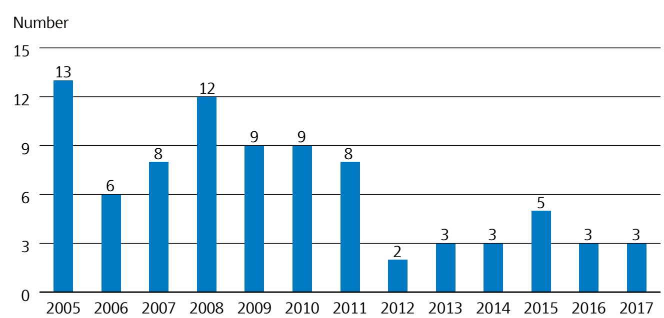
#### Lost Time Accident Rate (LTAR) 2009–2017

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




#### Fatalities (2005-2017)

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




## Ethics

In 2017, Skanska continued to further the Group's strong ethical culture, which is central to living the Act Ethically and Transparently value. An ethical breach continues to be among the Group's top risks, according to the annual Group-wide risk survey.

Skanska's Code of Conduct provides employees with expectations for everyday behavior. As a follow-up to the Group's latest Code of Conduct, which was introduced in September 2016, the focus during 2017 was training on the Code's principles. Code of Conduct training is consistent in all units, helping align behaviors across Skanska.

### Anti-corruption measures

In 2016, a new anti-corruption policy was issued to reinforce Skanska's commitment to anti-corruption, as described in the Code of Conduct. In 2017, the Board of Directors and the senior executives completed anti-corruption training.

### Supporting human rights

In construction and project development, Human rights are a significant issue, partly attributable to the transient nature of the trade workforce. Skanska is proactive as one of the first companies in construction and project development to audit suppliers for ethics. The Supplier Code of Conduct includes Human righs issues such as fair working conditions and equal treatment. The Supplier Code applies to our supply chain and describes the expected behavior of providers of goods and services in their work with Skanska. Skanska is continually working to improve Group Human rights management and reporting.

Skanska's Code of Conduct Hotline – operated by a third-party provider – provides a mechanism for employees and suppliers' employees to anonymously report human rights issues. Skanska diligently investigates every allegation of human rights violations related to Group projects, including improper wages, hours and working conditions.

Furthermore, many projects have controlled access to ensure only verified personnel are on-site.

### Values align with customers

To enable employees to live Skanska's values and abide by the Code of Conduct, the Group only works with customers that do not cause Skanska's values to be compromised.

Increasingly, Skanska is awarded contracts based on alignment between the Group's values and customer values or priorities. An efficient relationship develops when values align because trust is higher and energies from all stakeholders can be focused on delivering the project.

Code of Conduct training is consistent in all units, helping align behaviors across Skanska.

### Supply chain risks and opportunities

Skanska depends upon tens of thousands of suppliers each year to fulfill customer obligations. Suppliers represent both performance and ethical risks. If a supplier has an ethical breach on a Skanska project, then Skanska's brand is jeopardized by association.

The performance risk of suppliers relates to their ability to perform, which depends upon financial resources, access to labor, ability to procure materials, and management skills. For many projects, Skanska pre-qualifies suppliers based on set criteria. For the rest of the projects, Skanska reviews suppliers after they submit a tender, and prior to a contract award.

The Supplier Code of Conduct describes the behaviors expected of suppliers. In 2017, Skanska increased due diligence efforts on the Group's broad network of consultants, partners, suppliers and subcontractors. This increased scrutiny – done through a risk-based approach – will continue to intensify, further ensuring adherence with the Supplier Code of Conduct.

Suppliers also represent opportunity. By collaborating with the Group's supply chain, Skanska can build for a better society at higher levels. The Group's sustainability goals depend on the entire supply chain, so it is important that expectations are communicated. Skanska's values of Act Ethically and Transparently and Be Better Together are especially relevant in regards to working with suppliers.

## Green

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

In 2017, Skanska approved a new green strategy, which will better position the Group to succeed in delivering Profit with Purpose beyond the current 2020 business plan. This strategy focuses on zero/low-carbon solutions, which support the carbon reduction ambitions of many customers and of society. Another part of the strategy is significantly reducing the Group's carbon emissions footprint by 2030, in line with the Paris international climate agreement.

Beyond providing benefits to customers, the environment and society, Skanska's ambition to minimize carbon emissions also drives improved efficiencies in the Group's operations. It reduces usage or emissions of energy, carbon, materials and water, lowering costs and requiring smarter and more collaborative ways of working. To further this strategy, during 2017 Skanska conducted carbon analyses and worked on developing carbon roadmaps and action plans. This work continues in 2018.

### Environmental policy and environmental management system

Skanska's environmental policy and Color Palette™ define the Group's environmental agenda and provide a framework for continually improving the environmental credentials of projects, products and services. Environmental performance is measured and reported quarterly through Green Strategic Indicators (GSI).

The environmental policy is converted to day-to-day practice through an environmental management system, ensuring effective management of environmental risks. This system supports the achievement of Skanska's business objectives and goals. Each office and project site is covered by an environmental management system third-party certified to the ISO 14001 international environmental management standard. Skanska has 26 certificates across the Group. Skanska is recertifying to the ISO 14001:2015 standard; this has been achieved by five Business Units.

In 2017, Skanska received one major non-conformance (MNC) citations from external auditors. It was closed two weeks after the audit. In the previous five years, the Group received zero major non-conformance citations. Skanska actively encourages the Group's auditors to provide suggestions for improvement.

### Green in action

#### Sustainability responsible sourcing guide

The process to ensure that Skanska's supply chain is in line with Group sustainability requirements and the Supplier Code of Conduct has differed by country. To align approaches, development of a best practice guide for responsible sourcing was begun in 2017, covering sustainability issues with a comprehensive focus on green. In 2018, the best practice guide will be further developed and implemented. This guide will enable knowledge sharing and will direct the assessment of sustainability risks in procurement.

### Skanska Color Palette™

Since 2009, the Skanska Color Palette has defined the Group's vision of Green and Deep Green projects according to four priority opportunities: energy, carbon, materials and water. These areas provide Skanska with the greatest opportunities to lower project environmental impacts. The Skanska Color Palette sets the strategic green direction for projects, and is used to define goals and develop action plans, driving continuous improvement.


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

On the Color Palette, the Vanilla zone is the starting point, where construction processes and/or building and infrastructure performance are compliant with laws, regulations, codes and standards. In the Green zone, they are beyond compliance, but do not have a near-zero environmental impact. In the Deep Green zone, they have a near-zero impact on the environment, ensuring that the project is future-proof.

### Measuring green performance

Skanska uses Green Strategic Indicators to measure green performance. These cover three areas: increasing the level of green business; management support and training employees on green subjects; and supporting teams to deliver projects with improved green profiles. In late 2016, Skanska implemented a database for Business Units to report Green Strategic Indicators and chart follow-up performance. In 2017, that database was further developed.

### 2017 green results

Green products and services as defined in the Skanska Color Palette, Green refers to when construction processes and/or building and infrastructure performance are beyond compliance, but do not have a near-zero environmental impact. By 2020, the Group aims to have all project developments be 100 percent Green, as defined by the Skanska Color Palette. Internally, Skanska measures Green revenue for Construction Business Units and Green value for Project Development units.

#### Greenhouse gas reporting

Skanska's greenhouse gas reporting covers all Business Units. We measure carbon emissions in accordance with the Greenhouse Gas Protocol. Activity data is based on invoiced data, real-time meters, models and estimates or data as reported by suppliers. Energy conversions are done using publically available conversion factors and emission factors are sourced from open databases like International Energy Agency (IEA) and Reliable Disclosure Systems for Europe (RE-DISS). Greenhouse gases included in the reported carbon inventory are carbon dioxide ($CO_2$), methane ($CH_4$) and nitrous oxide ($N_2O$). Skanska applies the financial control approach. Emissions data is subject to inherent uncertainties due to incomplete scientific knowledge used to determine emission factors and resulting effects on measurements and estimations. A limited assurance engagement of the Skanska carbon emission inventory is undertaken by Skanska's auditors EY; see more information on page 187. For further details and data, see https://group.skanska.com/sustainability/green/carbon/how-we-report-greenhouse-gases.

#### Direct (scope 1) and indirect (scope 2) emissions expressed in tons carbon dioxide equivalent ($CO_2e$)

| Tonnes $CO_2e$ | | 2017 | 2016 | 2015 | 2014 | 2013 |
|---|---|---|---|---|---|---|
| Scope 1 | | 275,537 | 312,800 | 330,758 | 367,791 | 386,154 |
| Scope 2 | Location-based method | 55,464 | 52,704 | 49,207 | 60,494 | 51,305 |
| | Market-based method | 71,389 | 73,300 | – | – | – |

**Carbon emission categories**

Scope 1 emissions include direct emissions that occur from sources owned or controlled by Skanska, such as boilers, furnaces and vehicles. Scope 2 includes indirect emissions from the generation of electricity, heating and cooling purchased and consumed by Skanska. Scope 2 emissions physically occur at the facility where the electricity, heat and cooling is generated.

**Recognition for environmental leadership**

In 2017, Skanska achieved Leadership level (A-) in the CDP (Carbon Disclosure Project) climate change, water and forest/timber rating. This indicates Skanska has implemented actions to manage environmental impacts related to climate change, water, and forest and timber.

#### Green in action

#### Advancing toward carbon neutrality

Skanska Sweden in 2015 set the ambitious goal of making its operations, including its value chain, carbon neutral by 2050. This target includes emissions from the whole value chain, including production and transportation of construction materials, construction processes and customers' end-use operations.

To advance toward this goal, Skanska Sweden has worked intensely to conduct analyses and prepare strategies on how to significantly reduce carbon emissions. This knowledge will be used by the Group when all Business Units in 2018 work on setting carbon reduction targets aligned with the Paris climate agreement. Skanska's Group-wide goal is to significantly reduce carbon emissions by 2030.

## Energy

Skanska's approach to energy is focused on what the Group can directly control and influence. Skanska aims to boost energy efficiency in construction operations and in the end use of buildings and infrastructure; substitute fossil fuels with renewable energy where economic conditions are favorable; and prioritize net zero primary energy buildings – buildings that produce as much energy as they consume, on average.

### Total energy usage (MWh)

| | 2017 | 2016 | 2015 | 2014 |
|---|---|---|---|---|
| **Fuel usage (non-renewable)** | **1,023,242** | **1,121,646** | **1,278,787** | **1,398,823** |
| Diesel/Gas oil | 502,832 | 557,122 | 658,394 | 843,483 |
| Residual fuel oil | 152,078 | 196,159 | 204,464 | 145,996 |
| Liquefied petroleum gas (LPG) | 88,277 | 59,560 | 82,609 | 91,718 |
| Liquefied Natural Gas (LNG) | 105,687 | 97,708 | 124,475 | 121,878 |
| Motor gasoline | 84,258 | 112,032 | 108,876 | 83,312 |
| Kerosene | 0 | 0 | 0 | 0 |
| Other: Pulverized coal | 90,110 | 99,065 | 99,969 | 112,436 |
| **Fuel usage (renewable)** | **68,094** | **54,482** | **271** | **1,257** |
| Biogasoline | 23 | 124 | 271 | 1,257 |
| Biodiesel | 68,071 | 54,358 | 0 | 0 |
| **Electricity usage** | **272 ,979** | **263,246** | **259,479** | **365,087** |
| Non-renewable | 154 ,363 | 143,037 | 104,502 | 365,087 |
| Renewable | 118,616 | 120,209 | 154,977 | 0 |
| **District heating usage** | **11,740** | **3,721** | **573** | **3,851** |
| **District cooling usage** | **1,499** | **2,597** | **196** | **195** |
| **Total energy usage (MWh)** | **1,377,555** | **1 445,692** | **1,539,306** | **1,769,213** |

## Water

As a construction and project development company, Skanska has a great impact on water usage, both during the construction phase and with the end use of buildings and infrastructure. Water is recognized as a priority area on the Skanska Color Palette.

In 2016, Skanska for the first time collected water data on a Group level. In 2017, Skanska scored Leadership level (A-) in the CDP water questionnaire. Skanska is continually working to improve Group water management and reporting.

### Green in action

**Innovative water efficiency solutions**

Skanska integrates water efficient solutions into projects. For example, the Botanica K Residential Development project in the Czech Republic uses an innovative water solution for grey water management. Treated water from washbasins, bathtubs and showers – along with collected rainwater – is used for flushing toilets. This, combined with other water efficiency solutions, reduces potable water consumption by about 40 percent.

At Botanica K, treated water from washbasins, bathtubs and showers is used for flushing toilets, helping save water and energy.

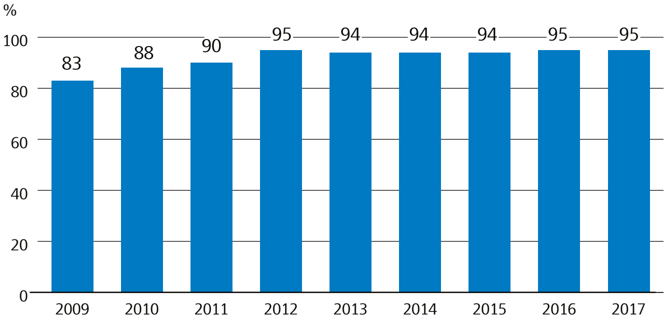
## Waste

The Skanska Color Palette focuses on increased material efficiency: reuse and recycling of materials and products. It challenges projects to produce zero self-generated construction waste.

Striving to reduce construction waste benefits the environment while enhancing operational efficiency and cost performance. The Group's goal for self-generated waste diverted from landfill exceeds 95 percent.

In some markets, it is common industry practice to exclude waste from subcontractor operations when compiling waste data. That approach does not meet Skanska's expectations, and efforts have been undertaken in the relevant Business Units. The Group is improving by incorporating more subcontractor waste data.

### Total amount of self-generated waste diverted from landfill from Construction units, 2009-2017 (percent)




### Green in action

**Re-using waste material**

At the D4 Skalka – junction II/118 highway project in Czech Republic, Skanska re-used waste material from the nearby uranium mines as aggregate in the construction process. The aggregates had excellent mechanical properties, and were tested and approved for safe use. This approach provided a new use for waste materials while minimizing transportation costs and carbon emissions. This demonstrates how Skanska contributes to society by reusing existing materials to minimize environmental impacts and reduce costs.

### Green loans and bonds

In 2017, Skanska Financial Services collaborated with four banks to establish a Green credit line of about SEK 2 billion. This Green revolving credit facility – the first in the corporate sector – is a backup for Skanska's Green bond, which invests primarily in Green Commercial Property Development projects. Skanska's Green Bond Framework is endorsed by the Center for International Climate and Environmental Research, an independent research center associated with the University of Oslo, Norway. By the end of 2017, Skanska's central funding amounted to SEK 4.6 billion, of which approximately half consisted of Green financing, including Green bonds.

### Sustainable cities

More than half of the Earth's population lives in urban environments, making high-performing urban settings necessary to enable people to thrive. Skanska has an important role in this.

In cooperation with citizens, local communities, authorities and other stakeholders, the Group identifies how to address some of society's most important social and environmental challenges. Through design, Skanska helps improve neighborhoods, and by focusing on resilient and low-carbon solutions, the Group creates resource-efficient cities. Some examples are:

- Developing offices and residential areas with good access to public transportation, and facilitating bicycle and electric car sharing pools
- Utilizing Skanska's patented Deep Green Cooling technology – cooling buildings through ground storage – on Commercial Property Development projects in the Nordics and Europe
- Supporting environmental certification systems for building and infrastructure projects – including Living Building Challenge, LEED, Envision and CEEQUAL – to increase efficient uses of resources
- Establishing integrated movement patterns in residential projects to promote an inclusive society
- Creating public spaces that enhance trust and promote safety.

## Community Investment

In 2017, a new Community Investment Guideline was approved by the Group. The guideline outlines a new direction to enhance the impact of Community Investment activities, and to further embed Community Investment into Skanska.

This approach will help better connect Community Investment efforts to core operations; strategically identify opportunities for creating shared value among communities, customers and Skanska; and effectively deliver social value within three focus areas: education, employability and design for social impact. The three areas are where Skanska has the greatest possibilities to make positive impacts.

### Education

In supporting education, Skanska partners with schools and other organizations to provide younger generations with role models. This is to inspire further study and promote STEM (science, technology, engineering and math) learning, along with encouraging greater diversity in construction and project development.

### Community Investment in action

**Award-winning partnership**

In Finland, the construction industry has many aging workers and vocational schools have a high dropout rate. Skanska, together with partners, developed a program called 2+1 that helps solve both issues. It provides young adults with a yearlong paid apprenticeship under the guidance of an experienced mentor, along with two years of study. This opens opportunities for the younger generation while providing older workers with a special opportunity to share their knowledge. By the end of 2017, 15 young adults had completed the program, and Skanska hired all of them.

In 2017, the program received an award for its innovative approach from the Finland Ministry of Economic Affairs and Employment and Sitra, Finland's national innovation fund. The awards jury described the program as a practical model replicable in other industries.


In Finland, the 2+1 program matches the expertise of older workers with students needing training to build a career. It provides employment and builds a source of skilled construction workers.

Skanska played a key role in creating the Inclusion Academy, which provides opportunities on projects like this for those newly arrived to Sweden.

## Employability

By focusing on employability, Skanska seeks to increase local employment by supporting diverse groups in gaining the skills necessary to enter or advance in the job market. This also helps create a diverse pool of potential employees for Skanska.

## Design for social impact

Skanska uses design to help improve communities and bring them together. This can involve creating integrated movement patterns to reduce segregation; opening shared spaces to enhance trust, health and safety; producing murals that inspire and explain; and generating inclusiveness by improving accessibility for people with disabilities.

### Community Investment in action
**Pathways to active participation in society**

In Östersund, Sweden, the local housing authority wanted to reduce unemployment amoung young adults and provide opportunities for people newly arrived to Sweden. To help create a sustainable solution to those issues, the authority included this social sustainability criteria in the procurement for a construction partner for a housing project.

After Skanska was awarded the project, the Group collaborated with the authority and other partners to create a program called the Inclusion Academy. The Inclusion Academy provides language lessons, social activities, coaching sessions and valuable on-the-job experiences to skilled migrants and the young unemployed.

In 2017, 41 out of 54 participants, 76 percent, secured employment or educational placements, providing a big boost to them becoming active participants in the local society and workforce.

### Community Investment in action
**Creating buildings accessible to all**

In Poland, Skanska has created a partnership with the Integration Foundation, which works to ensure that buildings are accessible to people with different needs, including the disabled and elderly. Skanska has committed to certifying all new Commercial Property Development projects in Poland with the Building without Barriers certification, which the foundation established to recognize highly accessible buildings.

The partnership enables Skanska to set the standard for accessibility with holistic and modern design solutions integrated early into the design phase. This partnership also provides value to office tenants, as those customers appreciate how the Buildings without Barriers certification supports the diverse workforces they need to thrive.

Office tenants value the Building without Barriers certificate, as it supports the diverse workforces they need to be successful.

### Public influencer

Skanska engages with the public to raise awareness of various social matters, including workforce development and planning for inclusive and safe communities.

A great platform for doing this is Almedalen Week, a prominent Swedish event at which many thousands of people from political parties, companies and organizations meet to share perspectives. At Almedalen in 2017, Skanska organized various seminars, including a session on the importance of making the right demands in public procurement regarding social and environmental aspects of sustainability. Another Skanska-organized session was about creating more integrated cities and safer societies. Ministers of the Swedish Government and members of the Swedish Parliament participated in Skanska's seminars.

## Diversity and Inclusion

Skanska has set a vision of mirroring society's diversity at all levels, and encouraging leaders to be excellent in fostering an inclusive culture. In 2017, Skanska continued strategically working to achieve this diversity and inclusion vision, which is integrated into the 2020 Profit with Purpose Business Plan. Skanska sees having a high level of focus on diversity and inclusion as a competitive advantage that also supports society.

The Group-wide Diversity and Inclusion vision and strategy are common to all Business Units. Each Business Unit is responsible for adapting the overall strategy into action plans appropriate for them, and then cascading these plans. Since Business Units are organized differently and there are differences between geographic markets, the specifics of the action plans and process of integrating the actions varies.

The two Construction Business Units furthest ahead with diversity and inclusion are Skanska Sweden and Skanska UK. For several years, Skanska Sweden, organized by regions, has had regional diversity and inclusion scorecards and targets. In 2018, regional diversity and inclusion action plans are compulsory and will be integrated into the business planning process. Skanska UK expects all major projects to have diversity and inclusion action plans. Both implementation methods include workshops and assessments.

### Diversity and Inclusion in action

**Innovative recruitment programs**

Skanska Sweden and Skanska UK have developed innovative approaches for recruiting from groups not traditionally prioritized by the construction industry.

Skanska Sweden's International Leadership Program provides a path and resources for highly skilled immigrant engineers to have fulfilling Skanska careers. Through the program, which began in 2014, Skanska Sweden hired 36 immigrant engineers - 66 percent of participants - to take on leadership roles.

Skanska UK's Return to Work program recruits people who have taken career breaks of two years or more from any industry, including those who paused their careers to care for children. It includes a 12-week internship. Through 2017, Skanska has hired 15 people through Return to Work, 10 as permanent hires. Four of those people have been promoted.

### Outperforming industry benchmarks

With the 2017 Group-wide employee survey, responses to diversity and inclusion questions were 3 to 6 percentage points higher than the external benchmarks. The survey also established a strong internal correlation between inclusive leadership, retention and effectiveness: managers who lead inclusively are also more likely to retain key people and run effective teams.

### Diversity progress

At the Group level, headcount statistics show continued positive progress with diversity, though the degree of advancement varies between Business Units. One of the more successful units is Skanska Sweden, which increased the share of women in senior line positions from 10.3 percent in 2015 to 18.1 percent in 2017. In terms of ethnic diversity, Skanska Sweden continues to improve in mirroring society's diversity, such as through the International Leadership Program.

**Employees by gender**

| | 2017, % | | 2016, % | | 2015, % | |
|---|---|---|---|---|---|---|
| Category | Men | Women | Men | Women | Men | Women |
| All employees | 83 | 17 | 83 | 17 | 85 | 15 |
| Senior executives | 67 | 33 | 78 | 22 | 78 | 22 |
| Skanska AB Board of Directors | 71 | 29 | 77 | 23 | 79 | 21 |

## Governance for sustainability

Skanska has a Group-wide sustainability governance structure. Group Leadership Team members have responsibility for the five sustainability focus areas, with each area backed by a Group-level support unit led by Senior Vice Presidents or Global Managers. The heads of each sustainability area meet regularly in the Sustainability Umbrella Group to drive and coordinate actions within sustainability across Business Units.

The Group support units have regular meetings with representatives from all Business Units to share best practices and knowledge. Sustainability is also prominent on the agenda at Skanska's biennial Management Meetings, reaching 750 senior managers.

### Code of Conduct

Skanska's Code of Conduct is key to bringing the Group's values to life. The Code of Conduct describes the expected behavior of every employee in interactions with fellow employees, customers, local communities and other stakeholders. All Skanska employees must adhere to the principles and requirements contained in the Code of Conduct; this includes part-time, contract and temporary employees.

The current Code of Conduct was introduced in 2016, and during 2017 Group-wide training has been conducted covering all employees in all regions of operations. All employees receive Code of Conduct training every two years, and new employees are trained within one month of starting with Skanska.

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

### Code of Conduct Hotline

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

### Global commitments

THE GLOBAL COMPACT
WE SUPPORT

Skanska became a signatory of the United Nations Global Compact in 2001, and continues to support the Global Compact's Ten Principles. This sustainability report constitutes Skanska's Communication on Progress (COP) and shows how the Group has continued to implement the Ten Principles during 2017.

Skanska supports the rights of all people as described in the Universal Declaration of Human Rights adopted by the UN, and in the conventions of the International Labor Organization. Skanska is also committed to the World Economic Forum's Partnering Against Corruption Initiative, of which Skanska is a founding member.

Skanska is an active participant in international sustainability initiatives, including United Nations Global Compact Network; the International Chambers of Commerce; World Green Building Council; World Business Council for Sustainable Development; ChemSec, which works to reduce hazardous chemicals; and Catalyst, which promotes women in the workplace.

### Awards and recognition

Sustainability-related awards and recognition received by Skanska during 2017 include:

- Skanska topped the Sustainable Brand Index, which ranks perceived performance with environmental and social sustainability among large business-to-business companies in the Nordics.
- The Brock Environmental Center, Virginia Beach, USA, was recognized at the Green Solutions Awards 2017 in the Health and Comfort category. This award was presented during the United Nations Climate Change Conference in Bonn, Germany.
- Skanska UK achieved six external awards for Diversity and Inclusion work. These included ranking in the top 20 of the UK's most inclusive employers in the 2017 Excellence in Diversity Awards.

## Sustainable Development Goals

Skanska recognizes the United Nations' 17 Sustainable Development Goals, which demonstrate the scale and ambition of the worldwide 2030 Agenda for Sustainable Development. Skanska's sustainability review commenced during 2017 highlighted strong ties between sustainability at Skanska and the United Nations' Sustainable Development Goals (SDGs). During 2017, the Group identified the eight SDGs most relevant to Skanska, shown below.

As a project development and construction company, Skanska has a significant ability to influence Goal 11, Sustainable Cities and Communities – this directly relates to the Group's core business. In 2017, Skanska also focused on seven other closely related SDGs. Through these eight SDGs, the Group seeks to harness interconnected opportunities and risks.

### Sustainable Development Goals index

| Sustainable Development Goal | Strategic approach | Examples | Skanska's sustainability focus areas |
|---|---|---|---|
| Achieve gender equality and empower all women and girls | Skanska's Diversity and Inclusion vision, strategy, change journey map and Business Unit action plans provide a framework for continuous progress with diversity and inclusion. Recruiting and developing women is an important focus area, along with reinforcing a fair and inclusive workplace culture. Results are tracked via employee statistics, and specific questions on the annual Group-wide employee engagement survey. | Skanska is steadily increasing the number of women in senior positions. All Project Development Business Units and the Construction units in the Nordics and the UK have women in line positions on their management teams. Across Skanska, there is zero tolerance for any form of discrimination and harassment. The importance of an inclusive and fair workplace is strongly emphasized in the Code of Conduct. With Skanska Sweden, gender equality is an important aspect of the regional diversity and inclusion scorecard. | Diversity and Inclusion |
| Ensure access to water and sanitation for all | Skanska works with water use during the construction of buildings and infrastructure, and through design choices often influences water usage during the full lifecycle of those assets. The Skanska Color Palette, a tool to measure and strategically guide green activities, defines the Group's ambition for efficient water use. | In San Francisco, USA, Skanska designed and built a two-station extension of the Bay Area Rapid Transit light-rail transit system. Ninety percent of water used during construction was from non-potable sources, a reduction made possible by innovative methods. Also, the stations are designed to use around 38 percent less water than standard solutions, annually saving more than 20,000 liters. | Green |
| Ensure access to affordable, reliable, sustainable and modern energy for all | Energy efficiency provides significant value to customers as it reduces their carbon footprints while lowering operational costs. Energy efficiency is a focus area in the Skanska Color Palette. | Skanska has focused on energy efficiency for many years. Over the last 15 years, energy consumption fell by an average of 60 percent in Skanska-developed office buildings in the Nordics. | Green |
| Promote inclusive and sustainable economic growth, employment and decent work for all | Skanska's Code of Conduct guides employees in how to act in appropriate and ethical ways. The Group's Supplier Code of Conduct explains expected behaviors to supply chain partners. | Skanska has strengthened the Group's culture of reporting alleged breaches of the Code of Conduct and Supplier Code of Conduct. Skanska remains vigilant to detect and act on any form of human rights violation and other alleged breaches. | Ethics |
| | Skanska is committed to achieving injury-free and transparent workplaces. Skanska applies the Group's Global Safety Standards at all project sites and does not tolerate behaviors that fall below Group requirements. | To help raise industry safety standards, Skanska works to improve the supply chain's understanding and application of safety requirements. Skanska Safety Week, one of the world's biggest safety events, includes industry partners in several markets. The Group continually looks to improve employees' knowledge and skills regarding safety. | Safety |

| Sustainable Development Goal | Strategic approach | Examples | Skanska's sustainability focus areas |
|---|---|---|---|
| Build resilient infrastructure, promote sustainable industrialization and foster innovation | Skanska seeks to minimize negative environmental impacts, with energy as an important area. The Group collaborates with partners to create improved solutions that lower negative environmental impacts throughout the life cycle of buildings and infrastructure. | Skanska is a partner in Powerhouse, a Norwegian consortium that produces pioneering buildings in Norway that generate more energy than consumed throughout a 60-year life cycle, including construction and building operation. This is done by applying existing technologies in innovative ways. | Green |
| | The public-private partnership (PPP) business model uses lifecycle cost analyses to guide decision making – it determines what provides the greatest long-term value. This approach future-proofs the investments, and also helps minimize environmental impacts. | For the I-4 Ultimate public-private partnership highway project in Orlando, USA, Skanska's consortium has a 40-year concession that includes operations and maintenance. A life cycle cost approach to asphalt pavement rehabilitation strategies is estimated to save USD 38 M over the concession. Also, to help ensure the highway's resilience to extreme weather, the road base will be about 1 meter above seasonable high water levels. | |
| Make cities inclusive, safe, resilient and sustainable | Reaching high levels of external certification – such as LEED, BREEAM, CEEQUAL and Envision – has for years been an important way for Skanska to verify that buildings and infrastructure delivered to customers and society achieve a high sustainability standard. Also, through the Skanska Color Palette, the Group focuses on environmental areas of importance for society. | Skanska had a leading role in guiding the development of the Envision sustainability rating system for civil infrastructure, a system increasingly used in the USA. Skanska designed and built the first rail transit project certified under Envision, the Expo Line Phase II light rail in Los Angeles, USA. | Green |
| | Skanska aims to improve communities through holistic design solutions. This can involve creating integrated movement patterns to reduce segregation, opening shared spaces to enhance trust, promoting health and safety in the built environment, and by improving inclusiveness through increased accessibility for people with different needs. | In Poland, Skanska, together with partner Integration Foundation, is setting a higher bar for making buildings that are accessible to people with different needs, such as the disabled and elderly. Skanska is certifying all new Commercial Property Development projects in Poland to the Building Without Barriers certification, which recognizes highly accessible buildings. | Community investment |
| Ensure sustainable consumption and production patterns | Efficient use of resources is important for Skanska to lower negative environmental impacts while lowering project costs – benefiting the environment and customers. Minimizing waste and responsible use of resources are Skanska Color Palette focus areas. | Skanska is designing and constructing the European Spallation Source in Lund, Sweden. There are high green ambitions for this research facility, including zero waste to landfill. Achieving this target is requiring new ways of working with materials and suppliers. | Green |
| Take urgent action to combat climate change and its impacts | With climate change, the construction industry is part of the problem and part of the solution. Skanska contributes to building a better society by striving to reduce carbon emissions from the Group's operations, as well as providing customers with resilient and low-carbon solutions. The aim is reduced carbon footprints, both for Skanska and customers. | In Solna, Sweden, New Karolinska Solna is a hospital public-private partnership (PPP) with a Skanska consortium handling financing, design, construction and maintenance. To achieve a low environmental impact, it will produce only minor carbon dioxide emissions from energy consumption. Partly due to using geothermal heating and cooling installations, the energy consumption will be 45 percent less than the Swedish energy code. All electricity will be 100 percent renewable electricity generated off site. | Green |

## Sustainability risks

Skanska prioritizes understanding the Group's main sustainability opportunities and risks. For each sustainability risk, comprehensive management and mitigation measures are implemented and regularly updated.

| Risk area and description | Potential Impacts | Mitigation | Skanska's sustainability focus area |
|---|---|---|---|
| **Health and safety** Injuries and ill health regarding people at Skanska sites, or people affected by Skanska work activities. | Multiple fatalities, life-changing injuries, and injuries and long-term ill health that reduce life expectancy or the quality of life. | Skanska's safety policy describes the expected roles of all industry participants to help achieve injury-free environments.<br><br>Skanska's Global Safety Standards provide minimum expected behaviors for all Skanska workplaces.<br><br>Construction Business Units have safety management systems that comply with the OHSAS 18001 international occupational health and safety management system standard. This provides control over operational safety risks. | Safety |
| **Anti-corruption and bribery matters** Bribery, corruption, money laundering and breach of Skanska's values and ethics. Bribery and corruption are among Skanska's top risks. | Fines, penalties and criminal and civil charges. Delisting from public procurement in some markets. Damaged reputation and lost trust as a responsible company. | The Code of Conduct, anti-corruption policy and other policies provide clear directions to employees, and related training provides instruction on appropriate behaviors.<br><br>Skanska encourages employees to have everyday discussions around the Group's values. Short videos depicting situations encountered by employees support this activity.<br><br>Due diligence deepens Skanska's knowledge of suppliers, subcontractors and other partners. Particular attention is given to those representing Skanska as intermediaries. Sellers and buyers of land and real property are also scrutinized, including identifying funding sources. | Ethics |
| **Environment** Major environmental incident in operations or supply chain.<br><br>Pollution or negative impact on the environment. | Damaged reputation and loss of license to operate. | Skanska's Code of Conduct and Environmental Policy, enabled by the Group's environmental management system, guide actions relating to environmental risks and secure legal compliance. Environmental specialists at Group and Business Unit levels support line management with their responsibility for securing compliance and achieving Group environmental expectations, which go beyond compliance, and retaining ISO 14001 certification. Also, Skanska engages with suppliers to reduce risks of supply chain environmental breaches. | Green |
| Inefficient uses of energy, materials, waste and water. | Operational inefficiency, increasing costs and decreasing profits. | Employees are trained on proper environmental practices and are immersed in activities that lift Skanska's Care for Life value. | |
| Physical risks caused by extreme weather due to climate change. | Operational costs or delays due to extreme weather conditions. | The Skanska Color Palette secures a strategic approach to future-proofing projects regarding resource efficiency (energy, carbon, materials and water). | |

| Risk area and description | Potential Impacts | Mitigation | Skanska's sustainability focus area |
|---|---|---|---|
| **Diversity and inclusion** Low diversity among employees and subcontractors – similar backgrounds in terms of gender, age, ethnicity, family situation, educational background, work experience and personality. | Difficulties attracting, recruiting and/or retaining employees with needed competencies.<br><br>Inability to meet customer and community expectations regarding diversity and inclusion, reducing Skanska's ability to secure project assignments.<br><br>Damaged reputation from harassment and discrimination cases. | Diversity and inclusion is integrated in Skanska's 2020 Profit with Purpose Business Plan, and the Group's values, sustainability agenda and Code of Conduct.<br><br>The Group-wide diversity and inclusion vision and strategy are activated through a Group-wide network with local action groups and action plans.<br><br>Diversity and inclusion is integrated into employee attraction and recruitment initiatives, and employee performance review processes. Also, it is addressed in employee onboarding programs and leadership development programs. | Diversity and Inclusion |
| Non-inclusive, even explicitly excluding, workplace culture, resulting in exclusionary experiences and cases of discrimination and harassment. | Decreased employee engagement and productivity due to non-inclusive behaviors and experiences. | Skanska's new Community Investment Guideline is well aligned with the Group's Diversity and Inclusion vision and strategy. Supplier diversity programs support both Community Investment and Diversity and Inclusion. | |
| **Human rights** Human rights violations, such as unfair working conditions, modern-day slavery and discrimination. Also harassment, both at Skanska sites and by any of Skanska's subcontractors or suppliers. | Damaged reputation and lost trust as a responsible company. Also, financial fines and penalties, civil lawsuits and criminal charges. | Skanska Code of Conduct training and the Supplier Code of Conduct guide employees and those working on behalf of Skanska to act appropriately regarding human rights. Other control measures include knowing the background of suppliers and regulating project site access.<br><br>The Code of Conduct Hotline provides an anonymous way for employees and external parties to report suspected misconduct. Every allegation is diligently investigated. | Ethics |
| **Supply chain management** Suppliers not compliant with Skanska's requirement to follow Supply Chain Code of Conduct. | Damaged reputation if suppliers and subcontractors act in ways not consistent with Skanska's values. | Skanska is increasing due diligence of suppliers and subcontractors. Actions include prequalifying suppliers based on set criteria; having the Supplier Code of Conduct as a contract attachment; and auditing suppliers. Particular attention is given to those representing Skanska as intermediaries. | Ethics |
| Performance risks associated with each supplier's financial condition and ability to procure material and labor. | Failure by a supplier could result in Skanska facing a financial loss, damaged reputation and inability to meet project schedule. | Prequalification or qualification prior to award of a contract reduces performance risk. | |

## Employees

The average number of employees in 2017 was 40,759 (42,903), of whom 9,304 (10,158) were in Sweden. Skanska prioritizes attracting, recruiting and orientation of 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. Currently 29 percent (30) of those eligible are participants.

The Group uses annual employee surveys to obtain an understanding of job satisfaction, morale and professional development needs from the employees' perspective. In 2017 a new Group-wide employee survey was launched to follow up and support the Profit with Purpose business plan. The survey was conducted within 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 who are 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, targeting 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 the Group has for all employees and to provide opportunities for continuous development.

Work on Skanska Unlimited – a program aimed at increasing talent exchange within the Group – continued in 2017. Employees are given an opportunity to try a 3–6 month assignment at a different Business Unit, internationally or in the same market.

For Skanska, diversity is about embracing and utilizing the abilities of every individual. Skanska's actions are based on the conviction that the company's competitiveness is enhanced when 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 at every 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 for the President and CEO and other senior executives, see Note 37 Remuneration to senior executives and Board members.

In April 2018 the Board will present a proposal to the Annual General Meeting to retain the current guidelines for salaries and other remuneration of senior executives.

## The Board's proposal for salaries and other remuneration to senior executives for approval by the 2018 Annual General Meeting

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

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

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.

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.

A proposal for the President and CEO's salary and other remuneration is prepared by the Compensation Committee and a decision is taken by the Board. The salaries and other remuneration for other senior executives are determined 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 shares.

This allotment is predominantly performance-based. Shares are only allotted after a three-year vesting period. To be able to earn matching shares and performance shares, a person must be employed during the entire lock-up period and have retained the shares purchased within the framework of the program. Under Seop 3, which ran during the period 2014–2016, matching shares and performance shares were allotted in 2017 for the shares in which employees had invested in 2014 and which they had retained for the three-year lock-up period.

In 2017 Seop 4 continued, 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)

| SEK M | Seop 3 | Seop 4 | Total for programs |
|---|---|---|---|
| **Employee-related costs For share-award Programs[1]** | | | |
| Investment years | 2014–2016 | 2017–2019 | |
| Total estimated cost for the programs[2] | 862 | 311 | 1,173 |
| Expensed at beginning of period | –420 | 0 | –420 |
| Cost for the period | –234 | –63 | –297 |
| Total expensed at end of period | –654 | –63 | –717 |
| **Remaining to be expensed** | **208** | **248** | **456** |
| Of which expensed in: | | | |
| 2018 | 155 | 103 | 258 |
| 2019 | 53 | 102 | 155 |
| 2020 or later | 0 | 43 | 43 |
| **Total** | **208** | **248** | **456** |
| **Share awards earned through December 2017** | | | |
| Number of shares | 2,146,781 | 287,989 | 2,434,770 |
| Dilution through December 2017, % | 0,52 | 0,07 | 0,59 |
| Maximum dilution at end of programs, % | 0,79 | 0,36 | 1,15 |
| Share awards earned at end of programs Number of shares | 5,008,327 | 1,473,955 | 6,482,282 |
| Series B shares allotted | 1,754,616 | 0 | 1,754,616 |
| **Total unallocated shares** | **3,253,711** | **1,473,955** | **4,727,666** |
| **Series B treasury shares** | | | **11,190,028** |

1 Excluding social insurance contributions.
2 For investments made up to now and until December 2017.

## Information on shares

In order to ensure allotment of shares to the participants in Skanska's employee ownership programs, the 2017 Annual General Meeting authorized the Board of Directors to repurchase treasury shares. According to this decision the company may buy a maximum of 3,000,000 Series B shares to ensure allotment of shares to participants in Seop 4.

During the year, Skanska repurchased a total of 2,350,000 shares at an average price of SEK 187.25. The average price of all repurchased shares is SEK 137.31. The quota value of the repurchased shares is SEK 3.00 per share, totaling SEK 7.0 M, and the shares represent 0.6 percent of the total share capital. The cost of acquiring these shares amounted to SEK 440 M. During the year 1,754,616 shares were allotted to the employees participating in the employee ownership program. The quota value of the repurchased shares is SEK 3.00 per share, totaling SEK 5.3 M, and the shares represent 0.4 percent of the total share capital. The number of treasury shares held as of December 31, 2017 amounted to 11,190,028. The quota value of these shares is SEK 3.00 per share, totaling SEK 33.6 M, and the shares represent 2.7 percent of the total share capital. The cost of acquiring the shares amounted to SEK 1.5 billion.

## Proposed dividend

The Board of Directors proposes a regular dividend of SEK 8.25 (8.25) per share. The proposal is equivalent to a regular dividend totaling SEK 3,372 M (3,380). The Board proposes April 17 as the record date for the dividend. The Board has determined that the Group's financial position, the outlook for the coming year and investment opportunities, as well as circumstances in general, warrant retaining a dividend of SEK 8.25 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 24.8 percent (25.8). The proposed dividend does not jeopardize the investments that are considered necessary or investments to support the Group's continued development. The Group's financial position does not give rise to any conclusion other than that the Group can continue to develop its operations and that the company can be expected to meet its short-term and long-term obligations.

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

### Research and innovation

The Research & Innovation department is the corporate hub for knowledge transfer of technical solutions and innovations between the various Skanska units.

It provides technical input to inform Skanska's risk management process in order to reduce risk exposure arising from complex and wide-span structures, potential system errors and the use of new, untested materials. It also provides technical support for problem solving and for handling financial claims and disputes, through a coordinated internal and external network of experts.

In addition, the department oversees the research and innovation activity within Skanska's network, working proactively to identify new technical solutions and improve efficiency in methods and processes.

The capacity for innovation is crucial in order for Skanska to stay competitive and deliver solutions that meet the needs of today and tomorrow. Through innovation, Skanska identifies and develops new technical products, services and processes, improving the company's competitiveness and generating even greater value for Skanska and its clients.

A main priority over the past year was the development of a new strategy for the Group's future R&D work and providing technical support within the framework of Skanska's 2016–2020 business plan, with an emphasis on operational efficiency. Skanska's technical focus areas in 2017 included BIM, automation and robotics, self-driving vehicles, industrialization, materials, drones, 3D printers, energy, energy storage and other key areas such as climate change, sustainability and safety.

Skanska actively collaborates with around 25 universities in the company's home markets and currently has five associate professors in the fields of construction automation, energy, concrete, tunneling and bridge building. In 2017 Skanska ran and supported an initiative in an entirely new area – construction automation. With several industry partners and Mälardalen University (MDH), including its Robotdalen initiative, Skanska applied for and received funding from the Knowledge Foundation for a new research department with a total of 20 PhD students at MDH. The research department provides the possibility of radically changing the construction sector – from a trade to a highly efficient industry.

# Consolidated income statement

| SEK M | Note | 2017 | 2016 |
|---|---|---|---|
| Revenue | 8, 9 | 157,877 | 145,365 |
| Cost of sales | 9 | –145,103 | –131,119 |
| **Gross income** | | **12,774** | **14,246** |
| Selling and administrative expenses | 11 | –9,851 | –9,152 |
| Income from joint ventures and associated companies | 20 | 1,655 | 2,126 |
| **Operating income** | 10, 12, 13, 22, 36, 38, 40 | **4,578** | **7,220** |
| Financial income | | 170 | 119 |
| Financial expenses | | –125 | –238 |
| **Financial items** | 14 | **45** | **–119** |
| **Income after financial items** | 15 | **4,623** | **7,101** |
| Taxes | 16 | –512 | –1,366 |
| **Profit for the year** | | **4,111** | **5,735** |
| Profit for the year attributable to | | | |
| Equity holders | | 4,095 | 5,722 |
| Non-controlling interests | | 16 | 13 |
| Earnings per share, SEK | 26, 43 | 10,00 | 13,96 |
| Earnings per share after dilution, SEK | 26, 43 | 9,94 | 13,88 |
| Proposed regular dividend per share, SEK | | 8,25 | 8,25 |

# Consolidated statement of comprehensive income

| SEK M | 2017 | 2016 |
|---|---|---|
| **Profit for the year** | **4,111** | **5,735** |
| **Other comprehensive income** | | |
| **Items that will not be reclassified to profit or loss or the period** | | |
| Remeasurement of defined-benefit plans[1] | –399 | –1,127 |
| Tax related to items that will not be reclassified to profit or loss for the period | 69 | 189 |
| | **–330** | **–938** |
| **Items that have been or will be reclassified to profit or loss for the period** | | |
| Translation differences attributable to equity holders | –599 | 1,165 |
| Translation differences attributable to non-controlling interests | 8 | 8 |
| Hedging of exchange rate risk in foreign operations | –125 | 36 |
| Effects of cash flow hedges | 138 | 31 |
| Share of other comprehensive income for joint ventures and associated companies | 83 | 855 |
| Tax related to items that have been or will be reclassified to profit or loss for the period | –25 | –4 |
| | **–520** | **2,091** |
| **Other comprehensive income after tax** | **–850** | **1,153** |
| **Total comprehensive income for the year** | **3,261** | **6,888** |
| Total comprehensive income for the year attributable to | | |
| Equity holders | 3,237 | 6,867 |
| Non-controlling interests | 24 | 21 |
| 1 Effects of social insurance contributions including special employer's contribution are included | –65 | –105 |

See also Note 26.

# Consolidated statement of financial position

| SEK M | Note | Dec 31, 2017 | Dec 31, 2016 |
|---|---|---|---|
| **ASSETS** | | | |
| **Non-current assets** | | | |
| Property, plant and equipment | 17, 40 | 6,874 | 6,837 |
| Goodwill | 18 | 4,554 | 5,270 |
| Other intangible assets | 19 | 962 | 1,034 |
| Investments in joint ventures and associated companies | 20 | 3,314 | 4,160 |
| Financial non-current assets | 21 | 2,276 | 1,016 |
| Deferred tax assets | 16 | 1,757 | 1,649 |
| **Total non-current assets** | | **19,737** | **19,966** |
| **Current assets** | | | |
| Current-asset properties | 22 | 39,010 | 33,678 |
| Inventories | 23 | 1,058 | 1,042 |
| Financial current assets | 21 | 6,671 | 10,095 |
| Tax assets | 16 | 1,188 | 784 |
| Gross amount due from customers for contract work | 9 | 6,997 | 5,751 |
| Other operating receivables | 24 | 27,778 | 29,759 |
| Cash | 25 | 6,998 | 5,430 |
| **Total current assets** | | **89,700** | **86,539** |
| **TOTAL ASSETS** | 32 | **109,437** | **106,505** |
| of which interest-bearing financial non-current assets | 31 | 2,228 | 970 |
| of which interest-bearing current assets | 31 | 13,572 | 15,348 |
| | | **15,800** | **16,318** |

# Consolidated statement of financial position

| SEK M | Note | Dec 31, 2017 | Dec 31, 2016 |
|---|---|---|---|
| **EQUITY** | 26 | | |
| Share capital | | 1,260 | 1,260 |
| Paid-in capital | | 2,528 | 2,231 |
| Reserves | | 1,144 | 1,672 |
| Retained earnings | | 22,132 | 22,187 |
| **Equity attributable to equity holders** | | **27,064** | **27,350** |
| Non-controlling interests | | 121 | 156 |
| **TOTAL EQUITY** | | **27,185** | **27,506** |
| | | | |
| **LIABILITIES** | | | |
| **Non-current liabilities** | | | |
| Financial non-current liabilities | 27 | 3,857 | 3,656 |
| Pensions | 28 | 5,603 | 4,901 |
| Deferred tax liabilities | 16 | 1,235 | 1,491 |
| Non-current provisions | 29 | 0 | 1 |
| **Total non-current liabilities** | | **10,695** | **10,049** |
| | | | |
| **Current liabilities** | | | |
| Financial current liabilities | 27 | 7,624 | 6,681 |
| Tax liabilities | 16 | 312 | 489 |
| Current provisions | 29 | 8,557 | 7,227 |
| Gross amount due to customers for contract work | 9 | 16,636 | 18,473 |
| Other operating liabilities | 30 | 38,428 | 36,080 |
| **Total current liabilities** | | **71,557** | **68,950** |
| **TOTAL LIABILITIES** | | **82,252** | **78,999** |
| **TOTAL EQUITY AND LIABILITIES** | 32 | **109,437** | **106,505** |
| | | | |
| of which interest-bearing financial liabilities | 31 | 11,323 | 10,172 |
| of which interest-bearing pensions and provisions | 31 | 5,603 | 4,927 |
| | | **16,926** | **15,099** |

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

# Consolidated statement of changes in equity

| SEK M | Share capital | Paid-in capital | Translation reserve | Equity attributable to equity holders<br>Cash flow hedge reserve | Retained earnings | Total | Non-controlling interests | Total equity |
|---|---|---|---|---|---|---|---|---|
| **Equity, December 31, 2016** | **1,260** | **1,959** | **1,282** | **–1,693** | **21,271** | **24,079** | **127** | **24,206** |
| Profit for the year | | | | | 5,722 | 5,722 | 13 | 5,735 |
| Other comprehensive income for the year | | | 1,201 | 882 | –938 | 1,145 | 8 | 1,153 |
| Dividend to shareholders | | | | | –3,075 | –3,075 | –6 | –3,081 |
| Change in Group structure | | | | | | | 14 | 14 |
| Repurchase of 2,340,000 Series B-shares | | | | | –793 | –793 | | –793 |
| Change in share-based payments for the year | | 272 | | | | 272 | | 272 |
| **Equity, December 31, 2016/ Equity, January 1, 2017** | **1,260** | **2,231** | **2,483** | **–811** | **22,187** | **27,350** | **156** | **27,506** |
| Profit for the year | | | | | 4,095 | 4,095 | 16 | 4,111 |
| Other comprehensive income for the year | | | –724 | 196 | –330 | –858 | 8 | –850 |
| Dividend to shareholders | | | | | –3,380 | –3,380 | –59 | –3,439 |
| Repurchase of 4,345,000 Series B shares | | | | | –440 | –440 | | –440 |
| Change in share-based payments for the year | | 297 | | | | 297 | | 297 |
| **Equity, December 31, 2017** | **1,260** | **2,528** | **1,759** | **–615** | **22,132** | **27,064** | **121** | **27,185** |

See also Note 26.

# Consolidated cash flow statement

| SEK M | 2017 | 2016 |
|---|---|---|
| **Operating activities** | | |
| Operating income | 4,578 | 7,220 |
| Adjustments for items not included in cash flow | –3,521 | –4,918 |
| Income tax paid | –860 | –1,202 |
| **Cash flow from operating activities before change in working capital** | **197** | **1,100** |
| **Cash flow from change in working capital** | | |
| Investments in current-asset properties | –20,792 | –17,128 |
| Divestments of current-asset properties | 19,575 | 16,473 |
| Change in inventories and operating receivables | 370 | –4,093 |
| Change in operating liabilities | 3,496 | 2,765 |
| **Cash flow from change in working capital** | **2,649** | **–1,983** |
| **Cash flow from operating activities** | **2,846** | **–883** |
| **Investing activities** | | |
| Investments in intangible assets | –255 | –394 |
| Investments in property, plant and equipment | –1,876 | –1,636 |
| Investments in Infrastructure Development assets | –449 | –1,336 |
| Investments in shares | –154 | –325 |
| Increase in interest-bearing receivables, loans provided | –1,052 | –2,559 |
| Sale of operations | 0 | 862 |
| Divestments of intangible assets | 1 | 2 |
| Divestments of property, plant and equipment | 213 | 411 |
| Divestments of Infrastructure Development assets | 1,950 | 3,102 |
| Divestments of shares | 458 | 16 |
| Decrease in interest-bearing receivables, repayments of loans provided | 2,786 | 299 |
| Income tax paid | –32 | –35 |
| **Cash flow from investing activities** | **1,590** | **–1,593** |
| **Financing activities** | | |
| Net interest items | 80 | 2 |
| Other financial items | 173 | –110 |
| Borrowings | 2,677 | 1,302 |
| Repayment of debt | –1,792 | –1,442 |
| Dividend to shareholders | –3,380 | –3,075 |
| Shares repurchased | –440 | –793 |
| Dividend to non-controlling interests | –59 | –6 |
| Income tax paid | –76 | 32 |
| **Cash flow from financing activities** | **–2,817** | **–4,090** |
| **Cash flow for the year** | **1,619** | **–6,566** |
| Cash and cash equivalents, January 1 | 5,430 | 11,840 |
| Translation differences in cash and cash equivalents | –51 | 156 |
| **Cash and cash equivalents, December 31** | **6,998** | **5,430** |

### Change in interest-bearing net receivables/liabilities

| SEK M | 2017 | 2016 |
|---|---|---|
| **Interest-bearing net receivables/net liabilities, January 1** | **1,219** | **6,317** |
| Cash flow from operating activities | 2,846 | –883 |
| Cash flow from investing activities excluding change in interest-bearing receivables | –144 | 667 |
| Cash flow from financing activities excluding change in interest-bearing liabilities | –3,702 | –3,950 |
| Change in pension liability | –334 | –1,022 |
| Net receivable/net liability acquired/divested | 0 | –663 |
| Translation differences | –941 | 972 |
| Other | –70 | –219 |
| **Interest-bearing net receivables/net liabilities, December 31** | **–1,126** | **1,219** |

See also Note 35.

# Consolidated cash flow statement, specification

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

| SEK M | 2017 | 2016 |
|---|---|---|
| **Construction** | | |
| Cash flow from business operations | 3,735 | 4,925 |
| Change in working capital | 226 | 1,051 |
| Net divestments (+)/investments (–) | –1,825 | –1,414 |
| Cash flow adjustment[1] | 0 | 0 |
| **Total Construction** | **2,136** | **4,562** |
| | | |
| **Residential Development** | | |
| Cash flow from business operations | –692 | –677 |
| Change in working capital | 1,008 | 1,198 |
| Net divestments (+) / investments (–) | 680 | –1,631 |
| Cash flow adjustment[1] | 233 | –100 |
| **Total Residential Development** | **1,229** | **–1,210** |
| | | |
| **Commercial Property Development** | | |
| Cash flow from business operations | –868 | –706 |
| Change in working capital | –400 | –664 |
| Net divestments (+) / investments (–) | –1,375 | 679 |
| Cash flow adjustment[1] | –476 | 4 |
| **Total Commercial Property Development** | **–3,119** | **–687** |
| | | |
| **Infrastructure Development** | | |
| Cash flow from business operations | –261 | 154 |
| Change in working capital | 2,856 | –2,965 |
| Net divestments (+) / investments (–) | 1,501 | 1,766 |
| Cash flow adjustment[1] | 0 | 0 |
| **Total Infrastructure Development** | **4,096** | **–1,045** |
| | | |
| **Central and eliminations** | | |
| Cash flow from business operations | –857 | –1,394 |
| Change in working capital | 176 | 52 |
| Net divestments (+) / investments (–) | –67 | –119 |
| Cash flow adjustment[1] | 0 | 0 |
| **Total central and eliminations** | **–748** | **–1,461** |
| | | |
| Total cash flow from business operations | 1,057 | 2,302 |
| Total change in working capital | 3,866 | –1,328 |
| Net divestments (+) / investments (–) | –1,086 | –719 |
| Total cash flow adjustment[1] | –243 | –96 |
| **Total cash flow from business operations before taxes paid** | **3,594** | **159** |

| SEK M | 2017 | 2016 |
|---|---|---|
| Taxes paid in business operations | –892 | –1,237 |
| **Cash flow from business operations including taxes paid** | **2,702** | **–1,078** |
| | | |
| Net interest items and other net financial items | 253 | –108 |
| Taxes paid in financing operations | –76 | 32 |
| **Cash flow from financing activities** | **177** | **–76** |
| **Cash flow from operations** | **2,879** | **–1,154** |
| | | |
| Strategic net divestments (+) /investments (–) | 0 | 862 |
| Dividend etc.[2] | –3,879 | –3,874 |
| **Cash flow before change in interest-bearing receivables and liabilities** | **–1,000** | **–4,166** |
| Change in interest-bearing receivables and liabilities | 2,619 | –2,400 |
| **Cash flow for the year** | **1,619** | **–6,566** |
| Cash and cash equivalents, January 1 | 5,430 | 11,840 |
| Translation differences in cash and cash equivalents | –51 | 156 |
| **Cash and cash equivalents, December 31** | **6,998** | **5,430** |
| | | |
| 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 | –440 | –793 |

See also Note 35.

# Parent Company income statement

| SEK M | Not | 2017 | 2016 |
|---|---|---|---|
| Revenue | 46 | 698 | 674 |
| **Gross income** | | **698** | **674** |
| Selling and administrative expenses | | –791 | –752 |
| **Operating income** | 49,,50,,62 | **–93** | **–78** |
| Income from holdings in Group companies | 47 | 4,466 | 3,597 |
| Income from other financial non-current assets | 47 | 0 | 0 |
| Interest expense and similar items | 47 | –63 | –75 |
| **Income after financial items** | | **4,310** | **3,444** |
| Tax on profit for the year | 48 | 11 | –15 |
| **Profit for the year**[1] | | **4,321** | **3,429** |

1 Coincides with comprehensive income for the year.

# Parent Company balance sheet

| SEK M | Note | Dec 31, 2017 | Dec 31, 2016 |
|---|---|---|---|
| **ASSETS** | | | |
| **Intangible non-current assets** | 49 | **16** | **19** |
| **Property, plant and equipment** | 50 | | |
| Plant and equipment | | 2 | 2 |
| **Total property, plant and equipment** | | **2** | **2** |
| **Financial non-current assets** | 51 | | |
| Holdings in Group companies | 52 | 11 206 | 11 094 |
| Holdings in joint arrangements | 53 | 2 | 2 |
| Other non-current holdings of securities | | 0 | 0 |
| Receivables in Group companies | 63 | 247 | 253 |
| Deferred tax assets | 48 | 77 | 60 |
| Other non-current receivables | 51 | 107 | 95 |
| **Total financial non-current assets** | | **11 639** | **11 504** |
| **Total non-current assets** | | **11 657** | **11 525** |
| **Current receivables** | | | |
| Current receivables in Group companies | 63 | 18 | 15 |
| Tax assets | | 8 | 15 |
| Other current receivables | | 124 | 128 |
| Prepaid expenses and accrued income | 54 | 13 | 9 |
| **Total current receivables** | | **163** | **167** |
| **Total current assets** | | **163** | **167** |
| **ASSETS** | 59 | **11 820** | **11 692** |

| SEK M | Note | Dec 31, 2017 | Dec 31, 2016 |
|---|---|---|---|
| **EQUITY AND LIABILITIES** | | | |
| **Equity** | 55 | | |
| Share capital | | 1 260 | 1 260 |
| Restricted reserves | | 598 | 598 |
| **Restricted equity** | | **1 858** | **1 858** |
| Retained earnings | | 1 034 | 1 073 |
| Profit for the year | | 4 321 | 3 429 |
| **Unrestricted equity** | | **5 355** | **4 502** |
| **Total equity** | | **7 213** | **6 360** |
| **Provisions** | 56 | | |
| Provisions for pensions and similar obligations | 57 | 174 | 172 |
| Other provisions | | 133 | 111 |
| **Total provisions** | | **307** | **283** |
| **Non-current interest-bearing liabilities** | 58 | | |
| Liabilities to Group companies | 63 | 4 177 | 4 918 |
| **Total non-current interest-bearing liabilities** | | **4 177** | **4 918** |
| **Current liabilities** | 58 | | |
| Trade accounts payable | | 20 | 28 |
| Liabilities to Group companies | 63 | 26 | 26 |
| Other liabilities | | 5 | 12 |
| Accrued expenses and prepaid income | | 72 | 65 |
| **Total current liabilities** | | **123** | **131** |
| **EQUITY AND LIABILITIES** | 59 | **11 820** | **11 692** |

# Parent Company statement of changes in equity

| SEK M | Share capital | Statutory reserve | Unrestricted equity | Total equity |
|---|---|---|---|---|
| **Equity, January 1, 2016** | **1,260** | **598** | **4,616** | **6,474** |
| Repurchases of 2 340 000 Series B shares | | | –793 | –793 |
| Compensation from subsidiaries for shares issued | | | 53 | 53 |
| Dividend | | | –3,075 | –3,075 |
| Share-based payments | | | 272 | 272 |
| Profit for 2016[1] | | | 3,429 | 3,429 |
| **Equity, December 31, 2016/ Equity, January 1, 2017** | **1,260** | **598** | **4,502** | **6,360** |
| Repurchases of 4,345,000,Series B shares | | | –440 | –440 |
| Compensation from subsidiaries for shares issued under employee ownership programs | | | 55 | 55 |
| Dividend | | | –3,380 | –3,380 |
| Share-based payments | | | 297 | 297 |
| Profit for 2017[1] | | | 4,321 | 4,321 |
| **Equity, December 31, 2017** | **1,260** | **598** | **5,355** | **7,213** |

1 Coincides with comprehensive income for the year.

See also Note 55.

# Parent Company cash flow statement

| SEK M | 2017 | 2016 |
|---|---|---|
| **Operating activities** | | |
| Operating income | –93 | –78 |
| Adjustments for items not included in cash flow | 25 | 26 |
| Paid income tax | –14 | –18 |
| **Cash flow from operating activities before change in working capital** | **–82** | **–70** |
| **Cash flow from change in working capital** | | |
| Change in operating receivables | –3 | 10 |
| Change in operating liabilities | 17 | –17 |
| **Cash flow from change in working capital** | **14** | **–7** |
| **Cash flow from operating activities** | **–68** | **–77** |
| **Investing activities** | | |
| Acquisition of intangible assets | 0 | –19 |
| Increase in interest-bearing receivables, loans provided | –12 | –37 |
| Decrease in interest-bearing receivables, loans provided | 6 | 58 |
| **Cash flow from investing activities** | **–6** | **2** |
| **Financing activities** | | |
| Net interest items | –63 | –75 |
| Dividends received | 4,466 | 3,597 |
| Borrowings | 0 | 149 |
| Repayment of debt | –741 | 0 |
| Dividend paid | –3,380 | –3,075 |
| Repurchase of shares | –440 | –793 |
| Paid income tax | 14 | 17 |
| Payments from subsidiaries for employee ownership programs | 218 | 255 |
| **Cash flow from financing activities** | **74** | **75** |
| **Cash flow for the year** | **0** | **0** |
| Cash and cash equivalents, January 1 | 0 | 0 |
| **Cash and cash equivalents, December 31** | **0** | **0** |

See also Note 61.

# Notes including accounting and valuation principles

Amounts in millions of Swedish kronor (SEK M) unless otherwise specified.
Income is reported in positive figures and 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

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

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

The Parent Company's annual accounts and the consolidated annual accounts were approved for issuance by the Board of Directors on January 31, 2018. The Parent Company income statement and balance sheet and the consolidated income statement and statement of financial position will be subject to adoption by the Annual General Meeting on April 13, 2018.

## Conditions when preparing the Group's financial reports

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

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

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

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

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

## New standards and interpretations

The disclosure requirements in IAS 7 Statement of Cash Flows have changed and now include information on changes in liabilities relating to financing activities. Information on this is provided in Note 35.

IAS 12 Income Taxes has been changed and clarifies that when an entity recognizes deferred tax assets it must take into account any limitation on the ability to utilize deductible temporary differences, and provides guidance on how to estimate future taxable profit. This is not expected to have any material effect on Skanska's financial statements.

## 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

Two new standards IFRS 15 and IFRS 9 are effective from January 1, 2018.

The standard IFRS 15 Revenue from Contracts with Customers mainly concerns how revenue from contracts with customers, excluding leases, is to be reported and how payment from customers is to be measured. 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. Skanska's client contracts are usually of the type that do not require categorization according to the standard into two or more performance obligations. Revenue from construction operations will continue to be recognized according to the percentage-of-completion method. As previously, sales of properties are recognized when the purchaser takes possession of the property. IFRS 15 requires more detailed disclosures. Skanska is implementing the standard with full retrospective effect. There is no material effect on revenue and expenses. The only material effect on Skanska's financial statements is a reclassification from gross amount due to customers for contract work from other operating liabilities to loss reserves in the line item "Current provisions." The reclassifications break down by quarter as follows:

| | January 1, 2017 | March 31, 2017 | June 30, 2017 | September 30, 2017 | December 31, 2017 |
|---|---|---|---|---|---|
| Gross amount due to customers for contract work | –151 | –239 | –275 | –282 | –370 |
| Trade and other payables | –236 | –244 | –256 | –244 | –204 |
| Provision for losses | 387 | 483 | 531 | 526 | 574 |

IFRS 15 does not require any change to segment reporting for Residential Development and Commercial Property Development.

The standard IFRS 9 Financial Instruments replaces IAS 39 Financial Instruments: Recognition and Measurement. The new standard is more principle-based and contains new principles for classification and measurement of financial instruments, a forward-looking impairment model for financial instruments and a revised approach to hedge accounting. In the same way as in IAS 39, the new rules for classification and measurement require financial assets to be classified in different categories, so that some are measured at amortized cost and some at fair value. IFRS 9 introduces other categories than those in IAS 39. The classification in IFRS 9 is based on the instrument's contractual cash flow and on the entity's business model. With respect to financial liabilities, IFRS 9 largely corresponds to IAS 39. The model for classification and measurement does not involve any significant change compared to today's standard. The new impairment model brings forward the timing of reserves for credit losses. In general Skanska's credit risk arising from trade receivables is limited, since construction project work is invoiced on a continuous basis over the course of the project, and within Commercial Property Development and Residential Development payment is made when the property or home is handed over. Skanska applies hedge accounting to a limited extent. The standard does not have any effects on the financial statements other than the new impairment model for expected credit losses due to the possible future inability of clients to pay, which is reported following the standard's implementation on January 1, 2018. The reserve for credit losses relating to financial instruments will increase initially by SEK 180 M, with an immediate effect on equity in the amount of SEK 140 M after taking deferred tax into account. Comparison data is not restated.

In January 2016 the IASB published the new standard IFRS 16 Leases, which was adopted by the EU in 2017 and will be applied with effect from January 1, 2019. In contrast to the present IAS 17 Leases, under the new standard Skanska, as the lessee in operating leases as well, must recognize operating leases in the statement of financial position, except for limited or shorter leases. The effect of the new standard is expected to result in an increase in total assets of around SEK 5 to 7 billion. Lines will be added to the balance sheet for property, plant and equipment right-of-use assets, current-asset properties right-of-use land as well as interest-bearing liabilities. See Note 40 on future minimum lease payments for non-cancellable operating leases. Skanska has chosen to implement the standard retroactively with cumulative effect, i.e. without restating the comparison periods.

## IAS 1 Presentation of Financial Statements

### Income statement

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

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

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

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

Financial income and expense are recognized divided into two items: "Financial income" and "Financial expenses." Among items recognized under financial income are interest income, dividends, gains on divestments of shares and other financial items. Financial expenses include interest expense and other financial items. Changes in the fair value of financial instruments, primarily derivatives linked to financing activities, are recognized as a separate sub-item allocated between financial income and financial expenses. The net amount of exchange rate differences 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, remeasurement related to pension-linked assets and liabilities, effects of cash flow hedges and tax on these items.

### Statement of financial position

#### Assets

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

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

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

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

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

#### Equity

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

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

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

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

#### Liabilities

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

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

### IFRS 10 Consolidated Financial Statements

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

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

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

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

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

Goodwill attributable to foreign operations is expressed in local currency. Translation to SEK is in accordance with IAS 21.

### IFRS 3 Business Combinations

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

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

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

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

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

## IAS 21 The Effects of Changes in Foreign Exchange Rates

#### Foreign currency transactions

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

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

#### Financial statements of foreign operations

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

#### Net investment in foreign operations

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

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

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

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

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

Classification as discontinued operations occurs upon divestment, or at an earlier date when the operations meet the criteria to be classified as held for sale. A disposal group that is to be shut down can also qualify as discontinued operations if it meets the above 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 associates. In addition, it is presumed that this ownership is one element of a long-term connection and that the holding will not be reported as a joint arrangement.

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

#### The equity method

From the date when Skanska gains a significant influence in an associated company, or a joint controlling interest in a joint venture, holdings in associated companies and joint ventures are recognized in the consolidated financial statements according to the equity method. Any difference upon acquisition between the cost of the holding and Skanska's share of the net fair value of the associated company's or joint venture's identifiable assets, liabilities and 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 reduce the carrying amount of the investment.

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

#### Elimination of intra-Group profits

When profits arise from transactions between the Group and an associated company or a joint venture, the portion equivalent to the Group's share of ownership is eliminated. If the carrying amount of the Group's holding in the associated company is less than the elimination of internal profit, the excess portion of the elimination is recognized as prepaid income. 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 executed in cooperation with outside contracting companies, with joint and several liability, are reported by Skanska as joint operations. If the joint arrangement is a separate company but the vast majority of the company's production is acquired by the co-owners and there is no obstacle to its sale to an external party, the joint arrangement is often considered to be a joint operation. In other cases the arrangement is a joint venture. If the co-owners of the joint arrangement only have rights to the net assets of the arrangement, it is a joint venture. Classification of a joint arrangement requires a determination of its legal form, the terms of the contractual arrangement between the co-owners and other circumstances.

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

### IAS 11 Construction Contracts

Project revenues are reported in accordance 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 equivalent to accumulated expenses on the closing day (zero recognition). Anticipated losses are immediately expensed.

The original contract amount as well as additional work, claims for special compensation and incentive payments are recognized as project revenue, 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 (receivables due from clients 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 (liabilities to clients for contract work). Major machinery purchases that are intended only for an individual project as well as significant start-up expenses are included to the extent they can be attributed to future activities as receivables from the client 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 instead 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. Instead of the quarter when the order was received, the quarter when the Group receives the status of preferred bidder applies in the case of infrastructure projects, provided that it is considered highly probable that a final agreement will be reached. Tendering expenses that were recognized in prior closing, interim or annual reporting periods may not be recognized as project expenses in later periods.

Forward contracts related to hedging of operating transaction exposure 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 object has been handed over to the customer. Such obligations may also be required by law. The main principle is that 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 accordance 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 as of 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.

### IFRS 15 Revenue from Contracts with Customers – Effective from January 1, 2018

The new standard IFRS 15 went into effect on 1 January 2018 and replaces IAS 11, IAS 18 and IFRIC 15. References in other standards to IAS 11 and IAS 18 will be replaced by references to IFRS 15.

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

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

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

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

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

Revenue for Skanska's construction contracts is recognized over time according to the percentage-of-completion method. Revenue from the sale of properties is recognized on the handover date.

For each performance obligation that is satisfied over time, revenue is to be recognized over time by measuring the time passed in relation to full satisfaction of the obligation. Skanska applies the input method which is used consistently for similar performance obligations and under similar circumstances. In the input method revenue is recognized on the basis of the entity's input in fulfilling the performance obligation (e.g. resources consumed, hours spent on work, costs incurred) in relation to the total expected input to fulfill the performance obligation. An exception from this cost-based input method might be costs attributable to significant ineffectiveness in the entity's performance or where costs incurred are not in proportion to the passage of time to fulfill the obligation.

Expenses relating to obtaining a contract, i.e. expenses the entity would have had if it had not won the contract, are recognized as an asset only if the entity is expecting to have those expenses covered. Expenses to complete a contract that does not fall under a standard other than IFRS 15 are recognized as an asset if the expenses have a direct link to a contract or to an expected contract, if the expenses create or enhance resources that will be used to fulfill the performance obligation in the future and that are also expected to be recovered.

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

### IAS 17 Leases

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

#### Finance leases

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

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

**Operating leases**

As for operating leases, the lease payment is recognized as an expense 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 the purchase price plus expenses directly attributable to the asset in order to bring it to the location and condition to be used in the intended manner. Examples of directly attributable expenses are delivery and handling costs, installation, ownership documents, consultant fees and legal services. Borrowing costs are included in the cost of property, plant and equipment produced by the Group. Impairment losses are applied in compliance with IAS 36.

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

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

The decisive factor in determining when a further expenditure is added to cost is whether the expenditure is related to replacement of identified components, or parts thereof, at which time such expenditures are capitalized. In cases where a new component is created, this expenditure is also added to cost. Any undepreciated carrying amounts for replaced components, or parts thereof, are disposed of and recognized as an expense at the time of replacement. If the cost of the removed component cannot be determined directly, its cost may be estimated 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 accordance with the rules in IFRS 3.

An intangible asset is an identifiable non-monetary asset without physical substance that is used for producing or supplying goods or services or for leasing and administration. To be recognized as an asset, it is necessary both that it be probable that future economic benefits attributable to the asset will flow to the entity and that the cost can be reliably calculated. It is especially worth noting that expenditures recognized 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 10 years. Investments in major computer systems are amortized over a maximum of seven years.

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

## IAS 36 Impairment of Assets

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

Impairment losses are determined on the basis of the recoverable amount of assets, which is the higher of fair value less cost to sell and value in use. In calculating value in use, future cash flows are discounted using a discounting factor that takes into account risk-free interest and the risk associated with the asset. Estimated residual value at the end of the asset's useful life is included as part of value in use. For assets that do not generate cash flows that are essentially independent of other assets, the recovery value is calculated for the cash-generating unit to which the asset belongs. A cash-generating unit is the smallest group of assets that generates cash inflows that are independent of other assets or groups of assets. For goodwill, the cash-generating unit is mainly the same as the Group's Business Unit or other unit reporting to the Parent Company. 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 and Residential Development, the recoverable amount of goodwill is based on value in use, which is calculated by discounting expected future cash flows. The discounting factor is the weighted average cost of capital (WACC) applicable to the operation. See Note 18.

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

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

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

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

## IAS 23 Borrowing Costs

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

### IAS 12 Income Taxes

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

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

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

### IAS 2 Inventories

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

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

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

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

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

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

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

### IAS 37 Provisions, Contingent Liabilities and Contingent Assets

**Provisions**

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

Skanska makes provisions for future expenses relating to warranty obligations according to construction contracts that involve a liability for the contractor to remedy errors and omissions that are discovered within a certain period after the contractor has handed over the property to the client. Such obligations may also be required by law. 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," as described 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 remeasurement 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 3 and Seop 4 employee ownership programs are recognized as share-based payment settled with equity instruments, in compliance with IFRS 2. This means that the fair value is calculated on the basis of 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 Sop 3 and Seop 4 employee ownership programs, the dilution effect is calculated by adding potential ordinary shares to the number of ordinary shares before dilution. The calculation of potential ordinary shares occurs in two stages. First there is an assessment of the number of shares that may be issued when established targets are reached. The number of shares for the respective program year is then determined the following year, provided that the condition of continued employment is met. In the next step, the number of potential ordinary shares is reduced by the value of the consideration that Skanska is expected to receive, divided by the average market price of a share during the period.

### IAS 24 Related Party Disclosures

According to this accounting standard, information must be provided about transactions and agreements with related companies and physical persons. In the consolidated financial statements, intra-Group transactions fall outside this reporting requirement. Notes 36, 37 and 39 provide disclosures in accordance with the accounting standard. With respect to the Parent Company, this information is provided in Notes 62 and 63.

### IAS 40 Investment Property

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

### IFRS 8 Operating Segments

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

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

The Group Leadership Team (called the Senior Executive Team until the end of 2017) is the Group's highest executive decision-maker.

The principle for segment reporting of Residential Development and Commercial Property Development in the income statement deviates from IFRS on two points. In segment reporting, a divestment gain is recognized on the date a 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 Group Leadership Team focuses on the areas for which each respective operating segment is operationally responsible: operating income in the income statement and capital employed. For each respective operating segment, the note thus reports external and internal revenue, cost of production and management, selling and administrative expenses and capital employed. Capital employed refers to total assets minus tax assets and receivables invested in Skanska's treasury unit ("internal bank") less non-interest-bearing liabilities excluding tax liabilities. In the calculation of capital employed, a capitalized interest expense is removed from total assets for the Residential Development and Commercial Property Development segments. Acquisition goodwill has been reported in the operating segment to which it relates.

In transactions between operating segments, pricing occurs on market terms.

Certain parts of the Group do not belong to any operating segment. These are reported in Note 4 under the heading "Central and eliminations." 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, USA 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.

Information on this is provided in Note 41 and Note 66.

### IAS 32 Financial Instruments: Presentation

Offsetting of financial assets and financial liabilities occurs when an entity has a legal right to offset items against each other and intends to either settle these items on a net basis or simultaneously divest the asset and settle the liability.

Prepaid income and expenses are not financial instruments. Accrued income and expenses that are related to the business are not recognized as financial instruments. Thus, receivables due from (or payables 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 and 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 the change in 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. In hedge accounting for cash flow hedges and hedging of net investments in foreign operations, the effectiveness of hedging is assessed regularly, and hedge accounting is applied only where hedging is deemed effective. Information on hedging and hedge accounting is provided in Note 6.

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 on 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 gains or losses are 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 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 fluctuations 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 9 Financial Instruments – Effective from January 1, 2018

The new standard IFRS 9 went into effect on January 1, 2018 and replaces the old standard IAS 39. References in other standards to IAS 39 will be replaced by references to IFRS 9.

IFRS 9 Financial Instruments addresses the recognition of financial assets and liabilities. Categories exempt from application according to IFRS 9 include holdings in subsidiaries, associated companies and joint ventures, leases, rights under employment contracts, treasury shares, financial instruments as described in IFRS 2, and rights and responsibilities within IFRS 15 except for the rights in IFRS 15 where an impairment requirement according to IFRS 9 applies. All financial instruments, including derivatives, are recognized as a financial asset or financial liability in the statement of financial position when the entity becomes a party to the contractual provisions of the instrument. A regular way purchase or sale of a financial asset is recognized in and derecognized from the statement of financial position using trade date accounting. A financial asset is derecognized from the statement of financial position when the contractual rights to cash flows from the financial asset expire or when the entity transfers the contractual rights to receive cash flows from the financial asset or retains the contractual rights to receive cash flows, but assumes a contractual obligation to pay cash flows to one or more recipients. A financial liability is derecognized from the statement of financial position only when the contractual obligation is fulfilled, cancelled or expires.

Presentation of financial assets is based on the entity's business model and the contractual cash flows of the asset. A financial asset is measured at amortized cost if the asset is held within the framework of a business model the objective of which is to hold financial assets in order to collect contractual cash flows, and the cash flows on specified dates are solely payments of principal and interest on the principal amount outstanding.

A financial asset is measured at fair value through other comprehensive income if the asset is held according to a business model the objective of which can be achieved both by collecting contractual cash flows and selling financial assets, and the cash flows are solely payments of principal and interest on the principal amount outstanding. A financial asset is measured at fair value though profit or loss if it is not measured at amortized cost or at fair value through other comprehensive income.

All financial assets are measured at amortized cost with the exception of: a) financial liabilities measured at fair value through profit or loss (such liabilities, including derivatives that are liabilities, are thereafter to be measured at fair value); b) financial liabilities arising when a transfer of a financial asset does not meet the criteria for derecognition from the statement of financial position or where a continued commitment is appropriate; c) financial guarantee contracts; d) a loan commitment with interest that is below the market interest rate; and e) a contingent consideration acknowledged by an acquiring party in connection with a business combination covered by IFRS 3 (such contingent consideration is thereafter measured at fair value with changes recognized through profit or loss).

An entity is only entitled to reclassify all relevant financial assets when the entity changes its business model for managing financial assets. Reclassification of financial liabilities is not permitted.

Financial assets and liabilities are initially measured at fair value plus or minus transaction costs upon acquisition of a financial asset or financial liability for a financial asset or financial liability that is not measured at fair value through profit or loss. Trade receivables that do not contain a significant financing component are measured upon initial recognition at their transaction price (as defined in IFRS 15). After initial recognition, financial assets are measured at amortized cost, fair value through other comprehensive income or fair value through profit or loss. Subsequent measurement of financial liabilities is at amortized cost or fair value through profit or loss.

An entity is to apply the impairment requirement to expected credit losses on financial assets and a loss provision for these is to be recognized as a deduction from the asset. On every closing day the loss provision is to be equivalent to an amount reflecting the expected credit losses for the remaining time until maturity if the credit risk has increased significantly since it was initially recognized. If the credit risk has not increased significantly since it was first recognized, the loss provision is to be equivalent to 12 months of expected credit losses. For trade receivables, contractual assets and lease receivables, the loss provision is always to be at an amount equivalent to the remaining time to maturity. An entity is to measure expected credit losses taking into account an objective and probability-weighted amount, the time value of money, reasonable and supportable information about past events, current conditions and forecasts of future economic conditions.

The purpose of hedge accounting is so that, in its financial statements, an entity can report the effect of its risk management where financial instruments are used to manage exposure from specific risks that would impact results. A derivative that is measured at fair value through profit or loss can be identified as a hedging instrument. A financial asset or liability that is not a derivative measured at fair value through profit or loss can be identified as a hedging instrument unless it is a financial liability identified as measured through profit or loss, for which the amount of the change in fair value arising from changes in credit risk for the liability are recognized in other comprehensive income. In hedge accounting, only contracts with an external party outside the Group can be identified as hedging instruments. A hedged item may be a recognized asset or liability, an unrecognized binding commitment, a highly likely forecast transaction or a net investment in foreign operations. A hedging relationship only qualifies for hedge accounting when the following criteria have been met: the hedging relationship consists only of eligible hedging instruments and eligible hedged items, where there is a formal designation and documentation for the hedging relationship and the entity's risk management objective and strategy for undertaking the hedge, and where the effectiveness requirement for hedges has been met. The effectiveness requirement is met when there is an economic relationship between the hedged item and the hedging instrument, the effect of credit risk does not dominate the value changes that result from the economic relationship, and the hedge ratio of the hedging relationship is the same as that actually used in the economic hedge, and the quantity the entity actually uses to hedge the amount of the hedged item.

Skanska uses hedge accounting for cash flow hedging and hedging of net investment in foreign operations. Hedge accounting is used for cash flow hedges when a future cash flow is attributable to a recognized asset or liability or a highly probably future transaction. Hedge accounting for hedging of net investments in foreign operations is applied when the net investment is in line with IAS 21.

A cash flow hedge is recognized as follows:

a) the separate component in equity which is linked to the hedged item is to be adjusted to the lower of the following: the cumulative gains or losses from the hedging instrument from the date the hedge was entered into or the cumulative change in fair value for the hedged item from the date the hedge was entered into;

b) the portion of the gain or loss for a hedging instrument that has been determined to be an effective hedge is recognized in other comprehensive income;

c) the remaining gain or loss for the hedge instrument is hedging ineffectiveness that is to be recognized through profit or loss;

d) the amount accumulated in the provision derived from the cash flow hedged in accordance with a) is to be recognized as follows:

i) if a hedged forecast transaction subsequently leads to recognition of a non-financial asset or liability, or a hedged forecast transaction for a non-financial asset or liability becomes a binding commitment for which hedge accounting of fair value is used, the entity is to deduct this from the provision originating from the cash flow hedge and include it directly in the initial cost or other recognized value for the asset or liability;

ii) for all cash flow hedges except those covered by i) this amount is to be reclassified from the provision originating from the cash flow hedge to profit or loss as a reclassification adjustment in the same period or periods during which the hedged expected future cash flows affect profit or loss;

iii) if this amount is a loss and an entity is expecting all or part of the loss to be recovered during one or more future periods, the amount expected to be recovered is to be immediately reclassified to profit or loss as a reclassification adjustment.

Hedging of net investments in foreign operations, including a hedge of a monetary item that is recognized as part of a net investment, is to be recognized in a similar way to cash flow hedges: the portion of the gain or loss for the hedging instrument that is determined to be an effective hedge is to be recognized through other comprehensive income, and the ineffective portion is to be recognized through profit or loss. The cumulative gain or loss for the hedging instrument that is attributable to the effective portion of the hedge and that has accumulated in the currency translation reserve is to be reclassified from equity to profit or loss upon disposal or partial disposal of the foreign operations.

### IFRS 7 Financial Instruments: Disclosures

The company provides disclosures that enable the evaluation of the significance of financial instruments for the entity's financial position and performance. The disclosures also enable an evaluation of the nature of financial instruments and risks associated with them to which the company has been exposed during the period and is exposed to at the end of the reporting period. These disclosures also provide a basis for assessing how these risks are managed by the company. This standard supplements the principles for recognizing, measuring and classifying financial assets and liabilities in IAS 32 and 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 accrued interest expense. Accrued income relating to contract clients is not a financial instrument.

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

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

### IAS 20 Accounting for Government Grants and Disclosure of Government Assistance

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

Government grants are recognized as prepaid income or a reduction of an investment when there is reasonable assurance that the grants will be received and that the Group will meet the criteria for receiving the grant.

### The Swedish Financial Reporting Board's recommendation RFR 1 Supplementary Accounting Rules for Groups

The recommendation specifies what further disclosures must be provided in order for the annual accounts to comply with Sweden's Annual Accounts Act. The additional information mainly relates to disclosures on employees.

Disclosures on the number of employees, gender distribution and distribution among countries are provided in Note 36. The number of employees during the year was calculated as an average of the average number of employees during the quarters in the year. In this calculation, part-time employment is equivalent to 60 percent of full-time employment. Operations divested during the year are not included.

Information on the gender distribution among senior executives refers to the situation on the closing day. "Senior executives" in the various subsidiaries refers to the members of the management teams of the respective Business Units. This information is provided in Notes 36 and 37.

In addition to Board members and the President and CEO, all other persons in the Group Leadership Team must be included in the group for which a separate account is to be provided of the total amounts of salaries and other remuneration, as well as expenses and obligations related to pensions and similar benefits. Furthermore, the same disclosures must be provided individually for each of the Board members and for the President and CEO, as well as individuals previously holding these positions. Employee representatives are exempted.

Note 36 provides information about loans, assets pledged and contingent liabilities on behalf of Board members and of Presidents and CEOs within the Group.

Information must also be provided on fees to auditors and the accounting firms where the auditors work. See Note 38.

### Order bookings and order backlog

In contracting assignments, an order booking refers to a written order confirmation or signed contract, provided that financing has been arranged and construction is expected to commence within 12 months. If a previously received order is canceled in a subsequent quarter, the cancellation is recognized as a negative item when reporting order bookings for the quarter when the cancellation occurs. Reported order bookings also include orders from Residential Development and Commercial Property Development, which presupposes that building permits are in place and construction is expected to begin within three months. For services related to fixed-price work, the order booking is recorded when the contract is signed, and for services related to cost-plus work, the order booking corresponds to revenue. For service agreements, a maximum of 24 months of future revenue is included.

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

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

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

### Market appraisal

#### Commercial Property Development

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

# Note 1. Continued

#### Residential Development

In appraising properties in Residential Development, estimates of market value take into account the value that can be obtained within the usual economic cycle and refers 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 various projects. The discount rate chosen is applied to all future cash flows starting on the appraisal date. This is based on the most recently updated financial model. This financial model describes all cash flows in the project and serves as the ultimate basis for financing, which is carried out with full project risk and without guarantees from Skanska.

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

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

# Note 1. Parent Company accounting and valuation principles

The Parent Company has prepared its annual accounts in compliance with the Annual Accounts Act and the Swedish Financial Reporting Board's Recommendation RFR 2, "Accounting for Legal Entities." According to RFR 2, the annual accounts of the legal entity must apply the International Financial Reporting Standards (IFRS) and International Accounting Standards (IAS) issued by the International Accounting Standards Board (IASB), to the extent these have been approved by the EU, as well as the interpretations by the IFRS Interpretations Committee and its predecessor the Standing Interpretations Committee (SIC), as far as this is possible within the framework of the Annual Accounts Act and taking into account the connection between accounting and taxation. A presentation of the various accounting standards can be found in the Group Note 1. The statements of the Swedish Financial Reporting Board must also be applied.

In accordance with RFR 2, IAS 39 is not applied to financial guarantee agreements benefiting subsidiaries, associated companies and joint ventures. Instead, IAS 37 is applied, which normally means that provisions for these measures are not recognized since it is unlikely that an outflow of resources will be required to settle the obligation.

Group contributions are recognized in accordance with the general rule in RFR 2.

The Seop 3 and Seop 4 employee ownership programs are recognized as share-based payment settled with equity instruments, in compliance with IFRS 2. The portion of the Group's expense for these employee ownership programs that relates to employees of subsidiaries is recognized in the Parent Company as an increase in the carrying amount of holdings in subsidiaries and an increase in equity. When the amount to be debited to the subsidiary is established, a transfer of receivables to subsidiaries takes place. Where compensation from subsidiaries for shares that have been allocated deviates from the previously reported increase in the carrying amount of holdings in subsidiaries, the carrying amount of holdings in subsidiaries is reduced to the portion of the amount that does not exceed the previously reported increase. Any remaining portion of the compensation is recognized directly as equity.

### Important differences compared to consolidated accounting principles

The income statement and balance sheet conform to the presentation formats in the Annual Accounts Act.

Defined-benefit pension plans are reported according to the regulations in the Pension Obligations Vesting Act. Pension obligations secured by assets in pension funds are not recognized in the balance sheet.

Similar to holdings in subsidiaries, holdings in associated companies and joint arrangements are also carried at cost before any impairment losses.

# Note 2. Key estimates and judgements

### Key estimates and judgments

The Group Leadership 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.

# Note 2. Continued

**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 a prognosis of 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 judgments 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 value is based on discounting anticipated cash flows for each respective investment. Estimated yield requirements on investments of this type have been used as discount rates. Changes in anticipated cash flows, which in a number of cases extend 20 to 30 years into the future, and/or changes in yield requirements, may materially affect both estimated values and carrying amounts for each investment.

**Current-asset properties**

The stated combined market value in Note 22 is calculated on the basis of prevailing price levels in the respective location of the individual properties. Changes in the supply of similar properties, as well as changes in demand due to new 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. Here too, the market value assessed 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 2017.

# Note 4. Operating segments

Skanska's business streams – Construction, Residential Development, Commercial Property Development and Infrastructure Development – are recognized as operating segments. These business streams coincide with Skanska's operational organization, used by the Group Leadership Team to monitor operations. The Group Leadership Team is also Skanska's "chief operating decision maker."

Each business stream carries out distinct types of operations with different risks. Construction includes both building construction and civil construction. Residential Development develops residential projects for immediate sale. Homes are adapted for selected customer categories. The units in this segment are responsible for planning and selling their projects. The construction assignments are performed by construction units in the Construction business stream in each respective market. Commercial Property Development initiates, develops, leases and divests commercial property projects. Project Development focuses on office buildings, retail and logistics properties. Construction assignments are performed in most markets by Skanska's Construction segment. Infrastructure Development specializes in identifying, developing and investing in privately financed infrastructure projects, such as highways, hospitals and airports. The business stream focuses on creating new potential projects, mainly in the markets where the Group has operations. Construction assignments are performed by the construction units where Skanska has construction operations. Intra-Group pricing between operating segments occurs on market terms. "Central" includes the cost of Group headquarters, earnings of central companies and operations that are being discontinued. Eliminations consist mainly of profits in Construction operations related to property projects. See also Note 1 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

| **2017** | **Construction** | **Residential Development** | **Commercial Property Development** | **Infrastructure Development** | **Total operating segments** | **Central** | **Eliminations** | **Total segments** | **Reconciliation with IFRSs** | **Total IFRS** |
|---|---|---|---|---|---|---|---|---|---|---|
| External revenue | 135,997 | 13,158 | 11,255 | 81 | 160,491 | 332 | 0 | 160,823 | –2,946 | 157,877 |
| Intra-Group revenue | 14,053 | 79 | 185 | 0 | 14,317 | 1,032 | –15,349 | 0 | 0 | 0 |
| **Total revenue** | **150,050** | **13,237** | **11,440** | **81** | **174,808** | **1,364** | **–15,349** | **160,823** | **–2,946** | **157,877** |
| Cost of sales | –141,751 | –10,855 | –8,451 | –177 | –161,234 | –1,275 | 15,209 | –147,300 | 2,197 | –145,103 |
| **Gross income** | **8,299** | **2,382** | **2,989** | **–96** | **13,574** | **89** | **–140** | **13,523** | **–749** | **12,774** |
| Selling and administrative expenses | –7,132 | –666 | –899 | –121 | –8,818 | –1,033 | 0 | –9,851 | 0 | –9,851 |
| Income from joint ventures and associated companies | 38 | 0 | 624 | 1,142 | 1,804 | 0 | 28 | 1,832 | –177 | 1,655 |
| **Operating income** | **1,205** | **1,716** | **2,714** | **925** | **6,560** | **–944** | **–112** | **5,504** | **–926** | **4,578** |
| of which depreciation/amortization | –1,478 | –1 | –6 | –3 | –1,488 | –99 | | –1,587 | 0 | –1,587 |
| of which impairment losses/reversals of impairment losses | | | | | | | | | | |
| Goodwill | –592 | | | | –592 | | | –592 | 0 | –592 |
| Other assets | –265 | –14 | –6 | –11 | –296 | | 13 | –283 | 0 | –283 |
| of which gains from commercial property divestments | | | 2,879 | | 2,879 | | 197 | 3,076 | –370 | 2,706 |
| of which gains from infrastructure project divestments | | | | 985 | 985 | | | 985 | 0 | 985 |
| Employees | 39,002 | 482 | 389 | 94 | 39,967 | 792 | | 40,759 | | |
| Gross margin, % | 5,5 | 18,0 | | | | | | | | |
| Selling and administrative expenses, % | –4,8 | –5,0 | | | | | | | | |
| Operating margin, % | 0,8 | 13,0 | | | | | | | | |
| **Assets, of which** | | | | | | | | | | |
| Property, plant and equipment | 6,771 | 5 | 19 | 9 | 6,804 | 86 | –16 | 6,874 | 0 | 6,874 |
| Intangible assets | 4,770 | 409 | 7 | | 5,186 | 330 | | 5,516 | 0 | 5,516 |
| Investments in joint ventures and associated companies | 218 | 527 | 658 | 1,944 | 3,347 | 3 | –36 | 3,314 | 0 | 3,314 |
| Current-asset properties | 11 | 15,505 | 24,043 | | 39,559 | –91 | –458 | 39,010 | 0 | 39,010 |
| Capital employed | –2,761 | 12,652 | 24,481 | 1,809 | 36,181 | 7,930 | | 44,111 | 0 | 44,111 |
| Investments | –2,062 | –11,093 | –10,716 | –449 | –24,320 | 45 | 90 | –24,185 | 0 | –24,185 |
| Divestments | 237 | 11,773 | 9,341 | 1,950 | 23,301 | 0 | –202 | 23,099 | 0 | 23,099 |
| **Net investments** | **–1,825** | **680** | **–1,375** | **1,501** | **–1,019** | **45** | **–112** | **–1,086** | **0** | **–1,086** |
| **Reconciliation from segment reporting to IFRS** | | | | | | | | | | |
| Revenue according to segment reporting – binding agreement | 150,050 | 13,237 | 11,440 | 81 | 174,808 | 1,364 | –15,349 | 160,823 | | |
| Plus properties sold before the period | | 14,070 | 3,120 | | 17,190 | | | 17,190 | | |
| Less properties not yet occupied by the buyer on closing day | | –14,646 | –5,116 | | –19,762 | | 79 | –19,683 | | |
| Proportional method for joint ventures | | –875 | | | –875 | | 313 | –562 | | |
| Exchange-rate differences | | 37 | 72 | | 109 | | | 109 | | |
| **Revenue according to IFRS – handover** | **150,050** | **11,823** | **9,516** | **81** | **171,470** | **1,364** | **–14,957** | **157,877** | | |
| Operating income according to segment reporting – binding agreement | 1,205 | 1,716 | 2,714 | 925 | 6,560 | –944 | –112 | 5,504 | | |
| Plus properties sold before the period | | 2,237 | 627 | | 2,864 | | 2 | 2,866 | | |
| Less properties not yet occupied by the buyer on closing day | | –2,316 | –951 | | –3,267 | | –12 | –3,279 | | |
| Adjustment, income from joint ventures and associated companies | | –78 | –338 | | –416 | | –18 | –434 | | |
| New intra-Group profits | | | | | | | –47 | –47 | | |
| Exchange-rate differences | | –51 | 15 | | –36 | 1 | 3 | –32 | | |
| **Operating income according to IFRS – handover** | **1,205** | **1,508** | **2,067** | **925** | **5,705** | **–943** | **–184** | **4,578** | | |

# Note 4. Continued

| 2016 | Construction | Residential Development | Commercial Property Development | Infrastructure Development | Total operating segments | Central | Eliminations | Total segments | Reconciliation with IFRSs | Total IFRS |
|---|---|---|---|---|---|---|---|---|---|---|
| External revenue | 127,113 | 13,255 | 10,208 | 237 | 150,813 | 494 | 0 | 151,307 | –5,942 | 145,365 |
| Intra-Group revenue | 10,888 | 9 | 18 | 0 | 10,915 | 943 | –11,858 | 0 | 0 | 0 |
| **Total revenue** | **138,001** | **13,264** | **10,226** | **237** | **161,728** | **1,437** | **–11,858** | **151,307** | **–5,942** | **145,365** |
| Cost of sales | –127,921 | –11,100 | –7,159 | –181 | –146,361 | –1,449 | 11,892 | –135,918 | 4,799 | –131,119 |
| **Gross income** | **10,080** | **2,164** | **3,067** | **56** | **15,367** | **–12** | **34** | **15,389** | **–1,143** | **14,246** |
| Selling and administrative expenses | –6,567 | –559 | –751 | –147 | –8,024 | –1,128 | 0 | –9,152 | 0 | –9,152 |
| Income from joint ventures and associated companies | 33 | 0 | 20 | 1,909 | 1,962 | 0 | 0 | 1,962 | 164 | 2,126 |
| **Operating income** | **3,546** | **1,605** | **2,336** | **1,818** | **9,305** | **–1,140** | **34** | **8,199** | **–979** | **7,220** |
| of which depreciation/amortization | –1,348 | –1 | –3 | –4 | –1,356 | –83 | | –1,439 | 0 | –1,439 |
| of which impairment losses/reversals of impairment losses | | | | | | | | | | |
| Goodwill | | | | | 0 | | | 0 | 0 | 0 |
| Other assets | 8 | –42 | –198 | –331 | –563 | | 29 | –534 | 0 | –534 |
| of which gains from commercial property divestments | | | 3,111 | | 3,111 | | 173 | 3,284 | 17 | 3,301 |
| of which gains from infrastructure project divestments | | | | 1,729 | 1,729 | | | 1,729 | 0 | 1,729 |
| 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 | 6,691 | 23 | 12 | 13 | 6,739 | 98 | | 6,837 | 0 | 6,837 |
| Intangible assets | 5,494 | 429 | | | 5,923 | 381 | | 6,304 | 0 | 6,304 |
| Investments in joint ventures and associated companies | 205 | 440 | 847 | 2,701 | 4,193 | 4 | –37 | 4,160 | 0 | 4,160 |
| Current-asset properties | 47 | 14,011 | 20,000 | | 34,058 | –93 | –287 | 33,678 | 0 | 33,678 |
| Capital employed | –53 | 11,607 | 19,936 | 5,434 | 36,924 | 5,681 | | 42,605 | 0 | 42,605 |
| Investments | –1,829 | –9,148 | –8,364 | –1,336 | –20,677 | –122 | 0 | –20,799 | 0 | –20,799 |
| Divestments | 595 | 7,517 | 9,043 | 3,102 | 20,257 | 694 | –9 | 20,942 | 0 | 20,942 |
| **Net investments** | **–1,234** | **–1,631** | **679** | **1,766** | **–420** | **572** | **–9** | **143** | **0** | **143** |
| **Reconciliation from segment reporting to IFRS** | | | | | | | | | | |
| Revenue according to segment reporting – binding agreement | 138,001 | 13,264 | 10,226 | 237 | 161,728 | 1,437 | –11,858 | 151,307 | | |
| Plus properties sold before the period | | 9,704 | 2,561 | | 12,265 | 0 | | 12,265 | | |
| Less properties not yet occupied by the buyer on closing day | | –14,070 | –3,120 | | –17,190 | | | –17,190 | | |
| Proportional method for joint ventures | | –1,548 | | | –1,548 | | 266 | –1,282 | | |
| Exchange-rate differences | | 221 | 44 | | 265 | | | 265 | | |
| **Revenue according to IFRS – handover** | **138,001** | **7,571** | **9,711** | **237** | **155,520** | **1,437** | **–11,592** | **145,365** | | |
| Operating income according to segment reporting – binding agreement | 3,546 | 1,605 | 2,336 | 1,818 | 9,305 | –1,140 | 34 | 8,199 | | |
| Plus properties sold before the period | | 1,480 | 482 | | 1,962 | | 9 | 1,971 | | |
| Less properties not yet occupied by the buyer on closing day | | –2,237 | –627 | | –2,864 | | –2 | –2,866 | | |
| Adjustment, income from joint ventures and associated companies | | –133 | 0 | | –133 | | | –133 | | |
| New intra-Group profits | | | | | | | 14 | 14 | | |
| Exchange-rate differences | | 31 | 8 | | 39 | –1 | –3 | 35 | | |
| **Operating income according to IFRS – handover** | **3,546** | **746** | **2,199** | **1,818** | **8,309** | **–1,141** | **52** | **7,220** | | |

# Note 4. Continued

### External revenue according to IFRS by geographical area

| | Sweden | | USA | | Other areas | | Total | |
|---|---|---|---|---|---|---|---|---|
| | 2017 | 2016 | 2017 | 2016 | 2017 | 2016 | 2017 | 2016 |
| Construction | 27,801 | 26,321 | 58,781 | 52,457 | 49,728 | 48,601 | 136,310 | 127,379 |
| Residential Development | 7,291 | 4,007 | | | 4,533 | 3,555 | 11,824 | 7,562 |
| Commercial Property Development | 5,010 | 3,481 | 103 | 4,022 | 4,218 | 2,190 | 9,331 | 9,693 |
| Infrastructure Development | 12 | 17 | 41 | 174 | 28 | 46 | 81 | 237 |
| Central and eliminations | | | | | 331 | 494 | 331 | 494 |
| **Total operating segments** | **40,114** | **33,826** | **58,925** | **56,653** | **58,838** | **54,886** | **157,877** | **145,365** |

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 | |
|---|---|---|---|---|---|---|---|---|
| | 2017 | 2016 | 2017 | 2016 | 2017 | 2016 | 2017 | 2016 |
| Sweden | 2,084 | 1,962 | 635 | 590 | 1,312 | 1,210 | 12,704 | 13,124 |
| USA | 2,320 | 2,451 | 984 | 1,514 | 1,765 | 2,338 | 7,383 | 4,932 |
| Other | 2,470 | 2,424 | 3,897 | 4,200 | 237 | 612 | 18,923 | 15,622 |
| | **6,874** | **6,837** | **5,516** | **6,304** | **3,314** | **4,160** | **39,010** | **33,678** |

1 Of the "Other areas" item for intangible assets, SEK 1,344 M (1,415) was from Norwegian operations and SEK 1,503 M (1,585) from UK operations.

# Note 5. Non-current assets held for sale and discontinued operation

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 2017 or 2016.

At the end of 2017, there were no non-current assets that were recognized in compliance with IFRS 5 as current assets and specified as assets held for sale. Neither were there any such non-current assets in 2016.

# Note 6. Financial instruments and financial risk management

Financial instruments are reported in compliance with IAS 39 Financial Instruments: Recognition and Measurement, IAS 32 Financial Instruments: Presentation and IFRS 7 Financial Instruments: Disclosures.

Skanska's receivables from and liabilities to customers 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 in 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." Information on financial instruments in associated companies and joint ventures is 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 these 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 Group Leadership 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 obligations 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, according to the policy, 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. To reduce the credit risk associated with derivative instruments, the Group has also signed standardized netting agreements (ISDA agreements) with all financial counterparties with whom Skanska has entered into derivative contracts. When investing in surplus funds the objective is to always achieve good risk diversification. As of the end of the year the surplus funds were primarily invested with larger banks with a global presence , mainly from the Nordic region, Europe and USA. Skanska currently uses around 10 banks for derivative transactions. Maximum exposure is equivalent to the fair value of the assets and amounts to SEK 15,903 M (16,497). The average maturity of interest-bearing assets amounted to 0.3 (0.2) years as of December 31, 2017.

## 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) of varying sizes and types with numerous customer categories in a large number of geographical markets.

The part 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, 2017 | Dec 31, 2016 |
|---|---|---|
| Outstanding receivables | 20,684 | 24,360 |
| Impairment losses | –435 | –545 |
| **Carrying amount** | **20,249** | **23,815** |

| Change in impairment losses, trade accounts receivable | 2017 | 2016 |
|---|---|---|
| January 1 | 545 | 1,071 |
| Impairment loss/reversal of impairment loss for the year | 170 | –373 |
| Impairment losses settled | –287 | –187 |
| Exchange-rate differences | 7 | 34 |
| **December 31** | **435** | **545** |

## Risk in other 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.

| | 2017 | 2016 |
|---|---|---|
| Due within 30 days | 22 | 9 |
| Due in over 30 days but within one year | 1,028 | 83 |
| Due after one year | 14 | 5 |
| **Total** | **1,064** | **97** |

Holdings with less than 20 percent of voting power in a company are reported as shares. Their carrying amount is SEK 42 M (44).

The shares are recognized at the lower of cost and fair value. No impairment losses were recognized on shares in either 2017 or 2016.

## 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.

## 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.

# Note 6. Continued

In 2017 Skanska refinanced the syndicated bank loan. The new EUR 600 M Credit Facility has a term of five years with an option to extend it twice, for one year in each case, after the first and second years respectively. In addition, a syndicated credit facility with a green profile was established. The EUR 200 M facility has a term of two years with an option to extend it for a further one year. To extend the maturity profile of the debt portfolio and secure access to USD, a bilateral loan was taken during the year from Svensk Exportkredit (SEK) of USD 100 million maturing in 2024 as well as two bilateral loans from Nordiska Investeringsbanken (NIB) of USD 50 million each maturing in 2023 and 2024 respectively.

No new MTN loans were issued in 2017. Short-term liquidity requirements due to seasonal variation in cash flow were covered by borrowing via the certificate program. There were no certificates outstanding as of December 31, 2017.

At the end of the year the central debt portfolio amounted to SEK 4.6 (4.2) billion. The unutilized credit facilities of just over SEK 8 (5.7) billion combined with the operating financial net assets of SEK 9.7 (10.6) billion ensure that the Group has sufficient financial capacity.

| | | | | 2017 | | 2016 | |
|---|---|---|---|---|---|---|---|
| | Maturity | Currency | Limit | Nominal | Utilized | Nominal | Utilized |
| **Market funding programs** | | | | | | | |
| Commercial paper (CP) program, maturities 0–1 years | | SEK/EUR | SEK 6,000 M | 6,000 | | 6,000 | 1,315 |
| Medium Term Note (MTN) program, maturities 1–10 years | | SEK/EUR | SEK 8,000 M | 8,000 | 2,350 | 8,000 | 2,349 |
| | | | | **14,000** | **2,350** | **14,000** | **3,664** |
| **Committed credit facilities** | | | | | | | |
| Green syndicated bank loan | 2019 | SEK/EUR/USD | SEK 200 M | 1,967 | | | |
| Syndicated bank loan | 2022 | SEK/EUR/USD | EUR 600 M | 5,901 | | 5,312 | |
| Bilateral loan agreement | 2020 | EUR | EUR 60 M | 590 | 590 | 574 | 574 |
| Bilateral loan agreements | 2023/2024 | USD | USD 200 M | 1,638 | 1,638 | | |
| Other credit facilities | | | | 413 | | 401 | |
| | | | | **10,509** | **2,228** | **6,287** | **574** |

At year-end 2017, the Group's unutilized credit facilities totaled SEK 8,281 M (5,713).

# Note 6. Continued

## Liquidity reserve and maturity structure

The objective is to have a liquidity reserve of at least SEK 4 billion available within one week in the form of cash liquidity or committed credit facilities. At year-end 2017, cash and cash equivalents and committed credit facilities amounted to about SEK 15 (11) billion, of which about SEK 12 (10) 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, 2017 the average maturity of the borrowing portfolio was 3.5 (2.0) 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.

| 2017 | 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 | 11,323 | 11,800 | 1,046 | 6,743 | 2,269 | 1,742 |
| Derivatives: Currency forward contracts | | | | | | |
| Inflow | –99 | –10,296 | –9,924 | –330 | –42 | |
| Outflow | 97 | 10,292 | 9,920 | 331 | 41 | |
| Derivatives: Interest rate swaps | | | | | | |
| Inflow | –1 | –5 | | 4 | –9 | |
| Outflow | 59 | 63 | 24 | 25 | 14 | |
| **Total** | **11,379** | **11,854** | **1,066** | **6,773** | **2,273** | **1,742** |

| 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 | 10,172 | 10,309 | 1,689 | 5,041 | 3,572 | 7 |
| Derivatives: Currency forward contracts | | | | | | |
| Inflow | –177 | –4,342 | –4,085 | –255 | –2 | |
| Outflow | 48 | 4,295 | 4,046 | 247 | 2 | |
| Derivatives: Interest rate swaps | | | | | | |
| Inflow | | 10 | | 8 | 2 | |
| Outflow | 116 | 108 | 24 | 32 | 52 | |
| **Total** | **10,159** | **10,380** | **1,674** | **5,073** | **3,626** | **7** |

The average maturity of interest-bearing liabilities amounted to 1.8 (1.1) 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 | 2017 | 2016 |
|---|---|---|
| Due within 30 days | 494 | 569 |
| Due in over 30 days but within one year | | 112 |
| Due after one year | 2 | 13 |
| **Total** | **496** | **694** |

## 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 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 SEK 150 M for any of these interest rate scenarios measured as relative deviation against a comparative portfolio with a weighted average fixed interest period of two years, which has been identified as a risk-neutral maturity.

In the interest rate scenarios described above, the fair value of interest-bearing financial assets and liabilities, plus derivatives, would change within the range of SEK 38–61 M, assuming that the volume and fixed interest period is the same as of December 31, 2017.

The relative interest rate risk is SEK 8–9 M lower than in a comparative portfolio with a risk of around SEK 46–70 M and is attributable to the fact that the fixed interest period is shorter than the comparative portfolio's two years. The change in fair value would impact net financial items in the amount of around SEK 20–24 M and other comprehensive income by around SEK 18–37 M, where hedge accounting is applied. All amounts are stated before tax. Equity would those be affected by around SEK 30–48 M taking tax into account.

The Group's cash flow risk must not exceed SEK 150 M over a 12-month period in the event of an increase of one percentage point in market interest rates. Assuming the volume and fixed interest period are the same as of year-end, an average increase in the market interest rate of one percentage point from the level at the end of the year would result in an estimated positive effect on the Group's financial items of around SEK 41 M for 2018.

The deviation of cash flow risk, fair value interest rate risk and the fixed interest period are all within the authorized limits for the Group as of December 31, 2017.

The average fixed interest period for all of the Group's interest-bearing assets was 0.1 (0.1) years, taking derivatives into account. The interest rate for these was 0.63 (0.58) percent at year-end. Of the Group's total interest-bearing financial assets, 23 (7) percent carry fixed interest rates and 77 (93) percent variable interest rates.

The average fixed interest period for all interest-bearing liabilities, taking into account derivatives but excluding pension liabilities, was 0.5 (0.6) years.

The interest rate for interest-bearing liabilities amounted to 1.43 (1.03) percent at year-end. Taking into account derivatives, the interest rate was 1.75 (1.25) percent. Of total interest-bearing financial liabilities, after taking into account derivatives, 33 (52) percent carry fixed interest rates and 67 (48) percent variable interest rates.

On December 31, 2017 there were outstanding interest rate swap contracts amounting to a nominal value of SEK 3,585 M (3,836). 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 half 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 SEK –36 M (–68) as of December 31, 2017. The fair value of interest rate swaps for which hedge accounting is not applied totaled SEK –22 M (–48) on December 31, 2017. 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, with risk calculated as the effect on earnings of a five percentage point shift in exchange rates. As of December 31, 2017 foreign exchange rate risk accounted for SEK 35 M (35) of transaction exposure before tax, which would affect other comprehensive income in the amount of SEK 27 M (27) after tax.

Contracted net flows in currencies that are foreign for the respective Group company break down in currencies and maturities as follows:

| | On Dec 31, 2017 | | | On Dec 31, 2016 | | |
|---|---|---|---|---|---|---|
| The Group's contracted net foreign currency flow SEK M [1] | 2018 | 2019 | 2020 and later | 2017 | 2018 | 2019 and later |
| PLN | –2,729 | –102 | | –1,446 | –155 | –283 |
| EUR | –504 | –135 | 19 | –413 | 54 | –33 |
| CZK | –308 | –82 | | –184 | –58 | |
| USD | –19 | –6 | | –42 | –1 | |
| RON | –10 | –9 | | –2 | –6 | |
| HUF | 123 | | | –417 | –217 | |
| GBP | 225 | –1 | | –107 | –23 | –1 |
| Other currencies | –8 | 4 | | –10 | –1 | |
| **Total equivalent value** | **–3,231** | **–332** | **19** | **–2,621** | **–407** | **–317** |

1 Flows in PLN, CZK, HUF and RON are mainly related to property development project expenses. Flows in EUR are mainly attributable to Construction operations in Sweden, Poland, the Czech Republic and Norway. Flows in GBP are mainly related to a dividend as well as the flows 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 EUR in its European property development operations.

The fair value of these hedges totaled SEK 70 M (-4) on December 31, 2017. The hedges fulfill effectiveness requirements, which means that unrealized gains or losses are recognized under "Other comprehensive income." The fair value of currency hedges for which hedge accounting is not applied totaled SEK 31 M (8) on December 31, 2017, 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".

### 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 currency forward contracts and foreign currency loans. The positive fair value of the currency forward contracts amounts to SEK 14 M (105) and their negative fair value to SEK 0 M (0). The fair value of foreign currency loans is SEK 607 M (590).

Net investments in other foreign subsidiaries are not normally hedged, unless the Board of Directors of Skanska AB decides otherwise.

At year-end 2017, nearly 20 percent of net investments in foreign currency was currency hedged. A change in the exchange rate where the Swedish krona falls/rises by 10 percent against other currencies would have an effect of SEK +/– 2.2 billion on other comprehensive income after tax and taking hedges into account.

### Hedging of net investments outside Sweden

| | 2017 | | | | | 2016 | | | | |
|---|---|---|---|---|---|---|---|---|---|---|
| Currency | Net investments | Hedges [1] | Hedged portion, % | Net investments [2] | Net investments, % [2] | Net investments | Hedges [1] | Hedged portion, % | Net investments [2] | Net investments, % [2] |
| CZK | 2,505 | | | 2,505 | 9 | 2,560 | | | 2,560 | 9 |
| EUR | 6,868 | –4,324 | 63 | 2,544 | 9 | 5,843 | –3,041 | 52 | 2,802 | 10 |
| GBP | 1,679 | –255 | 15 | 1,424 | 5 | 3,577 | –2,220 | 62 | 1,358 | 5 |
| NOK | 4,149 | | | 4,149 | 15 | 3,688 | | | 3,688 | 13 |
| PLN | 615 | | | 615 | 2 | 1,726 | | | 1,726 | 6 |
| USD | 8,912 | –204 | 2 | 8,708 | 32 | 10,806 | –120 | 1 | 10,686 | 39 |
| Other foreign | 614 | | | 613 | 2 | 618 | | | 618 | 2 |
| **Total foreign currencies** | **25,341** | **–4,783** | **19** | **20,558** | **76** | **28,817** | **–5,380** | **19** | **23,437** | **86** |
| SEK and eliminations | | | | 6,506 | 24 | | | | 3,913 | 14 |
| **Total** | | | | **27,064** | **100** | | | | **27,350** | **100** |

1 Hedged amount before subtracting hedged 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 or losses on hedges are recognized in other comprehensive income until the hedged transaction takes place, at which point the accumulated change in value is transferred to the income statement.

See also 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.

| Assets | At fair value through profit/loss | Hedge-accounted derivatives | Held-to-maturity investments | Available-for-sale assets | Loans and receivables | Total carrying amount |
|---|---|---|---|---|---|---|
| **2017** | | | | | | |
| **Financial instruments** | | | | | | |
| **Interest-bearing assets and derivatives** | | | | | | |
| Financial assets [1] | | | | | | |
| Financial investments at fair value | 86 | 17 | | | | 103 |
| Financial investments at amortized cost | | | 1,240 | | | 1,240 |
| Financial interest-bearing receivables | | | | | 7,562 | 7,562 |
| | **86** | **17** | **1,240** | **0** | **7,562** | **8,905** |
| Cash | | | | | 6,998 | 6,998 |
| | **86** | **17** | **1,240** | **0** | **14,560** | **15,903** |
| **Trade accounts receivable [2]** | | | | | **20,249** | **20,249** |
| **Other operating receivables including shares** | | | | | | |
| Shares recognized as available-for-sale assets [3] | | | | 42 | | 42 |
| Other operating receivables [2,4] | | | | | 1,064 | 1,064 |
| | **0** | **0** | **0** | **42** | **1,064** | **1,106** |
| **Total financial instruments** | **86** | **17** | **1,240** | **42** | **35,873** | **37,258** |
| **2016** | | | | | | |
| **Financial instruments** | | | | | | |
| **Interest-bearing assets and derivatives** | | | | | | |
| Financial assets[1] | | | | | | |
| Financial investments at fair value | 74 | 105 | | | | 179 |
| Financial investments at amortized cost | | | 1,295 | | | 1,295 |
| Financial interest-bearing receivables | | | | | 9,593 | 9,593 |
| | **74** | **105** | **1,295** | **0** | **9,593** | **11,067** |
| Cash | | | | | 5,430 | 5,430 |
| | **74** | **105** | **1,295** | **0** | **15,023** | **16,497** |
| **Trade accounts receivable[2]** | | | | | **23,815** | **23,815** |
| **Other operating receivables including shares** | | | | | | |
| Shares recognized as available-for-sale assets [3] | | | | 44 | | 44 |
| Other operating receivables [2,4] | | | | | 97 | 97 |
| | | | | **44** | **97** | **141** |
| **Total financial instruments** | **74** | **105** | **1,295** | **44** | **38,935** | **40,453** |

The difference between fair value and carrying amount for financial assets is marginal.

1 The carrying amount of financial assets excluding shares, totaling SEK 8,905 M (11,067), 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, SEK 27,778 M (29,759) was reported as other operating receivables. See Note 24 Other operating receivables. Of this amount, trade accounts receivable accounted for SEK 20,249 M (23,815). These were reported as financial instruments. The remaining amount is SEK 7,529 M (5,944) and breaks down as SEK 1,064 M (97) for financial instruments and SEK 6,465 M (5,847) 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, 2017 | Dec 31, 2016 |
|---|---|---|
| **Assets** | | |
| Financial instruments | 37,258 | 40,453 |
| **Other assets** | | |
| Property, plant and equipment and intangible assets | 12,390 | 13,141 |
| Investments in joint ventures and associated companies | 3,314 | 4,160 |
| Tax assets | 2,945 | 2,433 |
| Current-asset properties | 39,010 | 33,678 |
| Inventories | 1,058 | 1,042 |
| Gross amount due from customers for contract work | 6,997 | 5,751 |
| Other operating receivables [1] | 6,465 | 5,847 |
| **Total assets** | **109,437** | **106,505** |

1 In the consolidated statement of financial position, SEK 27,778 M (29,759) was reported as other operating receivables. See Note 24 Other operating receivables. Of this amount, trade accounts receivable accounted for SEK 20,249 M (23,815). These were reported as financial instruments. The remaining amount is SEK 7,529 M (5,944) and breaks down as SEK 1,064 M (97) for financial instruments and SEK 6,465 M (5,847) 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 |
|---|---|---|---|---|
| **2017** | | | | |
| **Financial instruments** | | | | |
| **Interest-bearing liabilities and derivatives** | | | | |
| Financial liabilities [1] | | | | |
| Financial liabilities at fair value | 120 | 38 | | 158 |
| Financial liabilities at amortized cost | | | 12,161 | 12,161 |
| | **120** | **38** | **12,161** | **12,319** |
| **Operating liabilities** | | | | |
| Trade accounts payable | | | 15,638 | 15,638 |
| Other operating liabilities [2] | | | 496 | 496 |
| | | | **16,134** | **16,134** |
| **Total financial instruments** | **120** | **38** | **28,295** | **28,453** |
| **2016** | | | | |
| **Financial instruments** | | | | |
| **Interest-bearing liabilities and derivatives** | | | | |
| Financial liabilities [1] | | | | |
| Financial liabilities at fair value | 96 | 69 | | 165 |
| Financial liabilities at amortized cost | | | 10,705 | 10,705 |
| | **96** | **69** | **10,705** | **10,870** |
| **Operating liabilities** | | | | |
| Trade accounts payable | | | 15,520 | 15,520 |
| Other operating liabilities [2] | | | 694 | 694 |
| | **0** | **0** | **16,214** | **16,214** |
| **Total financial instruments** | **96** | **69** | **26,919** | **27,084** |

The fair value is SEK 82 M (47) higher than the carrying amount for financial liabilities.

1 The carrying amount for financial liabilities totaling SEK 12,319 M (10,870) is reported in the statement of financial position along with financial liabilities of SEK 11,481 M (10,337) from Note 27 and contingent consideration of SEK 838 M (533) from Note 29. Contingent consideration is included in financial liabilities measured at fair value at SEK 0 M (0) and in financial liabilities measured at amortized cost at SEK 838 M (533). During the year SEK 9 (16) M of the contingent consideration was paid out, and SEK 49 (0) M accrued as interest expense. A further SEK 265 M (0) accrued as contingent consideration.
2 Other financial operating liabilities, totaling SEK 16,134 M (16,214), are reported in the statement of financial position together with trade accounts payable of SEK 15,638 M (15,520) and other financial instruments of SEK 496 M (694). The total item in the statement of financial position amounts to SEK 38,428 M (36,080). 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, 2017 | Dec 31, 2016 |
|---|---|---|
| **Equity and liabilities** | | |
| Financial instruments | 28,453 | 27,084 |
| **Other liabilities** | | |
| Equity | 27,185 | 27,506 |
| Pensions | 5,603 | 4,901 |
| Tax liabilities | 1,547 | 1,980 |
| Provisions | 7,719 | 6,695 |
| Liabilities to clients for contract work | 16,636 | 18,473 |
| Other operating liabilities [1] | 22,294 | 19,866 |
| **Total equity and liabilities** | **109,437** | **106,505** |

1 Other financial operating liabilities, totaling SEK 16,134 M (16,214), are reported in the statement of financial position together with trade accounts payable of SEK 15,638 M (15,520) and other financial instruments of SEK 496 M (694). The total item in the statement of financial position amounts to SEK 38,428 M (36,080). 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 | 2017 | 2016 |
|---|---|---|
| Assets at fair value | 103 | 179 |
| Assets at amortized cost | 37,155 | 40,274 |
| **Total financial assets** | **37,258** | **40,453** |
| Liabilities at fair value | 158 | 165 |
| Liabilities at amortized cost | 28,295 | 26,919 |
| **Total financial liabilities** | **28 453** | **27 084** |

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 | 2017 | | 2016 | |
|---|---|---|---|---|
| | Financial assets | Financial liabilities | Financial assets | Financial liabilities |
| Gross amounts | 37,258 | 28,453 | 40,453 | 27,084 |
| Amounts offset | 0 | 0 | 0 | 0 |
| **Recognized in balance sheet** | **37,258** | **28,453** | **40,453** | **27,084** |
| Amounts covered by netting arrangements | –53 | –53 | –61 | –61 |
| **Net amount after netting arrangements** | **37,205** | **28,400** | **40,392** | **27,023** |

# Note 6. Continued

### 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 2017 and 2016 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 2017 and 2016 are related to currency forward contracts for hedging of net investments outside Sweden, as well as interest rate swaps for loan hedges with variable interest rates.

Fair value relating to hedged transaction exposure is reported under "Gross amount due to/from customers for contract work" or according to construction contracts under "Other operating receivables/liabilities."

### Fair value

There are three different levels for establishing fair value. The first level uses the official price quotation in an active market. The second level, which is used when a price quotation in an active market does not exist, calculates fair value by re-measuring at observable exchange rates and discounting future cash flows based on observable market interest rates for each respective maturity and currency. The third level uses substantial elements of input data that are not observable in the market.

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, assets amounting to SEK 103 M (179) and liabilities amounting to SEK 158 M (165) have been measured according to this level.

The fair value of financial instruments with option elements is calculated using the Black-Scholes model. As of December 31, 2017, Skanska had no instruments with option elements.

The fair value of liabilities for contingent considerations is measured according to level three. All other financial assets and liabilities are measured according to level two.

### 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 | 2017 | 2016 |
|---|---|---|
| **Recognized in operating income** | | |
| Interest income on loan receivables | | 6 |
| Interest expense on financial liabilities at cost | –1 | –3 |
| Cash flow hedges removed from equity and recognized in the income statement | 226 | 1,851 |
| **Total income and expenses in operating income** | **225** | **1,854** |

# Note 6. Continued

| Recognized in financial items | | |
|---|---|---|
| Interest income on held-to-maturity investments | 10 | 2 |
| Interest income on loan receivables | 24 | 39 |
| Interest income on cash and bank balances | 55 | 30 |
| Dividends | 33 | 43 |
| Changes in market value of financial assets measured at fair value through profit or loss | 1 | 5 |
| Changes in market value of financial liabilities measured at fair value through profit or loss | 25 | |
| **Total income in financial items** | **148** | **119** |
| Interest expense on financial liabilities measured at fair value through profit or loss | –47 | –84 |
| Interest expense on financial liabilities measured at amortized cost | –219 | –161 |
| Changes in market value of financial liabilities measured at fair value through profit or loss | –2 | –3 |
| Net exchange rate differences | 23 | –24 |
| Expenses for borrowing programs | –15 | –17 |
| Bank-related expenses and other | 2 | –24 |
| **Total expenses in financial items** | **–258** | **–313** |
| **Net income and expenses from financial instruments recognized in the income statement** | **115** | **1,660** |
| of which interest income on financial assets not measured at fair value through profit or loss | 89 | 77 |
| of which interest expense on financial liabilities not measured at fair value through profit or loss | –220 | –164 |

| Reconciliation with financial items | 2017 | 2016 |
|---|---|---|
| Total income from financial instruments in financial items | 148 | 119 |
| Total expense from financial instruments in financial items | –258 | –313 |
| Net interest income on pensions | –102 | –101 |
| Other interest expense | 257 | 176 |
| **Total financial items** | **45** | **–119** |

See also Note 14 Financial items.

| Income and expenses from financial instruments recognized under other comprehensive income | 2017 | 2016 |
|---|---|---|
| Cash flow hedges recognized directly in equity | –5 | –965 |
| Cash flow hedges removed from equity and recognized in the income statement | 226 | 1,851 |
| Translation differences | –599 | 1,165 |
| Hedging on foreign exchange rate risk in operations outside Sweden | –125 | 36 |
| **Total** | **–503** | **2,087** |
| of which recognized in cash flow hedge reserve | 221 | 886 |
| of which recognized in translation reserve | –724 | 1,201 |
| | **–503** | **2,087** |

## Collateral

The Group has provided collateral (assets pledged) in the form of financial receivables amounting to SEK 940 M (1,021). 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 Note 1 Accounting and valuation principles.

### Acquisitions of Group companies/operations

No acquisitions were made in 2017 or 2016.

# 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

| | 2017 | 2016 |
|---|---|---|
| Construction | 150,050 | 138,001 |
| Residential Development | 11,823 | 7,571 |
| Commercial Property Development | 9,516 | 9,711 |
| Infrastructure Development | 81 | 237 |
| Other | | |
| Central | 1,364 | 1,437 |
| Eliminations, see below | –14,957 | –11,592 |
| **Total** | **157,877** | **145,365** |

Reported as eliminations

| | 2017 | 2016 |
|---|---|---|
| **Intra-Group construction for** | | |
| Construction | –317 | –516 |
| Residential Development | –5,817 | –4,678 |
| Commercial Property Development | –7,603 | –5,426 |
| Infrastructure Development [1] | | |
| Intra-Group property divestments | –179 | –9 |
| Other | –1,041 | –963 |
| | **–14 957** | **–11 592** |

1 Construction includes SEK 9,405 M (7,220) 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

| | 2017 | 2016 |
|---|---|---|
| Construction contracts | 131,510 | 123,095 |
| Services | 3,043 | 3,066 |
| Sales of goods | 2,296 | 2,061 |
| Rental income | 551 | 594 |
| Property divestments | 20,477 | 16,549 |
| **Total** | **157,877** | **145,365** |

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 SEK 9,454 M (7,310). 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 judgements, and the Report of the Directors.

### Information from the income statement

Revenue recognized during the year amounted to SEK 131,510 M (123,095).

### Information from the statement of financial position

| Gross amount due from customers for contract work | Dec 31, 2017 | Dec 31, 2016 |
|---|---|---|
| Accrued revenue | 152,713 | 184,109 |
| Invoiced revenue | –145,716 | –178,358 |
| **Total assets** | **6,997** | **5,751** |

| Gross amount to customers for contract work | Dec 31, 2017 | Dec 31, 2016 |
|---|---|---|
| Invoiced revenue | 327,530 | 301,316 |
| Accrued revenue | –310,894 | –282,843 |
| **Total liabilities** | **16,636** | **18,473** |

Accrued revenue in ongoing projects including recognized gains minus recognized loss provisions amounted to SEK 463,607 M (466,952).

Advance payments received totaled SEK 2,150 M (1,771).

Amounts retained by clients, 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 SEK 3,682 M (4,404).

# Note 10. Operating expenses by category of expense

In 2017, revenue increased by SEK 12,512 M to SEK 157,877 M (145,365). Operating income decreased by SEK 2,642 M, to SEK 4,578 M (7,220). Personnel expenses for the year amounted to SEK –27,933 M (–27,879).

Other operating expenses adjusted for current-asset properties divested and income in joint ventures and associated companies amounted to SEK –109,283 M (–98,652).

| | 2017 | 2016 |
|---|---|---|
| Revenue | 157,877 | 145,365 |
| Personnel expenses [1] | –27,933 | –27,879 |
| Depreciation/amortization | –1,587 | –1,439 |
| Impairment losses | –875 | –534 |
| Carrying amount of current-asset properties divested | –15,276 | –11,767 |
| Income from joint ventures and associated companies | 1,655 | 2,126 |
| Other [2] | –109,283 | –98,652 |
| **Total expenses** | **–153,299** | **–138,145** |
| **Operating income** | **4,578** | **7,220** |

1 Personnel expenses include salaries and other remuneration of SEK 22,022 M (21,778), social insurance contributions of SEK 5,415 M (5,531) recognized according to Note 36 Personnel, as well as non-monetary remuneration such as company car benefits and shares received under Seop amounting to SEK 516 M (570).
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 | 2017 | 2016 |
|---|---|---|
| Construction | –7,132 | –6,567 |
| Residential Development | –666 | –559 |
| Commercial Property Development | –899 | –751 |
| Infrastructure Development | –121 | –147 |
| Central expenses [1] | –1,033 | –1,128 |
| **Total** | **–9,851** | **–9,152** |

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 |
|---|---|---|---|---|---|---|
| **2017** | | | | | | |
| Intangible assets | –103 | | | | –73 | –176 |
| Property, plant and equipment | | | | | | |
| Property (buildings and land) | –88 | | | | –1 | –89 |
| Plant and equipment | –1,287 | –1 | –6 | –3 | –25 | –1,322 |
| **Total** | **–1,478** | **–1** | **–6** | **–3** | **–99** | **–1,587** |
| **2016** | | | | | | |
| Intangible assets | –77 | | | | –56 | –133 |
| Property, plant and equipment | | | | | | |
| Property (buildings and land) | –77 | | | | –1 | –78 |
| Plant and equipment | –1,194 | –1 | –3 | –4 | –26 | –1,228 |
| **Total** | **–1,348** | **–1** | **–3** | **–4** | **–83** | **–1,439** |

# 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 losses/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 |
|---|---|---|---|---|---|---|
| **2017** | | | | | | |
| **Recognized in operating income** | | | | | | |
| **Intangible assets** | | | | | | |
| Goodwill | –592 | | | | | –592 |
| Other intangible assets | –129 | | | | | –129 |
| **Property, plant and equipment** | | | | | | |
| Property (buildings and land) | –106 | | | | | –106 |
| Plant and equipment | –12 | | | | | –12 |
| **Investments in joint ventures and associated companies** | –2 | | –6 | –11 | | –19 |
| **Current-asset properties** | | | | | | |
| Commercial Property Development | –16 | | | | 13 | –3 |
| Residential Development | | –14 | | | | –14 |
| **Total** | **–857** | **–14** | **–6** | **–11** | **13** | **–875** |
| | | | | | | |
| **2016** | | | | | | |
| **Recognized in operating income** | | | | | | |
| **Property, plant and equipment** | | | | | | |
| Property (buildings and land) | 8 | | | | | 8 |
| Plant and equipment | | | | | | |
| Investments in joint ventures and associated companies | | | | –331 | | –331 |
| **Current-asset properties** | | | | | | |
| Commercial Property Development | | | –198 | | 29 | –169 |
| Residential Development | | –42 | | | | –42 |
| **Total** | **8** | **–42** | **–198** | **–331** | **29** | **–534** |

# Note 14. Financial items

| | 2017 | 2016 |
|---|---|---|
| **Financial income** | | |
| Interest income | 89 | 71 |
| Income from sale of shares | 2 | 12 |
| Dividends | 31 | 31 |
| Change in market value | 25 | 5 |
| Net exchange rate differences | 23 | – |
| | **170** | **119** |
| **Financial expense** | | |
| Interest expense | –266 | –245 |
| Net interest income on pensions | –102 | –101 |
| Capitalized interest expense | 257 | 176 |
| Change in market value | –1 | –3 |
| Net exchange rate differences | – | –24 |
| Other financial items | –13 | –41 |
| | **–125** | **–238** |
| **Total** | **45** | **–119** |

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 SEK 45 M (–119). Net interest items improved to SEK –22 M (–99).

Interest income increased to SEK 89 M (71), mainly due to higher market interest rates in the US market. Interest expense before capitalized interest decreased to SEK –266 M (–245), which is attributable to an increase in the volume of construction loans in Sweden. During the year, Skanska capitalized interest expense of SEK 257 M (176) in ongoing projects for its own account.

Interest income was received at an average interest rate of 0.63 percent (0.49). Interest expense, excluding interest on pension liabilities, was paid at an average interest rate of 1.26 percent (1.21) during the year. Taking into account derivatives, the average interest rate was 1.60 percent (2.04).

Net interest on pensions, which refers to the estimated net amount of interest expense related to defined–benefit pension obligations and return on pension plan assets at the beginning of the year, based on the outcome in 2017, increased to SEK –102 M (–101). See also Note 28 Pensions.

The Group had net interest items of SEK –1 M (3) that were recognized in operating income. See Note 1 Accounting and valuation principles.

### Change in market value

The change in market value amounted to SEK 24 M (2) and the increase is mainly due to a positive change in the market value of interest rate swap contracts.

### Other financial items

Other financial items totaled SEK –13 M (–41) and mainly related to various fees for credit facilities and bank guarantees.

# Note 15. Borrowing costs

Borrowing costs related to investments that require a substantial period for completion are capitalized. See Note 1 Accounting and valuation principles.

In 2017, borrowing costs were capitalized at an interest rate of around 1.7 percent (1.5).

| | Capitalized interest during the year | | Total accumulated capitalized interest included in | |
|---|---|---|---|---|
| | 2017 | 2016 | 2017 | 2016 |
| Current-asset properties | 257 | 176 | 366 | 245 |
| **Total** | **257** | **176** | **366** | **245** |

# Note 16. Income taxes

Income taxes are reported in compliance with IAS 12 Income Taxes. See Note 1 Accounting and valuation principles.

### Tax expense

| | 2017 | 2016 |
|---|---|---|
| Current taxes | –519 | –969 |
| Deferred tax expenses from change in temporary differences | –43 | –385 |
| Deferred tax income from change in loss carryforwards | 68 | 82 |
| Taxes in joint ventures | –17 | –94 |
| Taxes in associated companies | –1 | |
| **Total** | **–512** | **–1 366** |

### Tax items recognized under other comprehensive income

| | 2017 | 2016 |
|---|---|---|
| Deferred taxes attributable to cash flow hedges | –25 | –4 |
| Deferred taxes attributable to pensions | 69 | 189 |
| **Total** | **44** | **185** |

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 11 percent (19).

The Group’s aggregated nominal tax rate was estimated at 20 percent (26).

The average nominal tax rate in Skanska’s home markets in Europe amounted to about 21 percent (21), and in USA, just over 40 percent (40), depending on the allocation of income between the different states.

The relationship between taxes calculated after aggregating nominal tax rates of 20 percent (26) and recognized taxes of 11 percent (19) is explained in the following table.

# Note 16. Continued

| | 2017 | 2016 |
|---|---|---|
| Income after financial items | 4,623 | 7,101 |
| Tax according to aggregation of nominal tax rates, 20 (26) percent | –925 | –1,846 |
| **Tax effect of:** | | |
| Property divestments [1] | 663 | 366 |
| Divestment of infrastructure projects [2] | 219 | 269 |
| Losses in Poland [3] | –190 | |
| Change in US tax rate [4] | –121 | |
| Other | –158 | –155 |
| **Recognized tax expense** | **–512** | **–1,366** |

1 In a number of the markets where Skanska operates, the sale of real estate projects via the divestment of companies is tax-free.
2 In a number of the markets where Skanska operates, the sale of infrastructure projects via the divestment of companies is tax-free.
3 The possibility of utilizing loss carryforwards in Poland is limited, as regards both amounts and time. Since it is uncertain whether Skanska will be able to utilize the losses within the construction operations in Poland, SEK 190 M has been charged to tax expense for the year.
4 The federal tax rate in USA was reduced from 35 percent to 21 percent at the end of 2017. Deferred tax assets exceed deferred tax liabilities for Skanska in USA. The net effect of the adjusted carrying amount for deferred tax assets and deferred tax liabilities resulting from the reduced federal tax rate in USA has been charged to tax expense for the year in the amount of SEK 121 M.

Income taxes paid in 2017 amounted to SEK –968 M (–1,205).

Income taxes paid can vary greatly from year to year for the countries where the Group operates.

Income taxes are often calculated based on different principles to those that apply to the preparation of the consolidated income statement. If the final income tax is less than the amount provisionally withdrawn in previous years, income taxes paid for the year may be substantially reduced.

The table below shows a breakdown by country of income taxes paid:

| Land | 2017 | Land | 2016 |
|---|---|---|---|
| Sweden | 736 | Sweden | 630 |
| Norway | 140 | USA | 292 |
| Finland | 57 | Norway | 79 |
| Czech Republic | 27 | Finland | 59 |
| UK | 24 | Czech Republic | 52 |
| Other | –16 | Other | 93 |
| | **968** | | **1,205** |

## Tax assets and tax liabilities

| | Dec 31, 2017 | Dec 31, 2016 |
|---|---|---|
| Tax assets | 1,188 | 784 |
| Tax liabilities | 312 | 489 |
| **Net tax assets (+), tax liabilities (–)** | **876** | **295** |

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, 2017 | Dec 31, 2016 |
|---|---|---|
| Deferred tax assets according to the statement of financial position | 1,757 | 1,649 |
| Deferred tax liabilities according to the statement of financial position | 1,235 | 1,491 |
| **Net deferred tax assets (+), deferred tax liabilities (–)** | **522** | **158** |

| | Dec 31, 2017 | Dec 31, 2016 |
|---|---|---|
| Deferred tax assets for loss carryforwards | 237 | 167 |
| Deferred tax assets for other assets | 271 | 272 |
| Deferred tax assets for provisions for pensions | 1,297 | 1,140 |
| Deferred tax assets for ongoing projects | 713 | 647 |
| Other deferred tax assets | 1,253 | 1,633 |
| **Total before net accounting** | **3,771** | **3,859** |
| Net accounting of offsettable deferred tax assets/liabilities | –2,014 | –2,210 |
| **Deferred tax assets according to the statement of financial position** | **1,757** | **1,649** |
| | | |
| Deferred tax liabilities for non-current assets | 207 | 432 |
| Deferred tax liabilities for ongoing projects | 1,769 | 1,596 |
| Deferred tax liabilities for other current assets | 200 | 202 |
| Other deferred tax liabilities | 1,073 | 1,471 |
| **Total before net accounting** | **3,249** | **3,701** |
| Net accounting of offsettable deferred tax assets/liabilities | –2,014 | –2,210 |
| **Deferred tax liabilities according to the statement of financial position** | **1,235** | **1,491** |

## Change in net deferred tax assets (+), liabilities (–)

| | 2017 | 2016 |
|---|---|---|
| Net deferred tax assets, January 1 | 158 | 98 |
| Divestments of companies | | 221 |
| Recognized under other comprehensive income | 44 | 185 |
| Deferred tax income/expenses | 25 | -303 |
| Reclassifications | 290 | -19 |
| Exchange rate differences | 5 | -24 |
| **Net deferred tax assets, December 31** | **522** | **158** |

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 diverge from those applied locally by a Group company. These deferred tax assets are mostly expected to be realized within five years.

# Note 16. Continued

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 SEK 0 M (0). In Sweden and a number of other countries, divestments of holdings in limited companies are tax-exempt under certain circumstances. Temporary differences thus do not normally exist for shareholdings of the Group's companies in these countries.

Deferred tax liabilities for future dividends from subsidiaries amount to 0 (0) because dividends from subsidiaries in the markets where Skanska is currently active do not have any consequences with respect to taxes.

### Temporary differences and loss carryforwards that are not recognized as deferred tax assets

| | Dec 31, 2017 | Dec 31, 2016 |
|---|---|---|
| Loss carryforwards that expire within one year | 1 | |
| Loss carryforwards that expire in more than one year but within three years | 523 | 13 |
| Loss carryforwards that expire in more than three years | 2,241 | 1,799 |
| **Total** | **2,765** | **1,812** |

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

| | 2017 | 2016 |
|---|---|---|
| Property (buildings and land) | 1,610 | 1,855 |
| Plant and equipment | 5,126 | 4,865 |
| Property, plant and equipment under construction | 138 | 117 |
| **Total** | **6,874** | **6,837** |

### Depreciation of property, plant and equipment by asset class and function

| | Cost of sales | | Selling and administration | | Total | |
|---|---|---|---|---|---|---|
| | 2017 | 2016 | 2017 | 2016 | 2017 | 2016 |
| Property (buildings and land) | –57 | –54 | –32 | –24 | –89 | –78 |
| Plant and equipment | –1,176 | –1,077 | –146 | –151 | –1,322 | –1,228 |
| **Total** | **–1,233** | **–1,131** | **–178** | **–175** | **–1,411** | **–1,306** |

### Impairment losses/reversals of impairment losses on property, plant and equipment

In 2017, gross reversals of impairment losses in the amount of SEK 0 M (8) were recognized. Impairment losses during the year and reversals of the impairment losses in the comparative year were recognized in Poland. All impairment losses/reversals of impairment losses were recognized as production and management costs.

| | Property (buildings and land) | | Plant and equipment | | Total | |
|---|---|---|---|---|---|---|
| Impairment losses/reversals of impairment losses | 2017 | 2016 | 2017 | 2016 | 2017 | 2016 |
| Impairment losses | –106 | | –12 | | –118 | 0 |
| Reversals of impairment losses | | 8 | | | 0 | 8 |
| **Total** | **–106** | **8** | **–12** | **0** | **–118** | **8** |

| Amount of impairment losses/reversals of impairment losses based on | 2017 | 2016 | 2017 | 2016 | 2017 | 2016 |
|---|---|---|---|---|---|---|
| Fair value less selling expenses/costs of disposal | –106 | | –12 | | –118 | 0 |
| Value in use | | 8 | | | 0 | 8 |
| **Total** | **–106** | **8** | **–12** | **0** | **–118** | **8** |

### Information about cost, accumulated depreciation and accumulated impairment losses

| | Property (buildings and land) | | Plant and equipment | | Property, plant and equipment under construction | |
|---|---|---|---|---|---|---|
| | 2017 | 2016 | 2017 | 2016 | 2017 | 2016 |
| **Accumulated depreciation according to plan** | | | | | | |
| January 1 | 3,597 | 3,490 | 21,472 | 21,022 | 117 | 85 |
| Investments | 27 | 42 | 1,764 | 1,472 | 85 | 122 |
| Acquisitions of companies | | | | | | |
| Divestments | –51 | –74 | –97 | –755 | –11 | –36 |
| Reclassifications | 43 | 29 | 323 | 37 | –58 | –56 |
| Exchange rate differences for the year | 17 | 110 | –254 | –304 | 5 | 2 |
| | **3,633** | **3,597** | **23,208** | **21,472** | **138** | **117** |
| **Accumulated depreciation according to plan** | | | | | | |
| January 1 | –1,458 | –1,369 | –16,424 | –16,260 | | |
| Divestments and disposals | 0 | 18 | 55 | 550 | | |
| Reclassifications | –59 | | –260 | | | |
| Amortization of the year | –89 | –78 | –1,322 | –1,228 | | |
| Exchange rate differences for the year | –26 | –29 | 63 | 514 | | |
| | **–1,632** | **–1,458** | **–17,888** | **–16,424** | | |
| **Accumulated impairment losses** | | | | | | |
| January 1 | –284 | –284 | –183 | –180 | | |
| Divestments | 12 | –1 | 0 | | | |
| Reclassifications | 0 | | 0 | | | |
| Impairment losses/reversals of impairment losses for the year | –106 | 8 | –12 | | | |
| Exchange rate differences for the year | –13 | –7 | 1 | –3 | | |
| | **–391** | **–284** | **–194** | **–183** | | |
| **Carrying amount, December 31** | **1,610** | **1,855** | **5,126** | **4,865** | **138** | **117** |
| Carrying amount, January 1 | 1,855 | 1,837 | 4,865 | 4,582 | 117 | 85 |

### 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 SEK 0 M (0). Skanska did not receive any significant compensation from third parties for property, plant and equipment that was damaged or lost during the year or in the comparative year.

# Note 18. Goodwill

Goodwill is recognized in compliance with IFRS 3 Business Combinations. See Note 1 Accounting and valuation principles. For key judgements, see Note 2.

Goodwill amounted to SEK 4,554 M (5,270). In 2017 goodwill decreased by SEK 716 M net due to exchange rate differences and impairment losses

During the comparative year, goodwill increased by SEK 14 M.

**Goodwill amounts by cash-generating units**

| | 2017 | 2016 | Change during the year | Of which impairment losses | Of which exchange rate differences |
|---|---|---|---|---|---|
| **Construction** | | | | | |
| Sweden | 49 | 49 | 0 | | 0 |
| Norway | 947 | 996 | –49 | | –49 |
| Finland | 431 | 419 | 12 | | 12 |
| Poland | 0 | 46 | –46 | –48 | 2 |
| Czech Republic/Slovakia | 519 | 535 | –16 | –59 | 43 |
| UK | 1,468 | 1,578 | –110 | –100 | –10 |
| USA Building | 333 | 368 | –35 | | –35 |
| USA Civil | 400 | 850 | –450 | –385 | –65 |
| **Residential Development** | | | | | |
| Norway | 397 | 419 | –22 | | –22 |
| Finland | 10 | 10 | 0 | | 0 |
| **Total** | **4,554** | **5,270** | **–716** | **–592** | **–124** |

The goodwill recoverable amount is based exclusively on value in use. The amounts of goodwill together with other non-current assets, current-asset properties and net working capital are tested annually.

Expected cash flows are based on forecasts for the development of the construction investments and residential development in each market in the countries where the Group has operations.

The forecasts are based on the units' two-year forecasts and the established five-year business plan. Future macroeconomic development and changes in interest rates are also important variables.

The forecast period is 10 years, which is the period used in models for measurement of other types of assets, for example commercial projects.

Using 10-year models it is easier to make assumptions concerning cycles, and there is less reliance on residual values.

The growth rate used to extrapolate cash flow forecasts beyond the period covered by the 10-year forecasts is the normal growth rate for the industry in each respective country.

Each Business Unit uses a unique discount factor based on the 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 development over the next 10-year period.

| | Norway | Finland | Czech Republic | UK | USA Civil |
|---|---|---|---|---|---|
| Recoverable amount, 100 | 100 | 100 | 100 | 100 | 100 |
| Carrying amount [1] | 49 | 21 | 24 | 7 | n.a |
| Carrying amount, previous year | 40 | 21 | 8 | 5 | n.a |
| Interest rate, percent (WACC), before taxes | 10 | 8 | 7 | 8 | 9 |
| Interest rate, percent (WACC), after taxes | 8 | 7 | 7 | 7 | 8 |
| Expected growth, % | 2 | 2 | 3 | 2 | 3 |
| Interest rate, percent (WACC), previous year (before taxes) | 12 | 8 | 9 | 10 | 10 |
| Interest rate, percent (WACC), previous year (after taxes) | 8 | 7 | 8 | 9 | 7 |
| Expected growth, %, previous year | 2 | 2 | 3 | 3 | 2 |
| Carrying amount in relation to recoverable amount, 100 in case of increase in interest rate by | | | | | |
| + 1 percentage point | 61 | 26 | 29 | 8 | n.a |
| + 5 percentage points | 122 | 52 | 49 | 14 | n.a |
| Carrying amount, previous year, 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 |

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 USA, the carrying amount was negative due to negative working capital exceeding the value of non-current assets.

### Goodwill impairment losses

Changed market conditions for the operations in Poland, Czech Republic, the UK and in USA Civil have resulted in decisions on restructuring and impairment of goodwill in the amount of SEK 592 million (0).

# 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, 2017 | Dec 31, 2016 | Useful life applied |
|---|---|---|---|
| Intangible assets, internally generated | 438 | 567 | 3–10 years |
| Intangible assets, externally acquired | 524 | 467 | 3–7 years |
| **Total** | **962** | **1,034** | |

Internally generated intangible assets consist of business systems. Externally acquired intangible assets include acquired software in USA and Finland, and licenses in Sweden.

Business systems are amortized over a maximum of 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 10 years.

### Amortization of other intangible assets by function

All intangible assets are amortized as they have a limited useful life.

| Amortization by function | 2017 | 2016 |
|---|---|---|
| Cost of sales | –58 | –53 |
| Selling and administration | –118 | –80 |
| **Total** | **–176** | **–133** |

### Impairment losses/reversals of impairment losses on other intangible assets

In 2017 impairment losses in the amount of SEK 129 M (0) were recognized. Impairment losses were applied in Poland during the year.

### Information about cost, accumulated depreciation and accumulated impairment losses

| | Intangible assets, externally acquired | | Intangible assets, internally generated [1] | |
|---|---|---|---|---|
| | 2017 | 2016 | 2017 | 2016 |
| **Accumulated cost** | | | | |
| January 1 | 1,594 | 1,407 | 552 | 391 |
| Other investments | 131 | 232 | 124 | 162 |
| Divestments | –30 | –1 | | |
| Reclassifications | –99 | –78 | 7 | 0 |
| Exchange rate differences for the year | –19 | 34 | 0 | –1 |
| | **1,577** | **1,594** | **683** | **552** |
| **Accumulated amortization** | | | | |
| January 1 | –977 | –948 | –85 | –42 |
| Divestments | 29 | | | |
| Amortization for the year | –108 | –89 | –68 | –44 |
| Reclassifications | 97 | 78 | –4 | |
| Exchange rate differences for the year | 6 | –18 | –2 | 1 |
| | **–953** | **–977** | **–159** | **–85** |
| **Accumulated impairment losses** | | | | |
| January 1 | –50 | –54 | 0 | 0 |
| Impairment losses for the year | –129 | | | |
| Exchange rate differences for the year | –7 | 4 | | |
| | **–186** | **–50** | **0** | **0** |
| **Carrying amount, December 31** | **438** | **567** | **524** | **467** |
| Carrying amount, January 1 | 567 | 405 | 467 | 349 |

1 Internally generated intangible assets consist of business systems.

### Other items

Information about capitalized interest is presented in Note 15 Borrowing costs.

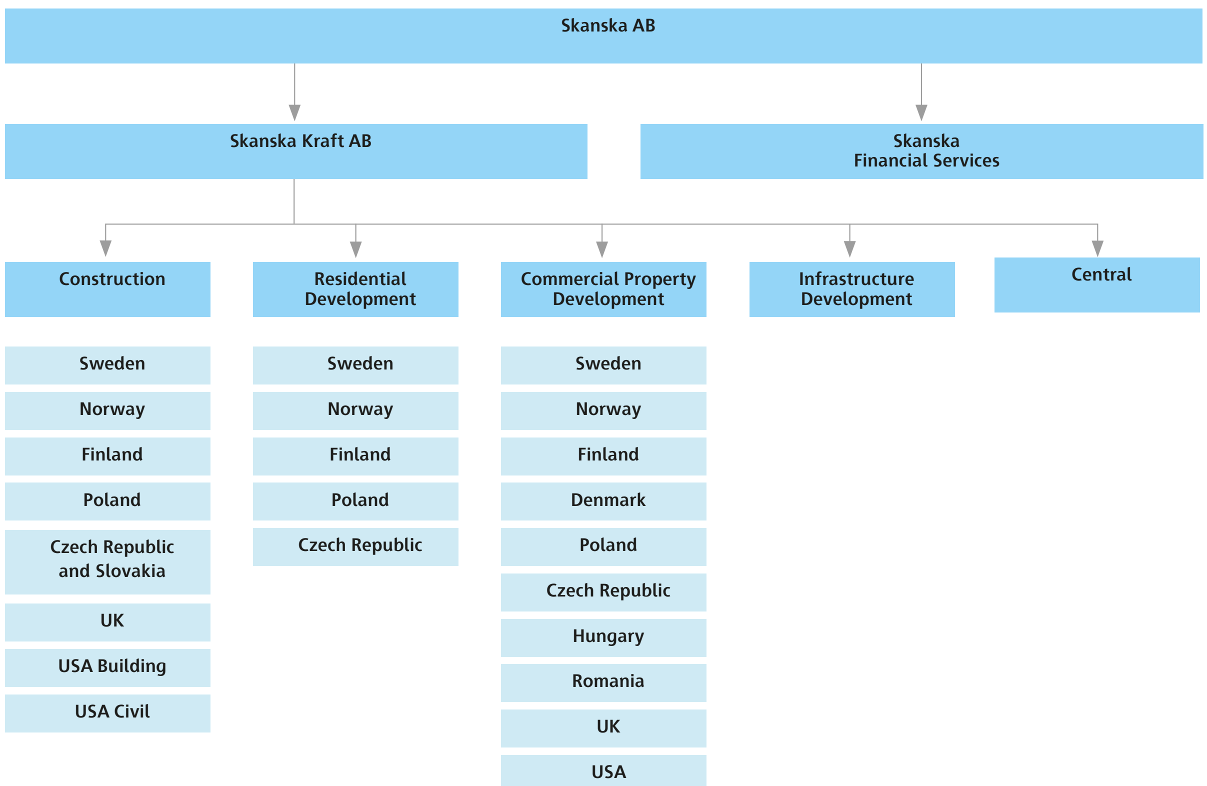
Direct research and development expenses amounted to SEK 253 M (231).

# 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, partnerships or equivalent legal forms in each country. Regarding the companies' domicile, see the Parent Company notes, Note 52 Holdings in Group companies.

**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.

| | 2017 | 2016 |
|---|---|---|
| Share of income in joint ventures according to the equity method [1] | 386 | 724 |
| Share of income in associated companies according to the equity method [1] | 2 | 4 |
| Divestments of joint ventures | 1,286 | 1,729 |
| Impairment losses in joint ventures | –19 | –331 |
| **Total** | **1,655** | **2,126** |

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 SEK –17 M (–94) and its share of associated companies' taxes amounts to SEK –1 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.

| | 2017 | | | 2016 | | |
|---|---|---|---|---|---|---|
| | Joint ventures | Associated-companies | Total | Joint ventures | Associated-companies | Total |
| January 1 | 4,137 | 23 | 4,160 | 2,833 | 19 | 2,852 |
| New acquisitions | 603 | | 603 | 1,661 | | 1,661 |
| Divestments | –1,019 | | –1,019 | –1,328 | | –1,328 |
| Reclassifications | –376 | | –376 | 40 | | 40 |
| Exchange rate differences for the year | –223 | –1 | –224 | 146 | 1 | 147 |
| The year's provision/reversal for intra-Group profit on contracting work | –9 | | –9 | –11 | | –11 |
| Changes in fair value of derivatives | 83 | | 83 | 855 | | 855 |
| Impairment losses for the year | –19 | | –19 | –331 | | –331 |
| The year's change in share of income in joint ventures and associated companies after subtracting dividends received | 114 | 1 | 115 | 272 | 3 | 275 |
| **Carrying amount, December 31** | **3,291** | **23** | **3,314** | **4,137** | **23** | **4,160** |

## 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 SEK 3,291 M (4,137).

Infrastructure Development includes carrying amounts in joint ventures totaling SEK 1,944 M (2,701).

## Income from joint ventures

The share of income in joint ventures, excluding tax expense, is reported in operating income, because these holdings are an element of Skanska's business.

The 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. This business stream is focused on creating new project opportunities, mainly in the markets where the Group already has operations. Public-private partnerships (PPP) are a type of public procurement where a project company,owned by a private company, has overall responsibility for developing, financing, building, operating and maintaining public facilities.

The type of payment for the investments may either be based on market risk, for example road fees, or based on accessibility. The concession periods for current investments vary between 30 and 58 years and the portions owned in the current portfolio are between 23 and 80 percent. At this time Infrastructure Development has investments in Sweden, the UK and USA.

### Specification of major holdings of shares and participations in joint ventures

| Company | Type | Country | Percentage of share capital | Percentage of voting power | Consolidated carrying amount [1] Dec 31, 2017 | Consolidated carrying amount [1] Dec 31, 2016 |
|---|---|---|---|---|---|---|
| **Joint ventures in Infrastructure Development [1]** | | | | | | |
| Bristol LEP Ltd [3] | Education | UK | 80 | 80 | 6 | 6 |
| Elizabeth River Crossings LLC | Highway/tunnel | USA | 50 | 50 | 0 | 0 |
| Elizabeth River Crossings Holdco LLC | Highway/tunnel | USA | 50 | 50 | 1,236 | 1,703 |
| Essex LEP Ltd [3] | Education | UK | 70 | 70 | 12 | 13 |
| Gdansk Transport Company S.A [4] | Highway | Poland | 30 | 30 | – | 401 |
| I-4 Mobility Partners Holdco LLC | Highway | USA | 50 | 50 | 0 | 11 |
| Mullbergs Vindpark AB [4] | Wind power | Sweden | 50 | 50 | – | 0 |
| NPH Healthcare (Holdings) Limited shares | Healthcare | UK | 50 | 50 | 0 | 0 |
| Sjisjka Vind AB [4] | Wind power | Sweden | 67 | 67 | – | 138 |
| Swedish Hospital Partners Holding AB | Healthcare | Sweden | 50 | 50 | 677 | 427 |
| LaGuardia Gateway Partners LLC | Airport | USA | 32 | 32 | 13 | 2 |
| **Total joint ventures in Infrastructure Development** | | | | | **1,944** | **2,701** |
| AB Sydsten | Construction | Sweden | 50 | 50 | 112 | 102 |
| Alley 111 Owner LLC [4] | Commercial Property Development | USA | 20 | 20 | – | 62 |
| SKPR 1350 Boylston LP | Commercial Property Development | USA | 50 | 50 | 210 | 234 |
| SKPR Watermark Seaport Operating Company LLC | Commercial Property Development | USA | 50 | 50 | 184 | 193 |
| Sundtkvartalet Holding AS [3] | Commercial Property Development | Norway | 50 | 50 | – | 94 |
| T-C/SK 400 Fairview Holding LLC | Commercial Property Development | USA | 10 | 10 | 122 | 133 |
| Tiedemannsbyen DA | Residential Development | Norway | 50 | 50 | 79 | 104 |
| Botkyrka Södra Porten Holding AB | Construction | Sweden | 50 | 50 | 102 | 103 |
| Nacka 13:79 JV AB | Residential Development | Sweden | 50 | 50 | 98 | 93 |
| Sjöstadsbo AB | Residential Development | Sweden | 50 | 50 | 131 | 142 |
| Järvastaden AB | Residential Development | Sweden | 50 | 50 | 119 | 0 |
| Other joint ventures | | | | | 190 | 176 |
| **Total joint ventures, Group** | | | | | **3,291** | **4,137** |

1 Consolidated carrying amounts represent the Group's share of the equity including results achieved, Group adjustments and deductions for dividends provided.
2 Carrying amounts for joint ventures in Infrastructure Development are affected by cash flow hedges. The value of these cash flow hedges amounts to SEK –552 M (–640). When joint ventures where the carrying amount is affected by cash flow hedges are sold, the income from the sale will be affected as the effect of the cash flow hedges is rebooked against income.
3 For the companies Bristol LEP Ltd and Essex LEP Ltd shareholder agreements exist between the co-owners stating, among other things, that key issues such as budgets and investments must be determined jointly; Skanska has concluded that this means Skanska does not have a controlling interest, despite having a high percentage of the capital and voting rights.
4 Holding divested in 2017.

### Unrealized development gain in Infrastructure Development

| SEK bn | Dec 31, 2017 | Dec 31, 2016 |
|---|---|---|
| Present value of cash flow from projects | 3.8 | 5.2 |
| Present value of remaining investments | –0.8 | –0.9 |
| **Present value of projects** | **3.0** | **4.3** |
| Carrying amount before cash flow hedging | –2.5 | –2.9 |
| **Unrealized development gain** | **0.5** | **1.4** |
| Cash flow hedges | 0.6 | 0.6 |
| **Effect on unrealized equity [1]** | **1.1** | **2.0** |

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 | 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** | **2017** | **2017** | **2017** | **2017** | **2017** | **2017** | **2017** | **2017** | **2017** |
| Revenue | 3,567 | | 675 | | 213 | 1,411 | 5,841 | 1,925 | 13,632 |
| Depreciation/amortization | | | 0 | | | | | –79 | –79 |
| Impairment losses | | | | | | | | –17 | –17 |
| Other operating expenses | –3,706 | | –444 | | –169 | –1,381 | –5,803 | –1,446 | –12,949 |
| **Operating income** | **–139** | **0** | **231** | **0** | **44** | **30** | **38** | **383** | **587** |
| Interest income | 428 | | | | | 844 | 21 | 41 | 1,334 |
| Interest expense | –288 | | –313 | | –39 | –559 | | –64 | –1,263 |
| Financial items | | | | | | | | 5 | 5 |
| **Income after financial items** [1] | **1** | **0** | **–82** | **0** | **5** | **315** | **59** | **365** | **663** |
| Taxes | | | | | –19 | –75 | | –14 | –108 |
| Profit for the year | 1 | 0 | –82 | 0 | –14 | 240 | 59 | 351 | 555 |
| **Comprehensive Income for the year** | **1** | **0** | **–82** | **0** | **–14** | **240** | **59** | **351** | **555** |
| | | | | | | | | | |
| **Statement of financial position** | | | | | | | | | |
| Non-current assets | 8,618 | | 12,269 | 0 | 1,116 | | 5,108 | 4,614 | 31,725 |
| Current assets | 266 | | 386 | | 29 | 10,479 | 3,756 | 2,472 | 17,388 |
| Cash | 380 | | 35 | | | 797 | 14,518 | 605 | 16,335 |
| **Total assets** | **9,264** | **0** | **12,690** | **0** | **1,145** | **11,276** | **23,382** | **7,691** | **65,448** |
| Equity attributable to equity holders [2] | 25 | | 2,738 | | –51 | 1,352 | 55 | 4,300 | 8,419 |
| Non-controlling interests | | | | | | | | 0 | |
| Financial non-current liabilities | 8,259 | | 9,943 | | 1,196 | 9,770 | 21,706 | 647 | 51,521 |
| Other non-current liabilities | | | | | | | | 584 | 584 |
| Financial current liabilities | | | | | | | | 1,528 | 1,528 |
| Other current liabilities | 980 | | 9 | | | 154 | 1,621 | 632 | 3,396 |
| **Total equity and liabilities** | **9,264** | **0** | **12,690** | **0** | **1,145** | **11,276** | **23,382** | **7,691** | **65,448** |
| Skanska received the following dividend [3] | | 15 | | | | | | 241 | 256 |
| | | | | | | | | | |
| **Reconciliation with participations in joint ventures** | | | | | | | | | |
| Equity attributable to the investors in joint ventures | 25 | 0 | 2,738 | 0 | –51 | 1,352 | 55 | 4,300 | 8,419 |
| Less equity attributable to investors other than Skanska | –20 | 0 | –1,502 | 0 | 26 | –675 | –42 | –2,920 | –5,133 |
| **Skanska's portion of equity in joint ventures, adjusted for surplus value and goodwill** | **5** | **0** | **1,236** | **0** | **–25** | **677** | **13** | **1,380** | **3,286** |
| + Losses recognized as provisions | 6 | | | | 25 | | | 29 | 60 |
| – Impairment losses | –11 | | | | | | | –8 | –19 |
| + Elimination of intra-Group profit | | | | | | | | –36 | –36 |
| **Carrying amount of participations** | **0** | **0** | **1,236** | **0** | **0** | **677** | **13** | **1,365** | **3,291** |

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 | 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** |
| Revenue | 1,845 | 1,238 | 3,009 | 364 | 306 | 2,317 | 4,607 | 1,595 | 15,281 |
| Depreciation/amortization | | | –47 | | | | | –24 | –71 |
| Impairment losses | | | | | | | | –79 | –79 |
| Other operating expenses | –1,935 | –1,064 | –2,547 | –180 | –287 | –2,284 | –4,601 | –1,470 | –14,368 |
| **Operating income** | **–90** | **174** | **415** | **184** | **19** | **33** | **6** | **22** | **763** |
| Interest income | 300 | 1,007 | | 606 | | 738 | | 8 | 2,659 |
| Interest expense | –179 | –729 | | –448 | –13 | –481 | | –48 | –1,898 |
| Financial items | | 0 | | | | | | –558 | –558 |
| **Income after financial items** [1] | **31** | **452** | **415** | **342** | **6** | **290** | **6** | **–576** | **966** |
| Taxes | | –50 | | –65 | –1 | –37 | | –24 | –177 |
| Profit for the year | 31 | 402 | 415 | 277 | 5 | 253 | 6 | –600 | 789 |
| **Comprehensive Income for the year** | **31** | **402** | **415** | **277** | **5** | **253** | **6** | **–600** | **789** |
| **Statement of financial position** | | | | | | | | | |
| Non-current assets | 7,047 | | 13,066 | 15,095 | 969 | 9,925 | 23,572 | 8,645 | 78,319 |
| Current assets | 681 | | 513 | 63 | | | 900 | 2,164 | 4,321 |
| Cash | 148 | | 76 | 608 | | | 720 | 482 | 2,034 |
| **Total assets** | **7,876** | **0** | **13,655** | **15,766** | **969** | **9,925** | **25,192** | **11,291** | **84,674** |
| Equity attributable to equity holders [2] | –38 | | 3,406 | 1,337 | –60 | 855 | 7 | 5,188 | 10,695 |
| Non-controlling interests | | | | | | | | 0 | |
| Financial non-current liabilities | 7,641 | | 10,216 | 12,721 | 984 | 8,611 | 23,737 | 2,208 | 66,118 |
| Other non-current liabilities | | | | 509 | | | | 459 | 968 |
| Financial current liabilities | | | | | | | | 2,629 | 2,629 |
| Other current liabilities | 273 | | 33 | 1,199 | 45 | 459 | 1,448 | 807 | 4,264 |
| **Total equity and liabilities** | **7,876** | **0** | **13,655** | **15,766** | **969** | **9,925** | **25,192** | **11,291** | **84,674** |
| Skanska received the following dividend [3] | | 28 | | 90 | | | | 240 | 358 |
| **Reconciliation with participations in joint ventures** | | | | | | | | | |
| Equity attributable to the investors in joint ventures | –38 | 0 | 3,406 | 1,337 | –60 | 855 | 7 | 5,188 | 10,695 |
| Less equity attributable to investors other than Skanska | 19 | 0 | –1,703 | –936 | 30 | –429 | –5 | –3,306 | –6,329 |
| **Skanska's portion of equity in joint ventures, adjusted for surplus value and goodwill** | **–19** | **0** | **1,703** | **401** | **–30** | **427** | **2** | **1,882** | **4,366** |
| + Losses recognized as provisions | 30 | | | | 30 | | | 79 | 139 |
| – Impairment losses | | | | | | | | –331 | –331 |
| + Elimination of intra-Group profit | | | | | | | | –37 | –37 |
| **Carrying amount of participations** | **11** | **0** | **1,703** | **401** | **0** | **427** | **2** | **1,593** | **4,137** |

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 SEK 1,925 M (2,682).

### 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 financial institutions. The assets of the respective joint ventures are used as collateral for the liabilities. According to agreements with the banks, the ability to access bank account funds from these joint ventures is restricted.

Skanska's portion of the total investment obligations of partly owned joint ventures amounts to SEK 2,677 M (3,849), of which Skanska has remaining obligations to invest SEK 1,183 M (1,402) in Infrastructure Development in the form of equity holdings and loans. The remaining portion is expected to be financed mainly in the form of bank loans or bonds in the respective joint ventures and in the form of participations and loans from other co-owners.

Contingent liabilities for joint ventures amounted to SEK 814 M (1,379).

### 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 SEK 23 M (23).

### Information on the Group's share of revenue, income, assets, liabilities and equity in associated companies

| | 2017 | 2016 |
|---|---|---|
| Revenue | 26 | 30 |
| Earnings | 2 | 3 |
| Assets | **25** | **25** |
| Equity [1] | 23 | 23 |
| Liabilities | 2 | 2 |
| | **25** | **25** |

1 Reconciliation between equity and carrying amount of holdings, in accordance with the equity method of accounting..

| | 2017 | 2016 |
|---|---|---|
| Equity in associated companies | 23 | 23 |
| Adjustment for losses not recognized | 0 | 0 |
| **Carrying amount** | **23** | **23** |

### Other items

The associated companies have no liabilities or contingent liabilities which the Group may become responsible for paying.

Nor are there any obligations for further investments.

# Note 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 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 |
|---|---|---|---|
| A14 | Highway | UK | 33 |
| AMP6 Thames water | Water maintenance | UK | 33 |
| Mid-Coast Transit Constructors | Public transit | USA | 33 |
| Regional Connector Constructors | Public transit | USA | 63 |
| Skanska Burns & McDonnell ECCO III | Power plant | USA | 55 |
| Skanska Koch - Kiewit | Highway/bridges | USA | 54 |
| Skanska Morrison | Gas maintenance | UK | 50 |
| Skanska/Walsh | Airport | USA | 70 |
| Skanska Ames | Highway | USA | 60 |
| Skanska Closner | Hospital | USA | 85 |
| Skanska-Granite-Lane | Highway/bridge | USA | 40 |
| Skanska-Traylor-Shea | Public transit | USA | 50 |
| SKW Constructors | Tunnel | USA | 45 |

There are around 150 other small joint operations in the above countries, as well as in Sweden, Norway and the Czech Republic.

# Note 21. Financial assets

Financial investments, financial receivables and shareholdings where ownership is less than 20 percent and the Group has no significant influence are recognized as non-current financial assets.

Financial investments and financial receivables are recognized as current financial assets. See also Note 6 Financial instruments and financial risk management.

| Financial non-current assets | Dec 31, 2017 | Dec 31, 2016 |
|---|---|---|
| **Financial investments** | | |
| Financial assets at fair value through profit or loss | | |
| Derivatives | 4 | 0 |
| Hedge-accounted derivatives | 2 | 2 |
| Financial assets available for sale [1] | 42 | 44 |
| | **48** | **46** |
| **Financial receivables, interest-bearing** | | |
| Receivables from joint ventures | 98 | 204 |
| Restricted cash | 361 | 355 |
| Net assets in funded pension plans | 693 | 364 |
| Other interest-bearing receivables | 1,076 | 47 |
| | **2,228** | **970** |
| **Total** | **2,276** | **1,016** |
| of which interest-bearing non-current financial assets | 2,228 | 970 |
| of which non-interest-bearing non-current financial assets | 48 | 46 |

| Current financial assets | Dec 31, 2017 | Dec 31, 2016 |
|---|---|---|
| **Financial investments** | | |
| Financial assets at fair value through profit or loss | | |
| Derivatives | 83 | 170 |
| Hedge-accounted derivatives | 14 | 7 |
| Held-to-maturity investments | 1,240 | 1,295 |
| | **1,337** | **1,472** |
| **Financial receivables, interest-bearing** | | |
| Restricted cash and cash equivalents | 4,748 | 7,938 |
| Receivables from joint ventures | 86 | 189 |
| Other interest-bearing receivables | 500 | 496 |
| | **5,334** | **8,623** |
| **Total** | **6,671** | **10,095** |
| of which interest-bearing current financial assets | 6,574 | 9,918 |
| of which non-interest-bearing current financial assets | 97 | 177 |
| **Total carrying amount, financial assets** | **8,947** | **11,111** |
| of which financial assets excluding shares | 8,905 | 11,067 |

1 Shares recognized at the lower of cost and fair value are included in the amount of SEK 42 M (44). In 2017, shareholdings were affected by impairment losses of SEK 0 M (0).

# Note 22. Current-asset properties/project development

Current-asset properties are recognized in compliance with IAS 2 Inventories. See Note 1 Accounting and valuation principles.

The allocation of items in the statement of financial position by business stream is presented below.

| Business stream | Dec 31, 2017 | Dec 31, 2016 |
|---|---|---|
| Commercial Property Development | 23,615 | 19,728 |
| Residential Development | 15,395 | 13,950 |
| **Total** | **39,010** | **33,678** |

For a further description of the respective business streams, see Note 4 Operating segments.

Current-asset properties are divided into completed properties, properties under construction and development properties.

## Impairment losses/reversals of impairment losses

Current-asset properties are valued in compliance with IAS 2 Inventories, and are thus carried at cost or net realizable value, whichever is lower. Adjustment to net realizable value via an impairment loss is recognized, as are reversals of previous impairment losses, in the income statement under "Cost of production and management."

Net realizable value is affected by the type and location of the property and by the yield requirement in the market.

The following table shows that impairment losses totaling SEK 0 M (0) were reversed during the year.

| | Impairment losses | | Reversals of impairment losses | | Total | |
|---|---|---|---|---|---|---|
| | 2017 | 2016 | 2017 | 2016 | 2017 | 2016 |
| Commercial Property Development | –3 | –169 | 0 | 0 | –3 | –169 |
| Residential Development | –14 | –42 | 0 | 0 | –14 | –42 |
| **Total** | **–17** | **–211** | **0** | **0** | **–17** | **–211** |

## Carrying amount

| | Completed properties | | Properties under construction | | Development properties | | Current-asset properties | |
|---|---|---|---|---|---|---|---|---|
| | Dec 31, 2017 | Dec 31, 2016 | Dec 31, 2017 | Dec 31, 2016 | Dec 31, 2017 | Dec 31, 2016 | Dec 31, 2017 | Dec 31, 2016 |
| Commercial Property Development | 3,255 | 3,955 | 13,097 | 7,861 | 7,263 | 7,912 | 23,615 | 19,728 |
| Residential Development | 655 | 631 | 7,750 | 6,955 | 6,990 | 6,364 | 15,395 | 13,950 |
| **Total** | **3,910** | **4,586** | **20,847** | **14,816** | **14,253** | **14,276** | **39,010** | **33,678** |

| | Commercial Property Development | | Residential Development | | Total current-asset properties | |
|---|---|---|---|---|---|---|
| | 2017 | 2016 | 2017 | 2016 | 2017 | 2016 |
| **Carrying amount** | | | | | | |
| January 1 | 19,728 | 16,650 | 13,950 | 10,370 | 33,678 | 27,020 |
| Investments | 10,650 | 8,103 | 10,801 | 9,005 | 21,451 | 17,108 |
| Carrying amount sold properties | –5,862 | –5,740 | –9,414 | –6,027 | –15,276 | –11,767 |
| Impairment losses/reversals of impairment losses | –3 | –169 | –14 | –42 | –17 | –211 |
| The year's provision for intra-Group profits in contracting work | –340 | –166 | –104 | –30 | –444 | -196 |
| Reclassifications | –164 | 496 | 43 | 337 | –121 | 833 |
| Exchange rate differences for the year | –394 | 554 | 133 | 337 | –261 | 891 |
| **December 31** | **23,615** | **19,728** | **15,395** | **13,950** | **39,010** | **33,678** |

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, 2017 | Dec 31, 2016 | Dec 31, 2017 | Dec 31, 2016 | Dec 31, 2017 | Dec 31, 2016 |
| Commercial Property Development | 22,893 | 19,646 | 722 | 82 | 23,615 | 19,728 |
| Residential Development | 15,123 | 13,942 | 272 | 8 | 15,395 | 13,950 |
| **Total** | **38,016** | **33,588** | **994** | **90** | **39,010** | **33,678** |

# Note 22. Continued

### Difference between fair value and carrying amount for current-asset properties

| SEK bn | Surplus value Dec 31, 2017 | Surplus value Dec 31, 2016 |
|---|---|---|
| **Commercial Property Development** | | |
| Completed projects | 0.8 | 1.3 |
| Undeveloped land and development properties | 0.6 | 0.3 |
| Ongoing projects [1] | 7.4 | 5.0 |
| | **8.8** | **6.6** |
| **Residential Development** | | |
| Undeveloped land and development properties | 3.6 | 1.0 |
| **Total** | **12.4** | **7.6** |

1 Estimated market value. Internal appraisal, with valuation on respective completion dates.

### Assets pledged

Current-asset properties pledged as collateral for loans and other obligations amount to SEK 0 M (445). 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 SEK 1,330 M (1,173) 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, 2017 | Dec 31, 2016 |
|---|---|---|
| Raw materials and supplies | 392 | 420 |
| Products being manufactured | 114 | 128 |
| Finished products and merchandise | 552 | 494 |
| **Total** | **1,058** | **1,042** |

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, 2017 | Dec 31, 2016 |
|---|---|---|
| Trade accounts receivable, joint ventures | 0 | 139 |
| Trade accounts receivable, others | 20,249 | 23,676 |
| Other operating receivables | 4,558 | 3,122 |
| Prepaid costs and accrued income | 2,971 | 2,822 |
| **Total** | **27,778** | **29,759** |
| Of which financial instruments reported in Note 6 Financial instruments and financial risk management | | |
| Trade accounts receivable | 20,249 | 23,815 |
| Other operating receivables including accrued interest income | 1,064 | 97 |
| | **21,313** | **23,912** |
| Of which non-financial instruments | 6,465 | 5,847 |

# Note 25. Cash and bank balances

"Cash and bank balances" consists of cash and available funds at banks and equivalent credit institutions. Cash and bank balances totaled SEK 6,998 M (5,430). The Group had no current investments on the closing day, or on the year-earlier 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 one percent of total equity.

Equity changed during the year as follows:

| | 2017 | 2016 |
|---|---|---|
| **January 1** | **27,506** | **24,206** |
| of which non-controlling interests | 156 | 127 |
| **Total comprehensive income for the year** | | |
| Profit for the year attributable to | | |
| Equity holders | 4,095 | 5,722 |
| Non-controlling interests | 16 | 13 |
| **Other comprehensive income** | | |
| Items that will not be reclassified to profit or loss for the period | | |
| Remeasurement of defined benefit plans [1] | –399 | –1,127 |
| Tax related to items that will not be reclassified to profit or loss for the period | 69 | 189 |
| **Total** | **–330** | **–938** |
| Items that have been or will be reclassified to profit or loss for the period | –599 | 1,165 |
| Translation differences attributable to equity holders [2] | 8 | 8 |
| Translation differences attributable to non-controlling interests | –125 | 36 |
| Hedging of exchange rate risk in foreign operations [2] | 221 | 886 |
| Effect of cash flow hedges [3] | | |
| Tax related to items that have been or will be reclassified to profit or loss | –25 | –4 |
| **Total** | **–520** | **2,091** |
| **Other comprehensive income for the year after tax** | **–850** | **1,153** |
| **Comprehensive income for the year** | **3,261** | **6,888** |
| of which attributable to equity holders | 3,237 | 6,867 |
| of which attributable to non-controlling interests | 24 | 21 |
| **Other changes in equity not included in comprehensive income for the year** | | |
| Dividend to equity holders | –3,380 | –3,075 |
| Dividend to non-controlling interests | –59 | –6 |
| Change in Group structure | 0 | 14 |
| Effect of share-based remuneration | 297 | 272 |
| Shares repurchased | –440 | –793 |
| **Total** | **–3,582** | **–3,588** |
| **Equity, December 31** | **27,185** | **27,506** |
| of which non-controlling interests | 121 | 156 |

1 Remeasurement of defined–benefit pension plans, SEK –399 M (–1,127), together with tax, SEK 69 M (189), totaling SEK –330 M (–938), constitutes the Group's total effect on other comprehensive income from the remeasurement of pensions recognized in compliance with IAS 19 and is recognized in retained earnings.
2 Translation differences attributable to equity holders, SEK –599 M (1,165), plus hedging of exchange rate risk in foreign operations, SEK –125 M (36), totaling SEK –724 M (1,201), constitute the change in the Group's translation reserve.
3 The effect of cash flow hedges, SEK 221 M (886), together with taxes, SEK –25 M (–4), totaling SEK 196 M (882), constitutes the change in the Group's cash flow hedge reserve.

### Equity attributable to equity holders is allocated as follows:

| | Dec 31, 2017 | Dec 31, 2016 |
|---|---|---|
| Share capital | 1,260 | 1,260 |
| Paid-in capital | 2,528 | 2,231 |
| Reserves | 1,144 | 1,672 |
| Retained earnings | 22,132 | 22,187 |
| **Total** | **27,064** | **27,350** |

### 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 2017 and 2016 was attributable to share-based payments and amounted to SEK 297 M (272).

| Reserves | 2017 | 2016 |
|---|---|---|
| Translation reserve | 1,759 | 2,483 |
| Cash flow hedge reserve | –615 | –811 |
| **Total** | **1,144** | **1,672** |

| Reconciliation of reserves | 2017 | 2016 |
|---|---|---|
| **Translation reserve** | | |
| January 1 | 2,483 | 1,282 |
| Translation differences for the year | –599 | 1,165 |
| Less hedging on foreign exchange rate risk in operations outside Sweden | –125 | 36 |
| **December 31** | **1,759** | **2,483** |
| **Cash flow hedge reserve** | | |
| January 1 | –811 | –1,693 |
| **Cash flow hedges recognized in other comprehensive income** | | |
| Hedges for the year | –5 | –965 |
| Transferred to the income statement | 226 | 1,851 |
| Taxes attributable to hedging for the year | –25 | –4 |
| **December 31** | **–615** | **–811** |
| **Total reserves** | **1,144** | **1,672** |

### Translation reserve

The translation reserve comprises accumulated translation differences from the translation of financial reports for foreign operations. The translation reserve also includes exchange rate differences that have arisen when hedging net investments in foreign operations. The translation reserve was reset at zero upon the transition to IFRS on January 1, 2004.

Translation differences for the year amount to SEK -599 M (1,165) and consist of negative translation differences mainly in USD and NOK, 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 2017 the translation reserve was affected by exchange rate differences of SEK –125 M (36) due to currency hedging.

The Group has currency hedges against net investments mainly in EUR, GBP and USD.

The accumulated translation reserve totaled SEK 1,759 M (2,483).

# 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 during the year amounts to SEK 196 M (882), which is explained by changes in exchange rates where forward contracts have been entered into for future transactions in foreign currency and hedge accounting is applied, as well as the fact that interest rate swaps have matured and been realized, which to a certain extent is countered by changes in market interest rates.

The reserve at year-end amounted to SEK –615 M (–811).

## Retained earnings

Retained earnings include the profit for the year plus undistributed Group profits earned in prior years. The Parent Company's statutory reserve is part of retained earnings, along with remeasurements of pension liabilities, which in compliance with IAS 19 are recognized only under "Other comprehensive income."

## Remeasurement of defined-benefit pension plans

In 2017 equity was affected by remeasurement of defined–benefit plans in the amount of SEK –330 M (–938) after taking into account social insurance contributions and taxes. Remeasurement of pension obligations amounted to SEK –1,024 M (–2,325) and is largely due to increased inflation assumptions for the pension plans in Sweden and a reduced discount rate for the pension plans in the UK. Remeasurement of plan assets amounted to SEK 690 M (1,303), which is mainly due to the return on shares in 2017 exceeding the expected income – see also Note 28 Pensions.

| | 2017 | 2016 |
|---|---|---|
| Remeasurement of pension obligations | –1,024 | –2,325 |
| Difference between expected and actual return on plan assets | 690 | 1,303 |
| Social insurance contributions including special payroll tax | –65 | –105 |
| Taxes | 69 | 189 |
| **Total** | **–330** | **–938** |

## IFRS 2 Share-based Payment

The share incentive programs introduced in 2014 and 2017 respectively are recognized as share-based payment, which is settled with an equity instrument in compliance with IFRS 2. This means that fair value is calculated on the basis of estimated fulfillment of established 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 (8.25) per share for the 2017 financial year.

The dividend for 2017 is expected to amount to SEK 3,372 M (3,380).

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 13, 2018.

## Shares

Information on the number of shares as well as earnings and equity per share is presented in the table below.

| | 2017 | 2016 |
|---|---|---|
| Number of shares at year-end | 419,903,072 | 419,903,072 |
| of which Series A shares | 19,755,414 | 19,793,202 |
| of which Series B shares | 400,147,658 | 400,109,870 |
| Average price, repurchased shares, SEK | 137.31 | 132.18 |
| of which repurchased during the year | 2,350,000 | 4,345,000 |
| Number of Series B treasury shares, December 31 | 11,190,028 | 10,594,644 |
| Number of shares outstanding, December 31 | 408,713,044 | 409,308,428 |
| Average number of shares outstanding | 409,447,407 | 409,896,419 |
| Average number of shares outstanding after dilution | 411,905,245 | 412,174,095 |
| Average dilution, % | 0.60 | 0.55 |
| Earnings per share, SEK | 10.00 | 13.96 |
| Earnings per share after dilution, SEK | 9.94 | 13.88 |
| Equity per share, SEK | 66.22 | 66.82 |
| **Change in number of shares** | | |
| Number on January 1 | 409,308,428 | 411,036,849 |
| Number of Series B shares repurchased | –2,350,000 | –4,345,000 |
| Number of shares transferred to employees | 1,754,616 | 2,616,579 |
| **Number on December 31** | **408,713,044** | **409,308,428** |

## Dilution effect

In the employee ownership programs introduced in 2014 and 2017 the number of potential ordinary shares is calculated during the measurement period based on the estimated number of shares that will be issued upon fulfillment of the established targets. After the end of the measurement period, Skanska establishes the number of shares that may be issued provided that the requirement of continued employment is fulfilled. The number of potential ordinary shares thus calculated is then reduced by the difference between the payment Skanska is expected to receive and the average share price during the period.

Excluding social insurance contributions, the cost of both employee ownership programs is estimated at a total of about SEK 1,173 M, allocated over three years, corresponding to 6,482,282 shares. The maximum dilution at the end of the vesting period is estimated at 1.15 percent.

In 2017 the cost of both programs amounted to SEK 297 M, excluding social insurance contributions. Share awards earned but not yet allocated by the end of 2017 totaled 2,434,770 shares. The dilution effect up to and including 2017 totaled 0.60 percent.

## Capital management

Capital requirements vary between business streams. Skanska's construction projects are mainly based on customer funding. As a result, in its Construction business stream, the company can operate with negative (free) working capital. The free working capital within the Construction business stream together with profits from the Group's operations, as well as the possibility of increasing borrowing through credit financing, make it possible for Skanska to finance investments in its own project development. In light of the Construction business stream's large volumes with differentiated risk in various types of assignments and client demands for guarantees, such as performance guarantees in publicly procured projects in USA market, the equity requirement is significant. It is also necessary to take into account financing of goodwill and future investments in project development.

A number of financial targets have been established that are judged to best reflect the profitability of the operations and best demonstrate the financial

# Note 26. Continued

scope for investments and growth. The return on equity and on capital employed is a measure of how well the capital provided by the shareholders and lenders is being used.

The target for 2016–2020 is a return on the Group's equity of at least 18 percent and a return on capital employed, calculated jointly for the business streams within Project Development, of at least 10 percent Skanska's dividend policy is to pay out 40–70 percent of net profit for the year after tax to the shareholders, provided that the company's overall financial situation is stable.

The Board has determined that the Group's equity is at a reasonable level based on what Skanska's financial position and market circumstances require.

# Note 27. Financial liabilities

Financial liabilities are allocated between non-current and current liabilities. Normally, a maturity date within one year is required if a liability is to be treated as current. This does not apply to discounted operating liabilities, which are part of Skanska's operating cycle and are therefore recognized as current liabilities regardless of their maturity date.

For information on financial risks and financial policy, see Note 6 Financial instruments and financial risk management.

| Non-current financial liabilities | Dec 31, 2017 | Dec 31, 2016 |
|---|---|---|
| **Financial liabilities at fair value through profit or loss** | | |
| Derivatives | 5 | 48 |
| Hedge-accounted derivatives | 16 | 68 |
| **Other financial liabilities** | | |
| Liabilities to credit institutions | 2,265 | 611 |
| Liabilities to joint ventures | 0 | 10 |
| Other liabilities | 1,571 | 2,919 |
| **Total** | **3,857** | **3,656** |
| of which interest-bearing non-current financial liabilities | 3,836 | 3,540 |
| of which non-interest-bearing non-current financial liabilities | 21 | 116 |
| **Current financial liabilities** | | |
| **Financial liabilities at fair value through profit or loss** | | |
| Derivatives | 115 | 48 |
| Hedge-accounted derivatives | 22 | 1 |
| **Other financial liabilities** | | |
| Construction loans to cooperative housing associations | 5,961 | 4,839 |
| Liabilities to credit institutions | 0 | 110 |
| Other liabilities | 1,526 | 1,683 |
| **Total** | **7,624** | **6,681** |
| of which interest-bearing current financial liabilities | 7,487 | 6,632 |
| of which non-interest-bearing current financial liabilities | 137 | 49 |
| **Total carrying amount for financial liabilities** | **11,481** | **10,337** |

# Note 28. Pensions

Pension provisions are recognized in accordance 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 SEK 5,603 M (4,901) and interest-bearing pension receivables amounted to SEK 693 M (364). The net amount of interest-bearing pension liabilities and interest-bearing pension receivables was SEK 4,910 M (4,537).

Skanska has defined-benefit pension plans in Sweden, Norway and the UK. The pension in these plans is mainly based on final salary or average earnings during the term of employment. The plans include a large number of employees, but Skanska also has defined-contribution plans in these countries. Group companies in other countries have pension plans reported as defined-contribution plans.

### Defined-benefit plans

The pension plans mainly consist of retirement pensions. Each respective employer usually has an obligation to pay a lifetime pension. Benefits are based on the number of years of employment. The employee must belong to the plan for a certain number of years to earn a full retirement pension entitlement. For each year, the employee earns increased pension entitlements, which are reported as pension earned during the period plus an increase in pension obligation.

Pension plans are funded by securing pension obligations with assets in pension funds and provisions in the accounts.

The plan assets in Sweden and the UK are smaller than the pension obligations. The difference is therefore recognized as a liability in the statement of financial position. The plan assets in Norway exceed the pension obligations. The difference is therefore recognized as a receivable. The ceiling rule which, in some cases, limits the value of these assets in the accounts does not apply according to the existing pension foundation statutes, with the exception of one of the plans in Norway and one of the smaller plans in the UK. The carrying amount of the plan assets was reduced by SEK 20 M (48) due to the limit in the ceiling rule.

On the closing day the pension obligation amounted to SEK 23,271 M (21,803). The obligation for pensions increased mainly due to remeasurements of pension obligations as a result of increased inflation assumptions for the pension plans in Sweden and a reduced discount rate for the pension plans in the UK. The remeasurements are included in other comprehensive income and for 2017 the net result was SEK 1,024 M (2,325). Pension obligations have also increased due to the costs for vested pensions and interest expense exceeding pensions paid, which was partially offset by lower exchange rates for Norwegian kroner.

Plan assets amounted to SEK 18,361 M (17,266). The plan assets increased in value due to paid-in funds and the actual return on plan assets exceeding benefits paid, which was to some extent offset by lower exchange rates for Norwegian kroner. The result of remeasurement of plan assets via other comprehensive income in 2017 was SEK 690 M (1,303), which is mainly due to the real return on shares in 2017 exceeding the expected return.

The return on plan assets recognized in the income statement amounted to SEK 472 M (518), while the actual return amounted to SEK 1,162 M (1,821). The higher return was mainly attributable to the pension plans in Norway and the UK.

The plan assets mainly consist of equities, interest-bearing securities, mutual fund units and investments in properties and infrastructure projects. No assets are used in Skanska's operations. The number of directly owned shares in Skanska AB totaled 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 expenses and higher than estimated pension disbursements. Skanska continually monitors changes in its pension commitments and updates assumptions at least quarterly. 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 addi-

# Note 28. Continued

tion, the company uses external investment advisors who continually monitor development of 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 2017 amounted to about SEK 3 (3) M. At the end of 2017, the collective consolidated level of defined-benefit plans in Alecta totaled preliminary 154 percent (149). 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 expectancy.

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

| | 2017 | 2016 |
|---|---|---|
| Pension obligations, funded plans, present value, December 31 | 23,271 | 21,803 |
| Plan assets, fair value, December 31 | –18,361 | –17,266 |
| **Net pension liability according to the statement of financial position** | **4,910** | **4,537** |

### Pension obligations and plan assets by country

| | Sweden | Norway | UK | Total |
|---|---|---|---|---|
| **2017** | | | | |
| Pension obligations | 8,781 | 3,941 | 10,549 | 23,271 |
| Plan assets | –4,392 | –4,634 | –9,335 | –18,361 |
| **Net pension liability according to the statement of financial position** | **4,389** | **–693** | **1,214** | **4,910** |
| **2016** | | | | |
| Pension obligations | 8,086 | 3,984 | 9,733 | 21,803 |
| Plan assets | –4,290 | –4,348 | –8,628 | –17,266 |
| **Net pension liability according to the statement of financial position** | **3,796** | **–364** | **1,105** | **4,537** |

### Interest-bearing pension liability, net

| | 2017 | 2016 |
|---|---|---|
| Net pension liability, January 1 | 4,537 | 3,740 |
| Pension expenses | 861 | 763 |
| Benefits paid by employers | –226 | –226 |
| Funds contributed by employers | –571 | –464 |
| Remeasurements [1] | 334 | 1,022 |
| Divestments | 0 | –123 |
| Curtailments and settlements | –49 | –62 |
| Exchange rate differences | 24 | –113 |
| **Net liability according to the statement of financial position** | **4,910** | **4,537** |

1 See also Note 26, which shows the tax portion and social insurance contributions recognized in other comprehensive income.

### Pension obligations

| | 2017 | 2016 |
|---|---|---|
| January 1 | 21,803 | 19,646 |
| Pensions earned during the year | 768 | 671 |
| Interest on obligations | 574 | 619 |
| Benefits paid by employers | –226 | –226 |
| Benefits paid from plan assets | –364 | –340 |
| Remeasurements: | | |
| – Actuarial gains (–), losses (+) changed financial assumptions | 1,123 | 2,860 |
| – Actuarial gains (–), losses (+) changed demographic assumptions | –97 | –155 |
| – Experience-based changes | –2 | –380 |
| Divestments | 0 | –205 |
| Curtailments and settlements [1] | –49 | –62 |
| Exchange-rate differences | –259 | –625 |
| **Pension obligations, present value** | **23,271** | **21,803** |

1 For 2017: relates to curtailments in Norway.

### Distribution of pension obligations and average duration by country

| | Sweden | Norway | UK |
|---|---|---|---|
| **2017** | | | |
| Active members' portion of obligations | 37% | 48% | 17% |
| Dormant pension rights | 25% | 11% | 48% |
| Pensioners' portion of obligations | 38% | 41% | 35% |
| Weighted average duration | 19 years | 20 years | 21 years |
| **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 |

# Note 28. Continued

### Plan assets

| | 2017 | 2016 |
|---|---|---|
| January 1 | 17,266 | 15,906 |
| Estimated Interest income on plan assets | 472 | 518 |
| Funds contributed by employers | 571 | 464 |
| Funds contributed by employees | 9 | 9 |
| Benefits paid | –364 | –340 |
| Difference between actual return and estimated Interest income | 690 | 1,303 |
| Divestments | 0 | –82 |
| Exchange rate differences | –283 | –512 |
| **Plan assets, fair value** | **18,361** | **17,266** |

Amounts contributed are expected to total about SEK 400 M in 2018.

### Plan assets not included in carrying amount due to the limit in the ceiling rule

| | 2017 | 2016 |
|---|---|---|
| January 1 | 48 | 1 |
| Change for the year | –28 | 47 |
| **Plan assets not included in carrying amount** | **20** | **48** |

### Plan assets and return by country

| | Sweden | Norway | UK |
|---|---|---|---|
| **2017** | | | |
| Equities | 29% | 39% | 29% |
| Interest-bearing securities | 28% | 42% | 41% |
| Alternative investments | 43% | 19% | 30% |
| Estimated return | 2.50% | 3.00% | 2.75% |
| Actual return | 4.20% | 9.40% | 6.40% |
| **2016** | | | |
| Equities | 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% |

### Total plan assets by asset class

| **Equities and mutual funds:** | 2017 | 2016 |
|---|---|---|
| Swedish equities and mutual funds | 408 | 379 |
| Norwegian equities and mutual funds | 692 | 682 |
| UK equities and mutual funds | 840 | 956 |
| Global mutual funds | 3,825 | 3,277 |
| **Total equities and mutual funds** | **5,765** | **5,294** |
| **Interest-bearing securities:** | | |
| Swedish bonds | 925 | 958 |
| Norwegian bonds | 907 | 952 |
| UK bonds | 2,934 | 3,297 |
| Bonds in other countries | 2,197 | 1,180 |
| **Total interest-bearing securities** | **6,963** | **6,387** |
| **Alternative investments:** | | |
| Hedge funds | 385 | 970 |
| Property investments | 1,573 | 1,531 |
| Infrastructure projects | 1,844 | 1,626 |
| Other | 1,831 | 1,458 |
| **Total alternative investments** | **5,633** | **5,585** |
| **Total plan assets** | **18,361** | **17,266** |

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 flow. About 75 percent of total plan assets have a quoted price on an active market.

### Actuarial assumptions

| | Sweden | Norway | UK |
|---|---|---|---|
| **2017** | | | |
| **Financial assumptions** | | | |
| Discount rate, January 1 | 2.50% | 3.00% | 2.75% |
| Discount rate, December 31 | 2.50% | 2.75% | 2.50% |
| Estimated return on plan assets for the year | 2.50% | 2.75% | 2.50% |
| Expected pay increase, December 31 | 3.00% | 2.25% | 3.50% |
| Expected inflation, December 31 | 2.00% | 1.75% | 3.25% |
| **Demographic assumptions** | | | |
| Life expectancy after age 65, men | 23 years | 21 years | 24 years |
| Life expectancy after age 65, women | 25 years | 24 years | 25 years |
| Life expectancy table | PRI | K2013 | S2 |
| **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 |

# Note 28. Continued

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, 2017 | 8,781 | 3,941 | 10,549 | 23,271 |
| Discount rate increase of 0.25% | –400 | –200 | –550 | –1,150 |
| Discount rate decrease of 0.25% | 400 | 200 | 550 | 1,150 |
| Increase of 0.25% in expected pay increase | 100 | 75 | 0 | 175 |
| Reduction of 0.25% in expected pay increase | –100 | –75 | 0 | –175 |
| Increase of 0.25% in expected inflation | 325 | 150 | 350 | 825 |
| Decrease of 0.25% in expected inflation | –325 | –150 | –350 | –825 |
| Life expectancy increase of 1 year | 350 | 175 | 325 | 850 |

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.

### Sensitivity of plan assets to changes in estimated return

| | Sweden | Norway | UK | Total [1] |
|---|---|---|---|---|
| Plan assets, December 31, 2017 | 4,392 | 4,634 | 9,335 | 18,361 |
| Return increase of 5% | 220 | 230 | 470 | 920 |
| Return decrease of 5% | –220 | –230 | –470 | –920 |

1 If actual return exceeds the estimated return by 5 percent, the gain upon remeasurement is expected to amount to around SEK 920 M. If actual return falls below the estimated return by 5 percent, the loss upon remeasurement is expected to amount to around SEK 920 M.

The sensitivity analysis is 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

| | 2017 | 2016 |
|---|---|---|
| Defined-benefit pensions vested during the year | –768 | –671 |
| Less: Funds contributed by employees | 9 | 9 |
| Interest on obligations | –574 | –619 |
| Estimated return on plan assets | 472 | 518 |
| Curtailments and settlements | 49 | 62 |
| **Pension expenses, defined-benefit plans** | **–812** | **–701** |
| Pension expenses, defined-contribution plans | –1,393 | –1,413 |
| Social insurance contributions, defined-benefit and defined-contribution plans [1] | –139 | –131 |
| **Total pension expenses** | **–2,344** | **–2,245** |

1 Refers to special payroll tax in Sweden and employer fee in Norway.

### Allocation of pension expenses in the income statement

| | 2017 | 2016 |
|---|---|---|
| Cost of production and management | –1,731 | –1,711 |
| Selling and administrative expenses | –511 | –433 |
| Financial items | –102 | –101 |
| **Total pension expenses** | **–2,344** | **–2,245** |

# 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, 2017 | Dec 31, 2016 |
|---|---|---|
| **Non-current provisions** | | |
| Interest-bearing | 0 | 1 |
| **Current provisions** | | |
| Interest-bearing | 0 | 25 |
| Non-interest-bearing | 8,557 | 7,202 |
| **Total** | **8,557** | **7,228** |

The change in provisions broken down into reserve for legal disputes, provisions for warranty obligations and other provisions is presented in the following table.

| | Reserve for legal disputes | | Provision for warranty obligations | | Other provisions | | Total | |
|---|---|---|---|---|---|---|---|---|
| | 2017 | 2016 | 2017 | 2016 | 2017 | 2016 | 2017 | 2016 |
| January 1 | 950 | 1,085 | 2,938 | 2,678 | 3,340 | 2,669 | 7,228 | 6,432 |
| Divested provisions | 0 | 0 | 0 | –4 | 0 | –4 | 0 | –8 |
| Provisions for the year | 600 | 731 | 1248 | 944 | 1,393 | 1,669 | 3,241 | 3,344 |
| Provisions utilized | –394 | –547 | –660 | –510 | –380 | –859 | –1,434 | –1,916 |
| Unutilized amounts that were reversed, change in value | –180 | –422 | –309 | –226 | –71 | –80 | –560 | –728 |
| Exchange rate differences | 7 | 19 | 39 | –1 | –5 | 69 | 41 | 87 |
| Reclassifications | –42 | 84 | 44 | 57 | 39 | –124 | 41 | 17 |
| **December 31** | **941** | **950** | **3,300** | **2,938** | **4,316** | **3,340** | **8,557** | **7,228** |

### Specification of "Other provisions"

| | 2017 | 2016 |
|---|---|---|
| Provisions for restructuring measures | 603 | 470 |
| Employee-related provisions | 334 | 350 |
| Environmental obligations | 108 | 126 |
| Provision for social insurance contributions on pensions | 909 | 752 |
| Contingent considerations [1] | 838 | 533 |
| Provisions for commitments in i joint ventures | 60 | 139 |
| Other provisions | 1,464 | 970 |
| **Total** | **4,316** | **3,340** |

1 Of which SEK 838 M (533) is 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 project. The change in 2017 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 include 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, 2017 | Dec 31, 2016 |
|---|---|---|
| Trade accounts payable | 15,638 | 15,520 |
| Other operating liabilities to associated companies | 15 | 0 |
| Other operating liabilities [1] | 7,454 | 6,439 |
| Accrued expenses and prepaid income | 15,321 | 14,121 |
| **Total** | **38,428** | **36,080** |
| Of which financial instruments reported in Note 6 Financial instruments and financial risk management | | |
| Trade accounts payable | 15,638 | 15,520 |
| Other operating liabilities including accrued interest expense | 496 | 694 |
| | **16,134** | **16,214** |
| Of which non-financial instruments | 22,294 | 19,866 |

1 "Other operating liabilities" includes SEK 491 M (538) for checks issued but not yet cashed in USA. See Note 1 Accounting and valuation principles.

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# 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, 2017 | | | Dec 31, 2016 | | |
|---|---|---|---|---|---|---|
| | Interest-bearing | Non interest-bearing | Total | Interest-bearing | Non interest-bearing | Total |
| **ASSETS** | | | | | | |
| **Non-current assets** | | | | | | |
| Property, plant and equipment | | 6,874 | 6,874 | | 6,837 | 6,837 |
| Goodwill | | 4,554 | 4,554 | | 5,270 | 5,270 |
| Other intangible assets | | 962 | 962 | | 1,034 | 1,034 |
| Investments in joint ventures and associated companies | | 3,314 | 3,314 | | 4,160 | 4,160 |
| Financial non-current assets | 2,228 | 48 | 2,276 | 970 | 46 | 1,016 |
| Deferred tax assets | | 1,757 | 1,757 | | 1,649 | 1,649 |
| **Total non-current assets** | **2,228** | **17,509** | **19,737** | **970** | **18,996** | **19,966** |
| **Current assets** | | | | | | |
| Current-asset properties | | 39,010 | 39,010 | | 33,678 | 33,678 |
| Inventories | | 1,058 | 1,058 | | 1,042 | 1,042 |
| Financial current assets | 6,574 | 97 | 6,671 | 9,918 | 177 | 10,095 |
| Tax assets | | 1,188 | 1,188 | | 784 | 784 |
| Gross amount due from customers for contract work | | 6,997 | 6,997 | | 5,751 | 5,751 |
| Other operating receivables | | 27,778 | 27,778 | | 29,759 | 29,759 |
| Cash | 6,998 | | 6,998 | 5,430 | | 5,430 |
| **Total current assets** | **13,572** | **76,128** | **89,700** | **15,348** | **71,191** | **86,539** |
| **TOTAL ASSETS** | **15,800** | **93,637** | **109,437** | **16,318** | **90,187** | **106,505** |
| **LIABILITIES** | | | | | | |
| **Non-current liabilities** | | | | | | |
| Financial non-current liabilities | 3,836 | 21 | 3,857 | 3,540 | 116 | 3,656 |
| Pensions | 5,603 | | 5,603 | 4,901 | | 4,901 |
| Deferred tax liabilities | | 1,235 | 1,235 | | 1,491 | 1,491 |
| Non-current provisions | 0 | | 0 | 1 | | 1 |
| **Total non-current liabilities** | **9,439** | **1,256** | **10,695** | **8,442** | **1,607** | **10,049** |
| **Current liabilities** | | | | | | |
| Financial current liabilities | 7,487 | 137 | 7,624 | 6,632 | 49 | 6,681 |
| Tax liabilities | | 312 | 312 | | 489 | 489 |
| Current provisions | 0 | 8,557 | 8,557 | 25 | 7,202 | 7,227 |
| Liabilities to clients for contract work | | 16,636 | 16,636 | | 18,473 | 18,473 |
| Other operating liabilities | | 38,428 | 38,428 | | 36,080 | 36,080 |
| **Total current liabilities** | **7,487** | **64,070** | **71,557** | **6,657** | **62,293** | **68,950** |
| **TOTAL LIABILITIES** | **16,926** | **65,326** | **82,252** | **15,099** | **63,900** | **78,999** |
| **Total equity** | | | **27,185** | | | **27,506** |
| **EQUITY AND LIABILITIES** | | | **109,437** | | | **106,505** |
| Interest-bearing net receivables/net debt | –1,126 | | | 1,219 | | |

# Note 32. Expected recovery periods of assets and liabilities

| | Dec 31, 2017 | | | Dec 31, 2016 | | |
|---|---|---|---|---|---|---|
| **Amounts expected to be recovered** | **Within 12 months** | **After 12 months** | **Total** | **Within 12 months** | **After 12 months** | **Total** |
| **ASSETS** | | | | | | |
| **Non-current assets** | | | | | | |
| Property, plant and equipment [1] | 1,415 | 5,459 | 6,874 | 1,305 | 5,532 | 6,837 |
| Goodwill | | 4,554 | 4,554 | | 5,270 | 5,270 |
| Other intangible assets [1] | 175 | 787 | 962 | 135 | 899 | 1,034 |
| Investments in joint ventures and associated companies [2] | | 3,314 | 3,314 | | 4,160 | 4,160 |
| Financial non-current assets | | 2,276 | 2,276 | | 1,016 | 1,016 |
| Deferred tax assets [3] | | 1,757 | 1,757 | | 1,649 | 1,649 |
| **Total non-current assets** | **1,590** | **18,147** | **19,737** | **1,440** | **18,526** | **19,966** |
| **Current assets** | | | | | | |
| Current-asset properties [4] | 19,000 | 20,010 | 39,010 | 17,000 | 16,678 | 33,678 |
| Inventories | 474 | 584 | 1,058 | 484 | 558 | 1,042 |
| Financial current assets | 6,671 | | 6,671 | 10,095 | | 10,095 |
| Tax assets | 1,188 | | 1,188 | 784 | | 784 |
| Receivables from clients for contract work [5] | 5,909 | 1,088 | 6,997 | 4,457 | 1,294 | 5,751 |
| Other operating receivables [5] | 23,843 | 3,935 | 27,778 | 28,110 | 1,649 | 29,759 |
| Cash | 6,998 | | 6,998 | 5,430 | | 5,430 |
| **Total current assets** | **64,083** | **25,617** | **89,700** | **66,360** | **20,179** | **86,539** |
| **TOTAL ASSETS** | **65,673** | **43,764** | **109,437** | **67,800** | **38,705** | **106,505** |
| **LIABILITIES** | | | | | | |
| **Non-current liabilities** | | | | | | |
| Financial non-current liabilities | 180 | 3,677 | 3,857 | 227 | 3,429 | 3,656 |
| Pensions [6] | 249 | 5,354 | 5,603 | 251 | 4,650 | 4,901 |
| Deferred tax liabilities | | 1,235 | 1,235 | | 1,491 | 1,491 |
| Non-current provisions | | 0 | 0 | | 1 | 1 |
| **Total non-current liabilities** | **429** | **10,266** | **10,695** | **478** | **9,571** | **10,049** |
| **Current liabilities** | | | | | | |
| Financial current liabilities | 5,636 | 1,988 | 7,624 | 4,869 | 1,812 | 6,681 |
| Tax liabilities | 312 | | 312 | 489 | | 489 |
| Current provisions | 3,409 | 5,148 | 8,557 | 2,791 | 4,436 | 7,227 |
| Liabilities to clients for contract work | 14,187 | 2,449 | 16,636 | 15,328 | 3,145 | 18,473 |
| Other operating liabilities | 36,922 | 1,506 | 38,428 | 35,314 | 766 | 36,080 |
| **Total current liabilities** | **60,466** | **11,091** | **71,557** | **58,791** | **10,159** | **68,950** |
| **TOTAL LIABILITIES** | **60,895** | **21,357** | **82,252** | **59,269** | **19,730** | **78,999** |
| **Total equity** | | | **27,185** | | | **27,506** |
| **EQUITY AND LIABILITIES** | | | **109,437** | | | **106,505** |

1 In the case of amounts expected to be recovered within 12 months, expected annual depreciation/amortization has been recognized.
2 The breakdown cannot be estimated.
3 Deferred tax assets are expected to be recovered in their entirety after 12 months.
4 Recovery of current-asset properties within one year is based on a historical assessment from the past three years.
5 Current receivables that fall due in more than 12 months' time are part of the operating cycle and are thus recognized as current.
6 "Within 12 months" refers to expected benefit payments (payments from funded plans are not included).

# Note 33. Assets pledged, contingent liabilities and contingent assets

## Assets pledged

| | 2017 | 2016 |
|---|---|---|
| Mortgages, current-asset properties | 0 | 445 |
| Shares and participations | 1,925 | 2,682 |
| Receivables | 940 | 1,021 |
| **Total** | **2,865** | **4,148** |

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 | |
|---|---|---|---|---|---|---|
| | 2017 | 2016 | 2017 | 2016 | 2017 | 2016 |
| **Own obligations** | | | | | | |
| Liabilities to credit institutions | 0 | 445 | 0 | 44 | 0 | 489 |
| Other liabilities | | | 940 | 977 | 940 | 977 |
| **Total own obligations** | **0** | **445** | **940** | **1,021** | **940** | **1,466** |
| Other obligations | | | 1,925 | 2,682 | 1,925 | 2,682 |
| **Total** | **0** | **445** | **2,865** | **3,703** | **2,865** | **4,148** |

Assets pledged for other liabilities, SEK 1.0 billion (1.0), relate predominantly to financial instruments pledged as collateral to clients in conjunction with contracting work in USA.

## Contingent liabilities

Contingent liabilities are reported in compliance with IAS 37 Provisions, Contingent Liabilities and Contingent Assets. See Note 1 Accounting and valuation principles.

| | 2017 | 2016 |
|---|---|---|
| Contingent liabilities related to joint construction operations | 46,830 | 59,857 |
| Contingent liabilities related to other joint operations | 28 | 28 |
| Contingent liabilities related to joint ventures | 814 | 1,379 |
| Other contingent liabilities | 1,260 | 631 |
| **Total** | **48,932** | **61,895** |

The Group's contingent liabilities related to contracting work executed jointly with other contractors totaled SEK 46.8 billion (59.9). This amount refers to the portion of the joint and several liability relating to the obligations of the joint operation in question that affect other participants in the joint operation. Such liability is often required by the customer. To the extent it is deemed likely that Skanska will be subject to liability claims, the obligation is reported as a liability.

Contingent liabilities related to joint ventures refer mainly to guarantees issued for joint ventures belonging to the Residential Development and Commercial Property Development business streams.

In the Group's other contingent liabilities, nearly SEK 1.3 billion (0.6) relates mainly to obligations for residential projects.

Skanska selectively forms joint operations and joint ventures when beneficial in view of project size and/or the type of commitments involved in the project. Combining expertise and resources with other construction companies is then a means of optimizing project planning and execution as well as managing specific project risks. External partners in these arrangements are scrutinized in accordance with the tender approval process. For more information regarding joint operations and joint ventures, see Note 20 B and Note 20 C.

In December 2016 Skanska received a claim from the Maltese government regarding defective concrete in the Mater Dei hospital, a hospital in Malta that Skanska International was involved in starting in 1995. Skanska is contesting this claim in its entirety, on both formal and material grounds. Arbitration proceedings have been initiated, but Skanska has not yet formally been served with the writ calling for arbitration.

In October 2016, 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. One municipality was given leave to appeal by the Supreme Court, while two municipalities' petitions for leave to appeal have been stayed. The Supreme Court has referred the case for a ruling by the European Court of Justice, which is likely to delay the proceedings for one to two years.

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 Petrobas 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 unconnected to Skanska. The lawsuit focuses on alleged payments made by a joint venture partner of Skanska Brazil. The first and second instance courts dismissed the case against Skanska. The decision was appealed by the AGU to the highest instance and leave to appeal was granted. There is great uncertainty about how these proceedings will develop and when they will be concluded.

From time to time, disputes arise with clients 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.

# Not 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 2017 the Swedish krona fluctuated against currencies in countries which the Group does business.

| | | Average exchange rate | | | Change, percent | |
|---|---|---|---|---|---|---|
| Currency | Country | 2017 | 2016 | 2015 | 2016–2017 | 2015–2016 |
| CZK | Czech Republic | 0.366 | 0.350 | 0.343 | 5 | 2 |
| DKK | Denmark | 1.296 | 1.272 | 1.254 | 2 | 1 |
| EUR | EU | 9.638 | 9.468 | 9.357 | 2 | 1 |
| GBP | UK | 11.002 | 11.587 | 12.890 | –5 | –10 |
| NOK | Norway | 1.033 | 1.019 | 1.048 | 1 | –3 |
| PLN | Poland | 2.265 | 2.170 | 2.238 | 4 | –3 |
| USD | USA | 8.549 | 8.559 | 8.435 | 0 | 1 |

| | | Average exchange rate | | | Change, percent | |
|---|---|---|---|---|---|---|
| Currency | Country | 2017 | 2016 | 2015 | 2016–2017 | 2015–2016 |
| CZK | Czech Republic | 0.384 | 0.354 | 0.339 | 9 | 4 |
| DKK | Denmark | 1.321 | 1.287 | 1.229 | 3 | 5 |
| EUR | EU | 9.834 | 9.571 | 9.171 | 3 | 4 |
| GBP | UK | 11.081 | 11.150 | 12.433 | –1 | –10 |
| NOK | Norway | 1.000 | 1.053 | 0.956 | –5 | 10 |
| PLN | Poland | 2.355 | 2.168 | 2.159 | 9 | 0 |
| USD | USA | 8.204 | 9.064 | 8.395 | –9 | 8 |

## Income statement

In 2017 the average exchange rate of the SEK against the Group's other currencies strengthened against GBP and weakened against the currencies CZK, DKK, EUR, NOK, PLN and USD. The stronger SEK against GBP had a negative effect on revenue in the amount of SEK –1.1 billion. The total exchange rate effect on the Group's revenue was SEK –198 M (–1,728), equivalent to –0.1 percent (–1.1). The total exchange rate effect on the Group's operating income was SEK –33 M (6), equivalent to –0.5 percent (0.1). See the table below.

.

## Exchange rate effect by currency

| 2017 | USD | EUR | GBP | NOK | CZK | PLN | Other | Total |
|---|---|---|---|---|---|---|---|---|
| Revenue | –74 | 189 | –1,113 | 196 | 235 | 370 | –1 | –198 |
| Operating income | 0 | 13 | –12 | 8 | 4 | –44 | –2 | –33 |
| Income after financial items | 0 | 12 | –13 | 9 | 4 | –44 | –1 | –33 |
| Profit for the year | 0 | 10 | –11 | 7 | 0 | –48 | –1 | –43 |

| 2016 | USD | EUR | GBP | NOK | CZK | PLN | Other | Total |
|---|---|---|---|---|---|---|---|---|
| Revenue | 846 | 111 | –2,183 | –353 | 115 | –258 | –6 | –1,728 |
| Operating income | 31 | 6 | –38 | –14 | 5 | 10 | 6 | 6 |
| Income after financial items | 25 | 5 | –37 | –16 | 5 | 10 | 6 | –2 |
| Profit for the year | 15 | 5 | –26 | –12 | 4 | 10 | 6 | 2 |

# Note 34. Continued

## Consolidated statement of financial position by currency

Consolidated total assets increased by SEK 2.9 billion, from SEK 106.5 billion to SEK 109.4 billion. Changes in foreign exchange rates had a negative impact of SEK –3.0 billion. The closing exchange rate of the Swedish krona appreciated against GBP, NOK and USD.

| Dec 31, 2017, SEK billion | USD | GBP | EUR | NOK | CZK | PLN | DKK | Other foreign currencies[1] | Hedge loans[2] | SEK | Total |
|---|---|---|---|---|---|---|---|---|---|---|---|
| **Assets** | | | | | | | | | | | |
| Property, plant and equipment | 2.3 | 0.2 | 0.4 | 1.1 | 0.5 | 0.2 | 0.0 | 0.1 | | 2.1 | 6.9 |
| Intangible assets | 1.0 | 1.5 | 0.5 | 1.3 | 0.5 | 0.0 | 0.0 | 0.1 | | 0.6 | 5.5 |
| Shares and participations | 1.8 | 0.0 | 0.1 | 0.2 | 0.1 | 0.0 | 0.0 | –0.2 | | 1.3 | 3.3 |
| Interest-bearing receivables | 21.1 | 3.4 | 2.2 | 3.8 | 1.1 | 2.1 | 0.0 | –26.8 | –0.4 | 2.3 | 8.8 |
| Current-asset properties | 7.4 | 0.3 | 11.1 | 3.4 | 1.7 | 0.9 | 1.5 | 0.0 | | 12.7 | 39.0 |
| Non-interest-bearing receivables | 17.3 | 4.9 | 2.5 | 4.0 | 1.2 | 2.1 | 0.0 | 0.4 | | 6.5 | 38.9 |
| Cash and cash equivalents | 1.1 | 0.0 | 0.1 | 0.1 | 0.7 | 0.1 | 0.1 | 0.1 | | 4.7 | 7.0 |
| **Total** | **52.0** | **10.3** | **16.9** | **13.9** | **5.8** | **5.4** | **1.6** | **–26.3** | **–0.4** | **30.2** | **109.4** |
| **Equity and liabilities** | | | | | | | | | | | |
| Equity attributable to equity holders[3] | 8.9 | 1.7 | 6.9 | 4.1 | 2.5 | 0.6 | 0.5 | 0.1 | –4.8 | 6.6 | 27.1 |
| Non-controlling interests | 0.0 | 0.0 | 0.0 | 0.0 | 0.1 | 0.0 | 0.0 | 0.0 | | 0.0 | 0.1 |
| Interest-bearing liabilities | 17.1 | 2.4 | 4.7 | 2.7 | 0.6 | 1.1 | 0.7 | –26.8 | 4.4 | 10.0 | 16.9 |
| Non-interest-bearing liabilities | 26.0 | 6.2 | 5.3 | 7.1 | 2.6 | 3.7 | 0.4 | 0.4 | | 13.6 | 65.3 |
| **Total** | **52.0** | **10.3** | **16.9** | **13.9** | **5.8** | **5.4** | **1.6** | **–26.3** | **–0.4** | **30.2** | **109.4** |

| Dec 31, 2016, SEK billion | USD | GBP | EUR | NOK | CZK | PLN | DKK | Other foreign currencies[1] | Hedge loans[2] | SEK | Total |
|---|---|---|---|---|---|---|---|---|---|---|---|
| **Assets** | | | | | | | | | | | |
| Property, plant and equipment | 2.5 | 0.2 | 0.4 | 1.0 | 0.5 | 0.4 | 0.0 | –0.1 | | 1.9 | 6.8 |
| Intangible assets | 1.5 | 1.6 | 0.5 | 1.4 | 0.5 | 0.1 | 0.0 | 0.1 | | 0.6 | 6.3 |
| Shares and participations | 2.3 | 0.0 | 0.4 | 0.3 | 0.1 | 0.0 | 0.0 | –0.1 | | 1.2 | 4.2 |
| Interest-bearing receivables | 20.1 | 3.0 | 1.8 | 4.1 | 1.9 | 2.3 | 0.1 | –24.0 | -2.6 | 4.2 | 10.9 |
| Current-asset properties | 4.9 | 0.9 | 9.4 | 2.8 | 1.0 | 0.7 | 0.8 | 0.0 | | 13.2 | 33.7 |
| Non-interest-bearing receivables | 16.0 | 6.6 | 2.3 | 3.9 | 1.1 | 2.6 | 0.0 | 0.3 | | 6.4 | 39.2 |
| Cash and cash equivalents | 0.6 | 0.0 | 0.3 | 0.0 | 0.1 | 0.0 | 0.0 | 0.3 | | 4.1 | 5.4 |
| **Total** | **47.9** | **12.3** | **15.1** | **13.5** | **5.2** | **6.1** | **0.9** | **–23.5** | **–2.6** | **31.6** | **106.5** |
| **Equity and liabilities** | | | | | | | | | | | |
| Equity attributable to equity holders[3] | 11.7 | 3.6 | 5.8 | 3.7 | 2.6 | 1.7 | 0.5 | 0.0 | –5.4 | 3.2 | 27.4 |
| Non-controlling interests | 0.0 | 0.0 | 0.0 | 0.0 | 0.1 | 0.0 | 0.0 | 0.1 | | 0.0 | 0.2 |
| Interest-bearing liabilities | 10.1 | 3.2 | 4.5 | 2.5 | 0.1 | 0.8 | 0.1 | –24.0 | 2.8 | 15.0 | 15.1 |
| Non-interest-bearing liabilities | 26.1 | 5.5 | 4.8 | 7.3 | 2.4 | 3.6 | 0.3 | 0.4 | | 13.4 | 63.8 |
| **Total** | **47.9** | **12.3** | **15.1** | **13.5** | **5.2** | **6.1** | **0.9** | **–23.5** | **–2.6** | **31.6** | **106.5** |

1 Including elimination of intra-Group receivables and liabilities.
2 Amounts refer to hedges before tax deduction. Net investments abroad are currency-hedged to a certain extent through foreign currency loans and currency forward contracts – see also Note 6. Hedging of net investments through foreign currency loans in EUR and GBP amounts to 4.4 billion (2.8). Hedging of net investments through currency forward contracts amounts to SEK 0.4 billion (2.6), which breaks down as USD 0.2 (0.1), EUR 0.0 (0.3) and GBP 0.2 (2.2).
3 The respective currencies are calculated including goodwill on consolidation and the net amount of Group surpluses after deducting deferred taxes.

## Effect on the Group of a change in SEK against other currencies and change in USD against SEK

The following sensitivity analysis, based on the 2017 income statement and statement of financial position, shows the sensitivity of the Group to a unilateral 10 percent change in SEK against all currencies, as well as a unilateral 10 percent change in USD against SEK (+ indicates a weakening of the Swedish krona, – indicates a strengthening of the Swedish krona).

| SEK bn | +/– 10% | Of which USD +/– 10% |
|---|---|---|
| Revenue | +/– 12.2 | +/– 6.2 |
| Operating income | +/– 0.0 | +/– 0.0 |
| Equity | +/– 2.2 | +/– 0.9 |
| Net receivables/net liabilities | +/– 0.2 | +/– 0.5 |

## 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 Statement of Cash Flows, Skanska prepares a cash flow statement based on the operations carried out by the respective business streams. This cash flow statement is called the "Consolidated operating cash flow statement." The connection between the respective cash flow statements is explained below.

### Adjustments for items not included in cash flow

| | 2017 | 2016 |
|---|---|---|
| Depreciation/amortization and impairment losses/reversals of impairment losses | 2,462 | 1,973 |
| Income from divestments of non-current assets and current-asset properties | –5,323 | –4,936 |
| Income after financial items from joint ventures and associated companies | –388 | –728 |
| Dividends from joint ventures and associated companies | 256 | 358 |
| Provision for the year, intra-Group profits on contracting work | 452 | 207 |
| Pensions recognized as expenses but not related to payments | 710 | 600 |
| Pensions paid | –590 | –566 |
| Cost of Seop | 297 | 272 |
| Gain on joint ventures divested | –1,362 | –1,774 |
| Other items that have not affected cash flow from operating activities | –35 | –324 |
| **Total** | **–3,521** | **–4,918** |

### Taxes paid

Taxes paid are divided into operating activities, investing activities and financing activities.

Total taxes paid for the Group during the year amounted to SEK –968 M (–1,205).

### Information about interest and dividends

| | 2017 | 2016 |
|---|---|---|
| Interest income received during the year | 87 | 69 |
| Interest payments made during the year | –237 | –243 |
| Dividend received during the year | 287 | 389 |

### Cash and cash equivalents

Cash and cash equivalents in the cash flow statement consist of cash and bank balances as well as short-term investments. The definition of cash and bank balances in the statement of financial position can be found in Note 1 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 and bank balances.

| | 2017 | 2016 |
|---|---|---|
| Cash and bank balances | 6,998 | 5,430 |
| **Total** | **6,998** | **5,430** |

### Other items

At year-end, the Group's unutilized credit facilities amounted to SEK 8,281 M (5,713).

### Information about assets and liabilities in divested Group companies/businesses

| | 2017 | 2016 |
|---|---|---|
| **Assets** | | |
| Intangible assets | | –67 |
| Property, plant and equipment | | –39 |
| Shares and participations | | –22 |
| Interest-bearing assets | | –689 |
| Non-interest-bearing assets | | –698 |
| **Total** | **0** | **–1,515** |
| **Liabilities** | | |
| Interest-bearing liabilities | | –26 |
| Non-interest-bearing liabilities | | –905 |
| **Total** | **0** | **–931** |
| Consideration | | 961 |
| Cash and cash equivalents in divested companies | | –99 |
| **Effect on cash and cash equivalents, divestment** | **0** | **862** |

No Group companies were divested in 2017. Group companies divested in 2016 provided a profit of SEK 268 M. This is recognized under costs of production and management. In 2016 the 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

Statement of Cash Flows is presented below.

The consolidated cash flow statement prepared in compliance with IAS 7 recognizes cash flow divided into:

Cash flow from operating activities
Cash flow from investing activities
Cash flow from financing activities

The consolidated operating cash flow statement recognizes cash flow divided into:

Cash flow from business operations
Cash flow from financing activities
Cash flow from strategic investments
Dividend etc.
Change in interest-bearing receivables and liabilities

The consolidated operating cash flow statement refers to operating activities as "business operations." Unlike the cash flow statement in compliance with IAS 7, "business operations" also includes net investments, which are regarded as an element of business operations together with tax payments on these. Such net investments are net investments in property, plant and equipment and intangible non-current assets as well as net investments in Infrastructure Development.

Investments of a strategic nature are recognized under cash flow from strategic investments.

Under cash flow from financing activities, the operating cash flow statement recognizes only interest and other financial items as well as taxes paid on these. Dividends are recognized separately. Loans provided and repayment of loans are also recognized separately along with changes in interest-bearing receivables at the bottom of the operating cash flow statement, resulting in a subtotal in that statement that shows cash flow before changes in interest-bearing receivables and liabilities.

# Note 35. Continued

## Cash flow for the year

| | 2017 | 2016 |
|---|---|---|
| Cash flow from business operations including taxes paid according to operating cash flow | 2,702 | –1,078 |
| Less net investments in property, plant and equipment and intangible assets | 112 | 160 |
| Less tax payments on property, plant and equipment and intangible assets divested and divestment of assets in Infrastructure Development | 32 | 35 |
| **Cash flow from operating activities** | 2,846 | –883 |
| Cash flow from strategic investments according to operating cash flow | 0 | 862 |
| Net investments in property, plant and equipment and intangible assets | –112 | –160 |
| Increase and decrease in interest-bearing receivables | 1,734 | –2,260 |
| Taxes paid on property, plant and equipment and intangible assets divested and assets in Infrastructure Development | –32 | –35 |
| **Cash flow from investing activities** | 1,590 | –1,593 |
| Cash flow from financing activities according to operating cash flow statement, including changes in interest-bearing receivables and liabilities | 2,796 | –2,476 |
| Increase and decrease in interest-bearing liabilities | –1,734 | 2,260 |
| Dividend etc. [1] | –3,879 | –3,874 |
| **Cash flow from financing activities** | –2,817 | –4,090 |
| **Cash flow for the year** | 1,619 | –6,566 |
| 1 Of which repurchases of shares | –440 | –793 |

## Relation between the Group's investments in the cash flow statement and investments in the operating cash flow statement

Total net investments are recognized in the cash flow statement divided into operating activities and investing activities, taking into account the settlement of payments for investments and divestments.

Purchases and sales of current-asset properties are recognized under operating activities, while other net investments are recognized under investing activities.

| | 2017 | 2016 |
|---|---|---|
| Net investments in operating activities | –1,217 | –655 |
| Net investments in investing activities | –112 | 702 |
| | **–1,329** | **47** |
| Less accrual adjustments, cash flow effect of investments | 243 | 96 |
| **Total net investments** | **–1,086** | **143** |

The consolidated operating cash flow statement recognizes net investments divided into net investments in operations and strategic net investments as follows.

## Investments/divestments

| | 2017 | 2016 |
|---|---|---|
| **Operations – investments** | | |
| Intangible assets | –255 | –394 |
| Property, plant and equipment | –1,876 | –1,636 |
| Assets in Infrastructure Development | –449 | –1,336 |
| Shares | –154 | –325 |
| Current-asset properties | –21,451 | –17,108 |
| of which Residential Development | –10,801 | –9,005 |
| of which Commercial Property Development | –10,650 | –8,103 |
| | **–24,185** | **–20,799** |
| **Operations – divestments** | | |
| Intangible assets | 1 | 2 |
| Property, plant and equipment | 213 | 411 |
| Assets in Infrastructure Development | 1,950 | 3,102 |
| Shares | 458 | 16 |
| Current-asset properties | 20,477 | 16,549 |
| of which Residential Development | 11,767 | 7,508 |
| of which Commercial Property Development | 8,710 | 9,041 |
| | **23,099** | **20,080** |
| Net investments in operations | –1,086 | –719 |
| **Strategic divestments** | | |
| Divestments of businesses | 0 | 862 |
| **Net strategic investments** | **0** | **862** |
| **Total net investments** | **–1,086** | **143** |

The change in interest-bearing liabilities belonging to financing activities is presented in the following table.

## Interest-bearing liabilities

| | 2017 | 2016 |
|---|---|---|
| January 1 | 10,172 | 10,184 |
| Items affecting cash flow from financing activities | 885 | –140 |
| Exchange rate differences | 266 | 128 |
| **December 31** | **11,323** | **10,172** |

# Note 36. Personnel

## Wages, salaries, other remuneration and social insurance contributions

| | 2017 | 2016 |
|---|---|---|
| **Wages, salaries and other remuneration** | | |
| Board members, Presidents, Executive Vice Presidents and other executive team members [1] | 554 | 588 |
| of which variable remuneration | 213 | 223 |
| Other employees | 21,448 | 21,190 |
| **Total wages, salary and other remuneration** | **22,002** | **21,778** |
| Social insurance contributions | 5,415 | 5,531 |
| of which pension expenses | 2,130 | 2,144 |

1 The amount related to Board members, Presidents, Executive Vice Presidents and other executive team members includes remuneration to former Board members, Presidents and Executive Vice Presidents in all Group companies during the financial year.

Of the Group's total pension expenses, SEK 49 M (52) relates to 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

| | 2017 | of whom men | % | of whom women | % | 2016 | of whom men | % | of whom women | % |
|---|---|---|---|---|---|---|---|---|---|---|
| Sweden | 9,304 | 7,500 | 81 | 1,804 | 19 | 10,158 | 8,476 | 83 | 1,682 | 17 |
| Norway | 3,867 | 3,472 | 90 | 395 | 10 | 3,864 | 3,482 | 90 | 382 | 10 |
| Denmark | 15 | 10 | 67 | 5 | 33 | 18 | 11 | 61 | 7 | 39 |
| Finland | 2,091 | 1,740 | 83 | 351 | 17 | 2,056 | 1,760 | 86 | 296 | 14 |
| UK | 5,813 | 4,586 | 79 | 1,227 | 21 | 5,617 | 4,387 | 78 | 1,230 | 22 |
| Poland | 5,598 | 4,378 | 78 | 1,220 | 22 | 6,892 | 5,396 | 78 | 1,496 | 22 |
| Czech Republic | 3,039 | 2,528 | 83 | 511 | 17 | 3,141 | 2,626 | 84 | 515 | 16 |
| Slovakia | 838 | 718 | 86 | 120 | 14 | 790 | 656 | 83 | 134 | 17 |
| USA | 9,350 | 7,975 | 85 | 1,375 | 15 | 9,276 | 7,941 | 86 | 1,335 | 14 |
| Other countries | 844 | 775 | 92 | 69 | 8 | 1,091 | 1,023 | 94 | 68 | 6 |
| **Total** | **40,759** | **33,682** | **83** | **7,077** | **17** | **42,903** | **35,758** | **83** | **7,145** | **17** |

The number of employees as of December 31, 2017 was 40,400 (40,642).

## Men and women on Boards of Directors and in executive teams on closing day

| | 2017 | of whom men | of whom women | 2016 | of whom men | of whom women |
|---|---|---|---|---|---|---|
| Number of Board members | 193 | 84% | 16% | 206 | 86% | 14% |
| Number of Presidents and members of executive teams in Business Units | 191 | 77% | 23% | 189 | 80% | 20% |

## 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 consisted of the President and CEO and the eight Executive Vice Presidents. Of these nine individuals at the end of 2017, three were women and six were men.

Senior executives are defined as the members of the Senior Executive Team.

## Preparation and decision-making processes

Principles for senior executive remuneration are established annually by the Annual General Meeting. Salary and other benefits for the President and CEO are established by the Board of Directors of Skanska AB following recommendations from the Board's Compensation Committee. The Committee sets salaries, variable remuneration and other benefits for the senior executives. The President and CEO regularly informs the Compensation Committee about the salaries, variable remuneration and other benefits of the heads of Group Staff Units and Business Units. In 2017 the Compensation Committee consisted of Hans Biörck, Chairman of the Board, and Board members Pär Boman, Jayne McGivern and John Carrig. The Compensation Committee met seven times during the year. The Annual General Meeting approves the directors' fees and remuneration for committee work for members of the Board, following recommendations from the Nomination Committee.

## Senior executive remuneration

### Principles for remuneration

The 2017 Annual General Meeting approved the following guidelines for salaries and other remuneration for senior executives:

Remuneration for senior executives of Skanska AB is to consist of a fixed salary, possible variable remuneration, other customary benefits and pension. The senior executives include the President and CEO and the other members of the 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 level of responsibility and authority of the senior executive. The variable remuneration is to be payable in cash and/or shares, and it is to have a ceiling and be related to the fixed salary. To receive shares a three-year vesting period is required and the shares are to be part of a long-term incentive program. Variable remuneration is to be based on performance in relation to established targets and designed to achieve better alignment between the interests of the executive and of the company's shareholders. The terms of variable remuneration should be designed in such a way that if exceptional economic conditions exist, the Board has the ability to limit or refrain from paying variable remuneration if such payment is deemed unreasonable and incompatible with the company's general responsibility to shareholders, employees and other stakeholders. With respect to the annual bonus, the Board has the possibility of limiting or refraining from paying this variable remuneration if it deems such action reasonable for other reasons.

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

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

The Board 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 reviewed by the Compensation Committee in preparation for decisions by the Board. The salary and other remuneration for other senior executives are determined by the Compensation Committee.

## 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 under the headings "Long-term share programs" and "Previous long-term share programs" in this note. The table below presents, by business stream, the starting point and outperform targets that were decided by the Board for the 2017 cash-based variable remuneration.

### Financial targets for variable salary components 2017

| | Measure of earnings | Starting Point | Outperform | Outcome | Percentage fulfilled[2] |
|---|---|---|---|---|---|
| **Group** | Income after financial items, SEK bn[1] | 4.9 | 7.1 | 5.7 | 33% |
| **Construction** | Operating income, SEK bn | 2.8 | 4.7 | 1.2 | 50% |
| | Skanska Value Added, SEK bn [3] | 3.5 | 5.2 | 2.3 | 58% |
| **Residential Development[4]** | Operating income, SEK bn | 0.9 | 1.4 | 1.7 | 98% |
| | Return on capital employed, % | 8 | 12 | 18 | 100% |
| **Commercial Property Development** | Operating income, SEK bn | 1.2 | 1.9 | 2.7 | 98% |
| | Return on capital employed, %[5] | 7 | 11 | 15 | 92% |
| | Leasing, thousands of sq m | 168 | 331 | 434 | 100% |
| **Infrastructure Development** | Operating income, SEK bn | 0.8 | 0.9 | 0.9 | 100% |
| | Project development, %[6] | 0 | 100 | 63 | 63% |

1 The income excludes eliminations at the Group level. The outperform target at the Group level constitutes 95 percent of the Business stream's total outperform target and the starting point target constitutes 105 percent of the Business stream's total starting point target.
2 Percentage fulfilled is based on the outcomes for the respective Business Units, which are weighed together. As the amount fulfilled per Business Unit must be at least 0 percent, negative earnings from the Business Units may affect the comparison with the Business stream's total earnings.
3 The Skanska Value Added (SVA) target corresponds to operating income less cost of capital employed. Cost of capital refers to the estimated cost of borrowed capital and equity before tax.
4 Residential Development in Central Europe as well as BoKlok are also measured according to the 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. Encompasses the Commercial Property Development Business Units in the Nordics, Europe and USA.
6 Includes targets for project development in Europe and USA as well as asset management and divestments.

# Not 37. Continued

In addition to the financial performance targets, the senior executives have non-financial targets that may reduce the outcome measured only according to the financial targets. The non-financial targets mainly relate to strategic initiatives linked to the business plan. The outcome is reduced in cases where the operations for which the person is responsible have not reached the non-financial targets.

Annual variable remuneration for the senior executives, excluding the President and CEO, is mainly tied to the Group targets and/or to the Business Units they are directly responsible for. The non-financial targets are connected to the Business Units and/or operations for which the senior executives are responsible for. The preliminary outcome for the other senior executives averaged 47 percent (83) of fixed annual salary. This calculation is preliminary insofar as any deductions as a consequence of non-financial targets have not yet been taken into account. The Board will determine the final outcome of variable remuneration in the first quarter of 2018 after reviewing operational performance.

**Targets and performance related to variable remuneration for the President and CEO**

The financial targets for the President and CEO were the same as the Group targets according to the table below. The Board of Directors has the option of reducing the final outcome of variable remuneration measured solely on the financial targets by a maximum of 50 percent, based on the outcome of the Group's non-financial targets. The preliminary outcome for the President and CEO's variable remuneration (i.e., excluding the employee ownership program) shows an outcome of 33 percent (100) of fixed salary, based on financial targets with a target fulfillment of 33 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 the first quarter of 2018 after reviewing operational performance.

## Pension benefits

The retirement age of the senior executives is 62 to 65 years. Employees in Sweden are entitled to pension benefits according to the ITP occupational pension plan. The ITP plan encompasses the defined-contribution ITP 1 pension system and the defined-benefit ITP 2 pension system. Employees outside Sweden are covered by local pension plans. The ITP 1 contribution is 4.5 percent of gross cash salary up to 7.5 base amounts of income per year and 30 percent of gross cash salary above that. The defined-benefit ITP 2 plan guarantees a lifetime pension from age 55. The pension amount is a certain percentage of the employee's final salary, and the service period to qualify for a full pension is 30 years. The pension entitlement is 10 percent for salary components up to 7.5 base amounts, 65 percent for components between 7.5 and 20 base amounts and 32.5 percent for salary components between 20 and 30 base amounts. For salary components exceeding 30 base amounts, this ITP 2 group is covered by a supplementary pension entitlement, with a premium of 20 percent.

## Severance pay

The notice period for the senior executives, in the case of termination by the company, is six months with retention of fixed salary and benefits, excluding variable remuneration. After the notice period, severance pay is disbursed for 12 to 18 months. When payments are disbursed after the notice period other income must normally be subtracted from the amount payable.
A mutual notice period of 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 2017

**Directors' fees**

The 2017 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 SEK 9,715,000 (8,485,000), including a special allowance for committee work. See the table below.

## Board of Directors

| SEK thousand | Director's fee | | Audit Committee | | Compensation Committee | | Project Review Committee | | Total | |
|---|---|---|---|---|---|---|---|---|---|---|
| | 2017 | 2016 | 2017 | 2016 | 2017 | 2016 | 2017 | 2016 | 2017 | 2016 |
| **Chairman of the Board** | | | | | | | | | | |
| Hans Biörck | 2,040 | 1,995 | 158 | 150 | 110 | 100 | 205 | 200 | 2,513 | 2,445 |
| **Other Board members** | | | | | | | | | | |
| John Carrig | 680 | 665 | 158 | 150 | 105 | 100 | 205 | 200 | 1,148 | 1,115 |
| Nina Linander | 680 | 665 | 158 | 150 | 0 | 0 | 205 | 200 | 1,043 | 1,015 |
| Fredrik Lundberg | 680 | 665 | 0 | 0 | 0 | 0 | 205 | 200 | 885 | 865 |
| Charlotte Strömberg | 680 | 665 | 220 | 200 | 0 | 100 | 205 | 200 | 1,105 | 1,165 |
| Pär Boman | 680 | 665 | 158 | 150 | 105 | 0 | 205 | 200 | 1,148 | 1,015 |
| Jayne McGivern | 680 | 665 | 0 | 0 | 105 | 0 | 205 | 200 | 990 | 865 |
| Catherine Marcus | 680 | – | 0 | – | 0 | – | 205 | – | 885 | – |
| **Board of Directors** | **6,800** | **5,985** | **850** | **800** | **425** | **300** | **1,640** | **1,400** | **9,715** | **8,485** |

**Chairman of the Board**

During the 2017 financial year the Chairman of the Board, Hans Biörck, received a director's fee totaling SEK 2,513,000, (2,445,000) of which SEK 473,000 (450,000) was for committee work.

**Board members**

In addition to regular directors' fees and remuneration for committee work, Board member John Carrig received a consulting fee of SEK 239,000. 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.

For Board members appointed by the employees, no disclosures are made concerning salaries and remuneration or pensions as they do not receive these in their capacity as Board members. For Board members who were employees of the company before the beginning of the financial year, disclosures are made concerning pension obligations in their former role as employees.

# Not 37. Continued

## Senior executives

| SEK thousand | Annual salary | | Variable remuneration [1] | | Allocated value of employee ownership programs [2] | | Other remuneration and benefits [3] | | Pension expense | | Total | |
|---|---|---|---|---|---|---|---|---|---|---|---|---|
| | 2017 | 2016 | 2017 | 2016 | 2017 | 2016 | 2017 | 2016 | 2017 | 2016 | 2017 | 2016 |
| **President and CEO** | | | | | | | | | | | | |
| Johan Karlström | 12,670 | 12,360 | 4,243 | 12,360 | 1,988 | 8,645 | 84 | 73 | 6,335 | 6,180 | 25,320 | 39,618 |
| Other senior executives (8 individuals) [4] | 40,854 | 39,779 | 15,216 | 28,792 | 5,408 | 27,440 | 42,914 | 1,172 | 17,018 | 13,250 | 121,409 | 110,432 |
| **Total** | **53,524** | **52,139** | **19,459** | **41,152** | **7,396** | **36,085** | **42,998** | **1,245** | **23,353** | **19,430** | **146,729** | **150,050** |

1 Variable remuneration relating to the 2017 financial year is preliminary and will be finally determined and disbursed after the outcome is established in the first quarter of 2018. The amounts included under the heading "Variable remuneration" in the table above refer to the 2017 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 2017, at the share price on December 29, 2017 (SEK 170). The senior executives will receive an estimated 6,445 (6,990) matching shares and 37,062 (160,768) performance shares. The Board will determine the final outcome in the first quarter of 2018 after reviewing operational performance. In order to receive matching shares and performance shares, an additional three years of service are required. The total cost has not yet been expensed as the cost is allocated over three years in accordance with IFRS 2. See the section under the heading "Long-term share programs." The President and CEO as well as some other senior executives received remuneration related to the 2014 financial year. After a three-year lock-up period as part of the previous employee ownership program, Seop 3, the President and CEO received 38,860 (35,302) shares, equivalent to SEK 6,606,000 (7,594,000) in 2017, for shares acquired for the financial year 2014. In 2017, as part of Seop 3, the other senior executives, after a three-year lock-up period, received 80,403 (86,998) Series B Skanska shares, equivalent to SEK 13,669,000 (18,713,000), for shares allotted for the 2014 financial year.
3 The amount includes the cost of salaries during the notice period and severance pay for five individuals who left the company in 2017 and 2018. These costs are charged to the accounts in 2017 but the amounts will be disbursed in 2018–2020.
4 During the period January 16 – March 31 this group consisted of nine individuals.

#### President and CEO

In 2017 the President and CEO, Johan Karlström, received a fixed salary of SEK 12,670,000 (12,360,000) plus an estimated variable salary component of SEK 4,243,000 (12,360,000) based on financial targets being 33 percent fulfilled. Variable remuneration is maximized at 100 percent (100) of fixed annual salary. The final outcome of variable remuneration for the President and CEO will be established by the Board in the first quarter of 2018 following a review of operational performance. The preliminary outcome was equivalent to 33 percent (100) of fixed annual salary. Disbursement normally occurs in May of the year following the performance year.

The President and CEO is also participating in the Group's ongoing employee ownership program, Seop 4, which involves an allocation of matching shares and performance shares. See the section under the heading "Long-term share programs" in this note. Within the framework of Seop 4, Johan Karlström acquired 6,931 (6,698) Series B Skanska shares, which is expected to result in the allocation of 1,733 (1,675) matching shares equivalent to SEK 295,000 (360,000). An estimated 9,964 (38,515) performance shares are expected to be allocated, for a value of SEK 1,694,000 (8,285,000), since the outperform targets were preliminarily 25 percent (100) fulfilled. The amount stated is based on the share price on December 29, 2017 (SEK 170). The allocation of performance shares will be finally determined in the first quarter of 2018 after reviewing operational performance.

Annual pension provisions will total 50 percent of fixed annual salary. The cost in 2017 amounted to SEK 6,335,000 (6,180,000). Johan Karlström left his position as CEO and member of the Senior Executive Team on December 31, 2017. He will continue to serve as a senior advisor until January 31, 2019.

#### Other senior executives

In 2017 one individual joined and one individual left the Senior Executive Team. At the end of 2017 the other senior executives consisted of eight individuals.

The senior executives received a fixed salary and variable remuneration based on the Group's earnings and/or the earnings of the Business Units for which they are directly responsible. In addition, the senior executives were covered by the Group's ongoing employee ownership program, Seop 4, involving an allocation of matching shares and performance shares. See the section under the heading "Long-term share programs" in this note. A total of 18,851 (21,261) Series B Skanska shares were purchased by the senior executives in 2017 under the Seop 4 program, which resulted in 4,713 (5,315) matching shares, equivalent to SEK 801,000 (1,143,000). An estimated 27,098 (122,252) performance shares may be allocated, at a value of SEK 4,607,000 (29,296,000), since the outperform targets were preliminarily 25 percent (100) fulfilled. The amount stated is based on the share price on December 29, 2017 (SEK 170). Variable remuneration and the outcome of performance shares for 2017 are preliminary. The final outcome will be established in the first quarter of 2018 after a review of operational performance.

Disbursement of the cash-based variable remuneration normally occurs in May of the year following the performance year.

All above-mentioned remuneration and benefits were charged to Skanska AB, except for SEK 10,739,000 (31,157,000) to senior executives, which was charged to other Group companies.

#### Pension obligations to current and former senior executives

In 2017, outstanding pension obligations to Presidents and CEOs, including former Presidents and CEOs, amounted to SEK 151,393,000 (149,947,000). Outstanding obligations to other current and former senior executives amounted to SEK 109,782,000 (112,085,000).

### Long-term share programs

#### Share incentive program – Skanska employee ownership program, Seop 4 (2017–2019)

In 2016 the Annual General Meeting approved the introduction of the Seop 4 long-term employee ownership program for employees of the Group. This is essentially an extension of the earlier Seop 3 employee ownership program that ran from 2014–2016. The terms and conditions are the same in all material respects as those of the earlier Seop 3 program.

The program is aimed at about 40,000 permanent employees of the Skanska Group, of whom some 2,000 are key employees and about 300 are executives, including the President and CEO and other senior executives.

The program offers employees, key employees and executives the opportunity – provided they have made their own investment in Series B Skanska shares during a given financial year – to receive Series B Skanska shares from Skanska free of charge. For each four Series B investment shares purchased, the employee will be entitled, after a three-year lock-up period, to receive one Series B Skanska share free of charge. In addition, after the lock-up period, the employee will be able to receive additional Series B Skanska shares free of charge contingent upon the fulfillment of certain earnings-based performance criteria during the purchase period.

The purchase period covers the years 2017–2019 and the lock-up period runs for three years from the month in which the investment shares are acquired. For each four investment shares purchased, employees may, in addition to one matching share, receive a maximum of three performance shares. For each four investment shares, key employees may, in addition to one matching share, receive a maximum of seven performance shares. For each four investment shares, executives (split into three subcategories) may, in addition to one matching share, receive a maximum of 15, 19 or 23 performance shares 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 the employee is participating in the program as an employee, a key employee or an executive.

# Not 37. Continued

## Financial targets for the employee ownership program, Seop 4, 2017 [1]

| | Measure of earnings | Starting Point | Outperform | Outcome | Percentage fulfilled [2] |
|---|---|---|---|---|---|
| **Group** | Earnings per share, SEK [3] | 11.3 | 14.2 | 12.0 | 25% |
| **Construction** | Operating income, SEK bn | 3.0 | 4.8 | 1.2 | 45% |
| **Residential Development**[4] | Operating income, SEK bn | 1.1 | 1.5 | 1.7 | 98% |
| **Commercial Property Development** | Operating income, SEK bn | 1.4 | 1.9 | 2.7 | 97% |
| | Leasing, thousands of sq m | 161 | 323 | 427 | 100% |
| **Infrastructure Development** | Operating income, SEK bn | 0.8 | 0.9 | 0.9 | 100% |
| | Project development, % | 0 | 100 | 63 | 63% |

1 For further information, see the table "Financial targets for variable salary components" in Note 37 on page 158.
2 Percentage fulfilled is based on outcomes in the respective Business Units, which are weighed together.
3 Profit for the period attributable to equity holders, 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 Group throughout the vesting period and must have retained his or her investment shares during this lock-up period.

The program has two cost ceilings. The first ceiling depends on the extent to which financial Seop-specific outperform targets are met, which limits Skanska's total cost per year to SEK 208–655 M, related to fulfillment of the financial Seop-specific outperform targets at the Group level. The first cost ceiling is adjusted in accordance with the Consumer Price Index, with 2016 as the base year for Seop 4. The other cost ceiling is that Skanska's total cost per year may not exceed 15 percent of earnings before interest and taxes (EBIT) at the Group level. The actual cost ceiling will be the lower of these two cost ceilings. The cost for the outcomes of stock purchase programs from previous years is included in annually established performance targets. In addition to the cost ceilings, the number of shares that may be repurchased as part of the three-year program is also limited to 13,500,000 shares. A preliminary assessment of the outcome for 2017 indicates that the first cost ceiling was exceeded, which means that the allotment level will be preliminarily reduced proportionately for the program participants. The outcome is finally established by the Board after reviewing the business in the first quarter of 2018.

The table above shows Seop 4 target fulfillment in 2017 for each business stream.

In the Skanska Group, a total of 32 percent (30) of permanent employees participated in Seop 4 in 2017.

Excluding social insurance contributions, the cost of Seop 4 is estimated at around SEK 311 M, of which the cost for 2017 amounts to around SEK 63 M. The remaining cost of Seop 4 up to and including 2022 is estimated at about SEK 248 M. The dilution effect through 2017 of Seop 4 for the 2017 program is estimated at 287,989 shares or 0.07 percent of the number of Series B Skanska shares outstanding. Maximum dilution for the program in 2017 is expected to be 1,473,955 shares or 0.36 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.

### Previous long-term share programs

**Share incentive program – Skanska employee ownership program, Seop 3 (2014–2016)**

Shares for the previous Skanska employee ownership program, which ran from 2014 to 2016, were distributed in 2017. These were shares that were earned in 2014, which, after a three-year lock-up period, were distributed to those who had been employed by the Group throughout the lock-up period and who had retained their investment shares during this lock-up period.

Excluding social insurance contributions, the cost of Seop 3 totaled SEK 862 M, of which SEK 420 M was expensed in 2014–2016, while the cost for 2017 amounts to around SEK 234 M. The remaining cost of Seop 3 up to and including 2019 is estimated at about SEK 208 M.

The dilution effect through 2017 for Seop 3 is estimated at 2,146,781 shares or 0.52 percent of the number of Series B Skanska shares outstanding. The maximum dilution for the program at the end of the vesting period in 2019 is expected to be 3,253,711 shares or 0.79 percent.

### Local incentive programs

Salaries and other remuneration are established taking into account conditions prevailing in the rest of the construction industry and customary practices in each local market. The Skanska Group applies a remuneration model for the relevant executives and managers that consists of a fixed annual salary plus variable remuneration based on financial targets reached.

# Not 38. Fees and other remuneration to auditors

| | Ernst & Young | | KPMG | |
|---|---|---|---|---|
| | 2017 | 2016 | 2017 | 2016 |
| Audit assignments | 49 | 46 | | 8 |
| Audit work in addition to the audit assignment | 5 | 0 | | |
| Tax advisory services | 1 | 3 | | 1 |
| Other services | 3 | 1 | | 2 |
| **Total** | **58** | **50** | **0** | **11** |

In 2017 Ernst & Young's audit assignment was for the first time done solely by Ernst & Young for the whole Group, as the audit of Skanska Sweden for the comparison year 2016 was conducted jointly with KPMG.

For the Parent Company, fees for audit assignments during the year amounted to SEK 6 M.

"Audit assignments" refers to the statutory audit of the annual accounts and accounting documents as well as the administration of the company by the Board of Directors and the President and CEO, along with 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 as a result of observations made during such review work or the completion of such other tasks.

"Other services" refers to advisory services related to accounting issues, advisory services concerning the divestment and acquisition of businesses and advisory services relating to processes and internal control.

# Not 39. Related party disclosures

Joint ventures and associated companies are companies related to Skanska. Information on transactions with these is presented in the following tables.

Information on remuneration and transactions with senior executives is found in Note 36 Personnel, and Note 37 Remuneration to senior executives and Board members.

| Transactions with joint ventures | 2017 | 2016 |
|---|---|---|
| Sales to joint ventures | 9,454 | 7,310 |
| Purchases from joint ventures | 38 | 57 |
| Dividends from joint ventures | 256 | 358 |
| Receivables from joint ventures | 184 | 532 |
| Liabilities to joint ventures | 0 | 10 |
| Contingent liabilities for joint ventures | 814 | 1,379 |

| Transactions with associated companies | 2017 | 2016 |
|---|---|---|
| Purchases from associated companies | 0 | 0 |
| Receivables from associated companies | 0 | 0 |
| Liabilities to associated companies | 15 | 0 |

L E Lundbergföretagen AB group has assigned Skanska to undertake four construction contracts for a total order backlog of SEK 246 M (465). Sales in 2017 amounted to SEK 236 M (91) and order bookings were SEK 17 M (0).

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.

No transactions took place between Skanska's pension funds and the company in 2017, other than Skanska receiving recompense from the pension funds and charging for other services performed by Skanska.

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# Not 40. Leasing

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 | 2017 | 2016 |
|---|---|---|
| **Property, plant and equipment** | | |
| Property (buildings and land) | 0 | 0 |
| Plant and equipment | 274 | 266 |
| **Total** | **274** | **266** |
| Acquisition cost | 1,215 | 1,098 |
| Depreciation for the year | –88 | –80 |
| Accumulated depreciation, January 1 | –853 | –752 |
| **Carrying amount** | **274** | **266** |

Variable fees for finance leases included in 2017 income amounted to SEK 0 M (0). No property leased to Skanska has been subleased to others.

Future minimum lease payments and their present value are presented in the following table.

| | Future minimum lease payments | | Present value of future minimum lease payments | |
|---|---|---|---|---|
| **Expenses, due date** | **2017** | **2016** | **2017** | **2016** |
| Within one year | –65 | –50 | –52 | –38 |
| Later than one year but within five years | –209 | –196 | –163 | –152 |
| Later than five years | 0 | 0 | 0 | 0 |
| **Total** | **–274** | **–246** | **–215** | **–190** |
| **Reconciliation, future minimum lease payments and their present value** | | | | |
| Future minimum lease payments | | | –274 | –246 |
| Less interest charges | | | 59 | 56 |
| **Present value of future minimum lease payments** | | | **–215** | **–190** |

### Operating leases

Most of the amounts for future minimum lease payments are related to leased cars and office space in Sweden, the UK, Poland and USA. Also included are site leasehold agreements for land.

The Group's lease expenses related to operating leases in 2017 totaled SEK –994 M (–638), of which SEK –967 M (–615) relates to minimum lease payments and SEK –27 M (–23) to variable payments.

The Group had SEK 12 M (13) 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 | 2017 | 2016 |
|---|---|---|
| Within one year | –1,183 | –532 |
| Later than one year but within five years | –2,626 | –1,256 |
| Later than five years | –2,168 | –2,119 |
| **Total** | **–5,977** | **–3,907** |

Of this amount, SEK 34 M (53) relates to properties that were subleased.

## B. Skanska as lessor

### Finance leases

Skanska is not a financial lessor.

### Operating leases

Operating leases in the form of property leases are mainly entered into by the Commercial Property Development business stream. These properties are recognized as current assets in the statement of financial position. See Note 4 Operating segments.

Lease income for Commercial Property Development in 2017 amounted to SEK 510 M (571).

The Group's variable lease income related to operating leases amounted to SEK 88 M (139) during the year.

The due dates of future minimum lease payments for non-cancellable operating leases break down as follows:

| Revenue, due date | 2017 | 2016 |
|---|---|---|
| Within one year | 171 | 425 |
| Later than one year but within five years | 2,040 | 632 |
| Later than five years | 3,748 | 674 |
| **Total** | **5,959** | **1,731** |

The carrying amount for current-asset properties in Commercial Property Development was SEK 23,615 M (19,728).

# Not 41. Events after the reporting period

The Board of Directors for Skanska AB decided in January 2018 to restructure operations in several market outside the Nordic region, and also to review Group governance. The cost of these measures will be taken in 2018 and is expected to be around SEK 600 million. The main cost will be termination of employment for around 3,000 employees, most of them in Poland.

# Note 42. Five-year Group financial summary

## Income statements, in compliance with IFRS

| | 2017 | 2016 | 2015 | 2014 | 2013 |
|---|---|---|---|---|---|
| Revenue | 157,877 | 145,365 | 153,049 | 143,325 | 136,589 |
| Cost of sales | –145,103 | –131,119 | –139,160 | –130,215 | –124,161 |
| **Gross income** | **12,774** | **14,246** | **13,889** | **13,110** | **12,428** |
| Selling and administrative expenses | –9,851 | –9,152 | –8,869 | –8,370 | –7,681 |
| Income from joint ventures and associated companies | 1,655 | 2,126 | 1,270 | 669 | 813 |
| **Operating income** | **4,578** | **7,220** | **6,290** | **5,409** | **5,560** |
| Financial items | 45 | –119 | –314 | –280 | –241 |
| **Income after financial items** | **4,623** | **7,101** | **5,976** | **5,129** | **5,319** |
| Taxes | –512 | –1,366 | –1,185 | –1,279 | –1,551 |
| **Profit for the year** | **4,111** | **5,735** | **4,791** | **3,850** | **3,768** |
| **Profit for the year attributable to** | | | | | |
| Equity holders | 4,095 | 5,722 | 4,780 | 3,843 | 3,765 |
| Non-controlling interests | 16 | 13 | 11 | 7 | 3 |
| **Other comprehensive income** | | | | | |
| **Items that will not be reclassified to profit or loss for the period** | | | | | |
| Remeasurement of defined-benefit pension plans | –399 | –1,127 | 785 | –2,299 | 723 |
| Tax related to items that will not be reclassified to profit or loss for the period | 69 | 189 | –175 | 509 | –183 |
| | **–330** | **–938** | **610** | **–1,790** | **540** |
| **Items that have been or will be reclassified to profit or loss for the period** | | | | | |
| Translation differences attributable to equity holders | –599 | 1,165 | 71 | 1,817 | –560 |
| Translation differences attributable to non-controlling interests | 8 | 8 | –3 | 6 | –9 |
| Hedging of exchange rate risk in foreign operations | –125 | 36 | –21 | –325 | 201 |
| Effects of cash flow hedges | 138 | 31 | 54 | –75 | –87 |
| Tax related to items that have been or will be reclassified to profit or loss for the period | 83 | 855 | 281 | –748 | 613 |
| Tax related to items that have been or will be reclassified to profit for the period | –25 | –4 | –15 | 23 | 17 |
| | **–520** | **2,091** | **367** | **698** | **175** |
| **Other comprehensive income after tax** | **–850** | **1,153** | **977** | **–1,092** | **715** |
| **Comprehensive income for the year** | **3,261** | **6,888** | **5,768** | **2,758** | **4,483** |
| **Comprehensive income for the year attributable to** | | | | | |
| Equity holders | 3,237 | 6,867 | 5,760 | 2,745 | 4,489 |
| Non-controlling interests | 24 | 21 | 8 | 13 | –6 |
| **Cash flow** | | | | | |
| Cash flow from operating activities | 2,846 | –883 | 8,584 | 4,756 | 6,252 |
| Cash flow from investing activities | 1,590 | –1,593 | –1,385 | 238 | –1,447 |
| Cash flow from financing activities | –2,817 | –4,090 | –4,544 | –3,615 | –3,238 |
| **Cash flow for the year** | **1,619** | **–6,566** | **2,655** | **1,379** | **1,567** |

# Not 42. Continued

## Income statement, in compliance with Segment Reporting

| | 2017 | 2016 | 2015 | 2014 | 2013 |
|---|---|---|---|---|---|
| **Revenue** | | | | | |
| Construction | 150,050 | 138,001 | 140,648 | 128,663 | 118,976 |
| Residential Development | 13,237 | 13,264 | 12,298 | 9,558 | 9,234 |
| Commercial Property Development | 11,440 | 10,226 | 9,034 | 10,228 | 6,206 |
| Infrastructure Development | 81 | 237 | 106 | 163 | 87 |
| Central and eliminations | –13,985 | –10,421 | –7,151 | –3,583 | 1,943 |
| **Group** | **160,823** | **151,307** | **154,935** | **145,029** | **136,446** |
| **Operating income** | | | | | |
| Construction | 1,205 | 3,546 | 3,874 | 4,508 | 3,880 |
| Residential Development | 1,716 | 1,605 | 1,174 | 683 | 573 |
| Commercial Property Development | 2,714 | 2,336 | 1,947 | 1,700 | 1,068 |
| Infrastructure Development | 925 | 1,818 | 863 | 463 | 401 |
| Central | –944 | –1,140 | –1,346 | –1,604 | –732 |
| Eliminations | –112 | 34 | –51 | 16 | –46 |
| **Operating income** | **5,504** | **8,199** | **6,461** | **5,766** | **5,144** |
| **Financial items** | **45** | **–118** | **–313** | **–293** | **–241** |
| **Income after financial items** | **5,549** | **8,081** | **6,148** | **5,473** | **4,903** |
| Taxes | –615 | –1,555 | –1,219 | –1,365 | –1,430 |
| **Profit for the year** | **4,934** | **6,526** | **4,929** | **4,108** | **3,473** |
| Earnings per share, segment, SEK | 12.01 | 15.89 | 11.96 | 9.98 | 8.43 |
| Earnings per share after dilution, segment, SEK | 11.94 | 15.80 | 11.87 | 9.88 | 8.39 |

# Not 42. Continued

## Statements of financial position

| | Dec 31, 2017 | Dec 31, 2016 | Dec 31, 2015 | Dec 31, 2014 | Dec 31, 2013 |
|---|---|---|---|---|---|
| **ASSETS** | | | | | |
| **Non-current assets** | | | | | |
| Property, plant and equipment | 6,874 | 6,837 | 6,504 | 7,122 | 7,449 |
| Goodwill | 4,554 | 5,270 | 5,256 | 5,276 | 4,849 |
| Intangible assets | 962 | 1,034 | 754 | 464 | 346 |
| Investments in joint ventures and associated companies | 3,314 | 4,160 | 2,852 | 2,618 | 2,734 |
| Financial non-current assets [1, 3] | 2,276 | 1,016 | 1,357 | 1,302 | 1,892 |
| Deferred tax assets | 1,757 | 1,649 | 1,384 | 1,225 | 1,059 |
| **Total non-current assets** | **19,737** | **19,966** | **18,107** | **18,007** | **18,329** |
| **Current assets** | | | | | |
| Current-asset properties [2] | 39,010 | 33,678 | 27,020 | 26,115 | 25,757 |
| Inventories | 1,058 | 1,042 | 944 | 1,017 | 944 |
| Financial current assets [3] | 6,671 | 10,095 | 7,496 | 5,839 | 5,955 |
| Tax assets | 1,188 | 784 | 691 | 929 | 984 |
| Gross amount due from customers for contract work | 6,997 | 5,751 | 5,692 | 5,472 | 6,232 |
| Other operating receivables | 27,778 | 29,759 | 25,877 | 26,288 | 22,227 |
| Cash | 6,998 | 5,430 | 11,840 | 9,107 | 7,303 |
| **Total current assets** | **89,700** | **86,539** | **79,560** | **74,767** | **69,402** |
| **TOTAL ASSETS** | **109,437** | **106,505** | **97,667** | **92,774** | **87,731** |
| of which interest-bearing | 15,800 | 16,318 | 20,511 | 16,049 | 14,997 |
| **EQUITY** | | | | | |
| Equity attributable to equity holders | 27,064 | 27,350 | 24,079 | 21,251 | 21,177 |
| Non-controlling interests | 121 | 156 | 127 | 154 | 187 |
| **Total equity** | **27,185** | **27,506** | **24,206** | **21,405** | **21,364** |
| **LIABILITIES** | | | | | |
| **Non-current liabilities** | | | | | |
| Financial non-current liabilities [3] | 3,857 | 3,656 | 3,874 | 7,112 | 6,556 |
| Pensions | 5,603 | 4,901 | 3,969 | 4,655 | 3,411 |
| Deferred tax liabilities | 1,235 | 1,491 | 1,286 | 966 | 1,002 |
| Non-current provisions | 0 | 1 | 0 | 0 | 2 |
| **Total non-current liabilities** | **10,695** | **10,049** | **9,129** | **12,733** | **10,971** |
| **Current liabilities** | | | | | |
| Financial current liabilities [3] | 7,624 | 6,681 | 6,555 | 4,086 | 4,118 |
| Tax liabilities | 312 | 489 | 560 | 504 | 622 |
| Current provisions | 8,557 | 7,227 | 6,432 | 6,005 | 5,649 |
| Gross amount due to customers for contract work | 16,636 | 18,473 | 15,821 | 14,545 | 15,013 |
| Other operating liabilities | 38,428 | 36,080 | 34,964 | 33,496 | 29,994 |
| **Total current liabilities** | **71,557** | **68,950** | **64,332** | **58,636** | **55,396** |
| **TOTAL EQUITY AND LIABILITIES** | **109,437** | **106,505** | **97,667** | **92,774** | **87,731** |
| of whom interest-bearing | 16,926 | 15,099 | 14,194 | 15,351 | 14,025 |
| 1 Of which shares | 42 | 44 | 61 | 35 | 32 |
| 2 Current-asset properties | | | | | |
| Commercial Property Development | 23,615 | 19,728 | 16,650 | 14,956 | 13,700 |
| Residential Development | 15,395 | 13,950 | 10,370 | 11,159 | 11,257 |
| Central | | | | | 800 |
| **Total** | **39,010** | **33,678** | **27,020** | **26,115** | **25,757** |
| 3 Items related to non-interest-bearing unrealized changes in the value of derivatives/securities are included as follows. | | | | | |
| Financial non-current assets | 6 | 2 | 1 | 0 | 6 |
| Financial current assets | 97 | 177 | 120 | 164 | 115 |
| Financial non-current liabilities | 21 | 116 | 173 | 202 | 49 |
| Financial current liabilities | 137 | 49 | 72 | 335 | 55 |

# Note 42. Continued

## Financial ratios [4]

| | Dec 31, 2017 | Dec 31, 2016 | 31 dec 2015 | 31 dec 2014 | 31 dec 2013 |
|---|---|---|---|---|---|
| Order bookings [5] | 151,811 | 170,244 | 122,104 | 146,939 | 113,944 |
| Order backlog [5] | 188,411 | 196,254 | 158,248 | 170,498 | 134,532 |
| Average number of employees | 40,759 | 42,903 | 48,470 | 57,858 | 57,105 |
| Regular dividend per share, SEK [6] | 8.25 | 8.25 | 7.50 | 6.75 | 6.25 |
| Earnings per share, SEK | 10.00 | 13.96 | 11.63 | 9.35 | 9.14 |
| Earnings per share after dilution, SEK | 9.94 | 13.88 | 11.53 | 9.25 | 9.11 |
| Operating financial assets | 9,745 | 10,595 | 13,818 | 8,356 | 6,718 |
| Capital employed | 44,111 | 42,605 | 38,400 | 36,756 | 35,389 |
| Interest-bearing net receivables /net debt | –1,126 | 1,219 | 6,317 | 698 | 972 |
| Equity per share, SEK | 66.22 | 66.82 | 58.58 | 51.73 | 51.49 |
| Equity/assets ratio, % | 24.8 | 25.8 | 24.8 | 23.1 | 24.4 |
| Debt/equity ratio | 0.0 | 0.0 | –0.3 | 0.0 | 0.0 |
| Interest cover | 288.0 | 88.7 | 57.9 | 59.5 | 40.5 |
| Return on equity, % | 15.5 | 24.9 | 21.9 | 18.8 | 18.8 |
| Return on capital employed, % | 11.1 | 19.2 | 17.4 | 15.5 | 16.1 |
| Return on equity, segments, % | 18.6 | 28.3 | 22.5 | 20.1 | 17.4 |
| Consolidated return on capital employed in project development units, segments, % | 14.5 | 18.4 | 14.9 | 10.4 | 10.1 |
| Operating margin, % | 2.9 | 5.0 | 4.1 | 3.8 | 4.1 |
| Operating margin, Construction, % | 0.8 | 2.6 | 2.8 | 3.5 | 3.3 |
| Cash flow per share, SEK | –2.44 | –10.16 | 11.90 | 2.20 | 4.94 |
| 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 | 19,755,414 | 19,793,202 | 19,859,200 | 19,901,355 | 19,923,597 |
| of which Series B shares | 400,147,658 | 400,109,870 | 400,043,872 | 400,001,717 | 399,979,475 |
| Average price, repurchased shares | 137.31 | 132.18 | 121.02 | 113.81 | 107.85 |
| Number of repurchased Series B shares | 2,350,000 | 4,345,000 | 2,340,000 | 2,484,648 | 2,392,580 |
| Number of Series B treasury shares, December 31 | 11,190,028 | 10,594,644 | 8,866,223 | 9,113,814 | 8,625,005 |
| Number of shares outstanding, December 31 | 408,713,044 | 409,308,428 | 411,036,849 | 410,789,258 | 411,278,067 |
| Average number of shares outstanding | 409,447,407 | 409,896,419 | 411,059,056 | 411,088,591 | 411,721,772 |
| Average number of shares outstanding after dilution | 411,905,245 | 412,174,095 | 414,445,854 | 415,286,339 | 413,426,939 |
| Average dilution, percent | 0.60 | 0.55 | 0.82 | 1.01 | 0.41 |

4 For definitions, refer to Note 43 and 44.
5 Refers to Construction.
6 Proposed by the Board of Directors: Regular dividend of SEK 8.25 per share.

# Note 43. 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.<br>Services: The difference between order bookings and accrued revenue plus order backlog. |

# Note 43. Continued

| | |
|---|---|
| **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.<br>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.<br>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. 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, SEK bn** | See table below | Measures financial position adjusted for potential future development gains in development units after tax. The standard tax rate represents an estimate of the average corporate tax rate within the Group. |
| **Average capital employed** | Calculated on the basis of five measuring points, see page 172–173. | |
| **Average free working capital in Construction operations, SEK M** | Calculated on the basis of five measuring points. See table below | |
| **Average equity attributable to equity holders, SEK M** | Calculated on the basis of five measuring points. See table below | |
| **Capital employed, business streams, markets and business/reporting units.** | 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. | Measures capital use and efficiency in business streams. |
| **Capital employed Commercial Property Development, SEK M** | See table below | Measures capital use and efficiency in Commercial Property Development. |

**Adjusted equity attributable to equity holders, SEK bn**

| | |
|---|---|
| Equity attributable to equity holders | 27.1 |
| Unrealized surplus value in land in Residential Development | 3.6 |
| Unrealized development gain in Commercial Property Development | 9.3 |
| Effect on unrealized equity in Infrastructure Development | 1.1 |
| Less standard tax of 10% | –1.3 |
| Adjusted equity | 39.8 |

**Average free working capital in Construction operations, SEK M**

Calculated on the basis of five measuring points.

| | | | |
|---|---|---|---|
| Q4 2017 | –21,849 | x 0.5 | –10,924 |
| Q3 2017 | –19,414 | | –19,414 |
| Q2 2017 | –19,571 | | –19,571 |
| Q1 2017 | –20,694 | | –20,694 |
| Q4 2016 | –22,460 | x 0.5 | –11,230 |
| | | **–81,833 / 4** | **–20,458** |

**Average equity attributable to equity holders, SEK M**

Calculated on the basis of five measuring points.

| | | | |
|---|---|---|---|
| Q4 2017 | 27,064 | x 0.5 | 13,532 |
| Q3 2017 | 25,185 | | 25,185 |
| Q2 2017 | 24,342 | | 24,342 |
| Q1 2017 | 28,866 | | 28,866 |
| Q4 2016 | 27,350 | x 0.5 | 13,675 |
| | | **105,600 / 4** | **26,400** |

**Capital employed Commercial Property Development, SEK M**

| | |
|---|---|
| Total assets | 27,677 |
| – tax assets | –335 |
| – receivables from internal bank | 0 |
| – pension receivables | 0 |
| – non–interest–bearing liabilities (excluding tax liabilities) | –2,590 |
| – capitalized interest expense | –271 |
| | **24,481** |

# Note 44 Continued

| Non-IFRS key performance indicators | Definitions | Reason for use |
|---|---|---|
| **Capital employed Infrastructure Development, SEK M** | Total assets 2,476<br>– tax assets –495<br>– receivables from internal bank 0<br>– pension receivables 0<br>– non–interest–bearing liabilities (excluding tax liabilities) –172<br>**1,809** | Measures capital use and efficiency in Infrastructure Development. |
| **Capital employed Residential Development, SEK M** | Total assets 19,357<br>– tax assets –331<br>– receivables from internal bank –99<br>– pension receivables –13<br>– non–interest–bearing liabilities (excluding tax liabilities) –6,167<br>– capitalized interest expense –95<br>**12,652** | Measures capital use and efficiency in Residential Development. |
| **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. |

# Note 44. 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), SEK M** | (see calculation below) | Measures earnings (profitability and capital efficiency) in Residential Development. |

| | | | | |
|---|---|---|---|---|
| Operating income | | | 1,716 | |
| + capitalized interest expense | | | 118 | |
| +/– financial income and other financial items | | | 12 | |
| – interest income from the internal bank | | | –4 | |
| Adjusted earnings | | | 1,842 | |
| Average capital employed [1] | | | 11,993 | |
| Return on capital employed in Residential Development | | | 15.4% | |

1 Average capital employed

| | | | | |
|---|---|---|---|---|
| Q4 2017 | 12,686 | x 0.5 | 6,343 | |
| Q3 2017 | 12,026 | | 12,026 | |
| Q2 2017 | 11,728 | | 11,728 | |
| Q1 2017 | 12,054 | | 12,054 | |
| Q4 2016 | 11,642 | x 0.5 | 5,821 | |
| | | | **47,972 / 4** | **11,993** |

| Non-IFRS key performance indicators | Definitions | Reason for use |
|---|---|---|
| **Return on capital employed in Infrastructure Development segment, rolling 12-month basis, SEK 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) Infrastructure Development. |

| | | | | |
|---|---|---|---|---|
| Operating income | | | 925 | |
| +/– adjustments according to the above | | | –824 | |
| **Adjusted earnings** | | | **101** | |
| Average capital employed [1] | | | 2,551 | |
| +/– adjustments according to the above | | | 228 | |
| **Adjusted average capital employed** | | | **2,779** | |
| Return on capital employed in Infrastructure Development | | | 3.6% | |

1 Average capital employed

| | | | | |
|---|---|---|---|---|
| Q4 2017 | 1,809 | x 0.5 | 904 | |
| Q3 2017 | 2,211 | | 2,211 | |
| Q2 2017 | 2,227 | | 2,227 | |
| Q1 2017 | 2,147 | | 2,147 | |
| Q4 2016 | 5,434 | x 0.5 | 2,717 | |
| | | | **10,206 / 4** | **2,551** |

| Non-IFRS key performance indicators | Definitions | Reason for use |
|---|---|---|
| **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. |

# Note 44. Continued

| Non-IFRS key performance indicators | Definitions | Reason for use |
|---|---|---|
| **Return on capital employed in Commercial Property Development segment, rolling 12-month basis, SEK 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 | 2,714 |
| +/– adjustments according to the above | 633 |
| + capitalized interest expense | 59 |
| +/– financial income and other financial items | 14 |
| – interest income from the internal bank | 0 |
| **Adjusted earnings** | **3,420** |
| Average capital employed [1] | 22,109 |
| Return on capital employed in CPD | 15.5% |

1 Average capital employed

| | | | | |
|---|---|---|---|---|
| Q4 2017 | 24,481 | x 0.5 | 12,240 | |
| Q3 2017 | 23,558 | | 23,558 | |
| Q2 2017 | 22,012 | | 22,012 | |
| Q1 2017 | 20,657 | | 20,657 | |
| Q4 2016 | 19,936 | x 0.5 | 9,968 | |
| | | | **88,435 / 4** | **22,109** |

| | | |
|---|---|---|
| **Return on capital employed in Project Development units, segments SEK M** | Calculated as the sum of the adjusted earnings in Residential Development, Commercial Property Development and Infrastructure Development divided by the sum of capital employed, average, for Residential Development, Commercial Property Development and Infrastructure Development.<br><br>Total return on capital employed in Residential Development, Commercial Property Development and Infrastructure Development. | Measures earnings (profitability and capital efficiency) in the project development units. |

| | Adjusted earnings | Average capital employed | Return on capital employed |
|---|---|---|---|
| Residential Development | 1,842 | 11,993 | 15.4% |
| Commercial Property Development | 3,420 | 22,109 | 15.5% |
| Infrastructure Development | 101 | 2,779 | 3.6% |
| | **5,363** | **36,881** | **14.5%** |

| | | |
|---|---|---|
| **Return on equity, segments, rolling 12-month basis, SEK M** | Profit attributable to equity holders as a percentage of average equity attributable to equity holders.<br><br>4,918 / 26,400= 18.6% | Measures profitability in invested capital. |
| **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. |
| **Sales and administrative expenses, %** | Selling and administrative expenses divided by revenue. | Measures cost effectiveness in sales and administrative expenses |

# Parent company notes

## Note 45. Financial instruments, Parent Company

Financial instruments are presented in compliance with IFRS 7 Financial Instruments: Disclosures. This note contains figures for the Parent Company's financial instruments. See also Note 1 to the consolidated financial statements, Accounting and valuation principles, and Note 6 Financial instruments and financial risk management.

### Financial instruments in the balance sheet

| | 2017 | 2016 |
|---|---|---|
| **Assets** | | |
| Non-current receivables in Group companies | 247 | 253 |
| Current receivables in Group companies | 18 | 15 |
| **Total financial instruments, assets** | **265** | **268** |
| **Liabilities** | | |
| Non-current liabilities to Group companies | 4,177 | 4,918 |
| Trade accounts payable and current liabilities to Group companies | 46 | 54 |
| **Total financial instruments, liabilities** | **4,223** | **4,972** |

The fair value of the Parent Company's financial instruments does not deviate significantly in any case from the carrying amount. All assets belong to the category "Loans and trade accounts receivable." No assets have been carried at fair value through profit or loss. All financial liabilities belong to the category "Carried at amortized cost."

| Reconciliation with the balance sheet | 2017 | 2016 |
|---|---|---|
| **Assets** | | |
| Financial instruments | 265 | 268 |
| **Other assets** | | |
| Property, plant and equipment and intangible assets | 18 | 21 |
| Holdings in Group companies, joint ventures and other securities | 11,208 | 11,096 |
| Other non-current receivables | 107 | 95 |
| Tax assets | 85 | 75 |
| Other current receivables and accrued receivables | 137 | 137 |
| **Total assets** | **11,820** | **11,692** |
| **Equity and liabilities** | | |
| Financial instruments | 4,223 | 4,972 |
| **Other liabilities** | | |
| Equity | 7,213 | 6,360 |
| Provisions | 307 | 283 |
| Other current liabilities and accrued liabilities | 77 | 77 |
| **Total equity and liabilities** | **11,820** | **11,692** |

### Impact of financial instruments on the Parent Company income statement

| Financial income and expense recognized in financial items | 2017 | 2016 |
|---|---|---|
| Interest income on receivables | 0 | 0 |
| Interest expense on financial liabilities carried at amortized cost | –63 | –75 |
| **Total** | **–63** | **–75** |

The Parent Company has no income or expense from financial instruments that are recognized directly in equity.

### Risks attributable to financial instruments

The Parent Company holds financial instruments almost exclusively in the form of intra-Group receivables and liabilities. All external management of lending, borrowing, interest and currencies is handled by the Group's treasury unit (internal bank), the subsidiary Skanska Financial Services AB. See also Note 6 to the consolidated financial statements, Financial instruments and financial risk management.

### Credit risk

The carrying amount of financial instruments, assets, corresponded to the maximum credit exposure on the closing day. There were no impairment losses on financial instruments as of the closing day.

## Note 46. Revenue, Parent Company

The Parent Company's revenue consists mainly of amounts billed to Group companies.

The amount includes SEK 693 M (668) in sales to subsidiaries. For other related party transactions, see Note 63 Related party disclosures.

## Note 47. Financial items, Parent Company

| | Earnings from holdings in Group companies | Earnings from other financial non-current assets | Interest expenses and similar items | Total |
|---|---|---|---|---|
| **2017** | | | | |
| Dividend paid | 4,466 | | | 4,466 |
| Interest income | | 0 | | 0 |
| Interest expense | | | –63 | –63 |
| **Total** | **4,466** | **0** | **–63** | **4,403** |
| **2016** | | | | |
| Dividend paid | 3,597 | | | 3,597 |
| Interest income | | 0 | | 0 |
| Interest expense | | | –75 | –75 |
| **Total** | **3,597** | **0** | **–75** | **3,522** |

### Dividends

The amount for dividends consists of dividends in accordance with a decision by the Annual General Meeting, SEK 4,400 M ( 3,500 ) and Group contributions received, SEK 66 M (97).

### Net interest income/expense

Of interest expense, SEK –63 M (–75) relates to Group companies.

# Note 48. Income taxes, Parent Company

| | 2017 | 2016 |
|---|---|---|
| Current taxes | 0 | 0 |
| Tax due to changed taxation | –6 | |
| Deferred tax expenses/income from change in temporary differences | 17 | –15 |
| **Total** | **11** | **–15** |

The Swedish tax rate of 22.0 percent in relation to taxes recognized is explained in the table below.

| | 2017 | 2016 |
|---|---|---|
| Income after financial items | 4,310 | 3,444 |
| Tax at tax rate of 22.0 percent (22.0) | –948 | –758 |
| **Tax effect of:** | | |
| Dividends from subsidiaries | 968 | 770 |
| Other non-deductible expenses | –9 | –27 |
| **Recognized tax expense/income** | **11** | **–15** |

Non-deductible expenses refers mainly to costs related to the Group's foreign operations.

### Deferred tax assets

| | 2017 | 2016 |
|---|---|---|
| Deferred tax assets for employee-related provisions | 78 | 61 |
| Minus deferred tax liabilities for holdings | –1 | –1 |
| **Total** | **77** | **60** |

### Change in deferred taxes in balance sheet

| | 2017 | 2016 |
|---|---|---|
| Deferred tax assets, January 1 | 60 | 75 |
| Deferred tax expense/income | 17 | -15 |
| **Deferred tax assets, December 31** | **77** | **60** |

The Parent Company expects to be able to utilize deferred tax assets to offset Group contributions from Swedish operating subsidiaries.

# Note 49. Intangible assets, Parent Company

Intangible assets are reported in compliance with IAS 38 Intangible assets. See Note 1 Accounting and valuation principles.

Amortization of intangible assets for the year according to plan amounts to SEK –3 M (–1) and is included in selling and administrative expenses.

In determining the amortization amount, the Parent Company has paid particular attention to estimated residual value at the end of useful life.

| | Intangible assets | |
|---|---|---|
| | 2017 | 2016 |
| **Accumulated cost** | | |
| January 1 | 27 | 13 |
| Acquisitions | 0 | 19 |
| Disposals/divestments | 0 | –5 |
| | **27** | **27** |
| **Accumulated amortization according to plan** | | |
| January 1 | –8 | –12 |
| Amortization for the year | –3 | –1 |
| Disposals/divestments for the year | 0 | 5 |
| | **–11** | **–8** |
| **Accumulated impairment losses** | | |
| January 1 | 0 | 0 |
| | **0** | **0** |
| **Carrying amount, December 31** | **16** | **19** |
| Carrying amount, January 1 | 19 | 1 |

# Note 50. Property, plant and equipment, Parent Company

Property, plant and equipment are reported in compliance with IAS 16 Property, Plant and Equipment. See Note 1.

Machinery and equipment owned by the Parent Company are recognized as property, plant and equipment.

Depreciation on property, plant and equipment for the year according to plan amounts to SEK 0 M (–1).

| | Plant and equipment | |
|---|---|---|
| | 2017 | 2016 |
| **Accumulated cost** | | |
| January 1 | 7 | 7 |
| Additions | 0 | 0 |
| Disposals | 0 | 0 |
| | **7** | **7** |
| **Accumulated depreciation according to plan** | | |
| January 1 | –5 | –4 |
| Depreciation for the year | 0 | –1 |
| Disposals for the year | | |
| | **–5** | **–5** |
| **Carrying amount, December 31** | **2** | **2** |
| Carrying amount, January 1 | 2 | 3 |

# Note 51. Financial non-current assets, Parent Company

Holdings and receivables are reported as financial non-current assets. Holdings are allocated between holdings in Group companies and joint arrangements. See Note 52 Holdings in Group companies and Note 53 Holdings in joint arrangements.
Receivables are allocated between receivables from Group companies, deferred tax assets and other non-current receivables.
Tax assets are described in Note 48 Income taxes. All receivables except deferred tax assets are interest-bearing.

| | Holdings in Group companies | | Holdings in joint arrangements | | Other non-current holdings of securities | |
|---|---|---|---|---|---|---|
| **Holdings** | **2017** | **2016** | **2017** | **2016** | **2017** | **2016** |
| **Accumulated cost** | | | | | | |
| January 1 | 11,094 | 11,049 | 2 | 2 | 0 | 0 |
| Share-based payments to employees of subsidiaries [1] | 112 | 45 | | | | |
| Share of income | 0 | 0 | 0 | 0 | | |
| | **11,206** | **11,094** | **2** | **2** | **0** | **0** |
| **Accumulated impairment losses** | | | | | | |
| January 1 | 0 | 0 | | | | |
| | **0** | **0** | **0** | **0** | **0** | **0** |
| **Carrying amount, December 31** | **11,206** | **11,094** | **2** | **2** | **0** | **0** |
| Carrying amount, January 1 | 11,094 | 11,049 | 2 | 2 | 0 | 0 |

1 Equivalent to the portion of the Group's cost for Seop 2 and Seop 3 related to employees of subsidiaries and recognized in the Parent Company accounts as an increase in the carrying amount of holdings in Group companies and an increase in equity. If a decision is later made requiring a subsidiary to compensate the Parent Company for the value of the shares issued, receivables are transferred to the Group company. The amount for 2016 was thus reduced by SEK 163 M (203).

| | Receivables from Group companies | | Other non-current receivables and deferred tax assets | |
|---|---|---|---|---|
| **Receivables** | **2017** | **2016** | **2017** | **2016** |
| **Accumulated cost** | | | | |
| January 1 | 253 | 216 | 155 | 228 |
| Receivables added/settled | –6 | 37 | 29 | –73 |
| | **247** | **253** | **184** | **155** |
| **Carrying amount, December 31** | **247** | **253** | **184** | **155** |
| Carrying amount, January 1 | 253 | 216 | 155 | 228 |

# Note 52. Holdings in Group companies, Parent Company

Skanska AB owns shares in two subsidiaries.

The subsidiary Skanska Kraft AB is a holding company that owns the Group's shareholdings in Skanska Group operating companies. Skanska Financial Services AB is the Group's treasury unit (internal bank).

| | | | | Carrying amount | |
|---|---|---|---|---|---|
| **Company** | **Corp. ID No.** | **Registered office** | **No. of shares** | **2017** | **2016** |
| **Swedish subsidiaries** | | | | | |
| Skanska Financial Services AB | 556106-3834 | Stockholm | 500 000 | 67 | 68 |
| Skanska Kraft AB | 556118-0943 | Stockholm | 4 000 000 | 11,139 | 11,026 |
| **Total** | | | | **11,206** | **11,094** |

Both subsidiaries are 100-percent owned by the Parent Company.

# Note 53. Holdings in joint arrangements, Parent Company

Holdings in joint arrangements are reported in compliance with IFRS 11 Joint Arrangements. See Note 1 Accounting and valuation principles.

| Company | Corp. ID No. | Registered office | Percentage of capital and votes | Carrying amount 2017 | Carrying amount 2016 |
|---|---|---|---|---|---|
| **Swedish joint arrangements** | | | | | |
| Sundlink Contractors HB | 969620-7134 | Malmö, Sweden | 37 | 2 | 2 |
| **Total** | | | | **2** | **2** |

The company has no operations other than fulfilling guarantee undertakings.

# Note 54. Prepaid expenses and accrued income, Parent Company

The Parent Company has prepaid expenses and accrued income of SEK 13 M (9). This amount consists of SEK 2 M (2) in prepaid insurance premiums and SEK 11 M (7) in other accrued receivables.

# Note 55. Equity, Parent Company

### Restricted and unrestricted equity

According to Swedish law, equity must be allocated between restricted and unrestricted equity. Share capital and the statutory reserve constitute restricted equity.

Unrestricted equity consists of retained earnings and profit for the year.

The equity of the Parent Company was allocated among SEK 1,260 M (1,260) in share capital, SEK 598 M (598) in the statutory reserve, SEK 1,034 M 1,073) in retained earnings and SEK 4,321 M (3,429) in profit for the year.

The Board of Directors proposes a dividend of SEK 8.25 (8.25) per share for the 2016 financial year.

The dividend for the year is expected to amount to SEK 3,377 M (3,075).

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

### Number of shares

| | 2017 | 2016 |
|---|---|---|
| Average number of shares outstanding | | |
| after repurchases and conversion | 409,447,407 | 409,896,419 |
| after repurchases, conversion and dilution | 411,905,245 | 412,174,095 |
| **Total number of shares** | **419,903,072** | **419,903,072** |

The number of shares amounted to 419,903,072 (419,903,072), divided into 19,793,202 (19,793,202) Series A shares and 400,147,658 (400,109,870) Series B shares.

During the year 37,788 (65 998) ) Series A shares were converted into the same number of Series B shares. 2,350,000 (4,345,000) Series B shares were repurchased. After distribution of 1,754,616 (2,616,579)shares, there were 11,190,028 (10 594 644) Series B treasury shares remaining.

The quota value per share amounts to SEK 3.00 (3.00). All shares are fully paid up.

Each Series A share carries 10 votes and each Series B share carries one vote.

Series B shares are listed on Nasdaq Stockholm.

According to the Articles of Association, Skanska's share capital may not fall below SEK 1,200 M nor exceed SEK 4,800 M.

# Note 56. Provisions, Parent Company

Provisions are reported in compliance with IAS 37 Provisions, Contingent Liabilities and Contingent Assets.

See Note 1 Accounting and valuation principles.

| | Provisions for pensions and similar obligations | | Other provisions | |
|---|---|---|---|---|
| | 2017 | 2016 | 2017 | 2016 |
| January 1 | 172 | 224 | 111 | 86 |
| Provisions for the year | 15 | 36 | 95 | 95 |
| Provisions utilized | –13 | –88 | –73 | –70 |
| **December 31** | **174** | **172** | **133** | **111** |

"Other provisions" consists of employee-related provisions.

The normal cycle time for "Other provisions" is about one to three years.

Employee-related provisions includes such items as social insurance contributions for share investment programs, bonus programs and obligations to employees.

# Note 57. Provisions for pensions and similar obligations, Parent Company

Provisions for pensions are reported in compliance with the Pension Obligations Vesting Act.

### Pension liabilities according to the balance sheet

| | 2017 | 2016 |
|---|---|---|
| Interest-bearing pension liabilities [1] | 119 | 108 |
| Other pension obligations | 55 | 64 |
| **Total** | **174** | **172** |

1 Liabilities in compliance with the Pension Obligations Vesting Act.

| | 2017 | 2016 |
|---|---|---|
| The company's total pension obligations | 909 | 946 |
| Less pension obligations secured through pension funds | –735 | –774 |
| **Provisions for pensions and similar obligations [1]** | **174** | **172** |

1 Of which SEK 12 M (13) is secured through credit insurance. Other pension obligations are largely secured through pledged endowment policies

Of the company's total pension obligations SEK 657 (691) is for ITP plans.

No payments to pensions funds are expected to be made in 2017.

### Reconciliation, provisions for pensions

| | 2017 | 2016 |
|---|---|---|
| January 1 | 108 | 168 |
| Pension expenses | 15 | 22 |
| Benefits paid | –4 | –82 |
| **Provisions for pensions according to the balance sheet** | **119** | **108** |

# Note 58. Liabilities, Parent Company

Liabilities are allocated between non-current and current liabilities in compliance with IAS 1 Presentation of Financial Statements. See Note 1 Accounting and valuation principles.

### Accrued expenses and prepaid income

The Parent Company has accrued expenses and prepaid income of SEK 72 (65). This relates to accrued vacation pay of SEK 30 M (28), accrued special payroll tax on pensions of SEK 22 M (21), accrued social insurance contributions of SEK 10 M (9) and other accrued expenses of SEK 10 M (7).

# Note 59. Expected recovery period of assets, provisions and liabilities, Parent Company

| Amounts expected to be recovered | 2017 within 12 months | 2017 after 12 months | 2017 after five years (liabilities) | 2017 Total | 2016 within 12 months | 2016 after 12 months | 2016 after five years (liabilities) | 2016 Total |
|---|---|---|---|---|---|---|---|---|
| **Intangible non-current assets[1]** | **3** | **13** | | **16** | **3** | **16** | | **19** |
| **Property, plant and equipment[1]** | | **2** | | **2** | | **2** | | **2** |
| **Financial non-current assets** | | | | | | | | |
| Holdings in Group companies and joint arrangements[2] | | 11,208 | | 11,208 | | 11,096 | | 11,096 |
| Receivables in Group companies[3] | | 247 | | 247 | | 253 | | 253 |
| Other non-current receivables | | 107 | | 107 | | 95 | | 95 |
| Deferred tax assets | | 77 | | 77 | | 60 | | 60 |
| | | **11,639** | | **11,639** | | **11,504** | | **11,504** |
| **Current receivables** | | | | | | | | |
| Current receivables in Group companies | 18 | | | 18 | 15 | | | 15 |
| Tax assets | 8 | | | 8 | 15 | | | 15 |
| Other current receivables | 124 | | | 124 | 128 | | | 128 |
| Prepaid expenses and accrued income | 13 | | | 13 | 9 | | | 9 |
| | **163** | **0** | | **163** | **167** | **0** | | **167** |
| **Total assets** | **166** | **11,654** | | **11,820** | **170** | **11,522** | | **11,692** |

| Amounts expected to be paid | 2017 within 12 months | 2017 after 12 months | 2017 after five years (liabilities) | 2017 Total | 2016 within 12 months | 2016 after 12 months | 2016 after five years (liabilities) | 2016 Total |
|---|---|---|---|---|---|---|---|---|
| **Provisions** | | | | | | | | |
| Provisions for pensions and similar obligations | 13 | 161 | | 174 | 24 | 148 | | 172 |
| Other provisions | 77 | 56 | | 133 | 84 | 27 | | 111 |
| | **90** | **217** | | **307** | **108** | **175** | | **283** |
| **Liabilities** | | | | | | | | |
| **Non-current liabilities** | | | | | | | | |
| Liabilities to Group companies[4] | | | 4,177 | 4,177 | | | 4,918 | 4,918 |
| | **0** | **0** | **4,177** | **4,177** | **0** | **0** | **4,918** | **4,918** |
| **Current liabilities** | | | | | | | | |
| Trade accounts payable | 20 | | | 20 | 28 | | | 28 |
| Liabilities to Group companies | 26 | | | 26 | 26 | | | 26 |
| Tax liabilities | 0 | | | 0 | 0 | | | 0 |
| Other liabilities | 5 | | | 5 | 12 | | | 12 |
| Accrued expenses and prepaid income | 72 | | | 72 | 65 | | | 65 |
| | **123** | **0** | **0** | **123** | **131** | **0** | **0** | **131** |
| **Total liabilities and provisions** | **213** | **217** | **4,177** | **4,607** | **239** | **175** | **4,918** | **5,332** |
| **Total equity** | | | | **7,213** | | | | **6,360** |
| **Equity and liabilities** | | | | **11,820** | | | | **11,692** |

1 In case of amounts expected to be recovered within 12 months, expected annual depreciation/amortization has been recognized.
2 No portion of the amount is expected to be recovered within 12 months.
3 No portion of the amount is expected to be recovered within 12 months, since the lending is considered to be non-current.
4 Intra-Group non-current interest-bearing liabilities are treated as having a maturity of more than five years from the closing day.

# Note 60. Assets pledged and contingent liabilities, Parent Company

### Assets pledged

Assets pledged by the Parent Company totaled SEK 107 M (95), which relates to assets in the form of non-current receivables. These assets were pledged as collateral for some of the Parent Company's pension obligations.

### Contingent liabilities

Contingent liabilities are reported in compliance with IAS 37 Provisions, Contingent Liabilities and Contingent Assets. Note 1 Accounting and valuation principles, section IAS 37, describes the accounting principles

| | 2017 | 2016 |
|---|---|---|
| Contingent liabilities on behalf of Group companies | 129,318 | 131,926 |
| Other contingent liabilities | 26,435 | 30,260 |
| | **155,753** | **162,186** |

Of the Parent Company's contingent liabilities on behalf of Group companies, almost SEK 113 billion (117) relates to obligations for construction operations, mainly guarantees provided when Group companies were awarded contracts. The remaining contingent liabilities for Group companies relate to guarantees for borrowing by Group companies from credit institutions, guarantee undertakings in connection with divestment of properties by Group companies, guaranteeing Group company undertakings to supply capital to their joint ventures and guarantees for Group company pension obligations.

Of other contingent liabilities, SEK 16.5 billion (21.7) relates to liability for external entities' portion of ongoing contracting work. Of the remaining SEK 9.9 billion (8.5), SEK 0.6 billion (1.5) is attributable to guarantees provided for financing of joint arrangements in which Group companies are co-owners and SEK 9.3 billion (7.0) is for guarantees in connection with financing of residential projects in Sweden.

The amounts in the table above include the Parent Company's contingent liabilities relating to joint and several liability for trading company undertakings of SEK 1 M (1). The company's contingent liabilities relate entirely to guarantees originating from surety provided or responsibilities as a shareholder in companies .

# Note 61. Cash flow statement, Parent Company

### Adjustments for items not included in cash flow

| | 2017 | 2016 |
|---|---|---|
| Depreciation/amortization | 3 | 2 |
| Capital gain | 0 | -1 |
| Cost of Seop, employee ownership programs | 22 | 25 |
| **Total** | **25** | **26** |

### Taxes paid

Total taxes paid in the Parent Company during the year amount to SEK 0 M (–1).

### Information about interest and dividends

| | 2017 | 2016 |
|---|---|---|
| Interest income received during the year | 0 | 0 |
| Interest paid during the year | 63 | 75 |

The change in interest-bearing liabilities belonging to financing activities is shown in the following table.

| | 2017 | 2016 |
|---|---|---|
| January 1 | 4 918 | 4 769 |
| Items affecting cash flow from financing activities | –741 | 149 |
| **December 31** | **4 177** | **4 918** |

# Note 62. Personnel, Parent Company

### Wages, salaries, other remuneration and social insurance contributions

| | 2017 | | 2016 | |
|---|---|---|---|---|
| SEK M | Salaries and remuneration | Pension expenses | Salaries and remuneration | Pension expenses |
| Total salaries and remuneration, Board, President and other senior executives | 148.8 | 23.1 | 104.1 | 19.1 |
| of which variable remuneration | 12.2 | | 34.0 | |
| of which severance related compensation | 50.5 | | | |
| Other employees | 94.6 | 90.9 | 92.3 | 103.9 |
| Less indemnification from pension fund | | –99.0 | | –101.0 |
| **Total** | **243.4** | **15.0** | **196.4** | **22.0** |
| Social insurance contributions | | 102.0 | | 110.0 |
| of which pension expenses | | 15.0 | | 22.0 |

For disclosures of individual remuneration to each Board member and the President and CEO, see Note 37 Remuneration to senior executives and Board members.

For Board members appointed by the employees, no disclosures are made concerning salaries and remuneration or pensions since they do not receive these in their capacity as Board members. For Board members who were employees of the company prior to the beginning of the financial year, disclosures are made concerning pension obligations in their former role as employees.

In 2017, bonuses paid to the President and CEO and other senior executives amounted to SEK 32.9 M (31.2).

In 2017, an allotment of shares occurred under the employee ownership program, Seop 3. The value of shares allotted amounted to SEK 33.7 M (32.3), of which SEK 19.0 M (13.4) was for Board members, the President and CEO and other senior executives.

The Parent Company's pension expenses are calculated in compliance with the Pension Obligations Vesting Act.

In 2017, Skanska's Swedish pension funds reimbursed Skanska AB in the amount of around SEK 99 M (101).

The company's outstanding pension obligations to Presidents and CEOs, including former Presidents and CEOs, amounted to SEK 152.7 M (46.6). The company's outstanding pension obligations to Executive Vice Presidents, including former Executive Vice Presidents, amounted to SEK 89.9 M (89.2 ).

The cost in 2017 for defined-contribution pension plans was SEK 36.5 M (41.5) excluding indemnification.

### Average number of employees

Personnel is calculated as the average number of employees. See Note 1 Accounting and valuation principles.

| | 2017 | of which men | of which women | 2016 | of which men | of which women |
|---|---|---|---|---|---|---|
| Sweden | 124 | 52 | 72 | 111 | 48 | 63 |

### Men and women on the Board of Directors and Senior Executive Team on closing day

| | 2017 | of which men | of which women | 2016 | of which men | of which women |
|---|---|---|---|---|---|---|
| Number of Board members and deputy members | 13 | 69% | 31% | 13 | 77% | 23% |
| President and CEO, and other members of the Senior Executive Team | 9 | 67% | 33% | 9 | 78% | 22% |

# Note 63. Related party disclosures, Parent Company

Through its ownership and percentage of voting power, AB Industrivärden has a significant influence as defined in IAS 24 Related Party Disclosures.

Information on personnel expenses is found in Note 62 Personnel. For transactions with senior executives, see Note 37 Remuneration to senior executives and Board members.

| | 2017 | 2016 |
|---|---|---|
| Sales to Group companies | 693 | 668 |
| Purchases from Group companies | –241 | –224 |
| Interest income from Group companies | 0 | 0 |
| Interest expense for Group companies | –63 | –75 |
| Dividends from Group companies | 4,466 | 3,597 |
| Non-current receivables in Group companies | 247 | 253 |
| Current receivables in Group companies | 18 | 15 |
| Non-current liabilities to Group companies | 4,177 | 4,918 |
| Current liabilities to Group companies | 26 | 26 |
| Contingent liabilities on behalf of Group companies | 129,318 | 131,926 |

# Note 65. Supplementary information, Parent Company

Skanska AB, Swedish corporate identity number 556000-4615, is the Parent Company of the Group.

The company has its registered office in Stockholm, Sweden, and is a limited company in compliance with Swedish legislation.

The company's headquarters are located in Stockholm, Sweden.

Address:
Skanska AB
SE-112 74 STOCKHOLM
Sweden
Tel: +46-10-448 00 00
Fax: +46-8-755 12 56
www.skanska.com

For questions concerning financial information, please contact
Skanska AB, Investor Relations,
SE-112 74 STOCKHOLM, Sweden
Tel: +46-10-448 00 00
E-mail: investor.relations@skanska.se

# Note 66. Events after the reporting period

There are no material events to report for the Parent Company during the period.

# Note 64. Disclosures in compliance with the Annual Accounts Act, Chapter 6, Section 2 a, Parent Company

Due to the requirements in the Swedish Annual Accounts Act, Chapter 6, Section 2 a, concerning disclosures on certain circumstances that may affect the possibility of a takeover of the company through a public takeover bid for the shares in the company, the following disclosures are hereby provided.

1. The total number of shares in the company on December 31, 2017 was 419,903,072, of which 19,755,414 were Series A shares with 10 votes each and 400,147,658 Series B shares with one vote each.
2. There are no restrictions on the transferability of shares due to provisions in the law or the Articles of Association.
3. Of the company's shareholders, only AB Industrivärden and Lundbergs directly or indirectly have a shareholding that represents at least one tenth of the voting power of all shares in the company. On December 31, 2017, AB Industrivärden's holding amounted to 23.9 percent of total voting power in the company and Lundbergs' holding 12.4 percent of total voting power in the company.
4. Skanska's pension fund directly owns 370,000 Series B shares in Skanska. There is also an insignificant proportion of indirectly owned shares via investments in various mutual funds.
5. There are no restrictions on the number of votes each shareholder may cast at an Annual General Meeting.
6. The company is not aware of any agreements between shareholders that may result in restrictions on the right to transfer shares.
7. The Articles of Association state that the appointment of Board members is to take place at the Company's Annual General Meeting. The Articles of Association contain no stipulations on dismissal of Board members or on amendments to the Articles of Association.
8. The 2017 Annual General Meeting voted in favor of authorizing the company's Board of Directors to decide on acquisitions of Skanska's Series B treasury shares through a regulated market on the following conditions:
   A. Skanska Series B shares may only be acquired on Nasdaq Stockholm.
   B. The authorization may be used on one or more occasions until the 2018 Annual General Meeting.
   C. A maximum of 3,000,0000 Skanska Series B shares may be acquired to secure the allotment of shares to participants in the Skanska employee ownership program, Seop 4 and for subsequent transfer on a regulated market to cover certain costs associated with Seop 4.
   D. Skanska Series B shares on Nasdaq Stockholm may only be acquired at a price within the applicable price interval at any given time, meaning the interval between the highest purchase price and lowest selling price.
9. Skanska AB or its Group companies are not party to any material agreement that will go into effect, be amended or cease to apply if control over the company or Group companies changes as a consequence of a public takeover bid.
10. There are agreements between Skanska AB or its Group companies and employees that prescribe remuneration if employment is terminated without reasonable grounds. Such remuneration may not exceed 18 months' fixed salary after the end of the notice period or, in the case of the President and CEO, a maximum of 24 months of severance pay. There are no agreements prescribing termination of employment as a consequence of a public takeover bid for the shares in the company.

# Note 67. Allocation of earnings

The Board of Directors and the President and CEO propose that the profit for 2016 SEK 4,321,135,990, plus the retained earnings of SEK 1,033,333,156 carried forward from the previous year, totaling 5,354,469,146 be allocated as follows:

| | | |
|---|---|---|
| A dividend to the shareholders of [1] | 8.25 per share | 3,371,882,613 |
| To be carried forward | | 1,982,586,533 |
| Total | | 5,354,469,146 |

The consolidated annual accounts and the annual accounts, respectively, have been prepared in compliance with the international accounting standards referred to in Regulation (EC) No. 1606/2002 of the European Parliament and of the Council of July 19, 2002 on the application of IFRS and generally accepted accounting principles, and provide a true and fair view of the position and results of the Group and the Parent Company. The Report of the Directors for the Group and the Parent Company provides a true and fair view of the operations, financial position and results of the Group and the Parent Company, and describes the principal risks and uncertainties facing the Parent Company and the companies included in the Group.

Stockholm den January 31, 2018

Hans Biörck
Chairman

Pär Boman
Board member

John Carrig
Board member

Nina Linander
Board member

Fredrik Lundberg
Board member

Catherine Marcus
Board member

Jane McGivern
Board member

Charlotte Strömberg
Board member

Richard Hörstedt
Board member

Gunnar Larsson
Board member

Anders Danielsson
President and Chief Executive Officer

Our Auditor's Report was submitted on March 8, 2018

Ernst & Young AB

Hamish Mabon
Authorized Public Accountant

Jonas Svensson
Authorized Public Accountant

1 Based on the total number of shares outstanding on December 31, 2017. 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.

# Auditor´s report

**This is a translation from the Swedish original**

## To the general meeting of the shareholders of Skanska AB (publ), corporate identity number 556000–4615

## Report on the annual accounts and consolidated accounts

### Opinions

We have audited the annual accounts and consolidated accounts of Skanska AB (publ) for the year 2017 except for the corporate governance statement on pages 49–55 and the statutory sustainability report on pages 70–83. The annual accounts and consolidated accounts of the company are included on pages 61–182 in this document.

In our opinion, the annual accounts have been prepared in accordance with the Annual Accounts Act and present fairly, in all material respects, the financial position of the parent company as of 31 December 2017 and its financial performance and cash flow for the year then ended in accordance with the Annual Accounts Act. The consolidated accounts have been prepared in accordance with the Annual Accounts Act and present fairly, in all material respects, the financial position of the group as of December 31, 2017 and their financial performance and cash flow for the year then ended in accordance with International Financial Reporting Standards (IFRS), as adopted by the EU, and the Annual Accounts Act. Our opinions do not cover the corporate governance statement on pages 49–55 and the statutory sustainability report on pages 70–83. The statutory administration report is consistent with the other parts of the annual accounts and consolidated accounts.

We therefore recommend that the general meeting of shareholders adopts the income statement and balance sheet for the parent company and the group.

Our opinions in this report on the annual accounts and consolidated accounts are consistent with the content of the additional report that has been submitted to the parent company's audit committee in accordance with the Audit Regulation (537/2014) Article 11.

### Basis for Opinions

We conducted our audit in accordance with International Standards on Auditing (ISA) and generally accepted auditing standards in Sweden. Our responsibilities under those standards are further described in the Auditor's Responsibilities section. We are independent of the parent company and the group in accordance with professional ethics for accountants in Sweden and have otherwise fulfilled our ethical responsibilities in accordance with these requirements. This includes that, based on the best of our knowledge and belief, no prohibited services referred to in the Audit Regulation (537/2014) Article 5.1 have been provided to the audited company or, where applicable, its parent company or its controlled companies within the EU.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinions.

### Key Audit Matters

Key audit matters of the audit are those matters that, in our professional judgment, were of most significance in our audit of the annual accounts and consolidated accounts of the current period. These matters were addressed in the context of our audit of, and in forming our opinion thereon, the annual accounts and consolidated accounts as a whole, but we do not provide a separate opinion on these matters. For each matter below, our description of how our audit addressed the matter is provided in that context.

We have fulfilled the responsibilities described in the Auditor's responsibilities for the audit of the financial statements section of our report, including in relation to these matters. Accordingly, our audit included the performance of procedures designed to respond to our assessment of the risks of material misstatement of the financial statements. The results of our audit procedures, including the procedures performed to address the matters below, provide the basis for our audit opinion on the accompanying financial statements.

### Percentage-of-completion method

A significant portion of the company´s revenues relate to construction contracts. For 2017 the revenues from construction contracts amount to SEK 131,510 M. The company applies the percentage-of-completion method i.e. a forecast of final project revenues and results 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 estimation, 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 include, among others, audit of material contracts including significant judgements relating to profit recognition and allocation of costs. We have audited material contracts to identify potential penalties due to any 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 material and the investment cycle could be long. The expected cash flows from these investments could extend beyond 20 years in to the future.

The Investments in Infrastructure Development amounts to SEK 1,944 M as of December 31, 2017. 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 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 litigation**

The non-current provision for legal disputes amounts to SEK 941 M as of December 31, 2017. 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.

We have gained an understanding of the claims and litigation 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.

## 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 1–60 and 189–197. The Board of Directors and the Managing Director are responsible for this other information.

Our opinion on the annual accounts and consolidated accounts does not cover this other information and we do not express any form of assurance conclusion regarding this other information.

In connection with our audit of the annual accounts and consolidated accounts, our responsibility is to read the information identified above and consider whether the information is materially inconsistent with the annual accounts and consolidated accounts. In this procedure we also take into account our knowledge otherwise obtained in the audit and assess whether the information otherwise appears to be materially misstated.

If we, based on the work performed concerning this information, conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

**Responsibilities of the Board of Directors and the Managing Director**

The Board of Directors and the Managing Director are responsible for the preparation of the annual accounts and consolidated accounts and that they give a fair presentation in accordance with the Annual Accounts Act and, concerning the consolidated accounts, in accordance with IFRS as adopted by the EU. The Board of Directors and the Managing Director are also responsible for such internal control as they determine is necessary to enable the preparation of annual accounts and consolidated accounts that are free from material misstatement, whether due to fraud or error.

In preparing the annual accounts and consolidated accounts, The Board of Directors and the Managing Director are responsible for the assessment of the company's and the group's ability to continue as a going concern. They disclose, as applicable, matters related to going concern and using the going concern basis of accounting. The going concern basis of accounting is however not applied if the Board of Directors and the Managing Director intends to liquidate the company, to cease operations, or has no realistic alternative but to do so.

The Audit Committee shall, without prejudice to the Board of Director's responsibilities and tasks in general, among other things oversee the company's financial reporting process.

**Auditor's responsibility**

Our objectives are to obtain reasonable assurance about whether the annual accounts and consolidated accounts as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinions. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs and generally accepted auditing standards in Sweden will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these annual accounts and consolidated accounts.

As part of an audit in accordance with ISAs, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the annual accounts and consolidated accounts, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinions. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of the company's internal control relevant to our audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the company's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the Board of Directors and the Managing Director.
- Conclude on the appropriateness of the Board of Directors' and the Managing Director's use of the going concern basis of accounting in preparing the annual accounts and consolidated accounts. We also draw a conclusion, based on the audit evidence obtained, as to whether any material uncertainty exists related to events or conditions that may cast significant doubt on the company's and the group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the annual accounts and consolidated accounts or, if such disclosures are inadequate, to modify our opinion about the annual accounts and consolidated accounts. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause a company and a group to cease to continue as a going concern.

- Evaluate the overall presentation, structure and content of the annual accounts and consolidated accounts, including the disclosures, and whether the annual accounts and consolidated accounts represent the underlying transactions and events in a manner that achieves fair presentation.
- Obtain sufficient and appropriate audit evidence regarding the financial information of the entities or business activities within the group to express an opinion on the consolidated accounts. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our opinions.

We must inform the Board of Directors of, among other matters, the planned scope and timing of the audit. We must also inform of significant audit findings during our audit, including any significant deficiencies in internal control that we identified.

We must also provide the Board of Directors with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

From the matters communicated with the Board of Directors, we determine those matters that were of most significance in the audit of the annual accounts and consolidated accounts, including the most important assessed risks for material misstatement, and are therefore the key audit matters. We describe these matters in the auditor's report unless law or regulation precludes disclosure about the matter.

## Report on other legal and regulatory requirements

### Opinions

In addition to our audit of the annual accounts and consolidated accounts, we have also audited the administration of the Board of Directors and the Managing Director of Skanska AB (publ) for the year 2017 and the proposed appropriations of the company's profit or loss.

We recommend to the general meeting of shareholders that the profit be appropriated in accordance with the proposal in the statutory administration report and that the members of the Board of Directors and the Managing Director be discharged from liability for the financial year.

### Basis for Opinions

We conducted the audit in accordance with generally accepted auditing standards in Sweden. Our responsibilities under those standards are further described in the Auditor's Responsibilities section. We are independent of the parent company and the group in accordance with professional ethics for accountants in Sweden and have otherwise fulfilled our ethical responsibilities in accordance with these requirements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinions.

### Responsibilities of the Board of Directors and the Managing Director

The Board of Directors is responsible for the proposal for appropriations of the company's profit or loss. At the proposal of a dividend, this includes an assessment of whether the dividend is justifiable considering the requirements which the company's and the group's type of operations, size and risks place on the size of the parent company's and the group's equity, consolidation requirements, liquidity and position in general.

The Board of Directors is responsible for the company's organization and the administration of the company's affairs. This includes among other things continuous assessment of the company's and the group's financial situation and ensuring that the company's organization is designed so that the accounting, management of assets and the company's financial affairs otherwise are controlled in a reassuring manner. The Managing Director shall manage the ongoing administration according to the Board of Directors' guidelines and instructions and among other matters take measures that are necessary to fulfill the company's accounting in accordance with law and handle the management of assets in a reassuring manner.

Auditor's responsibility

Our objective concerning the audit of the administration, and thereby our opinion about discharge from liability, is to obtain audit evidence to assess with a reasonable degree of assurance whether any member of the Board of Directors or the Managing Director in any material respect:

- has undertaken any action or been guilty of any omission which can give rise to liability to the company, or
- in any other way has acted in contravention of the Companies Act, the Annual Accounts Act or the Articles of Association.

Our objective concerning the audit of the proposed appropriations of the company's profit or loss, and thereby our opinion about this, is to assess with reasonable degree of assurance whether the proposal is in accordance with the Companies Act.

Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with generally accepted auditing standards in Sweden will always detect actions or omissions that can give rise to liability to the company, or that the proposed appropriations of the company's profit or loss are not in accordance with the Companies Act.

As part of an audit in accordance with generally accepted auditing standards in Sweden, we exercise professional judgment and maintain professional skepticism throughout the audit. The examination of the administration and the proposed appropriations of the company's profit or loss is based primarily on the audit of the accounts. Additional audit procedures performed are based on our professional judgment with starting point in risk and materiality. This means that we focus the examination on such actions, areas and relationships that are material for the operations and where deviations and violations would have particular importance for the company's situation. We examine and test decisions undertaken, support for decisions, actions taken and other circumstances that are relevant to our opinion concerning discharge from liability. As a basis for our opinion on the Board of Directors' proposed appropriations of the company's profit or loss we examined the Board of Directors' reasoned statement and a selection of supporting evidence in order to be able to assess whether the proposal is in accordance with the Companies Act.

### The auditor's examination of the corporate governance statement

The Board of Directors is responsible for that the corporate governance statement on pages 49–55 has been prepared in accordance with the Annual Accounts Act.

Our examination of the corporate governance statement is conducted in accordance with FAR´s auditing standard RevU 16 The auditor´s examination of the corporate governance statement. This means that our examination of the corporate governance statement is different and substantially less in scope than an audit conducted in accordance with International Standards on Auditing and generally accepted auditing standards in Sweden. We believe that the examination has provided us with sufficient basis for our opinions.

A corporate governance statement has been prepared. Disclosures in accordance with chapter 6 section 6 the second paragraph points 2-6 of the Annual Accounts Act and chapter 7 section 31 the second paragraph the same law are consistent with the other parts of the annual accounts and consolidated accounts and are in accordance with the Annual Accounts Act.

### The auditor´s opinion regarding the statutory sustainability report

The Board of Directors is responsible for the statutory sustainability report on pages 70–83, and that it is prepared in accordance with the Annual Accounts Act.

Our examination has been conducted in accordance with FAR's auditing standard RevR 12 The auditor´s opinion regarding the statutory sustainability report. This means that our examination of the statutory sustainability report is different and substantially less in scope than an audit conducted in accordance with International Standards on Auditing and generally accepted auditing standards in Sweden. We believe that the examination has provided us with sufficient basis for our opinion. A statutory sustainability report has been prepared.

Ernst & Young AB, Box 7850, 103 99 Stockholm, was appointed auditor of Skanska AB (publ) by the general meeting of the shareholders on the 4th of April 2017 and has been the company's auditor since 2016.

Stockholm March 8, 2018

Ernst & Young AB

| | |
|---|---|
| Hamish Mabon | Jonas Svensson |
| Authorized Public Accountant | Authorized Public Accountant |

# Independent practitioner's review report on Skanska AB's greenhouse gas reporting

**This is a translation from the Swedish original**

## To Skanska AB

We have undertaken a limited assurance engagement of the accompanying Greenhouse gas reporting of Skanska AB for the year ended December 31, 2017, comprising the emissions inventory and the explanatory notes on page 69 of the Skanska Annual Report 2017.

### Skanska AB's Responsibility for the Greenhouse gas reporting

Skanska AB is responsible for the preparation of the Greenhouse gas reporting in accordance with the Greenhouse Gas Protocol (published by the World Resources Institute (WRI) and the World Business Council for Sustainable Development (WBCSD), applied as explained in the Greenhouse gas reporting section of the Sustainability report section on pages 65-79 of the Skanska Annual Report 2017. This responsibility includes the design, implementation and maintenance of internal control relevant to the preparation of a greenhouse gas reporting that is free from material misstatement, whether due to fraud or error.

As discussed in the Greenhouse gas reporting section of the Sustainability report, greenhouse gas quantification is subject to inherent uncertainty because of incomplete scientific knowledge used to determine emissions factors and the values needed to combine emissions of different gases.

### Our Independence and Quality Control

We have complied with the independence and other ethical requirements of the Code of Ethics for Professional Accountants issued by the International Ethics Standards Board for Accountants, which is founded on fundamental principles of integrity, objectivity, professional competence and due care, confidentiality and professional behavior.

The firm applies International Standard on Quality Control 1, ISQC 1, Quality Control for Firms that Perform Audits and Reviews of Financial Statements, and Other Assurance and Related Services Engagements and accordingly maintains a comprehensive system of quality control including documented policies and procedures regarding compliance with ethical requirements, professional standards and applicable legal and regulatory requirements.

### Our Responsibility

Our responsibility is to express a limited assurance conclusion on the Greenhouse gas reporting based on the procedures we have performed and the evidence we have obtained. We conducted our limited assurance engagement in accordance with International Standard on Assurance Engagements 3410, Assurance Engagements on Greenhouse Gas Statements ("ISAE 3410"), issued by the International Auditing and Assurance Standards Board. That standard requires that we plan and perform this engagement to obtain limited assurance about whether the Greenhouse gas reporting is free from material misstatement.

A limited assurance engagement undertaken in accordance with ISAE 3410 involves assessing the suitability in the circumstances of Skanska's use of the Greenhouse Gas Protocol as the basis for the preparation of the Greenhouse gas reporting, assessing the risks of material misstatement of the Greenhouse gas reporting whether due to fraud or error, responding to the assessed risks as necessary in the circumstances, and evaluating the overall presentation of the Greenhouse gas reporting. A limited assurance engagement is substantially less in scope than a reasonable assurance engagement in relation to both the risk assessment procedures, including an understanding of internal control, and the procedures performed in response to the assessed risks.

The procedures we performed were based on our professional judgment and included inquiries, observation of processes performed, inspection of documents, analytical procedures, evaluating the appropriateness of quantification methods and reporting policies, and agreeing or reconciling with underlying records.

The procedures performed in a limited assurance engagement vary in nature and timing from, and are less in extent than for, a reasonable assurance engagement. Consequently, the level of assurance obtained in a limited assurance engagement is substantially lower than the assurance that would have been obtained had we performed a reasonable assurance engagement. Accordingly, we do not express a reasonable assurance opinion about whether Skanska's Greenhouse gas reporting has been prepared, in all material respects, in accordance with the Greenhouse Gas Protocol applied as explained in the Greenhouse gas reporting section of the Sustainability report.

### Conclusion

Based on the procedures we have performed and the evidence we have obtained, nothing has come to our attention that causes us to believe that Skanska's Greenhouse gas reporting for the year ended December 31, 2017 is not prepared, in all material respects, in accordance with the Greenhouse Gas Protocol applied as explained in Greenhouse gas reporting section of the Sustainability report.

Stockholm March 8, 2018

Ernst & Young AB

| | | |
|---|---|---|
| Hamish Mabon<br>Authorized Public Accountant | Jonas Svensson<br>Authorized Public Accountant | Ingrid Cornander<br>Authorized Public Accountant Specialist, Climate Change Sustainability Services |

# Homes that make good – and green – neighbors

**U Cukrovaru and Botanica K,** Prague, Czech Republic
Residential Development and Construction

When buying a home, the location, price and layout are important basics. Skanska develops apartment houses with distinctive benefits that offer even more.

For U Cukrovaru, shown here, Skanska engaged with neighbors to determine what could benefit both them and future residents. It turned out to be a public park for relaxing and dog walking, and this was incorporated into the project. This participation process has set a new path for local Residential Development projects.

Botanica K uses treated water from sinks, bathtubs and showers for flushing toilets. Combined with other water efficiency solutions, this approach reduces potable water consumption by about 40 percent, helping lower both environmental impacts and utility bills.

# Major orders, investments and divestments

## Orders

### Q1

Skanska invests USD 360 M, about SEK 3.2 billion in a new office project in Houston, USA.

Skanska builds new hospital in Kainuu, Finland, for EUR 69 M, about SEK 670 M.

Skanska constructs an office building, Sthlm 01, in Stockholm, Sweden for about SEk 1.0 billion.

Skanska signs seven-year highways maintenance contract in Somerset, UK, worth 50 M the first two years, about SEK 570 M.

Skanska builds new Sixth Street Viaduct in Los Angeles, USA, for USD 134 M, about SEK 1.2 billion.

Skanska builds energy-positive office building in Trondheim, Norway, for NOK 370 M, about SEK 390 M.

Skanska upgrades freeway in San Diego, USA, for USD 88 M, about SEK 750 M.

Skanska builds light rail in Lund, Sweden, for about SEK 710 M.

Skanska renovates the Olympic Stadium in Helsinki, Finland, for EUR 156 M, about SEK 1.5 billion.

Skanska builds the road E6 in southern Helgeland, Norway, for NOK 2.3 billion, about SEK 2.4 billion.

Skanska constructs new building for offices and retail in Stockholm, Sweden, for SEK 1.2 billion.

Skanska constructs a new office project in Seattle, USA, for USD 228 M, about SEK 2.0 billion.

Skanska builds railway in Sundsvall, Sweden, for SEK 320 M.

Skanska refurbishes mixed-use development in London, UK, for GBP 73 M, about SEK 810 M.

Skanska expands hospital in Vestfold, Norway, for NOK 960 , about SEK 1.0 billion.

Skanska signs seven-year highways maintenance contract in Hampshire, UK, for GBP 80 M, about SEK 890 billion.

### Q2

Skanska builds power plant in Høyanger municipality, Norway, for NOK 350 M, about SEK 370 M.

Skanska renovates tunnels in Oslo, Norway, for NOK 516 M, about SEK 550 M.

Skanska builds the I-15 Express Lanes project in California, USA, for USD 146 M, about SEK 1.3 billion.

Skanska signs contract for USD 35 M, about SEK 310 M, for ongoing project in New York City, USA.

Skanska renovates and expands University hospital in Virginia, USA, for USD 45 M, about SEK 400 M.

Skanska builds 40-story residential tower in Seattle, USA, for USD 152 M, about SEK 1.4 billion.

Skanska builds apartments in Helsinki, Finland, for EUR 38 M, about SEK 360 M.

# Orders

Skanska expands S:t Görans Hospital in Stockholm, Sweden, for about SEK 1.3 billion.

Skanska renovates commercial building in New York City, USA, for US 48 M, about SEK 430 M.

Skanska renovates four subway stations in New York City, USA, for USD 150 M, about SEK 1.3 billion.

Skanska converts Farley Post Office Building into major transport hub in NYC, USA, for USD 1.26 billion, about SEK 11 billion.

Skanska builds new recreation center for Boston College in Massachusetts, USA for USD 113 M, about SEK 1 billion.

Skanska renovates east end of Las Olas Boulevard in Florida, USA, for USD 49 M, about SEK 440 M.

Skanska builds rental apartments in Stockholm, Sweden, for about SEK 400 M.

Skanska builds manufacturing facility in western USA for USD 120M, about SEK 1.1 billion.

## Q3

Skanska to build mixed-use development in London, UK, for GBP 142M, about SEK1.6 billion.

Skanska builds care facility at Kungälv Hospital, Sweden, for about SEK 940M.

Skanska builds new hotel at Arlanda Airport in Stockholm, Sweden, for about SEK 710 M.

Skanska builds new research and education tower in Tampa, USA, for USD 41 M, about SEK 360 M.

Skanska builds Sundsta-Älvkulle Upper Secondary School in Karlstad, Sweden, for about SEK 410 M.

Skanska signs ten-year highways maintenance contract in Cambridgeshire, UK, worth GBP 64 M the first two years, about SEK 710 M.

Skanska builds office building and movie theater in Tysons Corner, USA, for USD 167M, about SEK 1.5 billion.

Skanska renovates commercial office building in London, UK, for GBP 41 M, about SEK 460 M.

Skanska extends county road in Nord Trøndelag, Norway, for NOK 360 M, about SEK 380 M.

Skanska designs and prepares construction for High Speed Two in London, UK, for GBP 27 M, about SEK 300 M.

Skanska renovates tunnels in Akershus, Norway, for NOK 385 M, about SEK 400 M.

## Q4

Skanska builds court- and office building in Sollentuna, Sweden, for about SEK 420 M.

Skanska builds conference hotel in Drammen, Norway, for NOK 300 M, about 310 M.

Skanska builds warehouse in Portland, USA, for USD 63 M, about SEK 540 M.

Skanska builds research facilities in New Jersey, USA, for USD 43 M, about SEK 350 M.

Skanska rehabilitates George Washington Bridge in New York City, USA, for USD 452 M, about SEK 3.9 billion.

Skanska signs additional contract for manufacturing facility in western USA, for USD 121 M, about SEK 1 billion.

Skanska expands Portland International Airport in Portland, USA, for USD 151M, about SEK 1.3 billion.

Skanska builds new residence hall in Durham, USA, for USD 61 M, about SEK 520 M.

Skanska builds replacement schools in Cincinnati, USA, for USD 65 M, about SEK 560 M.

Skanska builds a combined city hall and station building in Växjö, Sweden for SEK 580 M.

Skanska builds collegiate facility in Pennsylvania, USA for USD 47 M, about SEK 400 M.

Skanska renovates facility near Philadelphia, USA, for USD 85 M, about SEK 730 M.

Skanska constructs mixed-use facility in Massachusetts, USA, for USD 125 M, about SEK 1.1 billion.

Skanska builds mixed-used development in London, UK for GBP 127M, about SEK 1.4 billion.

Skanska restores lagoon in San Diego, USA, for USD 38 M, about SEK 325 M.

Skanska renovates commercial building in New York City, USA, for US 48 M, about SEK 430 M.

Skanska builds medical office building in Franklin, USA, for USD 40 M, about SEK 340 M.

Skanska signs additional contract for manufacturing facility in western USA, for USD 81 M, about SEK 690 M.

Skanska builds mixed-use development in Madisonville, USA, for USD 100 M, about SEK 850 M.

Skanska builds graduate student housing in San Francisco, USA, for USD 170 M, about SEK 1.5 billion.

# Investments

## Q1

Skanska invests SEK 1.3 billion in the office building Sthlm 01 in Stockholm, Sweden.

Skanska invests EUR 38 M, about SEK 370 M, in the first phase of an office project in Bucharest, Romania.

Skanska invests EUR 33 NM, about SEK 310 M, in second phase of an office project in Budapest, Hungary.

Skanska invests USD 392 M, about SEK 3.5 billion, in a new office project in Seattle, USA.

Skanska invests in land in Prague, Czech Republic, for CZK 841 M, about SEK 290  M.

Skanska invests USD 360 M, about SEK 3.2 billion in a new office project in Houston, USA.

## Q2

Skanska invests EUR 46 M, about SEK 440 M, in phase I of an office project in Lodz, Poland.

Skanska invests about SEK 430 M in the office building Epic in Malmö, Sweden.

Skanska invests EUR 44 M, about SEK 420 M, in the second phase of an office project in Warsaw, Poland.

## Q3

Skanska invests EUR 37 M, about SEK 360 M, in the first phase of a new office project in Bucharest, Romania.

Skanska invests in land in Mölndal, Sweden, for about SEK 280 M.

Skanska invests EUR 48 M, about SEK 460 M,  in phase I in mixed-use project in Poznan, Poland.

Skanska invests DKK 566 M, about SEK 730 M, in a new hotel project in Copenhagen, Denmark.

Skanska invests EUR 27 M, about SEK 260 M, in a new office project in Prague, Czech Republic.

## Q4

Skanska invests about SEK 250 M to increase the capacity in BoKlok's factory in Gullringen, Sweden.

Skanska invests EUR 44 M, about SEK 420 M, in a new office building in Krakow, Poland.

# Divestments

## Q1

Skanska's divestment of its investment in the A1 highway, Poland, was completed.

Skanska sells office building in Solna, Sweden, for about SEK 300 M.

Skanska sells office building in Poznan, Poland, for EUR 62 M, about SEK 590 M.

Skanska sells office property in Vantaa, Finland, for about EUR 31 M, about SEK 290 M.

## Q2

Skanska sells residential project in Copenhagen, Denmark, for 880 M, about SEK 1.1 billion.

Skanska sells the office building Piren2 in Gothenburg, Sweden, for about SEK 410 M.

Skanska sells office building in Bucharest, Romania, for EUR 38 M, about SEK 370 M.

Skanska sells office building in Stockholm, Sweden, for about SEK 440 M.

Skanska divests three properties in Stockholm, Sweden, for about SEK 850 M.

Skanska sells office building in Prague, Czech Republic, for EUR 50 M, about SEK 480 M.

Skanska divests three buildings at Linnaeus University in Kalmar, Sweden, for about SEK 1.1 billion.

## Q3

Skanska sells office building in Oslo, Norway, for NOK 795 M, about SEK 830 M.

Skanska sells office building in Stockholm, Sweden, for about SEK 900 M.

## Q4

Skanska divests its investment in the Sjisjka wind farm in Gällivare, Sweden, for about SEK 160 M.

Skanska sells nursing home in Gothenburg, Sweden, for about SEK 240 M.

Skanska sells office building in Warsaw, Poland, for EUR 83 M, about SEK 800 M.

Skanska sells multi-family development in Boston, USA, vor about USD 60 M, about SEK 510 M.

Skanska sells two office buildings in Krakow, Poland, for EUR 75 M, about SEK 720 M.

Skanska sells office building in London, UK, for about GBP 118 M, about SEK 1.3 billion.

Skanska divests its investments in the Mullberg wind farm in the Berg municipality, Sweden, for about SEK 370 M.

Skanska sells office building in Poznan, Poland, for EUR 73 M, about SEK 700 M.

# Consolidated quarterly results

| | 2017 | | | | 2016 | | | |
|---|---|---|---|---|---|---|---|---|
| **In compliance with IFRS** | **Q4** | **Q3** | **Q2** | **Q1** | **Q4** | **Q3** | **Q2** | **Q1** |
| **Order bookings** | **33,232** | **34,110** | **46,254** | **38,215** | **39,615** | **46,426** | **53,859** | **30,344** |
| **Profit/loss** | | | | | | | | |
| Revenue | 45,302 | 38,868 | 40,094 | 33,613 | 39,550 | 35,487 | 39,926 | 30,402 |
| Cost of sales | –41,215 | –35,762 | –37,346 | –30,780 | –35,772 | –32,502 | –34,732 | –28,113 |
| **Gross income** | **4,087** | **3,106** | **2,748** | **2,833** | **3,778** | **2,985** | **5,194** | **2,289** |
| Selling and administrative expenses | –3,097 | –2,091 | –2,390 | –2,273 | –2,560 | –2,157 | –2,298 | –2,137 |
| Income from joint ventures and associated companies | 390 | 129 | 95 | 1,041 | 1,618 | 220 | 129 | 159 |
| **Operating income** | **1,380** | **1,144** | **453** | **1,601** | **2,836** | **1,048** | **3,025** | **311** |
| Interest income | 23 | 13 | 35 | 18 | 18 | 14 | 9 | 30 |
| Interest expense | –21 | –20 | –34 | –36 | –52 | –33 | –34 | –51 |
| Change in market value | 4 | 6 | 5 | 9 | 16 | 7 | 2 | –23 |
| Other financial items | 7 | 3 | 17 | 16 | –43 | –3 | 36 | –12 |
| **Financial items** | **13** | **2** | **23** | **7** | **–61** | **–15** | **13** | **–56** |
| **Income after financial items** | **1,393** | **1,146** | **476** | **1,608** | **2,775** | **1,033** | **3,038** | **255** |
| Taxes | –208 | –108 | 29 | –225 | –457 | –217 | –640 | –52 |
| **Profit for the period** | **1,185** | **1,038** | **505** | **1,383** | **2,318** | **816** | **2,398** | **203** |
| Profit for the period attributable to | | | | | | | | |
| Equity holders | 1,181 | 1,031 | 500 | 1,383 | 2,313 | 813 | 2,394 | 202 |
| Non-controlling interests | 4 | 7 | 5 | 0 | 5 | 3 | 4 | 1 |
| **Other comprehensive income** | | | | | | | | |
| Items that will not be reclassified to profit or loss for the period | | | | | | | | |
| Remeasurement of defined-benefit pension plans | 595 | 355 | –1529 | 180 | 2866 | –2,578 | –1,190 | –225 |
| Tax related to items that will not be reclassified to profit or loss for the period | –143 | –78 | 328 | –38 | –574 | 454 | 254 | 55 |
| | **452** | **277** | **–1201** | **142** | **2292** | **–2,124** | **–936** | **–170** |
| Items that have been or will be reclassified to profit or loss for the period | | | | | | | | |
| Translation differences attributable to equity holders | 288 | –284 | –438 | –165 | 179 | 728 | 495 | –237 |
| Translation differences attributable to non-controlling interests | 4 | 2 | 3 | –1 | –1 | 5 | 3 | 1 |
| Hedging of exchange rate risk in foreign operations | –91 | –5 | –32 | 3 | 99 | –60 | 1 | –4 |
| Effect of cash flow hedges | 98 | –54 | 9 | 85 | –4 | 37 | –56 | 54 |
| Share of other comprehensive income for joint ventures and associated companies | 13 | 15 | 37 | 18 | 1,467 | –54 | –209 | –349 |
| Tax related to items that have been or will be reclassified to profit for the period | –16 | 7 | –3 | –13 | 1 | –3 | 8 | –10 |
| | **296** | **–319** | **–424** | **–73** | **1,741** | **653** | **242** | **–545** |
| **Other comprehensive income after tax for the period** | **748** | **–42** | **–1,625** | **69** | **4,033** | **–1,471** | **–694** | **–715** |
| **Comprehensive income for the period** | **1,933** | **996** | **–1,120** | **1,452** | **6,351** | **–655** | **1,704** | **–512** |
| Comprehensive income for the period attributable to | | | | | | | | |
| Equity holders | 1,925 | 987 | –1,128 | 1,453 | 6,347 | –663 | 1,697 | –514 |
| Non-controlling interests | 8 | 9 | 8 | –1 | 4 | 8 | 7 | 2 |
| Order backlog | 188,411 | 194,743 | 202,214 | 200,792 | 196,254 | 191,567 | 177,902 | 154,590 |
| Capital employed | 44,111 | 42,589 | 41,594 | 42,773 | 42,605 | 38,672 | 36,734 | 36,846 |
| Interest-bearing net receivables/net debt | –1,126 | –5,560 | –4,323 | 2,917 | 1,219 | –3,210 | –463 | 2,367 |
| Debt/equity ratio | 0.0 | 0.2 | 0.2 | –0.1 | 0.0 | 0.2 | 0.0 | –0.1 |
| Return on capital employed, % | 11.1 | 14.8 | 14.9 | 21.9 | 19.2 | 20.4 | 19.8 | 15.9 |
| **Cash flow** | | | | | | | | |
| Cash flow from operating activities | 4,059 | –568 | –1,233 | 588 | –457 | 376 | 2,102 | –2,904 |
| Cash flow from investing activities | –809 | 726 | –387 | 2,060 | 1,583 | –1,617 | –1,340 | –219 |
| Cash flow from financing activities | –560 | –107 | –1,046 | –1,104 | –261 | –237 | –2,442 | –1,150 |
| **Cash flow for the year** | **2,690** | **51** | **–2,666** | **1,544** | **865** | **–1,478** | **–1,680** | **–4,273** |

# Consolidated quarterly results, continued

## Business streams

| | 2017 | | | | 2016 | | | |
|---|---|---|---|---|---|---|---|---|
| **In compliance with IFRS** | **Q4** | **Q3** | **Q2** | **Q1** | **Q4** | **Q3** | **Q2** | **Q1** |
| **Order bookings** | | | | | | | | |
| Construction | 33,232 | 34,110 | 46,254 | 38,215 | 39,615 | 46,426 | 53,859 | 30,344 |
| **Total** | **33,232** | **34,110** | **46,254** | **38,215** | **39,615** | **46,426** | **53,859** | **30,344** |
| **Revenue** | | | | | | | | |
| Construction | 41,074 | 38,208 | 38,681 | 32,087 | 38,827 | 34,969 | 33,767 | 30,438 |
| Residential Development | 3,422 | 2,167 | 3,633 | 2,601 | 2,487 | 1,729 | 1,815 | 1,540 |
| Commercial Property Development | 4,906 | 1,670 | 1,269 | 1,671 | 1,940 | 1,112 | 6,082 | 577 |
| Infrastructure Development | 22 | 20 | 18 | 21 | 35 | 28 | 155 | 19 |
| Central and eliminations | –4,122 | –3,197 | –3,507 | –2,767 | –3,739 | –2,351 | –1,893 | –2,172 |
| **Total** | **45,302** | **38,868** | **40,094** | **33,613** | **39,550** | **35,487** | **39,926** | **30,402** |
| **Operating income** | | | | | | | | |
| Construction | –221 | 918 | 116 | 392 | 1,264 | 942 | 898 | 442 |
| Residential Development | 482 | 205 | 514 | 307 | 347 | 171 | 140 | 88 |
| Commercial Property Development | 1,441 | 304 | 139 | 183 | 180 | 60 | 1,968 | –9 |
| Infrastructure Development | 40 | –25 | –29 | 939 | 1,475 | 126 | 131 | 86 |
| Central | –327 | –200 | –234 | –182 | –431 | –226 | –234 | –250 |
| Eliminations | –35 | –58 | –53 | –38 | 1 | –25 | 122 | –46 |
| **Total** | **1,380** | **1,144** | **453** | **1,601** | **2,836** | **1,048** | **3,025** | **311** |

| | 2017 | | | | 2016 | | | |
|---|---|---|---|---|---|---|---|---|
| **According to segment reporting** | **Q4** | **Q3** | **Q2** | **Q1** | **Q4** | **Q3** | **Q2** | **Q1** |
| **Order bookings** | | | | | | | | |
| Construction | 33,232 | 34,110 | 46,254 | 38,215 | 39,615 | 46,426 | 53,859 | 30,344 |
| **Total** | **33,232** | **34,110** | **46,254** | **38,215** | **39,615** | **46,426** | **53,859** | **30,344** |
| **Revenue** | | | | | | | | |
| Construction | 41,074 | 38,208 | 38,681 | 32,087 | 38,827 | 34,969 | 33,767 | 30,438 |
| Residential Development | 3,136 | 2,033 | 4,716 | 3,352 | 4,529 | 2,596 | 3,479 | 2,660 |
| Commercial Property Development | 3,685 | 1,074 | 5,119 | 1,562 | 2,673 | 1,339 | 1,794 | 4,420 |
| Infrastructure Development | 22 | 20 | 18 | 21 | 35 | 28 | 155 | 19 |
| Central and eliminations | –4,298 | –3,249 | –3,598 | –2,840 | –3,827 | –2,411 | –1,943 | –2,240 |
| **Total** | **43,619** | **38,086** | **44,936** | **34,182** | **42,237** | **36,521** | **37,252** | **35,297** |
| **Operating income** | | | | | | | | |
| Construction | –221 | 918 | 116 | 392 | 1,264 | 942 | 898 | 442 |
| Residential Development | 394 | 219 | 665 | 438 | 680 | 250 | 378 | 297 |
| Commercial Property Development | 863 | 594 | 978 | 279 | 322 | 202 | 451 | 1,361 |
| Infrastructure Development | 40 | –25 | –29 | 939 | 1,475 | 126 | 131 | 86 |
| Central | –328 | –199 | –235 | –182 | –431 | –226 | –234 | –249 |
| Eliminations | –10 | –41 | –44 | –17 | –10 | –28 | 40 | 32 |
| **Total** | **738** | **1,466** | **1,451** | **1,849** | **3,300** | **1,266** | **1,664** | **1,969** |

# Annual General Meeting

The Annual General Meeting of Skanska AB (publ) will be held at 10:00 a.m. on April 13, 2018, 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 Saturday, April 7, 2018 and must notify Skanska by April 9, 2018, 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, April 7, 2018 from the bank or brokerage house holding the shares in trust.

## Notification may be made in writing to:

Skanska AB, Årsstämman 2018
c/o Euroclear Sweden, Box 191, SE-101 23 Stockholm, Sweden
Telephone: +46 8 402 92 81
Website: www.skanska.com/group

The notification must always state the shareholder's name, personal identification or corporate identity number, address and telephone number. For shareholders represented by proxy, a power of attorney should be sent to the company before the Meeting. Shareholders who have duly notified the company of their participation will receive an admittance card, which should be brought and shown at the entrance to the Meeting venue.

## Dividend

The Board of Directors propose a dividend of SEK 8,25 (8,25) per share for the 2017 financial year. The proposal is equivalent to a regular dividend payout totalling SEK 3,372 M (3,380). The Board proposes April 17 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 20, 2018.

The total dividend amount may change by the record date, depending on repurchases of shares and transfers of shares to participants in the company's long-term employee ownership programs.

# Investors

**Calendar**
The Skanska Group's interim reports will be published on the following dates:

**Three Month Report**
May 9, 2018

**Six Month Report**
July 20, 2018

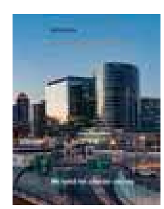
**Nine Month Report**
November 8, 2018

**Year-end Report**
February 8, 2019

**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 Annual Reviews in USD.



www.facebook.com/skanska
www.linkedin.com/company/skanska
www.twitter.com/skanskagroup

**If you have questions, please contact:**
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