SKANSKA

Annual and Sustainability Report 2020

We build for a better society.

European Spallation Source, Lund, Sweden

Contents

Segment and IFRS reporting

Skanska's business streams – Construction, Residential Development and Commercial Property Development – represent the Group's operating segments. The point at which revenue is recognized differs between segment and IFRS reporting for Residential Development and Commercial Property Development. In this report, revenues and earnings for these business streams on pages 4–32, 69, 87–91 refer to segment reporting, unless stated otherwise. The financial reports, including the statement of financial position and cash flow, have been prepared in accordance with IFRS.

About this report

The 2020 Annual and Sustainability Report is submitted by the Board of Directors and the President and CEO of Skanska AB (publ) to describe the operations of both the Company and the Group. The formal annual report consists of the Report of the Directors and financial reports on pages 33–45 and 51–193 and has been audited by Skanska's external auditors. Pages 58–86 include Skanska's statutory sustainability report, according to the Swedish Annual Accounts Act. Skanska is reporting in accordance with the Global Reporting Initiative's (GRI) "core" sustainability reporting guidelines. Skanska aims to ensure that all information and data is relevant, transparent, consistent, accurate and complete and that it provides an objective picture of the Group's operations. Further information about Skanska's sustainability efforts can be found at: group.skanska.com/sustainability.

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

Skanska AB, Swedish corporate identity number 556000-4615.

We build for a better society

With more than 130 years in construction and project development, we enrich cities and communities in selected home markets in the Nordic region, Europe and the USA. In these markets we create buildings and civil infrastructure including schools, hospitals, homes and offices as well as highways and transit lines.

We are accountable to future generations, which is why we promote low-carbon solutions and conduct our operations in a sustainable way. We aim to be a leader within sustainability. This also includes prioritizing safety and fostering a working environment where everyone can speak their mind as well as an inclusive culture where we are open and fair, showing trust and respect for each other. We do business in an ethical way and leverage diversity to deliver the best solutions.

These expected behaviors are anchored in our values and guide Skanska in setting priorities that deliver on our purpose of building for a better society.

European Spallation Source, ESS, home of the most powerful linear proton accelerator ever built. Read more on page 18.

Skanska's operations

Skanska is one of the world's leading construction and project development companies, focused on selected home markets in the Nordic region, Europe and the USA. Skanska's diversification across various business streams strengthens the Group's competitive standing and ensures a balanced and diversified risk profile. Sustainability is an integrated part of our operations. Our sustainability commitment enables us to deliver sustainable solutions to our customers, drive operational efficiency, attract employees, manage risks and support society as well as create shareholder value.

Construction
Skanska constructs and renovates buildings, infrastructure and homes.

Read more on page 20.

Residential Development
Skanska develops new residential buildings, including single and multi-family housing, built by the Construction business stream.

Read more on page 24.

Commercial Property Development
Skanska develops customer-focused office buildings and logistics properties built by the Construction business stream.

Read more on page 28.

Skanska's purpose and values

Skanska's purpose – We build for a better society – reflects the Group's role in society, that enables Skanska to create shareholder value. Fundamental to fulfilling the Purpose are Skanska's four values: Care for Life, Act Ethically and Transparently, Be Better – Together, and Commit to Customers.

Skanska's Values:

Care for Life

Act Ethically & Transparently

Be Better – Together

Commit to Customers

Sustainable future

Striving to be in the forefront of sustainability, Skanska helps create a sustainable future for customers and society.

-34%

Carbon emissions
Reduction of carbon emissions from our own operations since 2015.

98%

Certified commercial buildings share of total divestments
Share of total value, corresponding to SEK 12.1 billion, of divested offices in the Commercial Property Development business stream, certified with WELL, LEED (Platinum or Gold) or BREEAM (Excellent).

-42%

Energy reduction in new office buildings
Annual energy reduction in divested office buildings developed by Commercial Development Nordics, Europe and USA compared to the certification system LEED's established baseline.

2020 in brief

Continued profitability improvement

Solid performance within our Construction stream and operating margin was further improved. Going forward, our strategy to continue to improve profitability remains to reach our target of at least 3.5 percent.

First project started in Los Angeles

We deepened the presence in our fifth US city when we started our first Los Angeles office development project in Beverly Hills, 9000 Wilshire, targeted for LEED Platinum.

The divestment of our 50 percent ownership stake in Elizabeth River Crossings, Virginia, USA, of SEK 5.4 billion resulted in a gain on sales of about SEK 4 billion.

BO KLOK
SKANSKA & IKEA

BoKlok has Sweden's most satisfied customers

For the third time in five years, BoKlok wins first prize in the industry survey "Sweden's most satisfied customers" for residential developers.

Ranked #17 on Fortune's Change the World List 2020

FORTUNE
CHANGE THE WORLD
2020

13.9

SEK billion included in the order bookings when Skanska signed a contract to build part of the UK's new high speed railway, HS2.

22.46

SEK, Earnings per share as result of record profit.

4.8

SEK billion in gain on sale in Commercial Property Development, a new all- time-high.

Record profit and a strong financial position

Despite a turbulent and challenging year, Skanska remained strong. We acted quickly and decisively on the pandemic to protect our people and the company, securing a solid performance in all our business streams. Going forward, our strategy remains, and we are prepared to take the opportunities ahead of us. Strengthened by our values and purpose, we see a great potential in a sustainable recovery in the world economy.

Earnings per share

22.46

SEK, Earnings per share increased by 45 percent.

Operating margin – Construction

2.5%

Successive performance improvement in Construction.

Capital gains – Commercial Property Development

4.8

SEK billion in gain on sale, reached an all-time-high.

2020 was a turbulent and challenging year in many ways. The spread of the Covid-19 pandemic quickly came to negatively impact societies, economies and financial markets globally. We acted quickly and decisively to protect the company, our people and the balance sheet. Many actions were taken to minimize the disruptions to our operations.

Overall for the year, operating income reached a record high, SEK 11.9 billion (7.8) and includes an attractive gain from the divestment of our ownership stake in a toll-road project. In our Construction stream, we further improved operating margin to 2.5 percent (2.4), still below our target of at least 3.5 percent. Return on capital employed in Project Development was 12.2 percent (10.3), above our target of at least 10 percent. Our return on equity was 26.0 percent (21.4), well above our target of at least 18 percent. Carbon emissions from our own operations were reduced by 9 percent during 2020. Shareholders experienced a turbulent year as stock markets tumbled globally due to the pandemic, but recovered as supportive measures were initiated to stabilize financial markets. Based on our robust financial position, Skanska's Board of Directors proposes a dividend of SEK 9.50 (3.25) per share, of which SEK 6.50 (3.25) per share as ordinary dividend and SEK 3.00 (0.00) per share as extra dividend.

Solid Construction performance

The Construction stream was negatively impacted by the pandemic but proved to be more resilient thanks to swift actions taken. Production efficiency was almost fully back at pre-Covid-19 levels during the second half of 2020. Despite lower revenues, the profitability improved further in 2020. Going forward, our strategy to improve profitability remains. In Sweden, we have taken additional measures to improve profitability in areas where we have struggled with the performance during the year. In Central Europe, we are adapting to lower volumes. In the UK, we are focusing our operations and in USA, we aim for continued profitability improvement. We believe this, together with selective bidding and strict commercial management will yield continued profitability improvement for Construction.

Strong performance in Residential Development

In Residential Development, we managed to increase profitability and returns, as well as the number of sold and started homes. During the year, Residential Development's operating margin was 11.8 percent (9.6). The performance was strong in all our markets despite a significant, but temporary, drop in market activity, as the Covid-19 infections started to spread globally. The largest increase in volumes came from Rental (Hyresbostäder). During the year we also started our first BoKlok project in the UK. This low-cost homes concept has been well received in the UK, and we have the ambition to expand over the coming years.

All-time-high in Commercial Property Development

Commercial Property Development had yet another record year in divestment gains. I consider this a considerable achievement in a year like 2020, where the pandemic had a clear negative impact on activity in the real estate sector. This reinforces that our high-quality

developments in attractive locations with ambitious sustainability standards are in demand. We started 10 projects during 2020, one of them in Los Angeles, our newest development market.

The biggest challenge during 2020 has been leasing. Tenants postponed decisions on new leases as employees, once normally in an office, were recommended to work from home. We were still able to sign some significant leases during 2020 and are in close dialogue with prospective tenants in all our markets, discussing their needs and criteria for future office space.

Ambition to generate an industry leading total shareholder return

Skanska has a solid foundation and position with our strong values, integrated business model and trusted brand. Furthermore, our financial and organizational strength, deep knowledge and strong customer relationships put us in a unique position to deliver on our purpose – building for a better society – and generate an industry leading total shareholder return. As the society and world economy recovers, we want to do our part in driving a sustainable recovery. A sustainable recovery encompasses more than the environment. At Skanska, the health and wellbeing of our people is a top priority. During 2020, we have put additional attention on activities identified as having a higher accident frequency: lifting, loading and lowering. All business units have developed and are implementing action plans to prevent this kind of accidents. Our sustainability work links to the United Nations (UN) Sustainable Development Goals, which helps us continuously maintain our support for the universal sustainability principles defined by the UN Global Compact. Also, as a supporter of the Paris Agreement, I consider a sustainable recovery being important. We have a target of net-zero carbon emissions, including the value chain, by 2045. The total reduction in our own operations since the base year in 2015 was 34 percent.

A sustainable recovery also brings plenty of market opportunities. With our strong position we will be able take these opportunities and execute in line with our strategy to deliver an industry leading total shareholder return; improve profitability in Construction by reducing risks and costs, improve commercial management, and expand Project Development in a controlled way.

2020 was a notable year in many ways. I would like to thank our customers, business partners, shareholders and employees for your support in Skanska's achievements. I'm looking forward to a continued and deepened collaboration.

Stockholm, February 2021

Anders Danielsson
President and CEO

Skanska – attractive sustainability investment

Alecta manages occupational pension plans for 2.6 million people and 35,000 businesses throughout Sweden. Sustainability and responsible investments are integral to the company's mission and operations. Alecta, one of Skanska's largest shareholders for many years, is one of the largest investors in Sweden with more than SEK 1,000 billion in assets under management.

»We have confidence in Skanska, who we see as an ambitious actor in sustainability.«

Magnus Billing, CEO of Alecta

This puts Alecta as an ESG (Environmental, Social and Governance) investor in a strong position to influence companies to place a greater emphasis on ESG. There is a global shift toward green investing, with 2020 marking the first year that investment in sustainability focused funds topped USD 1 trillion (Financial Times Adviser 2020). ESG investments are here to stay. Magnus Billing, CEO of Alecta, comments on investor expectations of companies from a sustainability perspective.

"Essentially, our responsibility to our customers is to ensure that their pension grows. Active ownership and a long-term perspective involve the integration of environmental aspects, social responsibility and sound corporate governance in order to protect the value of and create returns in our investments", says Magnus.

"We have confidence in Skanska, who we see as an ambitious player in the field of sustainability. Skanska's strength is shown in how the company clearly and in a structured way paves the way for the business, how they communicate its objectives while contributing to Agenda 2030 through its sustainability focus areas", he continues.

The overarching goal is for Alecta's portfolio to be consistent with the Paris Agreement, which means that the companies Alecta invests in also need to have clear sustainability goals and roadmaps, and pursue sustainability efforts in line with these.

"Skanska has high credibility having had sustainability identified and managed as a material aspect on Group management level. Skanska continuously raise the ambition, integrating sustainability in the business model, creating value for investors and our beneficiaries", says Magnus.

"Skanska is attractive as an ESG investment. In addition to its high sustainability goals, Skanska is also part of an industry that faces challenges in areas such as urban development and working conditions, but where getting it right is crucial for the transition to a more sustainable society.

We perceive Skanska as a company that does not fold under the pressure of meeting developing standards, but shows determination, meets demands, takes its responsibility and is transparent.

A key aspect of our investment philosophy involves analyzing and making informed predictions about transformation in society in order to make sound, long-term, sustainable investments that benefit our customers.

Construction is a key industry for the environmental and sustainability challenges society is facing, but it also plays a key role in promoting and accelerating necessary transition. To continue being a credible partner to society, it is essential that Skanska continue to work diligently to ensure safe working conditions and sound business ethics", Magnus concludes.

Skanska as an investment

Skanska is one of the world's leading construction and project development companies. A strong balance sheet, a solid business model and a drive to be in the forefront of sustainability create value for the shareholders.

Skanska is a market leader in its selected home markets

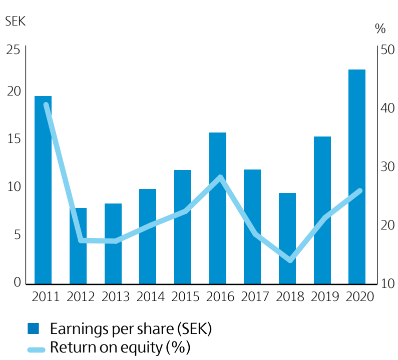
Supported by strong trends in demographics, growing cities and sustainability, the need for new and more sustainable solutions is increasing and driving investment in infrastructure, healthcare, housing, offices and education. This brings opportunities for Skanska to create value while building for a better society.

→ Innovative, sustainable, and climate-smart solutions
Skanska's deep knowledge and foresight, and drive to be at the forefront of sustainability, enable Skanska to offer innovative sustainable and climate-smart solutions contributing to sustainable futures for customers and society.

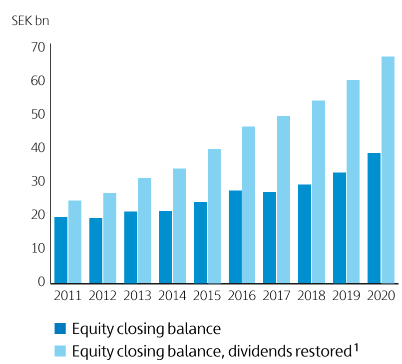
→ Solid business model
Through an integrated business model, Skanska generates significant positive cash flow from Construction. This is continuously invested in Project Development for enhanced returns.

→ Creating shareholder value
Skanska has a track record of good financial returns and generating attractive, long-term shareholder value. Driven by core values and a sound business model, Skanska create value for shareholders.

Earnings for the period per share and return on equity

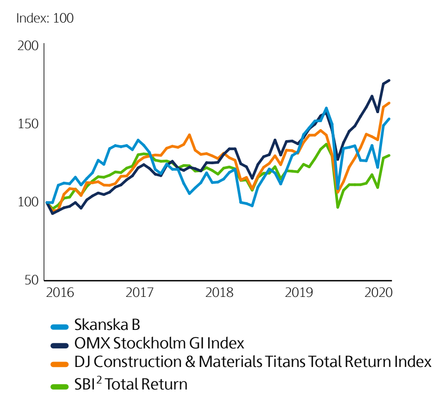


Growth in equity including dividend



1 Compound annual growth rate, 13 percent.

Total return on the Skanska share compared to indices



2 Strategic Benchmark Index consists of listed companies which, taken together, reflect Skanska's operations.

Skanska share history

	2020	2019	2018	2017	2016
Year-end market price, SEK	209.70	211.70	141.00	170.00	215.10
Year-end market capitalization, SEK bn	86.5	87.1	57.8	69.5	88.0
Average number of shares for the year, million[1]	412.3	411.5	409.7	408.9	409.3
Highest share price during the year, SEK	238.90	216.00	179.70	226.60	218.70
Lowest share price during the year, SEK	146.00	140.85	134.85	170.00	149.20
Yield, %[2]	4.5	3.0	4.3	4.9	3.8
Earnings per share, SEK[3]	22.46	15.46	9.55	12.01	15.89
Dividend per share, SEK	9.50[4]	3.25[5]	6.00	8.25	8.25
Dividend pay-out ratio, %[6]	42	21	63	69	52
Greenhouse gas emission intensity, %[7]	1.67	1.64	1.95	2.16	2.55

1 Number of shares outstanding at year-end.
2 Dividend as a percentage of respective year-end share price.
3 Earnings for the period per share according to segment reporting divided by the number of shares outstanding.
4 Based on the dividend proposed by the Board.
5 For more information about the dividend for 2019, see the Corporate Governance Report on page 35.
6 Dividend as a percentage of earnings per share.
7 Scope 1 and 2 (market-based)/SEK M revenue, according to segment reporting.

Share data

Skanska's Series B shares are listed on Nasdaq Stockholm in the Large Cap segment. As of December 31, 2020, the market capitalization was SEK 86.5 billion and the total number of shareholders was more than 100,000.

Skanska share price (SKAB)[1] performance was strong in the beginning of 2020 with a new all-time-high of SEK 238.90 in February. However, the Covid-19 pandemic and drop in oil prices in mid-February dramatically changed market conditions, creating great uncertainty and very volatile markets. From Mid-February to end of March, Skanska share price and the OMX Stockholm Index fell 36 percent and 24 percent respectively. Skanska share price recovered from the steep drop and closed 2020 with a share price at SEK 209.70, a decrease of 3 percent for the year, compared with the Nasdaq Stockholm exchange, which was up 11 percent.

Share price and turnover

In 2020, total trading in the Skanska share amounted to 437 million shares (465) at a total value of SEK 82.9 billion (88.9), which corresponds to an average daily turnover of 1.9 million shares (1.9) or SEK 0.4 billion per trading day. The highest price paid in 2020 was SEK 238.90 on February 11 and the lowest was SEK 146.00 on March 23.

Share capital and ownership structure

Skanska share capital amounted to SEK 1,259,709,216 at year-end 2020, consisting of a total of 419,903,072 shares, of which 19,684,564 are Series A shares and 400,218,508 are Series B shares. As of December 31, 2020, the number of shareholders was 103,936. Most of Skanska's shareholders are financial and institutional investors in Sweden. The largest shareholder is Industrivärden AB, with voting power of 24.3 percent, followed by Lundberg Group with voting power of 13.1 percent. At year end the Parent Company's (Skanska AB) holdings of Series B treasury shares amounted to 7,616,674 million shares, corresponding to 1.8 percent of the capital stock.

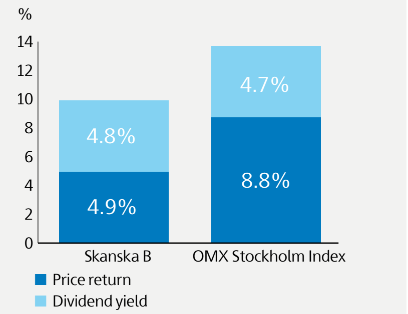
Dividend

Skanska's dividend policy is to pay out 40–70 percent of the profit for the year as dividends to shareholders, provided that the company's overall financial condition is stable and satisfactory. For the 2020 financial year, the Board proposes a dividend of SEK 9.50 (3.25[2]) per share, of which SEK 6.50 (3.25) as ordinary dividend and SEK 3.00 (0.00) as extra dividend. The proposal is equivalent to a dividend totaling SEK 3,917 M (1,340), corresponding to 42 percent (21) of the profit for the year. No dividend is paid out for the Parent Company's holdings 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 Skanska's long-term employee ownership program, Seop.

Analysts

For a current list of the analysts who regularly monitor Skanska, visit: group.skanska.com/investors/skanska-share/analysts/.

Total annual shareholder return, 5 years



The largest shareholders in Skanska AB, ranked by voting power, December 31, 2020

Shareholders, excluding Skanska's own holdings	% of votes	% of capital
Industrivärden AB	24.3	7.4
Lundberg Group	13.1	5.7
AMF Insurance & Funds	4.0	5.8
Skanska employees through Seop[3]	3.3	4.7
Swedbank Robur Funds	2.3	3.3
Alecta	2.2	3.1
BlackRock	2.0	2.8
Vanguard	1.7	2.4
SHB Funds & Life Insurance	1.6	2.3
Norges bank	1.4	2.0
10 largest shareholders in Skanska	**55.9**	**39.4**
other shareholders in Skanska	44.1	60.6
Total	**100.0**	**100.0**
of which shareholders in Sweden	78.6	69.6
of which shareholders abroad	21.4	30.4

1 Bloomberg ticker SKAB:SS, Reuters quote SKAb.ST
2 For more information about the dividend for 2019, see the Corporate Governance Report on page 35.
3 Not treated as a unified ownership group and includes earned matching and performance shares to be delivered to the participants in the future.

Source: Modular Finance Holdings

Funding

Skanska's financial strength originates in the cash flow from our construction operations. This together with our development gains and complementary external financing, gives us a solid financial foundation.

Skanska has several financing programs – both committed bank credit facilities and market funding programs – which provide good flexibility for temporary fluctuations in the Group's short-term liquidity and help ensure long-term funding.

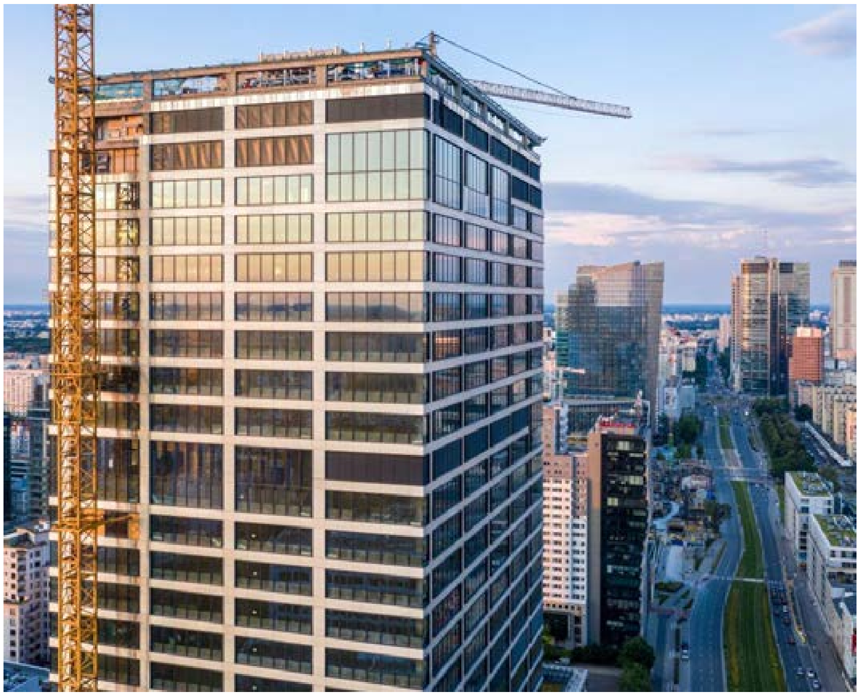
At the end of the year, the central debt portfolio amounted to SEK 3.7 billion. Unutilized credit facilities of SEK 7.5 billion combined with available liquidity amounting to SEK 19.5 billion ensure that the Group has sufficient financial capacity. Two larger divestments at the end of the year resulted in a significantly higher year-end liquidity in 2020 compared to previous years.

At year-end all outstanding corporate bonds (MTN) – amounting to SEK 0.5 billion – were in the form of green bonds. Two bilateral credit facilities of SEK 500 M and EUR 50 M respectively maturing in 2021, and a EUR 600 M revolving credit facility maturing in 2024 constitute a back-up facility for Skanska's funding needs.

Green Bond Framework

By the end of 2020, 100 percent of Skanska's central debt consisted of bilateral loans or green bonds earmarked for green projects in accordance with the Skanska Green Bond Framework.

Skanska issued its first green bond in 2014. A second round, amounting to SEK 1 billion, was issued in 2018 to provide financing for eligible green commercial and residential development projects. All projects funded within the Skanska Green Bond Framework must be aiming for the upper levels of certification under any of the third-party systems: LEED, BREEAM, DGNB or the Nordic Swan Ecolabel (Svanen). The two commercial development projects currently funded by green bonds and aiming to exceed the green requirements by targeting the highest LEED level, Platinum or Gold, are: Epic, Malmö, Sweden; and Generation Park Y, Warsaw, Poland. Skanska's Green Bond Framework is third-party verified and deemed strong and trustworthy by the CICERO (Center for International Climate Research), internationally recognized as a leading provider of independent reviews of green bond frameworks. Additionally, Skanska conducts impact reporting twice a year.



Included in Skanska Green Bond Framework, the office development Generation Park Y, Warsaw, Poland, is the first Skanska skyscraper in Poland designed with the environment and people in mind. In addition to seeking a LEED Platinum certification it is pursuing a Building without Barriers certification, meaning it will be adapted to the needs of people with disabilities. It will also apply for a WELL Core & Shell certification, where people's health and well-being are emphasized.

100%

Percentage of total central debt that is Green according to the Skanska Green Bond Framework.

Global trends and key market drivers

Global trends, such as growing cities, health prioritization and climate-smarter solutions, are driving investments in resilient infrastructure and increasing demand for sustainable facilities, such as offices, homes, hospitals and schools. For Skanska, these global trends create an opportunity to build for a better society.

The construction sector accounts for around 40 percent of global energy-related emissions (IEA, 2019). This means an opportunity and responsibility to help transition to low-emissions, climate-resilient development as required to fulfill the Paris Agreement. The global trends Skanska has identified pinpoint the ever-increasing need for new and more sustainable solutions in Construction and Project Development.

The global crisis brought by the Covid-19 pandemic has caused an economic downturn with unforeseen depth and unknown duration. It has increased the pressure to reform and build a sustainable and resilient future. The pandemic has accelerated some existing trends, such as digitalization and sustainability, and has also promoted different ways of living and working, such as remote working. These trends and behaviors will impact the economy and shape societies post Covid-19.

➔ Economic development and a changing geopolitical landscape

Economic growth and public spending generate a growing demand for construction solutions. The Nordics and Central Europe have seen positive growth in the construction sector in recent years. Growth is expected to slow near-term but remain positive in most markets in the longer term.

In recent years, increased public spending has supported growth in USA and the level of construction investment in Central Europe has improved due to greater use of European Union funds. This could however be affected by a slow-down of economic growth.

Public spending in social and other infrastructure is keeping pace and is expected to continue to do so. Funding could however be a challenge as a large portion of public budgets are being consumed to fight the pandemic and stimulate economies.

Increasing protectionism in the political landscape, including Brexit and trade protection measures, risk resulting in restrictions on trade and cross-border flows. Increased tariffs can also impact the supply of materials and labor, and lead to a shift to local sourcing, resulting in more domestic supply chains.

➔ Urbanization and demographic changes

Growing urbanization is re-shaping cities around the world. By 2050, an average of 70 percent of the global population is expected to live and work in cities. All of Skanska's markets are above that average, with the strongest development taking place in USA and the Nordics.

Increasing densification and changing demographics drive the need for efficient and flexible transport and mobility solutions, affordable housing and engagement with communities to create inclusive urban areas. Comprehensive investments are being made in mass transit, energy and water systems and other infrastructure, as well as in offices, homes, schools and hospitals.

The climate crisis and the pandemic have highlighted the vulnerabilities of urban environments such as structural inequalities and inadequate infrastructure. Many cities are already planning for a post-Covid world, with a range of investments in sustainable infrastructure and social infrastructure, to link economic recovery with environmental sustainability. An emphasis on urban mobility and energy efficiency can achieve a more circular and resilient economy.

➔ Climate impact and resource scarcity

To meet the goals set out in the Paris Agreement, global greenhouse gas emissions need to be radically reduced to limit global warming. The construction and project development industries face the challenge of reducing energy usage and emissions, improving resource innovation and procurement and increasing circular solutions.

Resource scarcity challenges society and the construction industry with responsibility for 30 percent of global resource consumption. For example, water shortages are a threat to many of the world's biggest cities. Demand for reduced climate impact is driving a need to develop new and more efficient solutions in construction and project development, and customers are increasingly demanding more sustainable buildings. Efficiently designed and produced buildings and infrastructure provide some of the most effective means to achieve sustainability goals.

Improving the environmental performance of existing buildings is essential in order to meet climate goals, and is increasingly prescribed in national and regional regulations, creating business opportunities where Skanska can contribute to climate adaptation.

➔ Digitalization and innovation

New technologies are increasingly available at an affordable price, increasing efficiency, cutting costs and enabling people to work in new ways. Digitalization is not only influencing the business models of most companies, but is also influencing consumers as digital services disrupt traditional processes. As a result, purchasing power is growing and increasingly well-informed customers expect greater transparency from the companies they interact with.

Digitalization was a strong trend before Covid-19 pandemic and has accelerated by increased remote working, distance-learning and e-commerce.

New technologies, innovations and improved products are playing an increasingly important role, with growing demand for connected solutions and for quality, functionality and design. This is impacting the urban spaces and buildings that Skanska develops and builds.

➔ Partnership is key

The success of sustainable urban development requires a combination of governance, cross-sectoral cooperation and dialogue with representatives from the entire value chain, ranging from public entities, business partners and suppliers, to private individuals. The trends described above are driving important initiatives in the construction and project development sectors on topics such as affordable housing, sustainable growth, and city planning, battling corruption and creating safe working environments at construction sites.

Additionally, partnerships are key for achieving Skanska's Group target of net-zero carbon emissions by 2045. Through actively seeking partnerships for sustainability innovation, Skanska aims to increase the use of climate-smart solutions. This target is continuing to guide our work to reduce the climate impact of our business.

Targets and outcome

Skanska's financial targets best reflect the profitability of operations and show the Group's financial capacity for investments and growth, which ensure that Skanska creates value. In addition to financial targets, Skanska has set a target of achieving net-zero carbon emissions by 2045 – including the value chain – for the buildings and infrastructure that Skanska builds.

Operating margin – Construction

Target

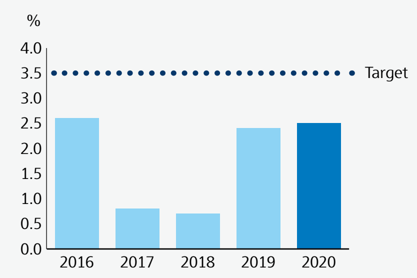
≥3.5%

Outcome 2020

2.5%

The performance in our Construction operations was solid. Despite lower revenues, profitability improved further in 2020. The strategy of being selective in our bidding and focusing on commercial management remains in focus to further improve profitability.

Operating margin Construction



Return on capital employed[1] – Project Development

Target

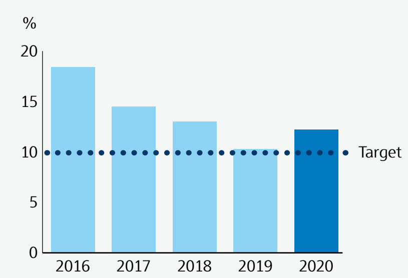
≥10%

Outcome 2020

12%

Our Project Development operations continued to perform on a high level, topping the target of at least 10 percent. Commercial Property Development had yet another record year, with a new all-time-high in divestment gains of SEK 4.8 billion. The performance in Residential Development was strong in all of our markets.

Return on capital employed
Project Development



Return on equity[1]

Target

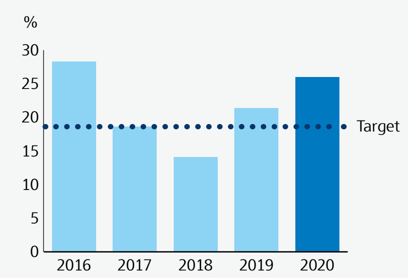
≥18%

Outcome 2020

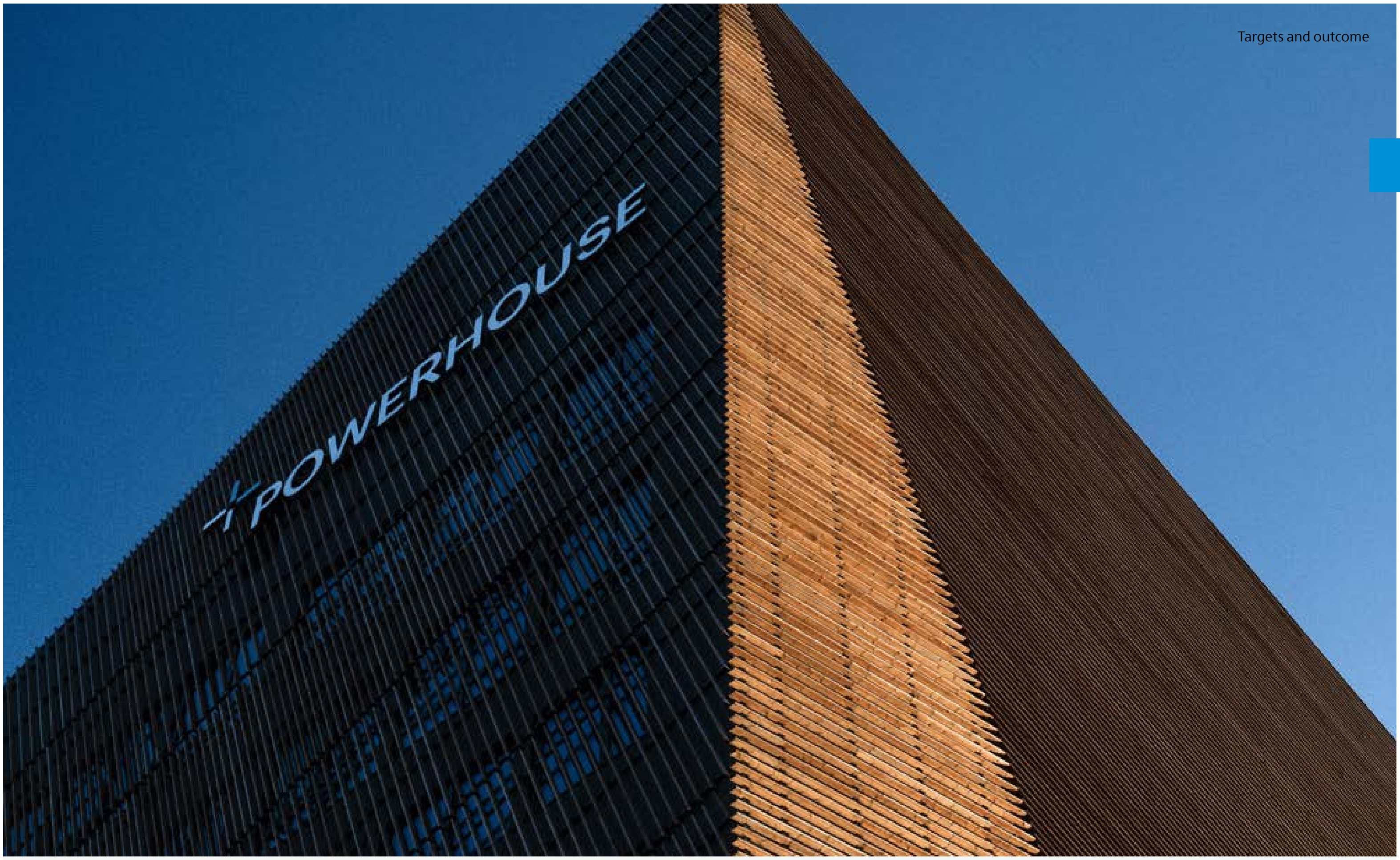
26%

Strong performance in all of our business streams resulted in a return on equity of 26.0 percent for 2020, well above our target of at least 18 percent.

Return on equity



1 According to segment reporting



Adjusted net debt[1]

Limit

–9

SEK billion

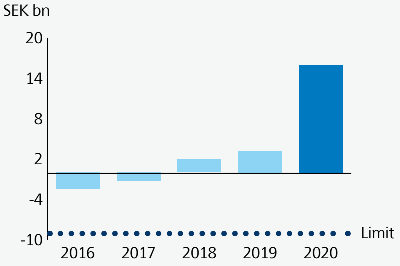
Outcome 2020

+16

SEK billion

Strong cash generation through focus on working capital from Construction operations and divestments from Project Development.

Adjusted interest-bearing net receivables(+)/net debt(–)



Climate target

Target 2030

–50%

Reduction of own carbon emissions[2] by 2030 compared to 2015.

Outcome 2020

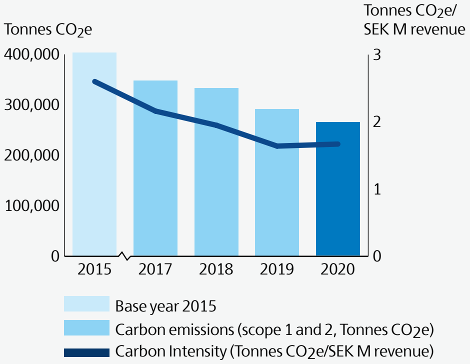
–9%

–34% reduction of carbon emissions since 2015

Since 2015, we have decreased our own carbon emissions by 34 percent and the carbon intensity is reduced by 36 percent.

Read more on page 69.

Carbon emissions in Skanska's own operations



1 Interest-bearing net receivables/net debt excluding restricted cash, lease liabilities and interest-bearing net pension liabilities.
2 Scope 1 and scope 2. Base year 2015.

Strategy

Through a considerable variety of projects and innovative, sustainable solutions, Skanska builds for a better society. We aspire to provide industry-leading shareholder value while helping to ensure a sustainable future for our employees, customers and communities.

Skanska's purpose is to build for a better society. Working with customers and communities and driven by Skanska's values – Care for Life, Act Ethically and Transparently, Be Better – Together, Commit to Customers – Skanska can create value for shareholders and contribute to a sustainable future.

Creating sustainable solutions

Skanska is a trusted partner who creates sustainable solutions that meet and exceed customer needs. To do this Skanska ensures that the right people, systems and processes are optimized – all aspects of operations are continuously improved. Equally important is Skanska's ability to leverage the breadth and depth of expertise across the Group, but also to attract new talent and skills. The diversity of the Group's employees give customers access to unmatched knowledge, expertise and problem-solving. By leveraging the best of Skanska's knowledge and experience, and investing in continuous improvement, Skanska can deliver the right solutions to its customers and provide the best value to its shareholders.

Sustainability is grounded in Skanska values and integrated into Skanska's governance and way of working. Skanska strives to be an industry leader within sustainability and to offer customers modern solutions.

Skanska has set a target of achieving net-zero carbon emissions by 2045, including our value chain. This is essential in supporting the Paris Agreement and to drive innovative, climate-smart customer solutions.

To Skanska, sustainability is a responsibility to tackle challenges as well as a possibility for new business opportunities. We want to contribute to a sustainable construction and development sector. One of the ways of doing this is by developing sustainable solutions in partnership with our customers and partners. By prioritizing sustainability throughout the value chain, we aim not only to contribute to our own climate target but also to our customers' and partners' sustainability goals. Through successful partnerships, we aim to deliver profits and shareholder value.

Further information on Skanska's work and progress within sustainability is provided in the Sustainability Report on pages 58–86.

Long-term strategy creates a solid platform

Skanska's strategic initiatives, taken in 2018, have improved performance, reduced risks and costs, and strengthened governance and the balance sheet. They have also enabled our Project Development operations to grow, allowing Skanska to remain strong in times of great uncertainty due to the Covid-19 pandemic and its negative impact on real economies and financial markets. Caring for employees' health and safety remains a top priority and driving a pro-active safety culture was given special attention during the year.

Our current financial targets for the Group remain the same, until communicated otherwise. Skanska's long-term strategy still involves continuing selective bidding, an improved commercial focus and increased cost efficiency in Construction, a controlled expansion of Commercial Property Development and being a leading residential developer. This strategy, in combination with our value-driven culture, great people and proven ability to adjust operations to current and future demands, needs and opportunities, puts Skanska in a strong position to provide an industry-leading total shareholder return.

Business model

Skanska's operations generate both operational and financial synergies, enabling us to create greater value in line with our ambition to deliver an industry-leading total shareholder return while building for a better society.

Projects are the core of our operations. Value is generated through the thousands of projects executed each year. Our integrated business model creates and boosts operational and financial synergies, which in turn facilitate the creation of innovative solutions, maximize market opportunities, improve cost control, strengthen our financial position and enhance returns. All of this aimed at increasing shareholder value, while working toward a more sustainable future for employees, customers and communities.

Operational synergies

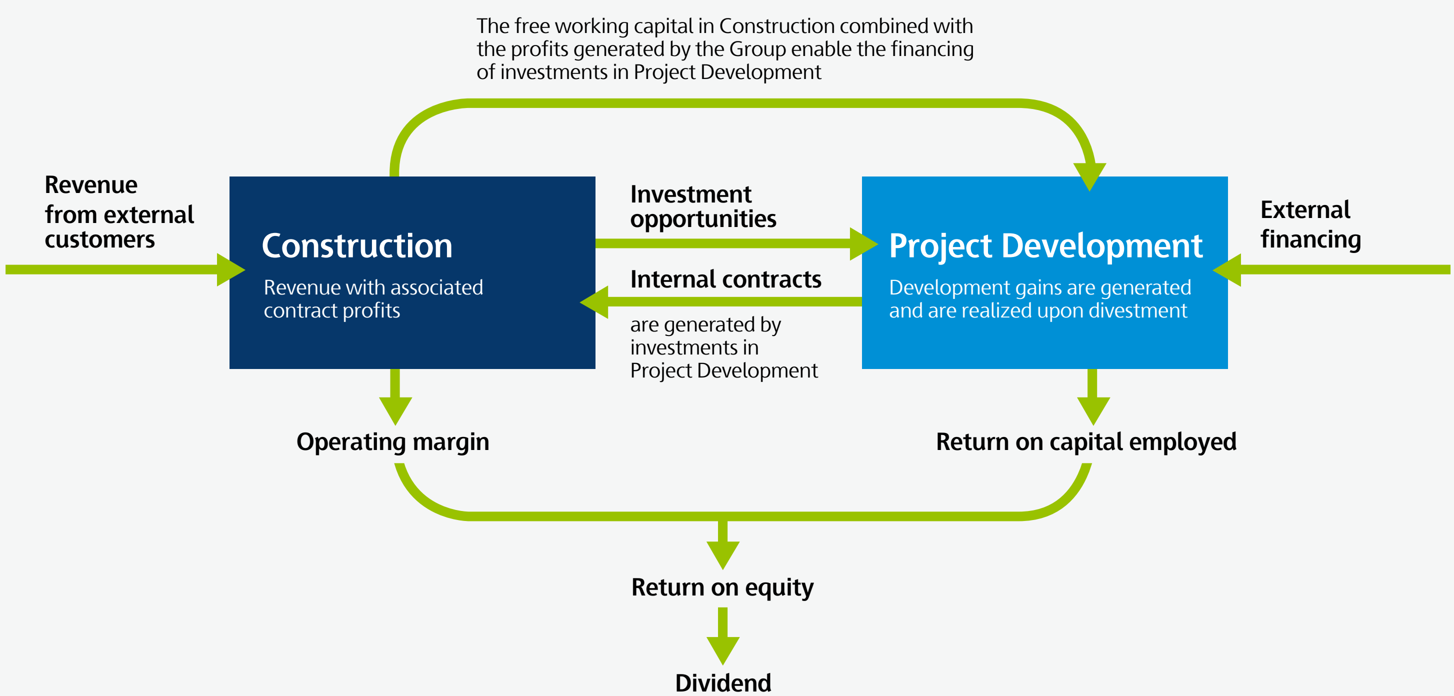
Operational synergies are primarily generated through the local, specialized expertise of the business units. Units in the same business stream often collaborate to leverage resources and capabilities, and to share best practices. Development projects bring Construction and Project Development units together, which reinforces a strong customer focus and optimizes the use of the Group's collective technical and financial resources.

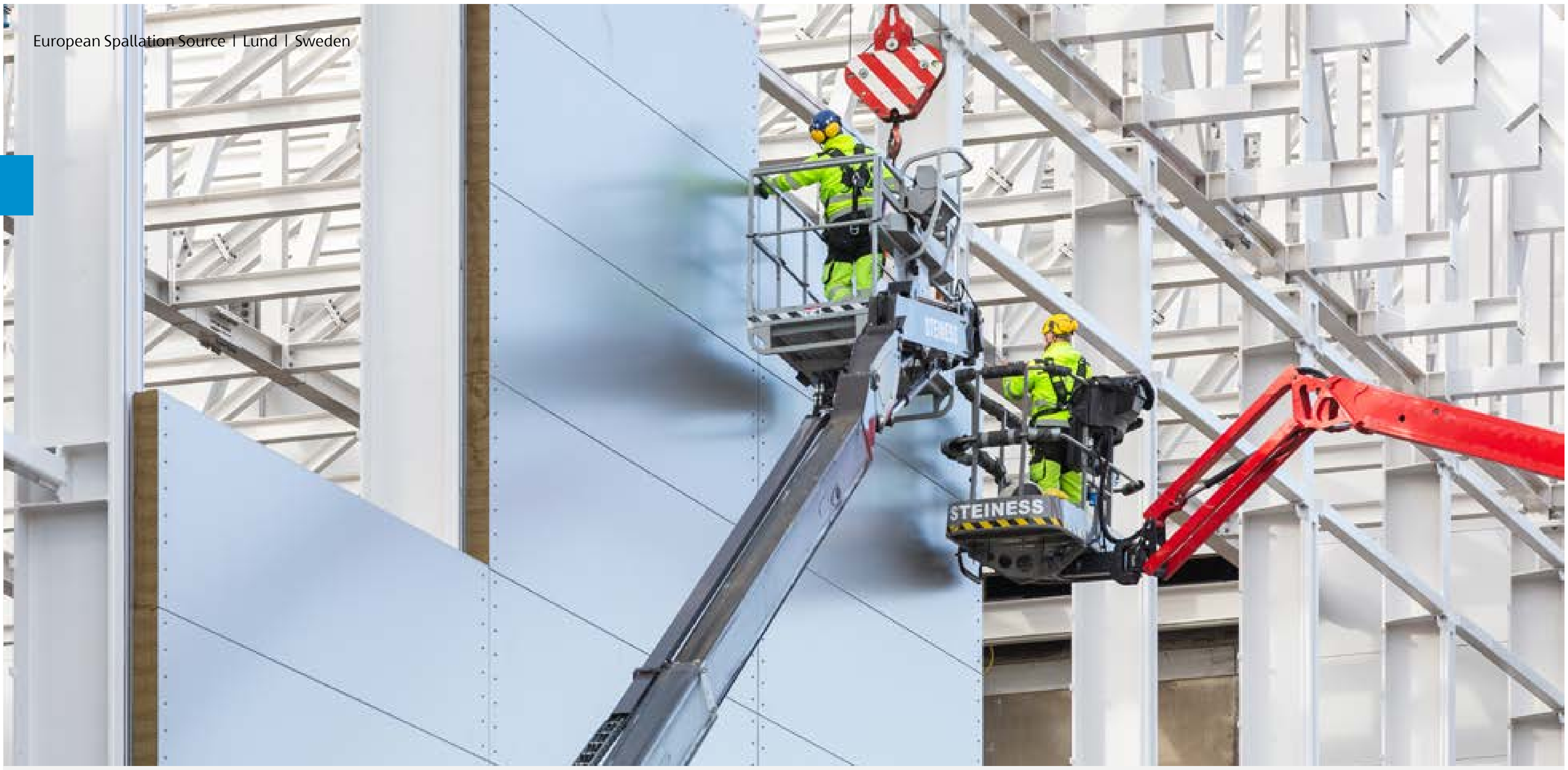
In our own developments, we have the highest of ambitions when it comes to climate smart solutions and other innovative features in our offerings. By driving the development in this area we keep all our operations in the forefront and can offer all our customers the most suitable solutions for their needs.

Financial synergies

The Construction business stream does not tie up capital as it operates with free working capital. Free working capital combined with profits generated by our operations, along with the ability to borrow money, mean that we can finance our own project development and thereby generate attractive return on invested capital. These investments also create new contracts for the Construction stream, generating further profits.

Business model





Circularity is key when building one of the greenest research facilities in the world

In Lund, Sweden, Skanska is building what will be a world-leading, multi-disciplinary research facility, based on the world's most powerful neutron source, and with ground-breaking circular thinking.

The European Spallation Source (ESS), is an international research facility with 13 member countries throughout Europe, which all contribute with technical equipment, expertise and funding. It will be one of the most sustainable and energy smart facilities in the world. In developing the site, a circular construction approach has been central from an early planning stage and throughout the process. Thorough environmental assessment of building materials is carried out. This assessment covers the entire life cycle and aims to facilitate future reuse or recycling of the building materials used.

Creative initiatives to increase circularity include industrial symbiosis at a neighboring sugar mill at Örtofta Sockerbruk, where 9,200 cubic meters of the by-product – a type of sand called "beet sand"– becomes a resource in land development instead of natural gravel. This initiative has reduced transport and thus climate emissions, but also reduced costs. In addition, Skanska uses diesel from renewable sources in all machinery, which have saved 2,383 tonnes of carbon emissions. ESS is built without generating any waste for landfill by preventative measures and sorting for recycling. Leftover concrete is, for example, used to make building blocks on site. These can be sold and thus generate new business opportunities. To date over a 1,000 concrete blocks have been made.

Energy efficiency is another aspect of the circular approach. Innovative reuse of most of the surplus heat from the research facility to be used to heat the facility and for district heating helps reducing carbon emissions and lowering operating costs. Once in full operation, the excess heat that will be recovered from ESS will help to heat the equivalent of about 10,000 detached houses through the district heating network.

ESS has signed an agreement with the energy company E.ON for a cooling and recycled heat solution, that enables heating of homes and workplaces in the area.

Skanska is responsible for constructing the facility's 23 buildings and infrastructure. The work is being carried out under a collaboration agreement, whereby Skanska and ESS work together on the project applying an open and integrated approach. The assignment includes planning and building an accelerator tunnel of more than 500 meters in length, a target station, three instrument halls and service buildings. Skanska is also responsible for roads, cables, groundwork and plantings.

In simple terms, ESS will be a giant microscope. The so-called spallation source accelerates protons to almost the speed of light in the facility's accelerator tunnel. When the protons hit the target, a rotating helium-cooled wheel, neutrons are released and led through neutron guides to the experimental stations. Researchers worldwide will be able to study materials in detail and contribute to tackling major challenges in our society, including renewable energy, sustainable materials and better pharmaceuticals. Although the facility will be at the forefront of sustainability, the most important and long-term sustainability impact of ESS is the future applications of the research results that the facility will enable.

Business streams

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

Construction

Market drivers and key trends

GDP growth – Strong correlation with growth in the Construction business stream.

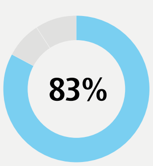
Public investment – Infrastructure investments are largely driven by the public sector.

Urbanization – Urbanization is a major driver of infrastructure investments in areas such as highways, bridges, mass transit airports and water treatment works.

Countries

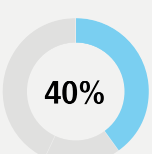
Sweden, Norway, Finland, Poland, Czech Republic, Slovakia, UK, USA

Revenue, share of Group



140.5
SEK bn

Operating income, share of Group



3.5
SEK bn

Residential Development

Market drivers and key trends

Household confidence indicator – Potential customers' views on future pay raises, housing costs, interest rates and credit supply affect purchase decisions.

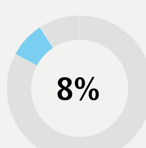
Urbanization – Leading to increased demand for homes.

Shortage of housing – Housing production has lagged behind population growth, resulting in an undersupply – more homes need to be built.

Countries

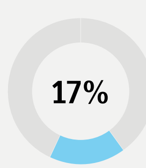
Sweden, Norway, Finland, Poland, Czech Republic, UK

Revenue, share of Group



13.1
SEK bn

Operating income, share of Group



1.5
SEK bn

Commercial Property Development

Market drivers and key trends

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

Urbanization – Increases demand for offices and logistics centers close to cities.

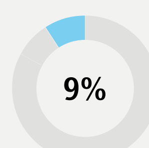
Cost-efficient location – Energy-efficient, green premises in attractive areas are in demand and are contributing to relocation.

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

Countries

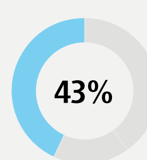
Sweden, Norway, Finland, Denmark, Poland, Czech Republic, Hungary, Romania, USA

Revenue, share of Group



15.0
SEK bn

Operating income, share of Group



3.9
SEK bn

Construction

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

Targets and actions

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

The performance in our Construction business stream was solid and the operating margin was further improved to 2.5 percent for the year.

Major events 2020

The Construction business stream was negatively impacted by the pandemic but proved to be more resilient as quick actions were taken to safeguard the operations. Production efficiency was almost back at pre-Covid-19 levels during second half of 2020.

In 2020, we focused our operations in the UK. In Central Europe, we adapted to lower volumes and we took additional measures to areas in Sweden where we have struggled with profitability during the year. In USA, profitability continued to improve.

Revenue decreased 12 percent and amounted to SEK 140.5 billion (159.6). The lower revenue is to some extent related to Covid-19 disruptions, mainly in Europe and USA, and decisions by customers to postpone ramp-up of new projects. But it is also a result of the strategic actions to focus the operations and be more selective in bidding in order to improve profitability. Despite the lower revenue, profitability continued to improve as a result of improved gross margin and cost control.

Operating margin was 2.5 percent (2.4). Operating income decreased 6 percent and amounted to SEK 3.5 billion (3.8). The operating income in Sweden was negatively impacted by weak performance and restructuring costs in the residential construction operations and low volumes in the industry operations. In USA,

profitability continued to improve. The operating income in the comparable period was positively impacted by SEK 196 M related to awarded damages in a legal case in Norway and negatively impacted by SEK –367 M goodwill impairment charge in the UK.

Market outlook for 2021

The pandemic has had a negative impact on demand in the construction market, mainly from the private clients and in commercial and residential building construction. Public spending into social infrastructure and infrastructure is keeping up relatively well, even though some decisions are being postponed. Funding could be a challenge as public budgets are decreasing due to lower tax revenue and being consumed to fight the pandemic and to stimulate the economies. This can be seen in the US civil infrastructure market where the competition also is increasing. The inauguration of the US president will likely reduce the market uncertainty and federal infrastructure investments could potentially increase, but lead-times are expected to be long. In the UK, the civil infrastructure market is improving as the free trade deal with the EU is reducing the uncertainty in the public decision making.

Business operations in 2021

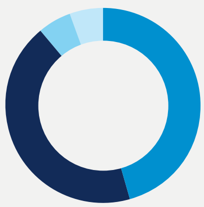
We will continue to further improve profitability within Construction and our long-term strategy, including selective bidding, reducing risks, cost control and focusing on commercial management remains.

Construction

SEK M	2020	2019	2018	2017	2016
Revenue	140,483	159,579	157,894	150,050	138,001
Operating income	3,528	3,772	1,099	1,205	3,546
Operating margin, %	2.5	2.4	0.7	0.8	2.6
Free working capital, SEK bn	25.8	26.4	25.6	21.8	22.5
Operating cash flow	6,451	4,849	3,275	2,136	4,562
Order bookings, SEK bn	149.8	145.8	151.7	151.8	170.2
Order backlog, SEK bn	178.9	185.4	192.0	188.4	196.3
Number of employees	30,944	33,225	37,006	39,002	40,991

Construction

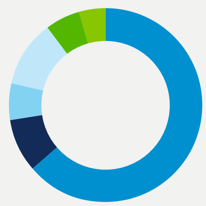
Order backlog, total SEK 179 bn



Type of product
- Building construction, 46%
- Civil construction, 43%
- Residential, 6%
- Service[1], 5%

1 Facilities management or maintenance contract.

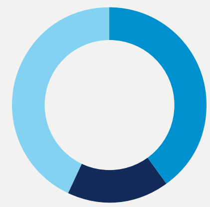
Customer structure



- Government, 64%
- Institutional[2], 9%
- Corp. Industrial, 6%
- Commercial Development, 11%
- Residential Development, 7%
- Other, 3%

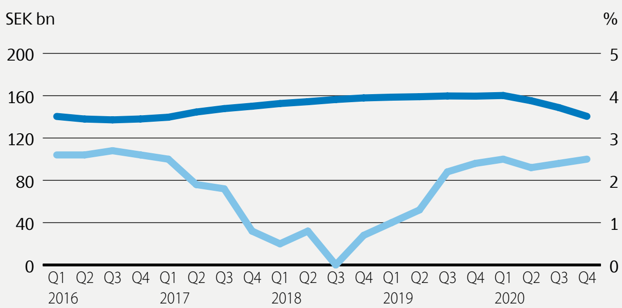
2 Mainly private healthcare and educational institutions.

Revenue, total SEK 140 bn



Geographic area
- Nordics, 40%
- Europe, 17%
- USA, 43%

Revenue and operating margin



- Revenue, rolling 12 months
- Operating margin, rolling 12 months

179

SEK billion, order backlog.

Value creation in Construction

In our largest business stream, Construction, Skanska builds and renovates buildings, industrial facilities, infrastructure and homes. We also execute service-related assignments, in areas such as facility operations and maintenance.

In keeping with Skanska's business model, contracting assignments are also executed for our own Project Development operations – a collaboration that generates synergies, drives innovative solutions in sustainability and product development for the whole Group.

Drawing upon our financial expertise and resources within the Group, additional project and synergy opportunities are generated. A combination of financial strength and global expertise in Construction and Project Development enables Skanska to take on projects for customers with high expectations for quality and execution.

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

Construction

Contributing to fully integrate travel in one of the world's busiest cities

The construction of the Regional Connector, an underground transit way in downtown Los Angeles, will transform transit mobility, increase connectivity and reduce climate impact. As part of the award-winning project, Skanska contributes to taking more cars off the roads and improve LA citizens' quality of life.

Regional Connector Constructors, a joint venture of Skanska USA and Traylor Brothers, Inc., is constructing the USD 918 M design and build contract by the Los Angeles County Metropolitan Transportation Authority. The project is an underground transit way in downtown Los Angeles, on the West Coast of the USA.

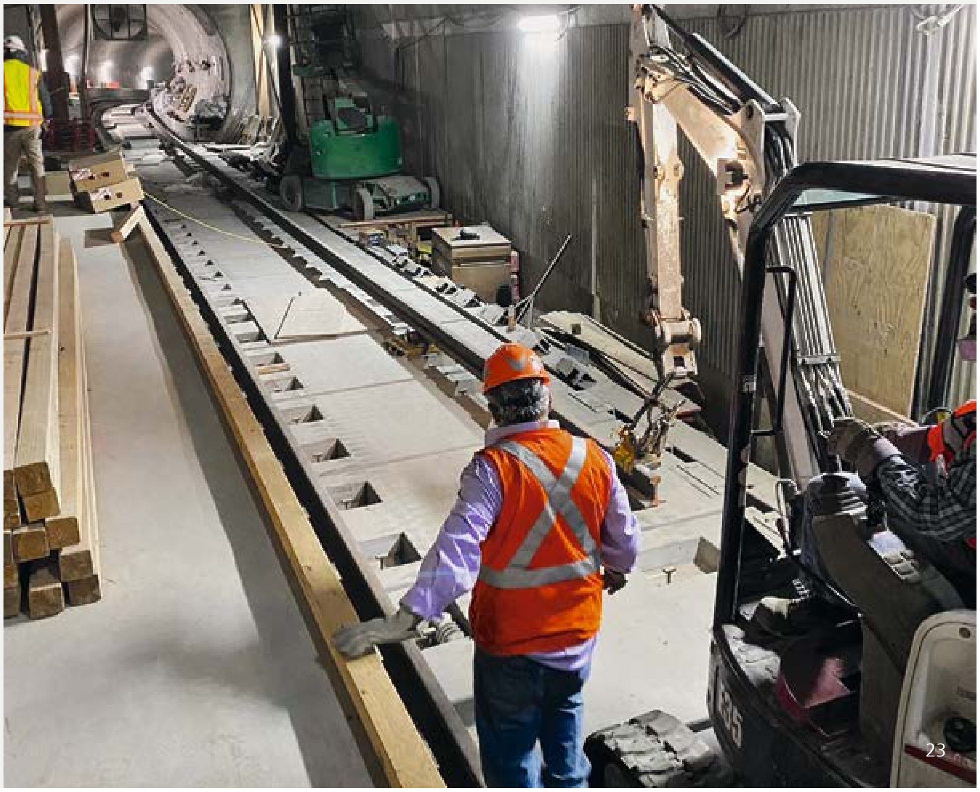
Skanska, as the managing partner of the joint venture, is designing and constructing a 1.9-mile double track light rail transit subway system with three new underground stations. The tunneling work was completed using two Tunnel Boring Machines working in parallel as well as portions of the alignment being installed using cut and cover methodology. The scope of work includes design, permits, traffic control, support of excavation, concrete works, mechanical, electrical, fire protection, rail and systems installation. Upon completion of the construction, the team will support the owner during the testing and commissioning of the system.

The new extension will offer an alternative transportation option to congested roadways and provide significant environmental benefits, spur economic development, and employment opportunities throughout LA County. As such, the project will not only make travelling easier and more accessible but also help take more cars off the road.

The Regional Connector is central to LA Metro's long-term vision and system interoperability. It will serve to fully integrate the LA transit system by also providing connectors to other rail lines, greatly improving the connectivity of the region's transit network. Once completed in 2022, the underground extension will give passengers a one-seat ride throughout the region and LA downtown without transferring from line to line. LA Metro has estimated that ridership across the entire transit system will increase by 17,000 people per day and save commuters an average of 20 minutes.

This Regional Connector is crucial for those commuting every day, not simply improving quality of life for citizens, but also making travel more sustainable and accessible for more people. The project has also been externally recognized for its importance for LA County, as well as its groundbreaking innovation in tunneling and outstanding use of underground space. In August 2020, Tunnel Business Magazine named the LA Metro Regional Connector project the winner of its 2020 Tunnel Achievement Award.

» The Regional Connector is crucial for people commuting every day, not simply improving quality of life for citizens but also making travel more accessible. «



Residential Development

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

Targets and actions

- Being the leading developer in our markets.
- Growing our UK operations
- Reviewing cost structure
- Design to cost
- Increased capital efficiency

In Residential Development both the number of sold and started homes increased during the year and profitability remained at a good level.

Major events in 2020

The housing market was initially negatively affected by a reduction in consumer confidence due to weaker economies and increased unemployment in the wake of the pandemic. However, the market recovered during the year and in the end of 2020, demand was solid, especially in the Nordic countries. During the year, 3,807 (3,407) homes were started and 3,991 (3,853) were sold. A multifamily housing portfolio of about 600 homes in Sweden for SEK 1.5 billion was divested during the year.

Profitability within Residential Development remained on a good level. Rental (Hyresbostäder) represented the largest increase in volume. Operating income amounted to SEK 1.5 billion (1.2).

The operating margin amounted to 11.8 percent (9.6).

In 2020, we started our first BoKlok project, Skanska's low-cost homes concept, in the UK. BoKlok will build family homes along with parking spaces and bicycle storage in Bristol. The project, named BoKlok on the Brook, will start sales to consumers in 2021. Read more on BoKlok in the UK on page 46.

Market outlook for 2021

Low interest rate policies to support a recovery in the economies are improving

affordability which strengthens the consumer confidence. The housing market is experiencing a shortage as new developments have slowed significantly. The risk of increasing unemployment levels, as a consequence of an economic slowdown due to the pandemic, could potentially impact demand negatively. To some extent, a structural shortage of housing in many of our markets could mitigate that situation.

Business operations in 2021
We will continue our work to be a leading residential developer in our home markets. This include activities to improve capital efficiency. We will grow our operations in Cracow, Poland, where we see good market potential. In addition, BoKlok will continue to grow its operations in the UK market.

6,948

Homes under construction

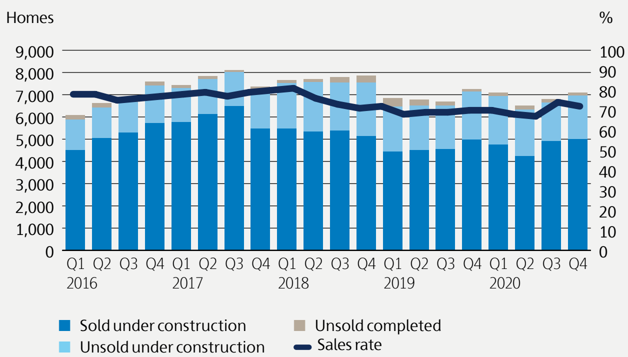
Residential Development

SEK M	2020	2019	2018	2017	2016
Revenue	13,070	12,483	10,739	13,237	13,264
Operating income	1,543	1,195	1,505	1,716	1,605
Operating margin, %	11.8	9.6	14.0	13.0	12.1
Investments	–10,419	–9,437	–10,542	–11,093	–9,148
Divestments	11,710	11,793	12,146	11,773	7,517
Operating cash flow from business operations[1]	164	2,702	1,154	1,229	–1,210
Capital employed, average, SEK bn	13.6	13.0	13.6	12.7	11.6
Return on capital employed, %[2]	12.8	9.8	11.4	15.4	17.1
Number of employees	571	551	542	482	434

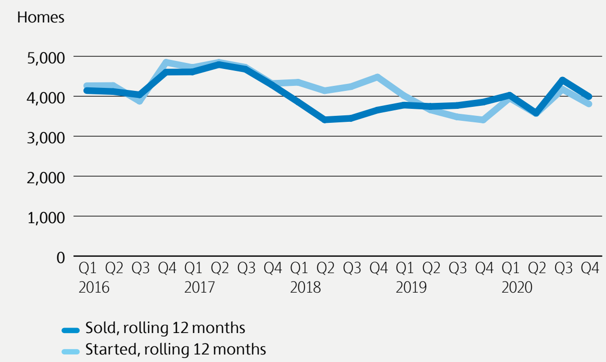
1 Before taxes, financing activities and dividends.
2 A definition is provided in Note 43.

Residential Development

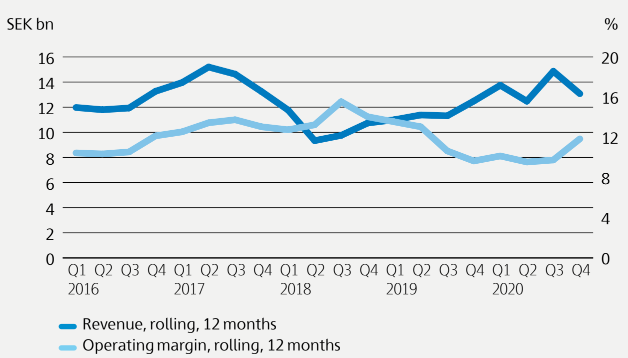
Homes under construction and unsold completed



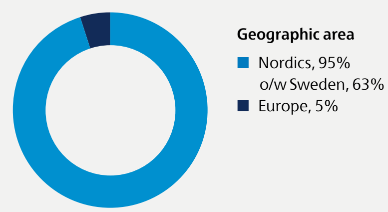
Homes sold and started



Revenue and operating margin



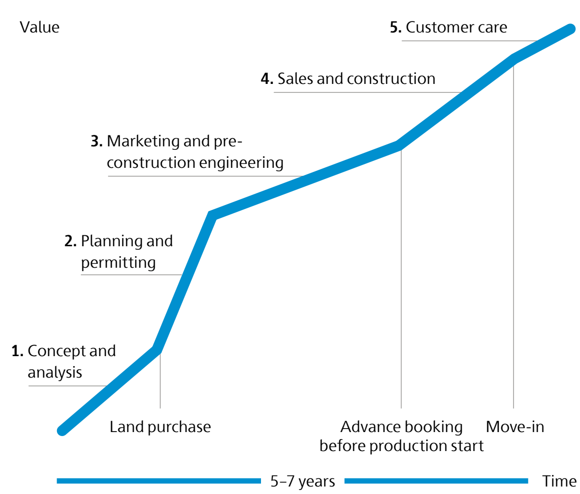
Operating income, total SEK 1.7 bn



Value creation in Residential Development

Generating value in Residential Development begins with an analysis of macroeconomic and demographic trends. Where do we see growth, which target groups are relevant and what do they need and want?

Before we make land purchases, local conditions are analyzed in detail. Then follows a systematic process ultimately aimed to offer attractive homes that make people's everyday lives better and easier, at the best possible value. During the planning stage, Skanska establishes a framework in close collaboration with the municipal authorities to develop housing with optimal conditions. Based on the potential offered by the site's surroundings, on the basis of the residents' needs and environmental and community considerations an attractive neighborhood is designed and built in close collaboration between Development and Construction units. Skanska's own sales organization then markets the new homes to the relevant target groups.



Residential Development

Pioneering rental project with net-zero energy use

In Salem outside Stockholm, Sweden, Skanska Hyresbostäder (rental housing) together with BoKlok, is developing a residential area called Norra Vitsippan – a cutting-edge project in renewable energy. A smart combination of heat pumps, solar thermal collectors and geothermal heat that is designed to reduce heating and hot water energy usage by up to 80 percent, which combined with solar cells panels becomes a net zero energy project.

With HYSS, Hybrid Solar System, an innovative system from the company Free Energy Innovation, solar energy and geothermal heat are combined with a unique control system that moves the energy to where it can have most impact, with greatly increased efficiency as a result.

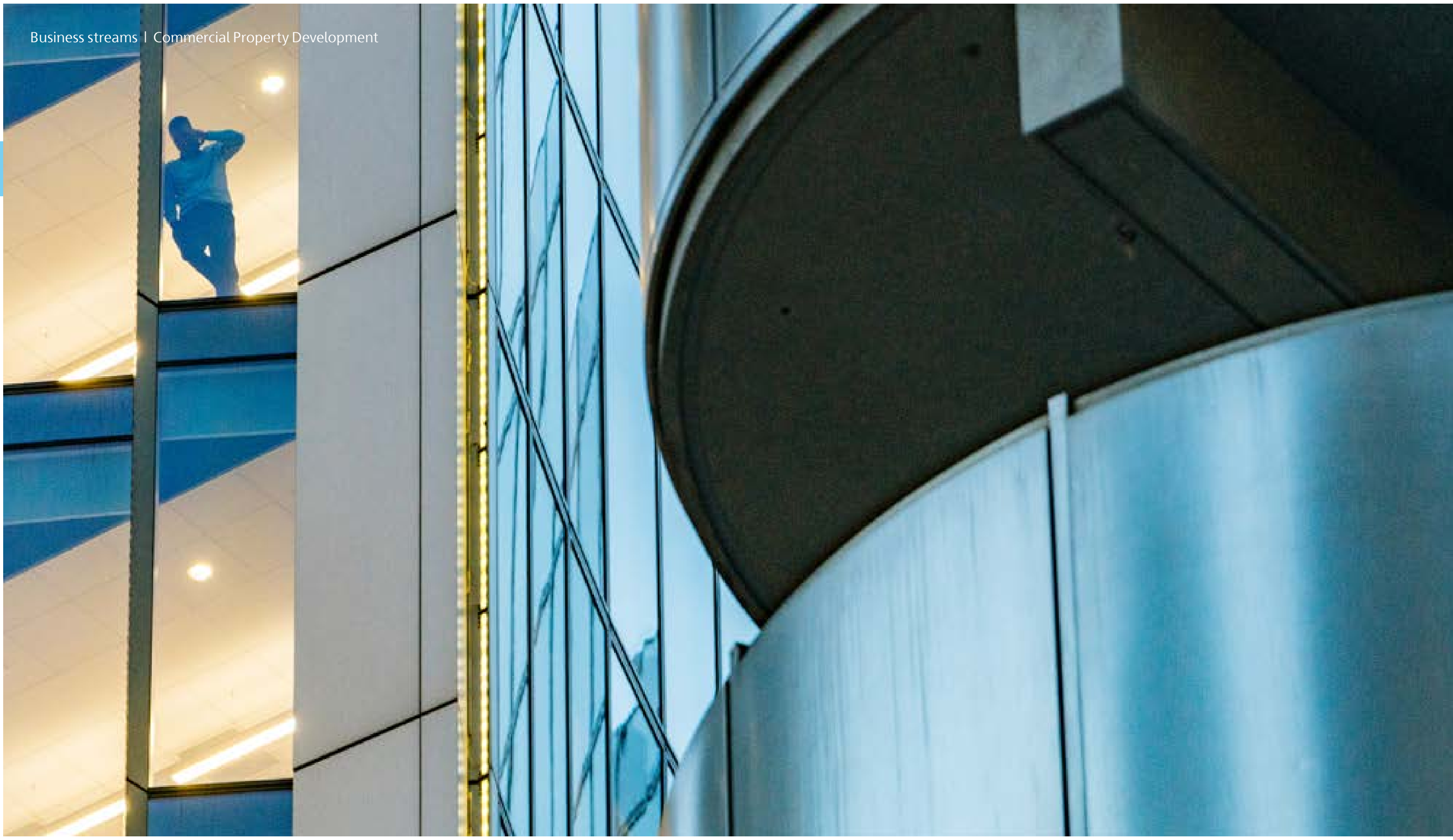
Solar thermal collectors heat water and are used to optimize and give energy to the heat pumps and to make hot tap water. When there is an excess of energy, the boreholes are recharged, which usually happens in the summer. This counteracts depletion of energy in the boreholes and ensures high efficiency of the system continuously throughout the year.

The buildings are also equipped with solar cells that generate all the electricity the buildings require for a full year and send surplus electricity to other users on the grid. The result will be Skanska's first net-zero energy rental housing project, where buildings produce as much energy in a year as they use.

By using wooden modules from BoKlok, concrete with lower carbon emissions in building foundations and biofuel for construction site equipment, the production of the new buildings are also estimated to contribute to a lower climate footprint.

All in all, the project is a significant step towards Skanska's target of net-zero carbon emissions by 2045 and is a project at the forefront of the rental housing industry. The Norra Vitsippan project – Skanska divested to the environmentally focused investor Nordic Real Estate Partners in December 2019 – involves the development of rental housing on a commercial basis without subsidies or grants. In addition to providing environmental benefits, the 108 apartments will add much-needed rental housing in the municipality of Salem and help to alleviate the substantial housing shortage in the Stockholm metropolitan area.

» At Norra Vitsippan, buildings are equipped with solar cells that generate all the electricity the buildings require for a full year and send surplus electricity to other users on the grid. «



Commercial Property Development

Skanska develops environmentally efficient offices and properties that are flexible and support tenants' well-being and creativity. Collaborating with the Construction business stream helps produce the best solutions for customers and the greatest value for Skanska.

Targets and actions

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

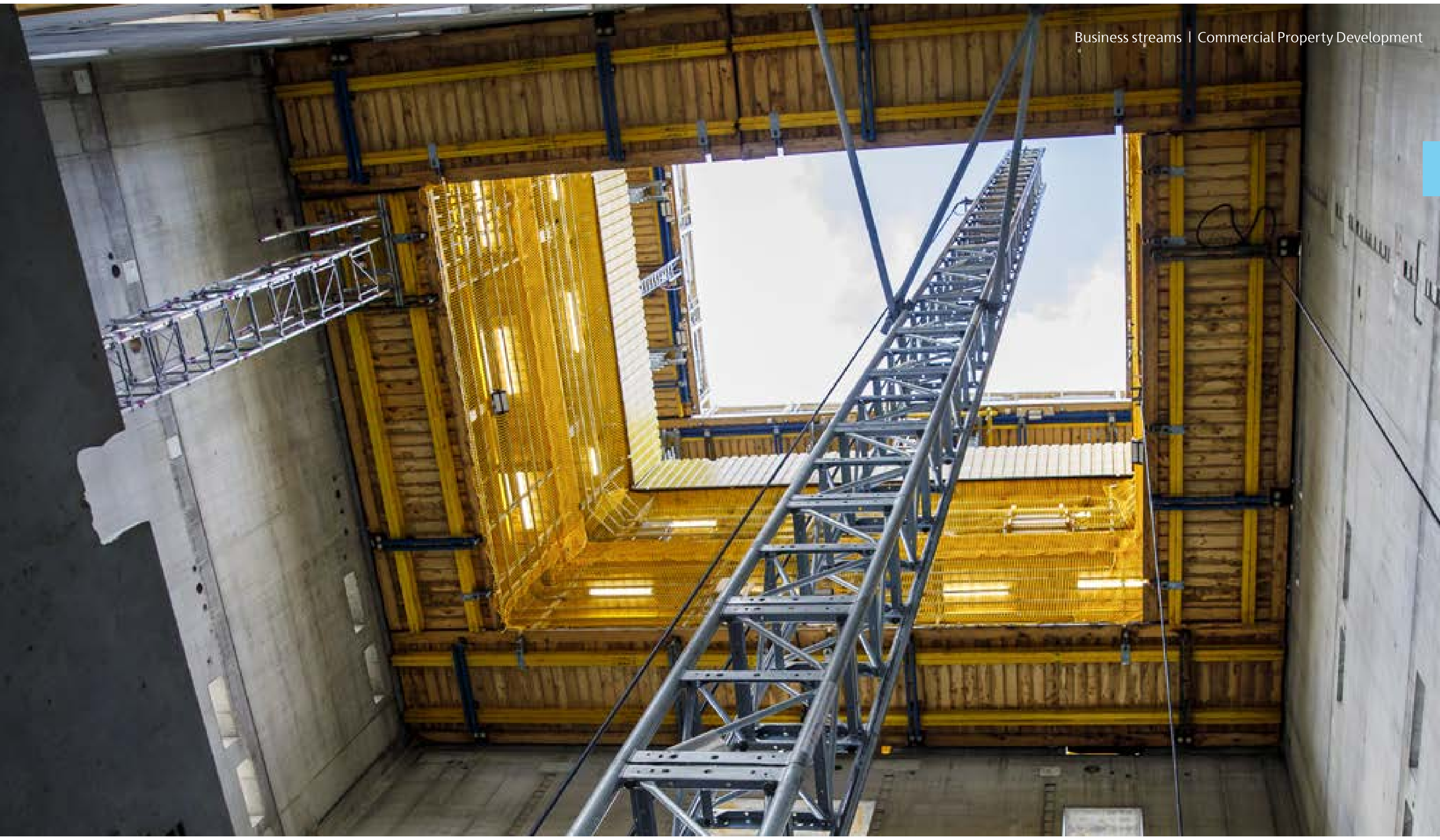
Gains from property divestments reached a new all-time high, SEK 4.8 billion. We also deepened the presence in our fifth city in USA, when we started our first Los Angeles office development project in Beverly Hills and invested in additional land in 2020.

Major events in 2020

In Commercial Property Development business stream, divestments worth SEK 13.8 billion (17.1) were made in 2020. Operating income amounted to SEK 3.9 billion (3.3). By the end of the year Skanska had 31 ongoing projects. Gains from divesting 13 property projects reached an all-time high of SEK 4.8 billion, with all three geographies contributing to this success. For example:

- In Poland, Skanska sold the office building Generation Park Z located in Warsaw for EUR 98 M, about SEK 1.0 billion
- Skanska sold the office building Solna United in Solna, Sweden for SEK 3.3 billion
- Skanska sold a 95 percent interest in the 2+U office property in Seattle, Washington, USA, for USD 669 M, about SEK 5.5 billion.

In 2020, a total of 10 projects were started, spread across all geographies. In addition, Skanska made some larger investments in land, for example, the investment of land in Boston Massachusetts, USA, for USD 177 M, about SEK 1.5 billion in the beginning of 2021. During the year, new leases were signed for 233,000 square meters.



The pandemic has had negative impact on leasing activity during the year. However, some larger leases in Central Europe and USA were announced in the beginning of 2021. Unrealized gains, excluding properties divested according to segment reporting, totaled SEK 6.3 billion by the end of the year.

Market outlook for 2021

The number of transactions and new developments have decreased due to the market uncertainty. The credit market has however recovered and remains stable. Investor appetite for high quality developments is expected to be solid at about current yield levels. Leasing has slowed significantly, mainly due to tenant uncertainty. The activity is expected to recover but there will likely be a change in demand and behaviors in the office market.

Business operations in 2021

Skanska will continue the high activity in Commercial Property Development, which include priorities such as to start new projects in all of our markets, increase capital efficiency and secure future pipeline of projects. In 2021, Commercial Property Development will also continue to grow its operations in Los Angeles, USA.

Commercial Property Development

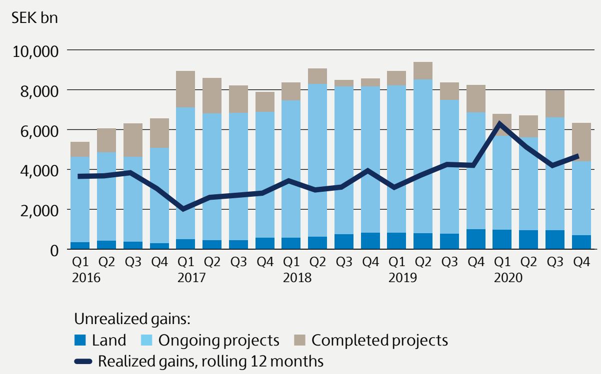
SEK M	2020	2019	2018	2017	2016
Revenue	14,983	17,850	16,271	11,440	10,226
Operating income	3,897	3,287	3,069	2,714	2,336
of which gain from divestments of properties [1]	4,750	4,275	4,005	2,879	3,111
Investments	–9,777	–12,946	–11,452	–10,716	–8,364
Divestments	16,988	13,713	15,275	9,341	9,043
Operating cash flow from business operations [2]	5,281	1,063	3,984	–3,119	–687
Capital employed, SEK bn	30.9	34.5	26.7	24.5	19.9
Return on capital employed, % [3]	11.9	10.5	12.8	15.5	14.8
Number of employees	445	427	414	389	364
1 Additional gain included in eliminations was	359	240	321	197	173

2 Before taxes, financial activities and dividends.
3 A definition is provided in Note 43.

Commercial Property Development

Revenue and operating income from property divestments

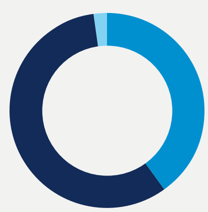
Unrealized and realized gains



Capital employed, total SEK 30.9 bn

Geographic area
- Nordics, 38%
- Europe, 32%
- USA, 31%

Leasing, total 233,000 sq m



Geographic area
- Nordics, 40%
- Europe, 58%
- USA, 2%

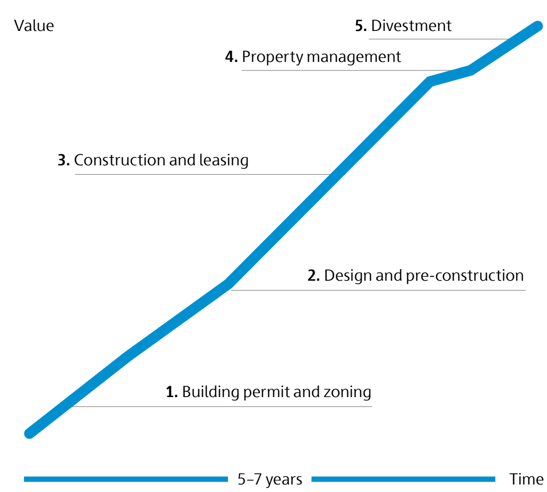
6.3

SEK billion, unrealized gains, excluding properties divested according to segment reporting.

Value creation in Commercial Property Development

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

All acquisitions of land are preceded by macroeconomic and local market analyses. A major step in value creation is taken when the zoning plan is approved for undeveloped land. The design is based on our previous experience in creating healthy, environmentally responsible and customer-focused offices and properties, and adjusted to local market demands, aimed at creating compelling premises for tenants and property investors as well as enabling efficient construction execution in a close collaboration between Development and Construction units. A successful leasing process usually begins in connection with the start of construction, with most leases signed before construction is completed. Our local construction units carry out the construction and Property management can add further value to the property. All projects are developed with divestment as the ultimate goal. Divestment occurs when we have added maximum value to the project within the Group's competency areas.



Commercial Property Development

An office building designed for increased well-being

2+U is an office tower situated in downtown Seattle on the West Coast of the United States. It has been carefully designed to positively affect peoples' well-being and health with a vibrant, connected neighborhood.

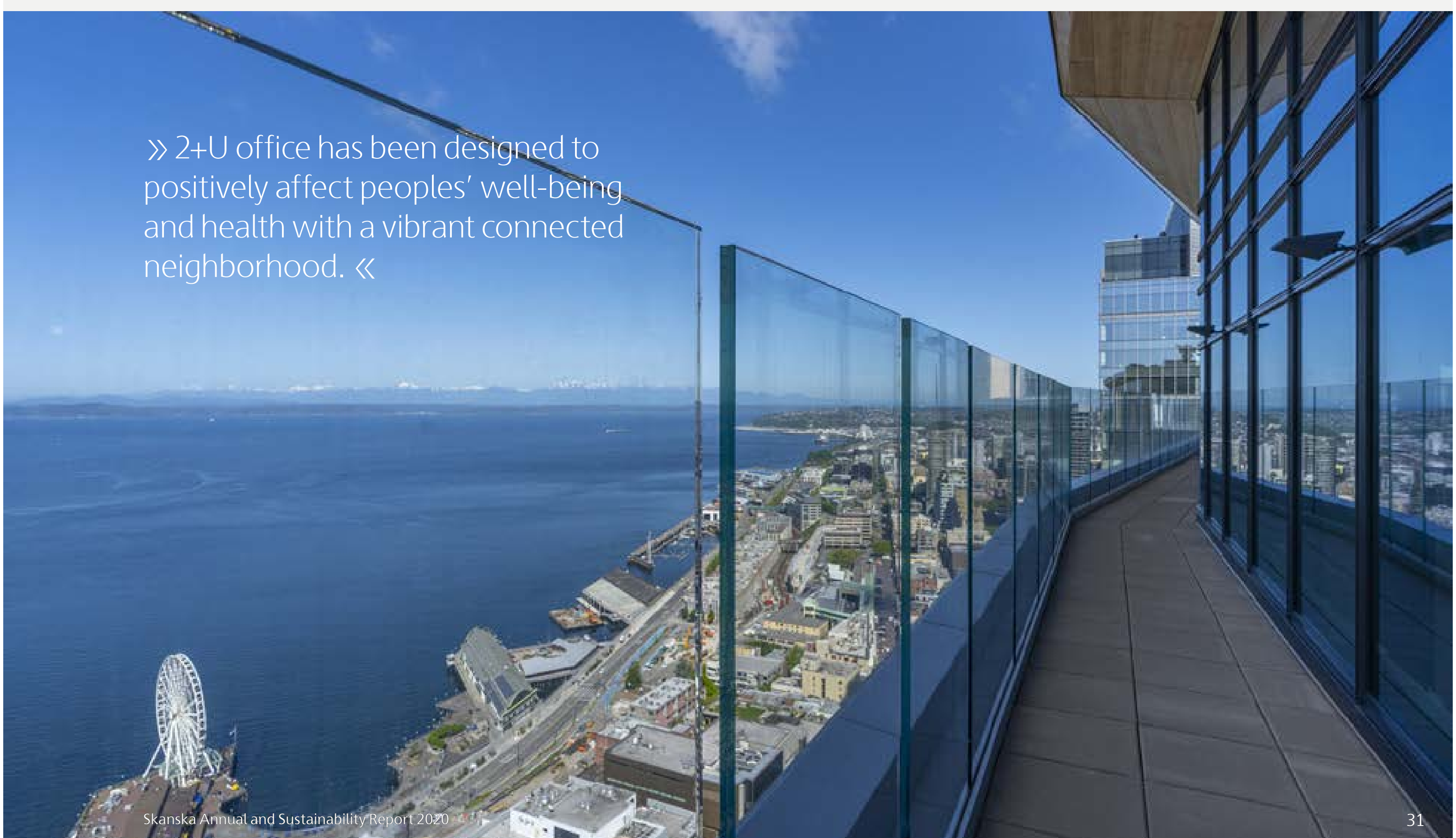
Leveraging the power of proximity, 2+U is a 38-story office tower comprised of approximately 65,000 square meters of office space in the heart of Seattle's central business district.

2+U is targeting LEED Platinum, the highest level of certification, demonstrating comprehensive attention to energy and water efficiency, healthy material selection, and waste reduction across the entire building design. The building has been specifically designed to care for the health and well-being of building occupants. 2+U's mechanical system provides flexibility and constant air change via Dedicated Outside Air Supply (DOAS) units. These air-handling units provide fresh air to hydronic chilled beams used for heating and cooling, resulting in a system that is both more energy efficient, and with a distinct health advantage over traditional systems with recirculated return air. The usage of outside air supply provides the building with 100 percent fresh outdoor air to each floor, along with high efficiency filtration of allergens, mold, dust, bacteria and virus carrying particulates to enhance indoor air quality.

Inside the 2+U office tower, tenants find abundant daylight, a work lounge, event space for responsible gathering in a comfortable environment, four private terraces, 19th floor outdoor amenity deck with pavilion and 38th floor private roof deck. The abundant outdoor spaces offer physical and mental benefits, promoting fresh air, greenery, views, and gatherings with safe distancing.

Nestled beneath the office tower lies the Urban Village, an over 2,200 square meter covered outdoor public space host to retail, entertainment, and arts and cultural programming. The Urban Village was built with community in mind to create new and inspiring environments for tenants, neighbors, and visitors to meet and connect. The Studio, which is centrally located in The Urban Village, is a new and innovative partnership that supports and empowers emerging artists by providing a multi-purpose rehearsal space free of charge.

In 2020, Skanska divested a 95 percent interest in the 2+U office tower for USD 669 M, about SEK 5.5 billion to South Korean financial group Hana Alternative Asset Management, alongside Hana Financial Group. Office tenants include Qualtrics, Indeed.com, Dropbox and Spaces.



» 2+U office has been designed to positively affect peoples' well-being and health with a vibrant connected neighborhood. «

Building for innovative sustainable design

The Kendeda Building for Innovative Sustainable Design at the Georgia Institute of Technology is characterized by innovation and sustainability. While pursuing Living Building Challenge 3.1 certification – the world's most ambitious green building performance standard – the building is also permeated by innovative thinking.

In partnership with the Kendeda Fund and Georgia Tech, Skanska has built one of the most innovative and environmentally advanced education and research facilities ever constructed in Southeastern USA.

Skanska is constructing the Kendeda Building to be a regenerative building, which means a building designed and operated to reverse damage and have a net-positive impact on the environment as opposed to a sustainably designed building based on the concept of using minimal resources. Utilizing Integrated Automation, the building's performance is monitored to ensure efficient use of water, energy, and waste. Over the past 12 months' performance period the Kendeda Building has generated more than 2.5 times the energy it uses, sharing the access energy to other buildings on campus.

As one of the most rigorous, proven performance frameworks for buildings, the Living Building Challenge has many standards to meet of which one is the Net Positive Waste Imperative. This stipulates that projects must feature at least one type of salvaged material per 500 square meters of gross building or be an adaptive reuse of an existing structure. In the case of the Kendeda Building, many salvaged materials were used, including nail-laminated decks, slate tiles, granite curbs, joists and storm-felled oak. This require some creative, practical and replicable solutions in terms of materials, sustainability, technology and cost.

Nearly everything removed during construction, including the site's surface parking, was salvaged, recycled or turned into another usable product. The building floor decking is composed of salvaged wood from a local non-profit material and salvage reuse center. Slate tiles from the roof of Georgia Tech's 70-year-old Alumni Association building will be reused to tile the walls in the bathrooms and shower rooms, and 39 slabs of granite curbs from the Georgia Archives building will be used for a constructed wetland area.

The project also has social sustainability impact in focus. Skanska is constructing the nail-laminated decks alongside workers from GA Works, a program that empowers previously unemployed or homeless individuals through local workforce initiatives.

The project is expected to become a Living Building Challenge 3.1 fully-certified facility and is pursuing the US Green Building Council's LEED certification at the Platinum level. There are only 23 fully Living Building Challenge certified buildings in USA to date. Skanska is committed to providing a ground-breaking facility and contribute to Georgia Tech's long-standing vision for its campus to serve as an educational centre for innovation that transforms future generations.

Corporate governance report

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

This corporate governance report for 2020 has been reviewed by Skanska's external auditors in accordance with Chapter 9, Section 31 of the Swedish Companies Act. The report contains information as required by Chapter 6, Section 6 of the Annual Accounts Act.

Corporate governance principles

Skanska is one of the world's leading construction and project development companies, focused on selected home markets in the Nordic region, Europe and the USA. Supported by strong trends in urbanization and demographics, and by aiming to be in the forefront of sustainability, Skanska offers competitive solutions for both simple and complex assignments. Driven by Skanska's values and business model, Skanska helps create sustainable futures for customers and communities as well as create value for shareholders. The parent company of the Group is Skanska AB (the "Company"), with a registered office in Stockholm, Sweden.

As a Swedish public limited company with shares listed on Nasdaq Stockholm, Skanska is subject to a variety of external rules that affect its corporate governance. In addition, to ensure compliance with legal and regulatory requirements and the high standards that Skanska sets for itself, Skanska has adopted internal rules to govern the Group as well as processes for monitoring compliance with the external and internal rules by all business units and functions in the Group. Skanska's ethical and sustainability endeavors are an integral part of the business, and the Board discusses these issues on a regular basis.

Skanska has no deviations from the Swedish Corporate Governance Code (the "Code") to report for the financial year 2020. Nor has Skanska been subject to any rulings by Nasdaq Stockholm's Disciplinary Committee or decisions on breach of good practices in the stock market by the Swedish Securities Council in 2020.

Further information is available on the Group's website: group.skanska.com/corporate-governance/.

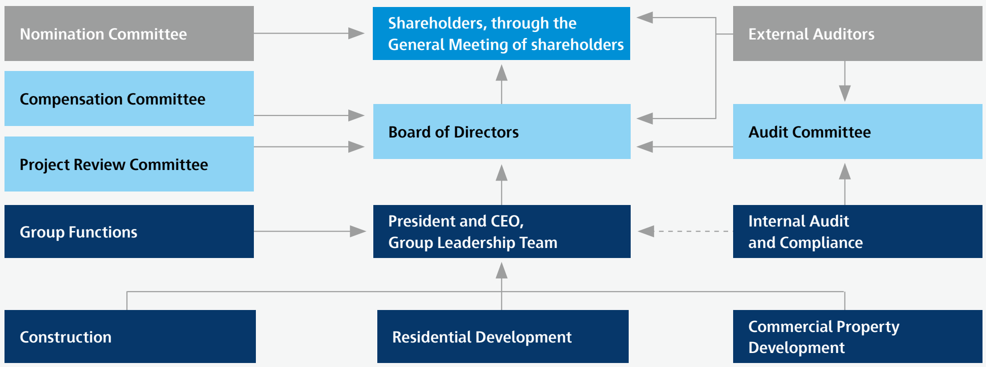
Key external governing documents

- Swedish Companies Act
- Nasdaq Nordic Main Market Rulebook for Issuers of Shares
- Swedish Corporate Governance Code
- Annual Accounts Act
- Securities Market Act
- International Financial Reporting Standards (IFRS) and other accounting rules
- Global Reporting Initiative (GRI) Standards

Key internal governing documents

- Articles of Association
- Procedural Rules for the Board and its Committees
- Instructions for the CEO and President
- Group steering documents, including Group policies, standards and procedures, guidelines and business processes for approval, control and risk management
- Skanska's Code of Conduct, which is available on the Group's website

Governance structure



Shares and shareholders

Skanska's Series B shares are listed on Nasdaq Stockholm in the Large Cap segment. The share capital at the end of 2020 amounted to SEK 1,259,709,216 consisting of a total of 419,903,072 shares, of which 19,684,564 were Series A shares and 400,218,508 were Series B shares. Series A shares entitle the holders to ten votes per share and Series B shares entitle the holders to one vote per share. Series A and Series 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 in the Articles of Association on the number of votes each shareholder may cast at a General Meeting.

At the end of 2020, Skanska had a total of 103,936 shareholders, according to statistics from Euroclear Sweden AB. The ten largest shareholders held 55.9 percent of the votes and 39.4 percent of the capital. AB Industrivärden's holding amounted to 24.3 percent of the votes and Lundberg Group's holding to 13.1 percent.

More information about the Skanska share and shareholders is available on page 10.

General Meetings of shareholders

The General Meeting is Skanska's highest decision-making body and it is where shareholders exercise their decision-making rights. At the Annual General Meeting ("AGM"), the shareholders decide on key issues, such as adoption of income statements and balance sheets; the dividend; the composition of the Board; discharging the members of the Board and the President and CEO from liability; and election of external auditors. Skanska's financial year is from January 1 to December 31, and the AGM is to be held within six months of the end of the financial year. The date and venue for the AGM is communicated no later than the publishing of the third quarter interim report on the Group's website. The notice convening the meeting is published in Post- och Inrikes Tidningar (the Official Swedish Gazette) and on the Group's website. An announcement of the notice convening the meeting is published in Dagens Nyheter and in at least one more Swedish daily newspaper. All documents relating to the AGM are published on the Group's website in both Swedish and English. Shareholders listed in the register of shareholders on the record date and 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. 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 2020

The AGM 2020 was held on March 26, 2020, in Stockholm. A total of 770 shareholders, representing around 58.2 percent of the total number of votes, were represented at the AGM. Among other matters, the meeting voted to re-elect Hans Biörck, Pär Boman, Jan Gurander, Fredrik Lundberg, Catherine Marcus and Jayne McGivern as members of the Board and to elect Åsa Söderström Winberg as new member of the Board. Hans Biörck was re-elected as Chairman of the Board. The employees were represented on the Board by Ola Fält, Richard Hörstedt and Yvonne Stenman as members, with Pär-Olow Johansson[1] and Anders Rättgård as deputy members. Due to precautionary measures relating to Covid-19, the scope of the AGM was reduced to focus on legal requirements only. Since the Chairman of the Board could not participate at the AGM due to Covid-19, the Board appointed the board member Pär Boman as the Board's representative. The AGM was attended in person also by the President and CEO, a limited number of members of the Group Leadership Team, the Chairman of the Nomination Committee and Skanska's external auditor.

The AGM re-elected Ernst & Young AB as external auditor. On March 24, 2020, the Board announced that, due to the prevailing

Annual General Meeting 2021

Skanska's AGM 2021 will be carried out on March 30, 2021, through advance voting (so-called postal voting) pursuant to temporary legislation. No meeting with the possibility to attend physically, in person or by proxy, will take place.

1 Until July 1, 2020.

uncertainty caused by Covid-19, it had decided to withdraw the dividend proposal to the AGM of SEK 6.25 per share. The Board also announced its ambition to convene an Extraordinary General Meeting in the autumn to decide on the dividend if the circumstances so permit. The AGM resolved, in accordance with the Board's proposal, that no dividend be paid to the shareholders. The AGM also decided to adopt guidelines for salary and other remuneration to senior executives. The Board was authorized to, during the period up to the AGM 2021, resolve on acquisitions of not more than 1,200,000 Series B shares in Skanska on Nasdaq Stockholm to secure delivery of shares to participants in the Skanska employee ownership program resolved by the AGM on March 28, 2019 (Seop 5). Complete information on the AGM 2020 and the minutes of the meeting are available on the Group's website: group.skanska.com/corporate-governance/shareholders-meeting/.

Extraordinary General Meeting 2020

The Extraordinary General Meeting ("EGM") was held on October 22, 2020. Due to the risk of the spread of Covid-19 and the authorities' regulations and advice, the EGM was carried out in accordance with sections 20 and 22 of the Act (2020:198) on temporary exceptions to facilitate the execution of general meetings in companies and other associations, allowing shareholders to exercise their voting rights at the EGM only by voting in advance, so-called postal voting.

A total of 768 shareholders, representing around 55.6 percent of the total number of votes, were represented at the EGM. The EGM resolved, in accordance with the Board's proposal, to pay a dividend to the shareholders of SEK 3.25 per share and to set October 26, 2020, as the record date for receiving dividend. Complete information on the EGM 2020 and the minutes of the meeting are available on the Group's website: group.skanska.com/corporate-governance/shareholders-meeting/.

The Nomination Committee

The AGM 2018 gave the Chairman of the Board a mandate 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 for the next AGM. In determining which are deemed to be the largest shareholders in terms of voting power, the list of shareholders registered with and categorized by Euroclear Sweden AB as of the last business day in August is to be used.

The Nomination Committee's mandate includes:

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

Information on how shareholders can submit proposals to the Nomination Committee is available on the Group's website.

Nomination Committee 2021

The Nomination Committee for the AGM 2021 has the following composition:

- Helena Stjernholm, AB Industrivärden (24.3 percent of votes[1]), Chairman of the Nomination Committee
- Mats Guldbrand, Lundberg Group (13.0 percent of votes[1])
- Dick Bergqvist, AMF (3.3 percent of votes[1])
- Jan Andersson, Swedbank Robur Funds (2.3 percent of votes[1])
- Hans Biörck, Chairman of the Board, Skanska AB.

This information was announced on the Group's website and published in a press release on September 28, 2020. According to the Code, the majority of the Nomination Committee's members are to be independent in relation to the Company and its senior executives 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 its senior executives and three are independent in relation to the largest shareholders in the Company in terms of voting rights.

In preparation for the AGM 2021, the Nomination Committee held four meetings at which minutes were kept. No fees have been paid out for Nomination Committee duties. To perform its work, the Nomination Committee has taken part of the internal evaluation of the Board's work, the Chairman's account of board duties and the Company's strategy. The Committee has also interviewed individual members of the Board. Furthermore, Skanska's President and CEO and CFO have attended a meeting for presentation of the Company's operations and strategies.

For the composition of the Board, the Nomination Committee has applied the rules on the composition of the Board that are found in the Code. The Nomination Committee has applied rule 4.1 of the Code as diversity policy. The objectives of the diversity policy is that the Board is to have a composition appropriate to the Company's operations, phase of development and other relevant circumstances, that the board members elected by the General Meeting are collectively to exhibit diversity and breadth of qualifications, experience, background and need for renewal, and that a gender balance on the Board is to be strived for. The Nomination Committee considers that such a diversity and breadth is represented among the proposed board members. Three out of seven of the proposed board members are women. The gender balance is therefore 43 percent women and 57 percent men, which, in the opinion of the Nomination Committee, is consistent with the gender balance requirement. The Nomination Committee further assess that those fields of competence and experience considered important to Skanska are

1 Based on shareholding as of August 31, 2020.

well represented in the proposed Board and that the composition and size of the proposed Board is appropriate to meet Skanska's needs. The Nomination Committee has also assessed that the proposed board members will be able to devote the necessary time required to fulfil their tasks as board members in Skanska. The Nomination Committee has assessed that the proposed Board meets the requirements in the Code relating to board members' independence.

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

Board of Directors

According to the Articles of Association, the Board, with regard to members elected by shareholders at a General Meeting, shall consist of not fewer than five and not more than ten members, with not more than three deputies. The Board has overall responsibility for Skanska's organizational structure and management, and the Board's main duty is to safeguard the interests of the Company and the shareholders. The Board thus makes decisions regarding the Group's strategy, interim and annual reports, major construction projects, investments and divestments, appointment of the President and CEO, and matters concerning the organizational structure of the Group. The Chairman leads the Board in its work and has regular contact with the President and CEO in order to stay informed about the Group's activities and development.

In 2020, the Board consisted of seven members elected by the AGM, without deputies, plus three members and two deputy members appointed by the trade unions. According to the Code, the majority of the Board's AGM-elected members are to be independent in relation to the Company and its senior executives, and at least two members are to also be independent in relation to the largest shareholders in the Company. All of the board members elected by the AGM 2020 are independent in relation to the Company and its senior executives. 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 42–43.

The work of the Board in 2020

The work of the Board follows an annual agenda established in the Board's Procedural Rules. In preparation for each board meeting, the Board receives reports and documentation compiled according to established procedures. The purpose of this is to ensure that the Board has the relevant information and documentation on which to base decisions. In 2020 the Board held nine meetings, including its statutory meeting. The more important issues dealt with by the Board during the year included monitoring operations, review and approval of the interim reports and year-end report, strategic review of Skanska, withdrawal of dividend proposal to the AGM 2020 in light of Covid-19, decision on dividend proposal and to convene an EGM, as well as internal control, risk management and compliance matters.

Evaluation of the work of the Board

The work of the Board is evaluated annually through a structured process aimed at improving work processes, efficiency and collective expertise, and to assess any need for change. The Chairman of the Board is responsible for the evaluation and for presenting the findings to the Board and the Nomination Committee. In 2020 an evaluation was carried out in the form of individual conversations between the Chairman and each member of the Board, but also through discussion during board meetings. The Chairman

The members and the deputy members of the Board

Member	Position	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	2016	■ Member	■ Chairman	■ Chairman	Yes	Yes
Pär Boman[1]	Member	2015	■ Chairman	■ Member	■ Member	Yes	No
Jan Gurander	Member	2019	■ Member		■ Member	Yes	Yes
Fredrik Lundberg	Member	2011			■ Member	Yes	No
Catherine Marcus	Member	2017			■ Member	Yes	Yes
Jayne McGivern	Member	2015		■ Member	■ Member	Yes	Yes
Charlotte Strömberg[2]	Member	2010	■ Chairman		■ Member	Yes	Yes
Åsa Söderström Winberg[3]	Member	2020	■ Member		■ Member	Yes	Yes
Ola Fält	Employee Representative	2018				–	–
Richard Hörstedt[4]	Employee Representative	2007			■ Member	–	–
Yvonne Stenman	Employee Representative	2018				–	–
Pär-Olow Johansson[5]	Employee Representative (Deputy)	2014				–	–
Hans Reinholdsson[6]	Employee Representative (Deputy)	2020					
Anders Rättgård[7]	Employee Representative (Deputy)	2017			■ Member	–	–

■ = Chairman ■ = Member

1 Chairman of the Audit Committee from April 27, 2020.
2 Until March 26, 2020.
3 From March 26, 2020.
4 Member of the Project Review Committee until March 26, 2020, and deputy member for Anders Rättgård from March 26, 2020.
5 Until July 1, 2020.
6 From December 16, 2020.
7 Member of the Project Review Committee from March 26, 2020.

was also evaluated through a discussion with the Board without the Chairman present; the board meeting on this occasion was chaired by another member appointed for the purpose. The outcome of the 2020 evaluation was that the work of the Board was deemed to be functioning well.

Fees to the Board

The AGM 2020 resolved in accordance with the Nomination Committee's proposal on unchanged fees to the Chairman of the Board and to the other board members as well as unchanged fees for work in the committees of the Board compared to 2019. Total fees to the AGM-elected board members not employed by Skanska were thus approved by the AGM 2020 in the amount of SEK 8,815,000. The Chairman of the Board received SEK 2,100,000 and the other board members not employed by Skanska received SEK 700,000 each. In addition, the Chairman of the Audit Committee received SEK 230,000 and the other members of the committee SEK 165,000 each, the Chairman of the Compensation Committee received SEK 110,000 and the other members of the committee SEK 105,000 each, and the Chairman of the Project Review Committee and the other members of the committee received SEK 210,000 each. For more detailed information, see Note 37, Remuneration to senior executives and board members.

The Board's committees

The Board is ultimately responsible for the organization of Skanska and the management of Skanska's operations. The overall responsibility of the Board cannot be delegated, but the Board may appoint committees to do preparatory work and explore certain issues in preparation for decisions by the Board. The 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 Chairman of each committee reports orally to the Board at each board meeting and all minutes from the committee meetings are submitted to the Board.

Audit Committee

The main task of the Audit Committee is to assist the Board in overseeing the financial reporting, reporting procedures and accounting principles, and to monitor the auditing of the accounts for the 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 Skanska'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 Company and the Group. The committee also monitors compliance with the rules on auditor rotation. The external auditors are present at committee meetings. At least once a year the Audit Committee meets the auditors without senior executives being present.

In 2020 the Audit Committee consisted of Pär Boman (Chairman)[1], Charlotte Strömberg (Chairman)[2], Hans Biörck, Jan Gurander and Åsa Söderström Winberg[3].

The Committee held five meetings in 2020. Important matters addressed during the year included capital allocation, financing, pension reporting, external reporting, impairment testing, write-downs in construction projects, larger disputes, review of the interim reports and year-end report, internal control, risk management and compliance matters.

Attendance at Board and Committee meetings

	Board meetings	Audit Committee	Compensation Committee	Project Review Committee
Number of meetings	9	5	5	12
Member				
Hans Biörck	7	5	5	10
Pär Boman[1]	9	5	5	12
Jan Gurander	9	5		12
Fredrik Lundberg	9			12
Catherine Marcus	9			12
Jayne McGivern	8		5	12
Charlotte Strömberg[2]	2	1		2
Åsa Söderström Winberg[3]	7	4		10
Ola Fält	9			
Richard Hörstedt[4]	9			2
Yvonne Stenman	9			
Pär-Olow Johansson[5]	4			
Hans Reinholdsson[6]				
Anders Rättgård[7]	9			10

1 Chairman of the Audit Committee from April 27, 2020.
2 Until March 26, 2020.
3 From March 26, 2020.
4 Member of the Project Review Committee until March 26, 2020, and deputy member for Anders Rättgård from March 26, 2020.
5 Until July 1, 2020.
6 From December 16, 2020.
7 Member of the Project Review Committee from March 26, 2020.

Compensation Committee

The main task of the Compensation Committee is to prepare recommendations for decisions by the Board on the appointment or dismissal of the President and CEO, including salary and other remuneration, and the other Group Leadership Team members. The committee prepares recommendations for decisions by the Board on incentive programs and examines the outcomes of variable remuneration components.

In 2020 the Compensation Committee consisted of Hans Biörck (Chairman), Pär Boman and Jayne McGivern. The Code requirements regarding independence, according to which the Chairman of the Board is permitted to be the Chairman of the Compensation Committee and other AGM-elected members are to be independent in relation to the Company and its senior executives, have therefore been met.

The committee held five meetings in 2020. Important matters addressed during the year were review of Skanska's variable remuneration programs for the senior executives, review and evaluation of the application of the guidelines for salary and other remuneration to senior executives as well as the existing remuneration structures and levels in the Company and review of senior executives' other assignments. The committee further reviewed and prepared a remuneration report for resolution by the Board and subsequent referral to the AGM 2021 for approval.

Project Review Committee

The Project Review Committee takes decisions on individual projects within the Construction, Residential Development and Commercial Property Development business streams and on certain project financing packages. Projects above a certain monetary threshold or 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 board members and employee representative Anders Rättgård, with employee representative Richard Hörstedt as deputy member for Anders Rättgård. The committee held twelve meetings in 2020.

External auditors

According to the Articles of Association, the Company shall have one or two authorized auditors and no more than two deputy auditors. A registered accounting firm may be appointed as the Company's external auditor. At the AGM 2020, Ernst & Young AB was re-elected as external auditor, until the close of the AGM 2021. Authorized Public Accountant Hamish Mabon is the auditor in charge. The external auditor has attended two board meetings to report on the auditing process of Ernst & Young AB for Skanska and to provide the members of the Board with an opportunity to ask questions without senior executives being present. The external auditor has also attended five meetings of the Board's Audit Committee. For information on fees and other remuneration to the external auditor for audit-related and other services, see Note 38, Fees and other remuneration to auditors.

Operational management and internal governance

Skanska operates with a decentralized governance model that recognizes the local characteristics of the construction and development markets, empowering the business units to develop their business and deliver according to plan, while retaining the profit and loss responsibility. The Group Headquarters ("Group HQ") sets the Group strategy and targets, ensures effective financial capacity, and conducts proper follow-up on business unit performance and compliance. In the decentralized governance structure operated, as a rule, the Group HQ establishes what is required, while the business units are responsible for how requirements are met. Each business unit is headed by a President and has its own administrative functions and other resources 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.

The President and CEO and the Group Leadership Team

The President and CEO is appointed by the Board and runs the Company and the Group in accordance with the instructions adopted by the Board. The President and CEO is responsible for the day-to-day management of the operations of the Company and the Group and is supported by the other members of the Group Leadership Team. The work of the President and CEO is evaluated at one board meeting each year at which no senior executives are present. The President and CEO has no business dealings of any significance with the Company or its Group companies. Information on the President and CEO and the other members of the Group Leadership Team can be found on pages 44–45.

Core corporate functions and Group functions

Core corporate functions and Group functions are based at the Group HQ in Stockholm. The Core corporate functions and Group functions assist the President and CEO and the Group Leadership Team on matters relating to corporate functions, coordination and oversight. They also provide support to the business units. The head of each Group function reports directly to a member of the Group Leadership Team. The head of the Internal Audit and Compliance reports directly to the Board by way of the Audit Committee. A presentation of the Core corporate functions and Group functions can be found on page 39.

Remuneration to senior executives

The AGM 2020 approved the Board's proposal for guidelines for salary and other remuneration to senior executives. The guidelines and information about salary and other remuneration to senior executives, as well as outstanding share award and share-related incentive programs, are found in Note 37, Remuneration to senior executives and board members. Senior executives include the President and CEO and the other members of the Group Leadership Team.

Purpose and values

While creating shareholder value, Skanska's purpose is to build for a better society. This reflects the Group's role in society, a position that enables Skanska to create shareholder value. Fundamental to Skanska's success are four values; Care for Life; Act Ethically and Transparently; Be Better – Together; and Commit to Customers. They serve as a moral foundation and compass, and Skanska constantly drives the need for every employee to strongly live these values in all they do.

Skanska provides innovative and sustainable solutions to create a sustainable future for its employees, customers, shareholders and communities. This is reinforced by continued commitment to the sustainability focus areas Health and Safety, Ethics, Green, Community Investment as well as Diversity and Inclusion. Sustainability at Skanska is grounded in the Group's purpose and values. Skanska's sustainability report can be found on pages 58–86.

Code of Conduct

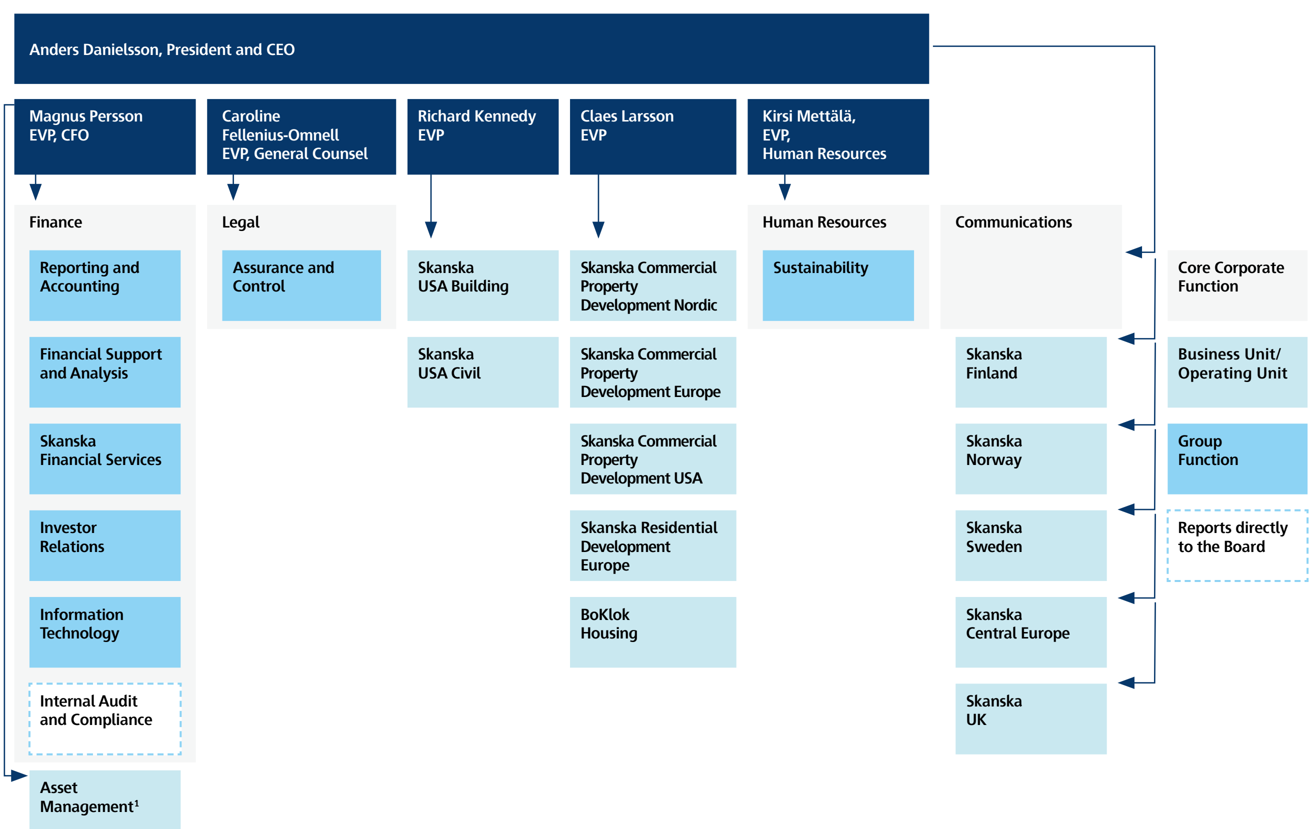
Skanska's Code of Conduct is based on the Skanska values and sets the standard for the daily behavior of employees and how Skanska does business. It is reviewed regularly by the Group Leadership Team and updates are approved by the Board. It defines Skanska's commitments at the workplace, in the marketplace and to society. It covers such topics as health and safety; diversity and inclusion; data protection; environment; confidentiality; conflicts of interest; fraud; fair competition; anti-corruption and anti-bribery; and insider information and market abuse. All Skanska employees are required to uphold the principles and requirements contained in the Code of Conduct. All employees receive Code of Conduct training every two years, and new employees are trained within one month of starting with Skanska. This requirement applies equally to members of the Board.

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 and outlines the expectations that Skanska put on those Skanska does business with. The Supplier Code of Conduct covers topics such as fair working conditions; discrimination and harassment; anti-corruption and anti-bribery; and fair competition.

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

Skanska's management structure

Group Leadership Team



1 Portfolio of PPP assets.

Skanska's reporting structure

Operating units	Construction		Residential Development		Commercial Property Development	
	Operating unit	External reporting	Operating unit	External reporting	Operating unit	External reporting
Sweden	■	□	■	□	■	□
Norway	■	□	■	□	■	□
Finland	■	□	■	□	■	□
Commercial Property Development Nordic					■	□
Central Europe	■	□				
United Kingdom	■	□				
Commercial Property Development Europe					■	□
Residential Development Europe			■	□		
USA Civil	■	□				
USA Building	■	□				
Commercial Property Development USA					■	□
BoKlok[1]			■			

Business Streams: Construction, Residential Development, Commercial Property Development

■ = Operating unit □ = External reporting

1 BoKlok has operations in Sweden, Norway, Finland and the UK. in the external reporting BoKlok is divided and included in the Nordic cluster, of which Sweden, and Europe.

Governance framework

The Group HQ is responsible for setting the Group governance framework, and for following up on its implementation and effective operation in the business units. The Group governance framework consists of three categories of steering documents: Group policies and Group procedures and standards, which are mandatory, as well as non-mandatory guidelines for the Group.

A clear framework of policies, procedures and standards reduces risks and increases effectiveness, it also makes it easier to live by Skanska's Code of Conduct and the Skanska values. The Group governance framework steering documents define how Skanska's operations are run, controlled and organized, which standards and processes to work according to, how to manage risks, at what levels decisions are made and what is mandatory for the Skanska business units. The governance framework is applicable to the Company, all Skanska business units and Skanska employees. If not followed, there may be consequences, up to and including dismissal.

The business units are required to establish and maintain a robust and well-functioning system of governance within their operations. Business units' governance systems, such as business units' policies and management systems, should complement and add local, practical detail to the steering documents in the Group governance framework. The Business Unit President is responsible for implementation of the Group governance framework in the respective business unit.

The Procedural Rules for the Board and its Committees state which items of business will be decided upon by the Board, by the President and CEO, by the Group Leadership Team, or at the business unit level.

In addition to the Board's Procedural Rules, and Skanska's Code of Conduct and Supplier Code of Conduct, Skanska's Group policies include:

- Anti-Corruption Policy
- Claims Management Policy
- Enterprise Risk Management Policy
- Finance Policy
- Human Resources Policy
- Information Policy
- Insider Policy
- IT Policy
- Personal Data Protection Policy
- Sustainability Policy.

Group policies

Core mandatory operating rules of the Group, addressing risks, goals and where corporate governance is required.

Group standards or Group procedures

Mandatory. Procedures are generally detailed step-by-step instructions to achieve a given goal, while standards indicate expected behavior or a minimum level of quality or a minimum standard.

Group guidelines

A non-binding document containing guidance for the organization.

Internal control

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

Control environment

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

The Group Function Assurance and Control supports the Group Leadership Team in monitoring the system of 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 Group HQ has subsequently ensured that the Group has rules in place to guarantee that these risks are managed. The Group Leadership Team and the Group functions are responsible for managing general risks relating to strategy, macroeconomics and regulatory frameworks, while the main tasks relating to operational risk and opportunities are carried out at the local level within the business units. A detailed description of the identified enterprise risks and how they are managed is found on pages 51–56.

Skanska uses a Group-wide procedure for identifying and managing risks associated with construction contracts and project development. A specialized Group unit, the Skanska Risk Team, examines and analyzes proposals for tenders in construction and land investments, project starts as well as divestments in project development above a certain size. Based on the identified risks and opportunities, the Skanska Risk Team then issues a recommendation on how to proceed. The final decision is made by the Skanska Tender Board, which consists of the Group Leadership Team, and, in certain cases, the Project Review Committee.

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. During execution, projects over a set threshold must adhere to the Skanska Project Review and Reporting Procedure to ensure consistent project reviews, including a process to make sure that deviations from planned performance are detected and acted upon early. All business units employ common valuation principles and terminology to ensure conservative project valuation and a high level of performance transparency.

Information and communication

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

Monitoring

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

Internal Audit and Compliance

The Group function Internal Audit and Compliance is responsible for monitoring and evaluating risk management and internal control processes. The work is planned in consultation with the Audit Committee and reporting takes place directly to the Board through the committee. Matters relating to internal audit are also communicated on an ongoing basis to Skanska's external auditors. In 2020, Internal Audit and Compliance focused on reviewing the risks identified relating to the Group's projects, business-critical processes and key corporate functions. A total of 100 audits were conducted during the year within all business units. There was a particular focus on the business operations in USA and the UK. The audits were performed in accordance with a uniform audit method.

Corporate governance report

	Hans Biörck	Pär Boman	Jan Gurander	Fredrik Lundberg
Position	Chairman	Board member	Board member	Board member
Born	Sweden, 1951	Sweden, 1961	Sweden, 1961	Sweden, 1951
Elected	2016	2015	2019	2011
Shareholding in Skanska, December 31, 2020	25,000 B shares through privately owned company	1,000 B shares	0 shares	6,032,000 A shares and 15,550,000 B shares through L E Lundbergföretagen AB (publ) 1,150,000 B shares through privately owned company 5,376 A shares and 1,100,000 B shares privately
Other board assignments	– Chairman, Trelleborg AB – Board member, Handelsbanken AB	– Chairman, Handelsbanken AB – Chairman, Essity AB – Chairman, Svenska Cellulosa Aktiebolaget SCA – Vice Chairman, AB Industrivärden	– Board member, The Association of Swedish Engineering Industries	– Chairman, AB Industrivärden – Chairman, Holmen AB – Chairman, Hufvudstaden AB – Vice Chairman, Handelsbanken AB – Board member, L E Lundbergföretagen AB
Education	– Master of Science in Business and Economics, Stockholm School of Economics	– Degree in engineering and in economics	– Master of Science in Business and Economics, Stockholm School of Economics	– M.Sc. Engineering, Royal Institute of Technology, Stockholm – Master of Business Administration (M.B.A), Stockholm School of Economics – Dr. (Econ.) h.c., Stockholm School of Economics – Dr. (Eng.) h.c., Linköping University
Work experience	– Chief Financial Officer, Skanska AB – Chief Financial Officer, Autoliv AB – Chief Financial Officer, Esselte AB	– President and CEO, Handelsbanken AB	– Deputy CEO AB Volvo (since 2018) – Deputy CEO and CFO AB Volvo – CFO & Senior Vice President Finance Volvo Car Group – CFO MAN Diesel & Turbo SE – Group Vice President and CFO, Scania AB	– President and CEO, L E Lundbergföretagen AB
Dependency relationship in accordance with the Swedish Corporate Governance Code	– Independent in relation to the company and its executive management – Independent in relation to major shareholders	– Independent in relation to the company and its executive management – Dependent in relation to major shareholders	– Independent in relation to the company and its executive management – Independent in relation to major shareholders	– Independent in relation to the company and its executive management – Dependent in relation to major shareholders

Board members and deputies appointed by the trade unions[1]

Ola Fält
Born: Sweden, 1966
Skanska Industrial Solutions; appointed by SEKO in 2018
Board member

Shareholding in Skanska
1,772 B shares

Richard Hörstedt
Born: Sweden, 1963
Region Hus Syd; appointed by Byggnads in 2007
Board member

Shareholding in Skanska
0 shares

Hans Reinholdsson
Born: Sweden, 1972
Region Hus Göteborg; appointed by Byggnads in 2020
Deputy board member

Shareholding in Skanska
610 B shares

1 Shareholding in Skanska as of December 31, 2020.



	Catherine Marcus	Jayne McGivern	Åsa Söderström Winberg
Position	Board member	Board member	Board member
Born	USA, 1965	United Kingdom, 1960	Sweden, 1957
Elected	2017	2015	2020
Shareholding in Skanska, December 31, 2020	0 shares	0 shares	2,500 B shares through privately owned company and 800 B shares through related person
Other board assignments	– Board member, NCREIF PREA Reporting Standards Board (Private)	– Board member, Cairn Homes plc	– Chairman, Scanmast AB – Board member, Vattenfall AB – Board member, OEM International AB – Board member, Delete Group Oyj – Board member, Fibo AS
Education	– M.S., Real Estate Investment and Development, New York University – B.S.E. Real Estate Finance and Entrepreneurial Management, Wharton School, University of Pennsylvania	– Harrogate Ladies College – Fellow of the Royal Institution of Chartered Surveyors	– B. Sc. Economics, Stockholm University
Work experience	– Global Chief Operating Officer, PGIM Real Estate – PGIM Real Estate – MBL Life Assurance Corporation	– President Development and Construction, Madison Square Garden Company Ltd – Red Grouse Properties – Chief Executive Officer, Multiplex plc (Europe) – Managing Director UK, Anschutz Entertainment Group	– CEO, Sweco Theorells AB – CEO, Ballast Väst AB – Marketing Manager, NCC Industry – Communications Manager, NCC Bygg AB
Dependency relationship in accordance with the Swedish Corporate Governance Code	– Independent in relation to the company and its executive management – Independent in relation to major shareholders	– Independent in relation to the company and its executive management – Independent in relation to major shareholders	– Independent in relation to the company and its executive management – Independent in relation to major shareholders

Anders Rättgård
Born: Sweden, 1961
Region Hus Göteborg; appointed by Unionen in 2017
Deputy Board member

Shareholding in Skanska
3,787 B shares

Yvonne Stenman
Born: Sweden, 1959
Region Hus Stockholm Nord; appointed by Ledarna in 2018
Deputy Board member

Shareholding in Skanska
0 shares

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

Group Leadership Team

			
	Anders Danielsson	**Caroline Fellenius-Omnell**	**Richard Kennedy**
Position	President and Chief Executive Officer (since 2018)	Executive Vice President, General Counsel (since 2017)	Executive Vice President (since 2018)
	Responsible for business units/Core Corporate Function – Skanska Finland – Skanska Norway – Skanska Sweden – Skanska Central Europe – Skanska UK – Communications	Responsible for Core Corporate Function/ Group Function – Legal – Assurance and Control	Responsible for business units – Skanska USA Building – Skanska USA Civil
Born	1966	1968	1966
Joined Skanska in	1991	2017	2004
Shareholding in Skanska December 31, 2020	136,186 B shares	10,955 B shares	26,007 B shares
Awarded but unvested share awards under Skanska's long-term share saving program (Seop), December 31, 2020[1]	76,018 B shares	27,510 B shares	68,205 B shares
Board assignments	–	– Board member, The Swedish Association of Listed Companies	– Building Trades Employers Association, NY, USA
Education	– M.Sc. Engineering, Royal Institute of Technology, Stockholm – Advanced Management Program, Harvard, Boston MA	– Master of Laws, Stockholm University – Master of Laws, College of Europe, Bruges	– Bachelor of Arts, Rutgers College, Rutgers University – Juris Doctor, Seton Hall University School of Law – Master of Laws, London School of Economics and Political Science
Work experience	– Executive Vice President, Skanska AB – President, Skanska Sweden – President, Skanska Norway	– Group General Counsel, Tele2 AB – Group General Counsel, Sidel – General Counsel Europe, Tetra Pak AB – Corporate Counsel, AB Electrolux	– President and CEO, Skanska USA Building – Chief Operating Officer, Skanska USA Building – General Counsel, Skanska USA Building

Presidents of Business units

Gunnar Hagman
Skanska Sweden

Ståle Rød
Skanska Norway

Tuomas Särkilahti
Skanska Finland

Michal Jurka
Skanska Central Europe

Greg Craig
Skanska UK

Paul Hewins
Skanska USA Building

Don Fusco
Skanska USA Civil

Jonas Spangenberg
BoKlok Housing

Björn Matsson
Skanska Residential Development Europe

Jan Odelstam
Skanska Commercial Property Development Nordic

Katarzyna Zawodna
Skanska Commercial Property Development Europe

Robert Ward
Skanska Commercial Property Development USA

1 Share awards awarded during 2018–2020. In order for the shares to vest, an additional three years of service from each award date are required. Share awards for 2020 are further preliminary. The Board will determine the outcome for 2020 in the first quarter of 2021 after reviewing operational performance.



	Claes Larsson	Kirsi Mettälä	Magnus Persson
Position	Executive Vice President (since 2006)	Executive Vice President, Human Resources (since 2018)	Executive Vice President, Chief Financial Officer (since 2018)
	Responsible for business units – Skanska Commercial Property Development Nordic – Skanska Commercial Property Development Europe – Skanska Commercial Property Development USA – Skanska Residential Development Europe – BoKlok Housing	Responsible for Core Corporate Function/ Group Function – Human Resources – Sustainability	Responsible for Core Corporate Function/ Group Functions/Operating unit – Finance – Reporting and Accounting – Financial Support and Analysis – Skanska Financial Services – Investor Relations – IT – Internal Audit and Compliance – Asset Management
Born	1965	1963	1976
Joined Skanska in	1990	1994	2006
Shareholding in Skanska December 31, 2020	200,998 B shares	27,671 B shares	20,984 B shares
Awarded but unvested share awards under Skanska's long-term share saving program (Seop), December 31, 2020[1]	40,445 B shares	20,129 B shares	27,644 B shares
Board assignments	– Chairman, Handelsbanken's regional bank board of directors, western Sweden	– Chairperson, Nomination Committee, FIBS (Finnish Business Society) – Board member, Stockholm School of Economics, Advisory Board	
Education	– M.Sc. Engineering, Chalmers University of Technology – MBA, Chalmers University of Technology and University of Gothenburg	– Bachelor of Business Administration, Haaga-Helia University of Applied Sciences – eMBA, Aalto Executive Education	– Ph.D. in Business Economics, Uppsala University – Master of Science in Business Economics, Uppsala University
Work experience	– President, Skanska Commercial Property Development Nordic – President, Skanska Fastigheter Göteborg	– Senior Vice President, HR and Communications, Skanska Finland – Senior Vice President, HR Development, BU Skanska Finland – HRD manager, Skanska Finland – HR specialist, Skanska Finland	– Chief Financial Officer, Skanska Sverige AB – Senior Vice President, Investor Relations, Skanska AB – Group Manager, Corporate Finance, Skanska AB – Head of Research & Analysis, Skanska Financial Services AB

Senior Vice Presidents, Core Corporate Functions/ Group Functions

Katarina Bylund
Reporting and Accounting

Karolina Cederhage
Communications

Anders Göransson
Internal Audit and Compliance

Lena Hök
Sustainability

Mark Lemon
Assurance and Control

André Löfgren
Investor Relations

Therese Tegner
Skanska Financial Services

Anders Candell
Information Technology (IT)

Caroline Walméus[2]
Financial Support and Analysis

Sanna-Mari Pöyhtäri[3]
Financial Support and Analysis

1 Share awards awarded during 2018–2020. In order for the shares to vest, an additional three years of service from each award date are required. Share awards for 2020 are further preliminary. The Board will determine the outcome for 2020 in the first quarter of 2021 after reviewing operational performance.

2 Until February 6, 2021.
3 From February 8, 2021.

Remuneration report

Introduction

This remuneration report for 2020 describes how Skanska AB's (the "Company") guidelines for salary and other remuneration to senior executives (the "Remuneration Guidelines"), adopted by the Annual General Meeting ("AGM") on March 26, 2020, have been applied in 2020. The report also provides information on remuneration to the President and CEO and a summary of the Company's outstanding share-related incentive programs. The report has been prepared in accordance with Chapter 8, Sections 53 a and 53 b of the Swedish Companies Act and the *Rules on Remuneration of the Board and Executive Management and on Incentive Programmes* issued by the Swedish Corporate Governance Board.

Further information on remuneration to senior executives as required by Chapter 5, Sections 40–44 of the Annual Accounts Act is available in Note 37, Remuneration to senior executives and board members, on pages 165–170 in the Annual and Sustainability Report for 2020 (the "Annual Report").

The Board of Directors (the "Board") has established a Compensation Committee. Information on the work of the Compensation Committee in 2020 is set out in the corporate governance report available on pages 33–41 in the Annual Report.

Remuneration of the Board is not covered by this remuneration report. Such remuneration is resolved annually by the AGM and is disclosed in Note 37 on pages 167–168 in the Annual Report.

Key developments 2020

The President and CEO, Anders Danielsson, summarizes Skanska's overall performance in 2020 in his statement on pages 6–7 in the Annual Report.

The Remuneration Guidelines: scope, purpose and deviations

A prerequisite for the successful implementation of the Company's business strategy and safeguarding of its long-term interests, including its sustainability agenda, is that the Company is able to recruit and retain qualified personnel. To this end, it is necessary that the Company offers competitive remuneration. The Remuneration Guidelines enable the Company to offer senior executives a competitive total remuneration. Senior executives include the President and CEO and the other members of the Group Leadership Team. Under the Remuneration Guidelines, the combined total remuneration for each senior executive shall be market-related and competitive in the labor market in which the senior executive is placed, and distinguished performance should be reflected in the total remuneration. The remuneration may consist of the following components: fixed cash salary, variable cash remuneration, pension and insurance benefits and other benefits. The variable cash remuneration shall aim at promoting the Company's business strategy and long-term interests, including its sustainability agenda. This is accomplished through the financial and non-financial targets that determines the outcome of the variable cash remuneration and are clearly linked to the business strategy and the Company's sustainability agenda.

The applicable Remuneration Guidelines adopted by the AGM on March 26, 2020, are found in Note 37 on pages 165–166 in the Annual Report. During 2020, the Company has complied with the Remuneration Guidelines. No deviations from the Remuneration Guidelines have been made and no derogations from the decision-making process that according to the guidelines is to be applied to determine, review and implement the guidelines have been made. The auditor's report regarding the Company's compliance with the Remuneration Guidelines is available on the Group's website: group.skanska.com/corporate-governance/remuneration. No remuneration has been reclaimed.

In addition to remuneration covered by the Remuneration Guidelines, the AGMs of the Company have resolved to implement long-term share-related incentive programs.

Table 1 – Total remuneration of the President and CEO in 2020[1] (amounts in thousands of Swedish kronor (kSEK))

	1		2		3	4	5	6
	Fixed remuneration		Variable remuneration					
Name of senior executive (position)	Base salary[2]	Other benefits[3]	One-year variable remuneration[4]	Multi-year variable remuneration[5]	Extraordinary items	Pension expense[6]	Total remuneration	Proportion of fixed and variable remuneration[7]
Anders Danielsson (President and CEO)	12,500	123	9,375	8,027	–	4,375	34,399	49/51

1 Except for multi-year variable remuneration, the table reports remuneration earned in 2020. Disbursement may or may not have been made the same year.
2 Vacation allowance is included in the base salary.
3 Other benefits include company car, fuel, medical insurance, tax return assistance and meals.
4 One-year variable cash remuneration relating to the 2020 financial year is preliminary and will be finally determined and disbursed after the outcome is established in the first quarter of 2021. This calculation is further preliminary insofar as any deductions as a consequence of non-financial targets have not yet been taken into account. The variable cash remuneration agreement includes a general clause stipulating that the Board and the Compensation Committee are entitled to wholly or partly reduce variable cash remuneration. The one-year variable cash remuneration for the President and CEO may amount to not more than 75 percent of the fixed annual cash salary.
5 The value stated refers to a preliminary award of performance shares for 2020's invested saving shares, at the share price on December 30, 2020 (SEK 209.7). The President and CEO will receive an estimated 38,277 performance shares. The Board will determine the outcome in the first quarter of 2021 after reviewing operational performance. In order to receive performance shares, an additional three years of service are required. For 2020, the President and CEO invested in 6,379 saving shares, equivalent to kSEK 1,338, calculated based on the share price on December 30, 2020 (SEK 209.7).
The President and CEO has received remuneration related to the 2017 financial year. After a three-year lock-up period as part of the previous employee ownership program Seop 4, the President and CEO received 2,964 shares, equivalent to kSEK 621, for shares awarded during the 2017 financial year. The value has been calculated based on the share price on December 30, 2020 (SEK 209.7).
6 The President and CEO is covered by an individual occupational pension insurance scheme, including health insurance (Sw: sjukförsäkring). The occupational pension insurance scheme is a defined contribution scheme and the total premiums for the occupational pension insurance scheme shall amount to 35 percent of the fixed annual cash salary.
7 Pension expense (column 4), which in its entirety relates to base salary and is contribution defined, has been counted entirely as fixed remuneration.

Share based remuneration

Outstanding share-related incentive programs

Long-term share saving programs, Skanska Employee Ownership Programs ("Seop 4" and "Seop 5") have been implemented in the Company. Seop 4 and Seop 5 give present and future employees the opportunity of becoming shareholders of the Company and is offered to permanent employees in the Skanska Group. The President and CEO participates in Seop 4 and Seop 5.

Subject to the participant having made an own investment in shares in the Company (saving shares), the participant may be awarded matching and/or performance shares. Matching and performance shares are awarded free of charge and are subject to three-year lock-up periods, during which the saving shares must be held, and employment must continue. Vesting of performance shares is also subject to the satisfaction of a number of result-related performance conditions. The performance conditions used to assess the outcome of Seop 4 and Seop 5 consist of financial targets at Group, business unit and/or business unit cluster level.

The financial target applicable at Group level, which apply for the President and CEO and the other members of the Group Leadership Team, is growth in earnings per share ("EPS target"). The 2020 preliminary outcome of the EPS target can be found in Table 3 (b), and information on the starting point and outperform target for the EPS target 2020 and on the financial targets applicable for participants in Seop 5 in the different business streams can be found in Note 37 on page 169 in the Annual Report. No matching shares are awarded to the President and CEO under Seop 5.

Further information on Seop 4 and Seop 5, including the conditions which the outcome depends on, is available on the Group's website: group.skanska.com/corporate-governance/remuneration/incentive-programs. Information on costs of the programs, dilution effects, etc. is available in Note 37 on pages 169–170 in the Annual Report.

Table 2 – Remuneration of the President and CEO in shares

	The main conditions of the share programs					Information regarding the reported financial year[4]					
						Opening balance	During the year		Closing balance		
	1	2	3	4	5	6	7	8	9	10	11
Name of senior executive (position)	Name of program	Performance period[1]	Award period[2]	Vesting period[3]	End of retention period	Share awards held at the beginning of the year	Awarded	Vested	Subject to performance condition	Awarded and unvested at year end	Shares subject to retention period[5]
Anders Danielsson (President and CEO)	Seop 4	2017–2019	2017–2019	2020–2022	2020–2022	40,705	0	2,964[7]	–	37,741	–
	Seop 5	2020–2022	2020–2022	2023–2025	2023–2025	–	38,277[6]	0	–	38,277	–
Total						**40,705**	**38,277**	**2,964**	**–**	**76,018**	**–**

1 Each Seop program is divided into three annual programs, with an annual performance period. Seop 4 is divided into annual program 2017 with performance period 2017, annual program 2018 with performance period 2018 and annual program 2019 with performance period 2019. Seop 5 is divided into annual program 2020 with performance period 2020, annual program 2021 with performance period 2021 and annual program 2022 with performance period 2022. Vesting of performance shares is conditional upon satisfaction of a number of result-related performance conditions during the performance period for each annual program.
2 The investments in saving shares through the Seop programs are normally made by way of monthly salary deductions followed by monthly investments in saving shares, normally the month after the month the salary deduction was made. The acquisition period for Seop 4 comprises the financial year 2017 in respect of the annual program 2017, the financial year 2018 in respect of the annual program 2018, and the financial year 2019 in respect of the annual program 2019. The acquisition period for Seop 5 comprises the financial year 2020 in respect of the annual program 2020, the financial year 2021 in respect of the annual program 2021, and the financial year 2022 in respect of the annual program 2022. In connection with each monthly acquisition of saving shares, future matching and/or performance shares are awarded.
3 Matching and/or performance shares may normally be vested only after the lock-up period for each annual program, which comprises three years. Vesting of matching and/or performance shares to participants within each annual program is estimated to occur monthly three years after the investment in each saving share, meaning that vesting of matching and performance shares under Seop 4 is estimated to occur monthly during the financial year 2020 in respect of the annual program 2017, during the financial year 2021 in respect of the annual program 2018, and during the financial year 2022 in respect of the annual program 2019. Vesting of performance shares under Seop 5 is estimated to occur monthly during the financial year 2023 in respect of the annual program 2020, during the financial year 2024 in respect of the annual program 2021, and during the financial year 2025 in respect of the annual program 2022.
4 Matching and performance shares related to saving shares invested under Seop 4 during 2017 have vested, whereupon matching shares (570) and performance shares (2,394) were transferred to the President and CEO. Under Seop 5, the President and CEO was preliminary awarded 38,277 future performance shares. Saving shares, in which the President and CEO has invested to become eligible to participate in the programs, are not included in the table.
5 There is no requirement to hold the saving, matching or performance shares after acquisition/vesting.
6 Value: kSEK 8,027, calculated based on the share price on December 30, 2020 (SEK 209.7) multiplied by the number of preliminary awards (38,277).
7 Value: kSEK 621, calculated based on the share price on December 30, 2020 (SEK 209.7) multiplied by the number of shares vested (2,964).

Application of performance criteria

The performance criteria for the President and CEO's variable remuneration have been selected to deliver Skanska's strategy and to encourage behavior which is in the long-term interest of the Company and the Group. In the selection of performance, criteria, the strategic objectives and short- and long-term business priorities for 2020 have been taken into account. The non-financial performance criteria further contribute to alignment with the sustainability agenda as well as Skanska's purpose and values.

Table 3 (a) – Performance of the President and CEO in 2020: variable cash remuneration

	1	2	3
Name of senior executive (position)	Description of the criteria related to the remuneration component	Relative weighting of the performance criteria	a) Measured performance[1] and b) actual award/remuneration outcome
Anders Danielsson (President and CEO)	Income after financial items 2020[2]	100%	a) SEK 7.8 billion b) kSEK 9,375[3]

1 Starting point and outperform target can be found in Note 37 on page 167 in the Annual Report.
2 The income excludes eliminations at the Group level and the operating unit Asset Management (portfolio of PPP assets).
3 Outcome relating to the 2020 financial year is preliminary and will be finally determined and disbursed after the outcome is established in the first quarter of 2021. This calculation is further preliminary insofar as any deductions as a consequence of non-financial targets have not yet been taken into account. The variable cash remuneration agreement includes a general clause stipulating that the Board and the Compensation Committee are entitled to wholly or partly reduce variable cash remuneration. The one-year variable cash remuneration for the President and CEO may amount to not more than 75 percent of the fixed annual cash salary.

In addition to the financial targets outlined in the Table 3 (a), the President and CEO has non-financial targets that may reduce the outcome of the variable cash remuneration. The outcome in relation to the financial targets determines the total (financial) bonus potential, i.e. the financial targets are the basis of the total bonus potential. This outcome may be reduced depending on the outcomes of the non-financial targets. The non-financial targets are set to support the Company's business strategy and long-term value creation, including its sustainability agenda, and are activity-based targets related to inter alia work site safety and Skanska's climate target. The outcome is reduced in cases where the non-financial targets are not fully reached. The non-financial targets together represent 50 percent of the total bonus which means that the total bonus outcome may be reduced with up to 50 percent if the non-financial targets are not met. Information on Skanska's climate target is available on pages 15, 68–72 and 82–83 in the Annual Report.

Table 3 (b) – Performance of the President and CEO in 2020: share-based incentives

	1	2	3
Name of senior executive (position)	**Description of the criteria related to the remuneration component**	**Relative weighting of the performance criteria**	**a) Measured performance[1] and b) actual award/remuneration outcome**
Anders Danielsson (President and CEO)	Earnings per share 2020[2]	100%	a) SEK 22.5 b) kSEK 8,027[3]

1 Starting point and outperform target can be found in Note 37 on page 169 in the Annual Report.
2 Profit for the period attributable to equity holders, divided by the average number of outstanding shares during the year.
3 The value stated refers to a preliminary award of performance shares for 2020's invested saving shares, at the share price on December 30, 2020 (SEK 209.7). The President and CEO will receive an estimated 38,277 performance shares. The Board will determine the outcome in the first quarter of 2021 after reviewing operational performance. In order to receive performance shares, an additional three years of service are required.

Comparative information on the change of remuneration and company performance

Table 4 – Change of remuneration and company performance over the last five reported financial years (RFY)

Annual change[1]	RFY-4 vs RFY-5	RFY-3 vs RFY-4	RFY-2 vs RFY-3	RFY-1 vs RFY-2	RFY vs RFY-1	RFY 2020
Executive remuneration (kSEK)						
President and CEO remuneration (Anders Danielsson)[2]	–	–	–	16,868 (+91.8%)	32,347 (+6.3%)	34,399[3]
President and CEO remuneration (Johan Karlström)[4]	36,629 (+8.2%)	39,618 (–46.4%)	21,248	–	–	–
Company's performance						
Income after financial items (SEK bn)[5]	6.2 (+29.8%)	8.0 (–29.7%)	5.7 (–12.9%)	4.9 (+57.5%)	7.8 (+48.9%)	11.6[6]
Earnings per share (SEK)[7]	12.0 (+32.5%)	15.9 (–24.5%)	12.0 (–20.8%)	9.5 (+63.2%)	15.5 (+45.2%)	22.5
Carbon emissions (tonnes)[8,9]	402,659	386,100	346,926	332,360	290,678	264,595
Carbon emission intensity[9,10]	2.60	2.55	2.16	1.95	1.64	1.67
Lost time accident rate (LTAR)[9,11]	3.3	2.8	3.4	3.5	3.1	3.1
Average remuneration on a full-time equivalent basis of employees[12] of the Company (kSEK)[13]						
Employees[12] of the Company	–	–	–	–	–	1,439[14]

1 The table reports actual outcome and annual change in percentage.
2 President and CEO from 1 January 2018.
3 Total remuneration in 2020 as set out in column 5 of Table 1.
4 President and CEO until 31 December 2017.
5 The income excludes eliminations at the Group level.
6 The table reports the income excluding eliminations at the Group level, but including the operating unit Asset Management (portfolio of PPP assets). In Table 3 (a), the income after financial items is reported excluding both eliminations at the Group level and the operating unit Asset Management. Variable cash remuneration to the President and CEO for 2020 has been related to income after financial items excluding eliminations at the Group level and the operating unit Asset Management, as set forth in Table 3 (a).
7 Profit for the period attributable to equity holders, divided by the average number of outstanding shares during the year.
8 Scope 1 (direct) and 2 (indirect – market based). More information can be found on page 82 in the Annual Report.
9 Carbon emissions, carbon emission intensity and lost time accident rate (LTAR) are reported in the table without annual change in percentage in accordance with the method used for reporting of Non-financial information in the Annual Report available under the heading Sustainability report on pages 80–86 in the Annual Report.
10 Scope 1 and 2 (market-based)/SEK M revenue, according to segment reporting.
11 Number of Skanska employee and subcontractor lost-time accidents multiplied by 1,000,000 hours and divided by total labor hours.
12 Excluding members of the Group Leadership Team.
13 Comparative information on the change of remuneration is not included in the table. As 2020 is the first financial year for which the reporting obligation exists, the Company does not have readily available the required information for the previous financial years 2015–2019.
14 Average remuneration for the Company's other employees includes payments of remuneration and benefits made in 2020. For one-year variable cash remuneration the amount included in the table is however preliminary variable cash remuneration related to the 2020 financial year which will be finally determined and disbursed after the outcome is established in the first quarter of 2021. The calculation of the one-year variable cash-remuneration is further preliminary insofar as the outcome of the non-financial targets have yet not been taken into account. When calculating the preliminary one-year variable cash remuneration, full outcome of the non-financial targets has consequently been considered. The value included for multi-year variable remuneration (the share saving program Seop 5) refers to a preliminary award of matching and performance shares for 2020's invested saving shares, at the share price on December 30, 2020 (SEK 209.7). The Board will determine the outcome of the share saving program in the first quarter of 2021 after reviewing operational performance. In order to receive matching and performance shares, an additional three years of service are required. The average remuneration further includes pensions vested during the year in defined-benefit plans and pension expenses for defined-contribution plans.

Mayor of Bristol:

"BoKlok's contribution is massively significant for Bristol"

The BoKlok housing concept, developed by Skanska and IKEA, will provide sustainable homes for people with ordinary incomes in Bristol, UK. This will enable more families to afford a comfortable home characterized by good design, function and quality.

In October 2019, Bristol City Council entered into a partnership with BoKlok to build new homes in the city over the next five years as part of the Bristol Housing Festival. BoKlok is set to build 173 much-needed family homes along with parking spaces and bicycle storage in Bristol. The project, named BoKlok on the Brook, will be the first BoKlok project in the UK and sales to consumers will start in 2021.

At Skanska's global digital event for employees Marvin Rees, Mayor of Bristol, commented on what this development means for Bristol as a city facing a significant housing challenge.

"BoKlok's contribution is massively significant for Bristol, not only because it contributes to the thousands of new homes we need but also because it makes them affordable. How much housing costs to build and to rent is important but it is also crucial how much it costs to manage. An incredibly attractive feature of BoKlok's homes is that they are efficient", says Marvin.

Marvin Rees continues to discuss the way in which the partnership between the City of Bristol and BoKlok showcases how to achieve societal benefits by working with innovative partners.

"We appreciate the fact that BoKlok aims to create communities as this builds resilience and provides social safety nets, such as food networks where people buy food for each other in times of crisis. I hope our partnership can be a catalyst for new ideas when homes are built in other parts of the country", says Marvin.

Graeme Culliton, Managing Director of BoKlok UK explains that, in addition to building sustainably efficient homes, BoKlok aims to do good for whole communities.

"For us at BoKlok it is very important to try to help reduce inequality by offering affordable homes that make it easier for people to get onto the housing ladder, and make a conscious effort to create communities rather than simply building homes. Our work is ultimately about making it feasible for more people to live sustainably in communities", Graeme explains.

Since the first BoKlok home was built almost 25 years ago, BoKlok has had a close collaboration with relevant local councils in an effort to truly understand local needs and be able to contribute not only to building homes but also creating communities.

BoKlok, jointly owned by Skanska and Swedish retailer IKEA, develops and builds sustainable quality housing, enabling more people to afford a comfortable home. BoKlok is responsible for the entire value chain, from product development, project development and manufacturing to construction, sales and customer relations after moving in. Building the homes in a factory lowers the environmental impact, especially as wooden frames are used. The wooden structures enable lower carbon emissions during production and the majority of leftover materials are recycled with less than 1 percent going to waste. As such BoKlok meets a large demand for low-cost and sustainable homes in many of our markets.

Marvin Rees, the Mayor of Bristol in the UK, explains how BoKlok will bring benefits to an entire community.

Biochar proves that climate efforts and business opportunities are highly compatible

Emma Viklund, Business Developer at Skanska Industrial Solutions, discusses how Skanska can create business opportunities while simultaneously advancing the transition toward a more environmentally sustainable world.

Biochar is a charcoal-like substance produced by burning organic material from agricultural and forest residues in a controlled process called pyrolysis.

"Biochar is carbon neutral and has the fantastic feature of being a carbon sink, as it stores carbon emissions captured from the atmosphere by the biomass. Thus, biochar represents a stable carbon storage method with the potential to reduce atmospheric carbon emissions levels, be part of climate compensation and help us reach net-zero carbon emissions. Biochar has several additional benefits, including its ability to loosen soil, purify water, prevent nutrient leakage in plants and clean polluted soils," Emma explains.

The pyrolysis process enables carbon to remain in the material instead of escaping into the atmosphere. Skanska estimates that biochar has a climate benefit of 2 tonnes of carbon emissions per tonne produced biochar, including emissions from transportation and production. Thus, it is possible to create a positive loop through the increased use of biochar. For example, wood products that have served their purpose or residual products such as sawdust, sly and stubs, can be turned into biochar and thereby prevent waste.

"The commercial value of biochar offers Skanska both external and internal opportunities. The biochar production process also produces bio-oil, wood vinegar and surplus heat that can be sold and used in district heating. Biochar is a product of high value from a financial perspective, with customers ranging from local authorities, urban developers, farmers and soil producers. It can also be used in our own development and construction projects for various uses such as in urban plantations and soil purifiers. It will, for example, provide savings for Skanska as the biochar we buy for projects today is often imported from Russia, the Baltics or Finland," says Emma.

The business case for biochar is particularly good as the initial material is low in value but the end product has a substantial market value.

In a first step, Skanska has launched a pilot initiative and purchased its first biochar equipment. The first project the biochar equipment will visit is Skellefteå Site East in Hedensbyn in the north of Sweden. It will be used to char all stumps left behind following land development.

"Biochar shows that by taking care of the scarce resources we have, Skanska can create new business opportunities, expand the business, reduce climate impact and transportation, and ultimately save both the environment and money," Emma concludes.

Emma Viklund, Business Developer at Skanska Industrial Solutions in Gävle, Sweden.

Risk and opportunity management

Proactive and structured risk and opportunity management at all levels provides increased resilience to risks and a greater ability to capture opportunities.

Established by the Board, Skanska's Enterprise Risk Management Policy (ERMP) sets out the framework and responsibilities for risk management across the organization. The overall purpose is to ensure that risk is managed systematically and as efficiently as possible, and is assigned the correct priorities to assist Skanska in achieving its business objectives and goals.

Enterprise risk management

Skanska applies a top-down and bottom-up approach, using established risk identification and analysis techniques and the COSO (Committee of Sponsoring Organizations of the Treadway Commission) framework for guidance. This approach reflects an integrated and robust approach to enterprise risk management (ERM).

The Skanska Group Leadership Team is ultimately responsible for risk management and for the implementation of the ERMP. Business units are responsible for managing risk in their respective business operations within the framework set up by the ERMP. They also report to the Group Leadership Team on relevant risk management matters.

Enterprise-wide risk management approach

The ERMP requires each business unit to create an Enterprise Risk Register (ERR). Business units identify, classify and assess their risks and then develop risk management plans. Business units retain ownership of their risks. The business unit ERRs are then collated, sorted, reviewed and consolidated at Group level to create the Group ERR from which top risks are identified and Group level risk controls are reviewed and modified as necessary. Enterprise risks are classified as strategic, operational, financial and regulatory. Most Group level risk controls are set out in the Group policies, procedures and standards, which in turn are part of the Group Governance Framework. A particular risk may be addressed by more than one policy, procedure or standard. For a list of Group policies according to our Governance Framework, please see page 40.

All risks in the business units' enterprise risk registers are categorized using the Skanska Risk Universe. This allows us to work more consistently on enterprise risk. We can quickly and easily collate, analyze

→ Strategic risks	→ Operational risks	→ Financial risks	→ Regulatory risks
Description ■ Relates to our purpose, long-term objectives and goals	**Description** ■ Threatens the achievement of our business plan and other short-term objectives and goals, or the efficient use of resources	**Description** ■ Threatens our financial strength and financial assets	**Description** ■ Relates to compliance applicable laws, external regulations and internal rules
Main components ■ Markets ■ Climate change ■ Pandemic ■ Our values ■ Brand ■ People ■ Leadership	**Main components** ■ Project and investment selection ■ Bidding and developing ■ Production ■ Supply chain risks ■ Health and safety incident ■ Environmental incident ■ Resource efficiency ■ IT system failure or attack	**Main components** ■ Macro economies and market risk ■ Capital funding ■ Liquidity and refinancing risk ■ Financial credit risk ■ Interest rate risk and currency risk	**Main components** ■ External rules and legislation ■ Internal rules ■ Ethics ■ Human rights in the supply chain

and respond to the current main risks in a more dynamic and proactive way. We can also consider whether it is appropriate to develop a risk appetite and risk tolerance for certain key risks. Other benefits include support for our compliance programs and more efficient design, implementation and assurance of internal controls. This clearly links to our governance processes and ultimately enables a more integrated system of governance, risk and control.

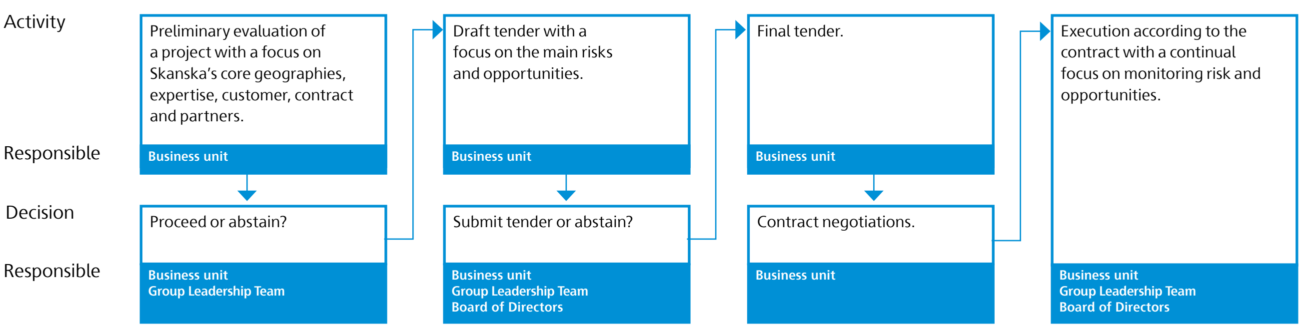
Operational risk management

Construction and Project Development operations depend on properly managing risks and opportunities, which are often specific to each project. During the Skanska Group Project Scrutiny and Approval Procedure, the Group-wide procedures for identifying and managing risks and opportunities: the Skanska Tender Approval Procedure and the Skanska Investment Approval Procedure were implemented throughout the Group. According to these procedures, as well as the Limits of Authorization appended to Procedural Rules, proposed construction and development projects exceeding heat-map thresholds pass through the Business Unit Project Board, Skanska Tender Board at the Group level and the Board's Project Review Committee levels for scrutiny and approval.

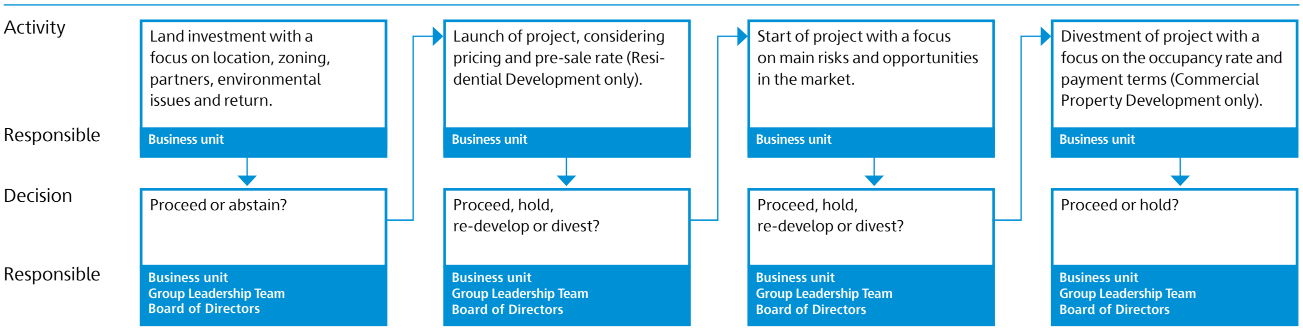
Ongoing projects

Responsibility for managing project risks sits clearly with the business units' line management. The Group framework for oversight of ongoing projects consists of the Skanska Group Project Reporting and Review Procedure and the quarterly reporting/review process. Management of commercial risk in projects is in part regulated by the Claims Management Policy.

Skanska Tender Approval Procedure: Construction



Skanska Investment Approval Procedure: Commercial Property Development and Residential Development



Skanska risk universe and identified top risks

Based on all business units' enterprise risk registers, an annual review of Skanska's enterprise risk environment is conducted. This process includes outlining existing risks, identifying and responding to potential new risks, and reviewing the status of risk management activities. The review, which is presented to the Board, ranks various types of enterprise risk. For each of the main risks, the appropriateness and effectiveness of management and mitigation measures are assessed and corrected as required. The table below presents examples of significant risks to Skanska divided in distinct but overlapping risk categories – a risk may fit into more than one category.

Risk area and description	Potential impact	Mitigation measures/activities
Strategic risks		
Changes in market demand		
Failure to understand or meet customer demand and/or adapt to market dynamics, including the demand for sustainability, or working in the wrong markets or sub-markets, or entering the wrong new markets.	■ Lost business opportunities ■ Financial and non-financial consequences for projects ■ Project losses and investment write-downs ■ Damaged reputation and inability to meet project commitments.	Early Contractor Involvement (ECI) or partnering and taking part in larger societal conversations allow us to work more closely with our customers. This is essential to better understand their evolving needs, as well as markets trends and government priorities. Understanding global trends can create new business opportunities for us and enable us to adjust our offering to meet our customers' expectations. Read more on global trends on pages 12–13.
Climate risk		
Physical incidents caused by the adverse impact of climate change, such as extreme weather conditions. Failure to adapt to new climate regulations and demands from investors and customers.	■ Operational cost increases or project delays due to extreme weather conditions ■ Project losses and investment write-downs ■ Increased cost of carbon (e.g., carbon taxes) ■ Damaged reputation and inability to meet project commitments ■ Fines, penalties, lawsuits.	Our climate target of achieving net-zero carbon emissions by 2045 guides our work on reducing the climate impact from our operations. We are focused on increasing the demand for climate-smart solutions and seeking out partnerships for sustainability innovation. We provide sustainable solutions for the future and integrate climate resiliency into project development to help cities and communities prepare for and respond to the changing conditions that are an effect of the climate issue. Read more on our climate adaptation and carbon reduction work on pages 68–72.
Pandemic causing large-scale disruption		
Large-scale workforce disruption caused by e.g., epidemic, pandemic, war or civil unrest.	■ Health impacts on employees ■ Supply chain disruption ■ Delays to construction schedules caused by requirements for social distancing, sanitizing protocols, travel limitations and school closures ■ Disruption to housing markets caused by lockdowns and reduced consumer confidence ■ Closure of offices and changes to ways of working.	Teams have been formed in all business units and at Group level to monitor, report on and react quickly to developments, including in markets, supply chains, travel restrictions and local regulations. Best practices in risk management and new ways of working were identified and shared rapidly. Group Temporary Instructions for management of critical risks are issued to reinforce existing steering documents such as our Health and Safety Standard. Close monitoring at the business unit and group level of cash position, and commercial and claims issues. IT systems facilitating remote working and online conferencing were scaled up and security was reinforced, and planned new tools were implemented on an accelerated schedule.
Diversity and inclusion risk		
Employment discrimination based on gender, age, ethnicity, family situation, educational background and work experience. Non-inclusive workplace culture, resulting in exclusionary experiences and cases of discrimination and harassment.	■ Difficulties attracting, recruiting and/or retaining employees with the necessary skills and expertise ■ Lower employee engagement and productivity due to non-inclusive behaviors and experiences ■ Financial and non-financial consequences for projects ■ Damaged reputation and inability to meet project commitments ■ Fines, penalties, lawsuits.	Fostering a diverse and inclusive culture enables us to achieve stronger outcomes together. Diversity and inclusion are integrated into employee attraction and recruitment initiatives, employee performance review processes and leadership development programs. Targets including appropriate action plans for diversity and inclusion have been part of all business units' business plans since 2015 and the annual Group-wide employee survey ensures that we continue to make positive progress. Read more on diversity and inclusion on pages 76–78.
Lack/loss of key employees		
Inability to attract, recruit and retain a skilled, diverse and committed workforce.	■ Difficulties attracting, recruiting and/or retaining employees with the necessary skills and expertise ■ Financial and non-financial consequences for projects ■ Lower employee engagement and productivity due to non-inclusive behaviors and experiences ■ Damaged reputation and inability to meet project commitments.	We have a well-implemented and solid process for performance and talent management, including robust and fact-based succession planning, structured resource planning and a transparent performance review process based on diversity and inclusion. Seop, the Skanska employee ownership program, provides employees with the opportunity to invest in Skanska and creates incentives to contribute to Skanska's performance through matching shares and shares based on business unit performance.

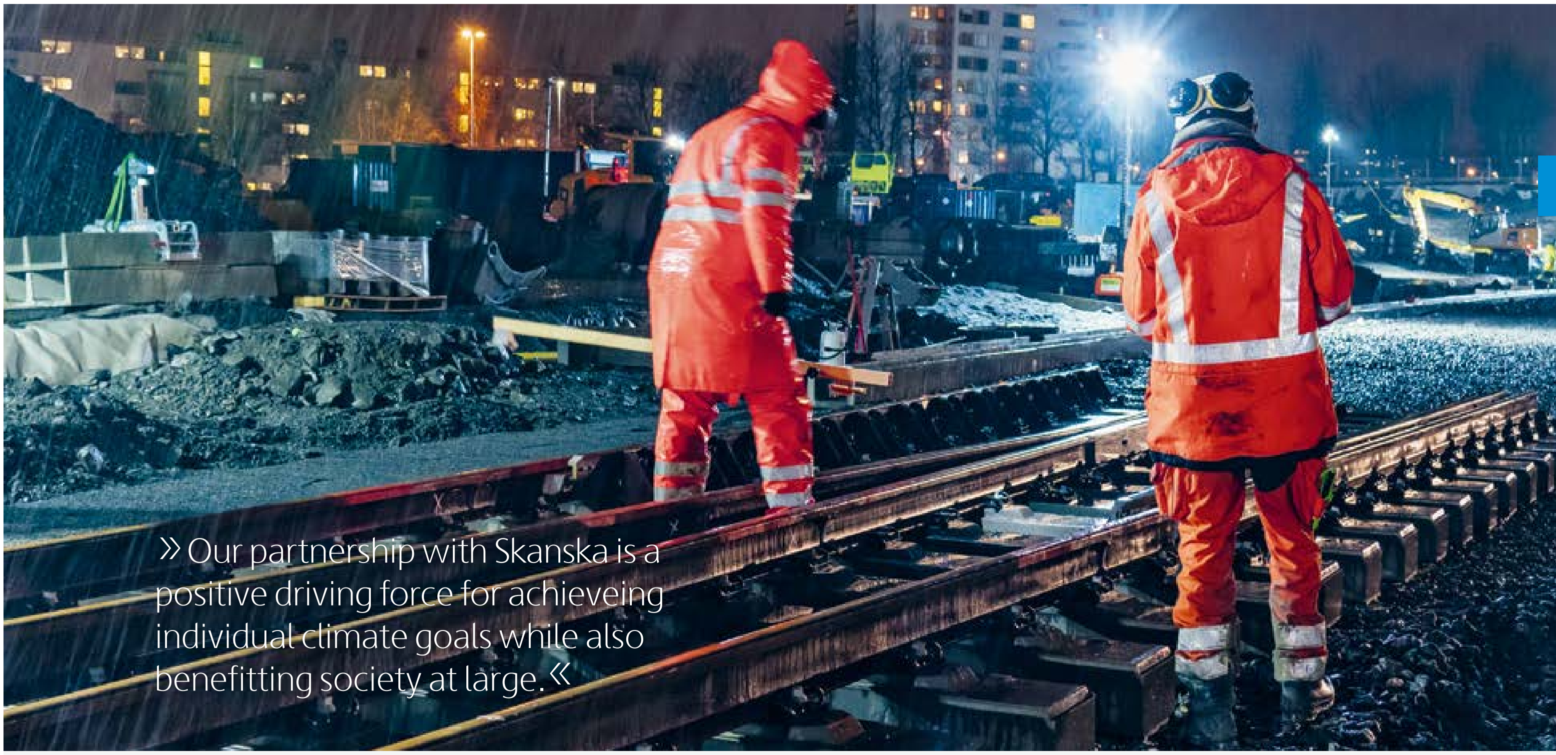
Risk area and description	Potential impact	Mitigation measures/activities
Strategic risks		
Leadership or management failure in strategy execution		
Lack of control of performance and poor implementation of corrective actions, or failure by management to implement or adapt strategies to changing circumstances.	■ Operational inefficiency, increasing costs and decreasing profits ■ Project losses and investment write-downs ■ Reduced ability to deliver for customers and inability to meet project commitments ■ Pursuing and winning the wrong projects ■ Damaged reputation ■ Fines, penalties, lawsuits.	The Governance Framework provides clarity of the business units' decision making and accountability. Greater attention is being paid to management of the design process, commercial terms and changes in project scope, while increased employee training creates teams with the expertise needed to make the right decisions in project planning, procurement, design and execution.

Risk area and description	Potential impact	Mitigation measures/activities
Operational risks		
Loss-making projects/investment		
Misjudgment of contract risk, ineffective application or management of contracts, poor administration of claims. Poor project execution including systematic underestimation of cost schedule, scope and risk, or selection of wrong projects or customers, or teams without the right expertise.	■ Margin fade, operational inefficiency, increasing costs and decreasing profits ■ Project losses and investment write-downs ■ Reduced ability to deliver for customers and inability to meet project commitments ■ Damaged reputation ■ Fines, penalties, lawsuits.	Improved project reporting and review procedures with additional risk management activities, including continual risk monitoring throughout the course of a project so that problems can be solved and improvements made earlier, and project costs reduced. Increased employee training and an inclusive working environment to create teams with diversified skills to fully capitalize on expertise, innovation and best practices across the company. Proactive efforts relating to capital at risk, pre-leasing and pre-sales requirements, as well as an increased focus on management of claims and litigation, all contribute to improved project execution.
Supply chain risks		
Suppliers, or subcontractors, not following Skanska's Supplier Code of Conduct, or performance risk associated with each supplier's financial position and ability to procure and manage materials and labor.	■ Supply chain disruption and shortages resulting in financial and non-financial consequences for projects ■ Margin fade or financial loss due to increased project costs or lower productivity ■ Environmental or safety incidents, or breaches of human rights throughout the supply chain ■ Decreased ability to deliver for customers and inability to meet project commitment ■ Damaged reputation if suppliers and subcontractors act in ways not consistent with Skanska's values ■ Fines, penalties, lawsuits.	Strategic procurement and early commitment of key subcontractors, as well as prequalification or qualification prior to award of a contract reduce performance risk within projects. Our Supplier Code of Conduct is contractually included in all agreements with suppliers and contractors. We continually conduct risk-based diligence vetting, monitoring and auditing of all contractual counterparties, including daily sanction screening of all suppliers with the Dow Jones global database. Read more on Skanska's responsible supply chain on page 66.
Health and safety risk		
Injuries, accidents, fatal accidents and ill-health affecting people at our sites, or people affected by our operations.	■ Fatal accidents, life-changing injuries, and injuries and long-term ill-health that reduce life expectancy or quality of life ■ Fines, penalties, lawsuits ■ Damaged reputation and loss of trust as a responsible company.	It is mandatory for all business units to be certified to the ISO 45001 standards. Our Sustainability policy and Group Health and Safety Standard provides expected behavior for all Skanska workplaces and cover aspects that include training, incident management, risk assessment and instructions for personal protective equipment. Employee training in proper health and safety practices has been further developed to improve safety. To be more proactive and achieve continuous improvement, safety performance is reviewed on a regular basis by the Group Leadership Team and the Board of Directors. Read more on our health and safety work on pages 60–62.
Environmental risk		
Major environmental incidents in operations or in the supply chain, or pollution or other negative environmental impacts.	■ Harm to people and ecosystems ■ Negative environmental impact ■ Margin fade, operational inefficiency, increasing costs and decreasing profits ■ Inability to meet project schedules ■ Damaged reputation and loss of license to operate ■ Fines, penalties, lawsuits.	Mandatory (ISO 14001) certification ensures a systematic approach to managing environmental risk and issues. Environmental specialists at Group and business unit levels secure compliance with our environmental expectations, which go beyond compliance and include retaining ISO 14001 certification. We engage with suppliers to minimize risks of supply chain environmental breaches and conduct employee training in proper environmental practices. Read more on our green work on pages 68–72.

Risk area and description	Potential impact	Mitigation measures/activities
Operational risks		
Resource efficiency		
Inefficient or wasteful use of energy, materials, waste and water.	■ Negative environmental impact ■ Margin fade, operational inefficiency, increasing costs and decreasing profits ■ Inability to meet project schedule ■ Failure to reach climate targets ■ Damaged reputation and loss of license to operate ■ Fines, penalties, lawsuits.	Circularity and resource efficiency are connected to operational efficiency and reduced environmental impact. Most of our emissions come from the production of materials such as concrete, steel and asphalt. Close cooperation with suppliers and customers and enhanced digital capabilities are increasingly important in encouraging innovation, increasing productivity and reducing emissions and waste, and creating new business opportunities. The Skanska climate target and climate plans drives development, innovation and improvements on circularity and resource efficiency. Read more on our circularity and resource efficiency work on page 72.
IT systems and information		
Cyber security breach.	■ Social Engineering ■ Ransomware/Malware ■ Unauthorized access ■ Cyber fraud ■ Hacking.	Our Information Classification Standard and Security Standard both aim to protect us from cyber risks and achieve a common baseline for security in business-critical processes and/or business-critical information supported by an IT system. In addition to the frequent penetration testing, e-mail filtering and security functions provided by the Microsoft Office 365 platform, we monitor, follow-up and investigate all incidents on a regular basis, and provide relevant training and updates to security awareness to all users. We also ensure and verify that suppliers handling Skanska information mitigate cyber risks in line with our minimum requirements.

Risk area and description	Potential impact	Mitigation measures/activities
Financial risks		
Macro economic instability		
Economic slowdown or increasing protectionism with trade protection measures in the political landscape.	■ Financial and non-financial consequences for projects,e.g., decrease in productivity due to increased regulation ■ Decrease and/or postponement of new projects, both public and private customers ■ Decrease in competition could bring new business opportunities for Skanska ■ Shift in preference to companies with a strong financial position and/or long-term relationship ■ Increase in land banking opportunities due to lower competition, stressed sellers.	We are constantly monitoring, studying and evaluating market trends to anticipate changes in the business environment in the form of political decisions and amended regulations in areas that are of importance to our operations. In all of our home markets we take an active part in the public debate and engage with governments at the local and national levels, as well as customers, partners and other stakeholders to advance solutions that benefit society in multiple ways, and to drive a more ambitious stance on e.g., climate issues. Read more on macro trends with significance for Skanska's operations on pages 12–13.
Increased competition		
Increased competition, including low-cost actors new to the market, major market downturn or lack of projects.	■ Below-cost pricing, decreased margins ■ Lost business opportunities.	A focus on the core business with sweet spot analysis in all Construction business units and early engagement with customers provide important opportunities to improve competitiveness. Our strategy to improve performance, reduce costs and risks and strengthen our balance sheet enables us to adjust our operations to meet demands, needs and opportunities.
Financial risks		
In addition to business risk, Skanska is exposed in its operations to various types of financial risk such as credit risk, liquidity risk and market risk.	■ Loss of access to the financial market and financing on favorable terms ■ Breach of financing agreements ■ Reduction in positive cash flow, reduction in negative capital employed ■ Downgrading or bankruptcy of banks.	In Skanska's Financial Policy, the Board of Directors has established guidelines, objectives and limits with respect to financial management and financial risk management. Our target of an adjusted net debt not exceeding SEK –9 billion, as well as limits on capital at risk and capital employed in the development streams ensure that our financial position remains strong. We ensure that the Group is well financed and monitor liquidity, financial assets and financial liabilities through active management of financing. Read more on Skanska's financial risk in Note 6, Financial instruments and financial risk management on pages 122–130.

Risk area and description	Potential impact	Mitigation measures/activities
Regulatory risks		
Ethical breach, anti-corruption and bribery		
Breach of bribery and corruption laws (e.g., UK Bribery Act, US Foreign Corrupt Practices Act, money laundering, proceeds of crime), breaches of EU competition law, US antitrust law or other public procurement law.	■ Damaged reputation and loss of trust as a responsible company ■ Delisting from public procurement. ■ Fines, penalties, civil lawsuits and criminal charges ■ Decreased ability to deliver for customers and inability to meet project commitments.	Skanska's Code of Conduct, Anti-Corruption Policy, Supplier Code of Conduct and Skanska's values provide clear direction to employees for appropriate and ethical conduct. All employees are required to undergo Code of Conduct training on a continual basis. Identifying ethical and transactional risk is part of the project approval process, and due diligence is performed for potential key parties. The Code of Conduct Hotline reporting system, managed by a third party, provides a mechanism to anonymously report breaches or suspected breaches of our Code of Conduct. Higher risk cases are reported to the Group Leadership Team and the Board of Directors. Confirmed breaches may result in disciplinary actions. Read more on Skanska's focus on ethics, including anti-corruption, bribery and human rights, on pages 64–66.
Human rights violations		
Human rights violations, such as unfair working conditions, modern slavery and child labor or environmental violations at workplaces/sites and by subcontractors or suppliers in our supply chain.	■ Harm to people and environment ■ Damaged reputation and loss of trust as a responsible company ■ Fines, penalties, civil lawsuits and criminal charges.	We support recognized global human rights and fair working conditions for people working on or within the Group's projects, workplaces and supply chain. We have zero tolerance for any form of human trafficking, forced or child labor, and we are vigilant to ensure that no one working on our sites is subjected to this. Human rights are integrated into Skanska's Code of Conduct and the Supplier Code of Conduct. Reported deviations may have consequences such as termination of agreements. Read more on Skanska's focus on sustainability, on pages 58–86.
Political risk		
Any act, decision or ruling by a government, regional or local decision maker, public authority or similar.	■ Negative impact on projects or business unit.	To ensure compliance with legal and regulatory requirements and the high standards that we set for ourselves, we have adopted internal governance rules for the Group, as well as processes for monitoring compliance with external and internal rules by all business units and departments within the organization. Ethical and sustainability endeavors are an integral part of the business and are regularly included in the Board's discussions. Read more on Skanska's governance in the corporate governance report on pages 33–41.



Working together for Sweden's future railways

The Swedish Transport Administration has a target of climate neutral infrastructure by 2045 and has the goal of providing an accessible and safe transportation system with a long-term commitment to the environment and people's health. Ali Sadeghi, Head of Business Area Investment, highlights the importance of having business partners, such as Skanska, with ambitious sustainability goals.

Ali Sadeghi, Head of Business Area Investment at the Swedish Transport Administration.

The Swedish Transport Administration (STA) is a national administration responsible for the long-term planning of the Swedish transport system for road, rail, shipping and aviation, with a national investment plan of SEK 622 billion up to 2029 to upgrade and modernize to a more efficient and sustainable transport system. The transport system stands for approximately a third of Swedish carbon emissions and the target for STA is carbon neutral infrastructure by 2045, supporting the Swedish national climate target. Ali Sadeghi, Head of Business Area Investment at STA, discusses the importance of partnerships with its customers and suppliers in achieving their far-reaching climate goals.

"As a large supplier with an ambitious sustainability agenda, Skanska is helping us to develop sustainable transport solutions. And we believe we can create value for Skanska by being a responsible customer," says Ali.

Financial sustainability is important to STA when choosing suppliers or business partners, but each procurement process has an increasing number of criteria relating to climate benefits and innovation. The climate goals of a supplier can be decisive in contract bids.

Ali continues by highlighting climate requirements and the Hamnbanan project in Gothenburg, Sweden, which Skanska is building.

"While the procurement process provides the framework for how we work with suppliers, climate calculations are made throughout the course of a project to ensure continuous improvements. Hamnbanan is a good example where we have used low-carbon concrete and recycled soil," says Ali.

The prestigious Hamnbanan project involves a new railway connection that will provide a better connection to the Port of Gothenburg – a major logistics hub from which 30 percent of Sweden's exports are dispatched. The project will also help to shift freight from road to rail in line with the Swedish national strategy for freight transport.

"A great business partner makes things happen and has a bigger perspective so that individual projects fit into a broader picture of transitioning to a more sustainable society. Our partnership with Skanska is therefore a positive driving force for achieving individual climate goals while also benefitting society at large," says Ali.

Sustainability report

Together with our customers, suppliers and partners, we lead the development towards a better and more sustainable future. We act forcefully in the transition to a climate-neutral society. We contribute positively to societal development by providing foundations for safe areas and good living conditions. This is how we build a better society.

Promoting a safe work environment, reducing the environmental and carbon footprint and working with anti-corruption are Skanska's main priorities, as identified by the materiality assessment. We aim to contribute with a positive impact in communities where we work as well as to provide an inclusive working environment for all.

Global commitments

Skanska has been a signatory of the United Nations' Global Compact since 2001 and continues to support the Ten Principles, relating to human rights, labor, environment and anti-corruption. This Sustainability Report constitutes Skanska's Communication on Progress (COP) for 2020.

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

Ratings:
- CDP Climate A-
- CDP Water C
- MSCI AAA.

Indexes:
- OMX Stockholm 30 ESG Responsible Index
- FTSE4Good.

United Nations Sustainable Development Goals

Skanska has the ambition and ability to contribute to the United Nations Sustainable Development Goals (SDGs). We have identified seven relevant SDGs of which Goal 11: Sustainable cities and communities is of particular relevance to our business. Skanska presents its sustainability performance according to the SDGs and their sub goals in the GRI Content Index on page 204.

Goal 5
Achieve gender equality and empower all women and girls.

Goal 8
Promote sustained, inclusive and sustainable economic growth, full and productive employment and decent work for all.

Goal 9
Build resilient infrastructure, promote inclusive and sustainable industrialization and foster innovation.

Goal 11
Make cities and human settlements inclusive, safe, resilient and sustainable.

Goal 12
Ensure sustainable consumption and production patterns.

Goal 13
Take urgent action to combat climate change and its impacts.

Goal 16
Promote peaceful and inclusive societies for sustainable development, provide access to justice for all and build effective accountable and inclusive institutions at all levels.

Skanska ranked #17 on Fortune's Change the World List 2020.

Partnerships within sustainability:

Sustainability Focus Areas

We focus on the sustainability areas where we can make the most impact. Skanska's sustainability agenda has five focus areas. They are Health and Safety, Ethics, Green, Community Investment and Diversity and Inclusion. In the 2020 materiality assessment anti-corruption, health and safety and climate change were identified as the most important topics based on Skanska's operations. Read more about the materiality assessment on page 80.

Health and Safety

We want to take leadership in developing safety solutions. We are strongly committed to creating good working conditions and a safe working environment for all employees and sub-contractors. This builds on a strong leadership and culture where ensuring health and safety is a high priority.

→ **Read more on page 60**

Ethics

A sharp focus on anti-corruption and preventing ethical breaches ensures Skanska's ability to do good business. A comprehensive ethical framework, solid preventive processes and employee training ensure that business is conducted in an ethical and responsible way.

→ **Read more on page 64**

Green

We strive to deliver climate-smart solutions to our customers and to reduce our negative impact. We seek out partnerships for innovation within sustainability. These environmental commitments apply in all Skanska's operations and processes, and affect the long-term environmental performance of buildings and infrastructure delivered by us.

→ **Read more on page 68**

Community Investment

How we plan, design and build infrastructure and buildings today will impact human health and social equality and how well cities are equipped for future challenges. We strive to have a positive impact on local communities, the environment and people's well-being by listening to the needs of society, customers and companies.

→ **Read more on page 74**

Diversity and Inclusion

We are committed to be a diverse and inclusive organization. An inclusive culture is characterized by openness, fairness, trust and respect and is vital to attract and retain skilled employees, as well as building high performing teams.

→ **Read more on page 76**

Health and Safety

We want to take leadership in developing safety solutions. We are strongly committed to creating good working conditions and a safe working environment for all employees and sub-contractors. This builds on a strong leadership and culture where ensuring health and safety is a high priority.

Health and Safety

Ensuring people's health and safety

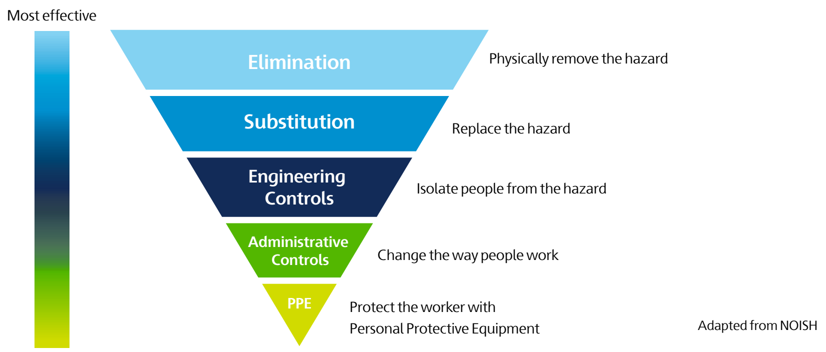
Construction is an industry associated with the risk of injuries and long-term health hazards. The work often involves a large amount of physical labor, handling large machinery, and lifting and loading operations. Noise and working close to traffic can lead to dangerous situations. Vibration and hazardous materials can cause lasting health problems. This is a complex and ever-changing work environment.

We address our health and safety objectives through industry-leading standards, develop safety solutions, an inclusive culture and leadership focused on systematic performance monitoring and targeted actions. We are strongly committed to health and safety and a working environment where everyone should feel encouraged to speak up to ensure that we work safely or not at all. Skanska's initiatives in this area correspond to UN Sustainable Development Goal 8: Decent work and economic growth, and Goal 16: Peace, justice and strong institution.

Driving higher standards

We continuously strive for higher industry standards by involving partners, customers, subcontractors, competitors and unions. The mandatory Group Health and Safety Standard consists of sixteen principles. It covers aspects such as on-site risk assessment, training, incident management and personal protective equipment (PPE), as well as instructions for the most high-risk work processes on the construction sites.

Hierarchy of controls



It is mandatory for all business units to be certified to the health and safety management system ISO 45001.

Each business unit undertakes an annual review of health and safety performance. This review includes identifying risks, describing control measures and establishing a plan of targeted activities for the coming year.

Each business unit also manages occupational health programs for its own employees. Subcontractors are expected to do the same for their employees. In some business units, there is an internal occupational health service and in others this is contracted in.

Reducing risk through training and leadership awareness

Skills, training, leadership awareness and a proactive safety culture are key factors in ensuring greater engagement and safer worksites. Strong safety leadership is included in Skanska's leadership programs. Various safety training programs, focusing on specific areas of risk or safety culture, are provided to employees and subcontractors. The Hierarchy of controls illustrates the transition from a reactive to a proactive when approaching safety risks. When we are involved in the early phases such as design and planning, the impact is larger and risks can be eliminated.

The employees' opinions on Skanska's safety efforts and management's commitment are followed up in the annual employee survey. The 2020 survey shows that 89 percent think Skanska is committed to improving safety in the workplace, which is eight percentage points above the industry norm.

Read more on page 81.

Using Artificial Intelligence (AI) in innovative ways to help fight Covid-19

By taking advantage of innovative technology and applying it in new ways, Skanska secured safety performance during the Covid-19 pandemic. At Skanska's site at LaGuardia Airport, in Queens New York, Skanska is piloting the use of AI and machine learning in innovative ways to detect safety risks. The technology involves a remote video-audio tool, where cameras on site link up and collect and transfer information to a web-based dashboard that in turn flags incidents spotted by the cameras.

Originally, the tool was developed to monitor compliance with safe work practices, such as lifting and loading, working around energized equipment, working at height and handling material live-loads. Today we are using the technology to spot noncompliance with social distancing rules as well as missing face coverings and gloves, under the new Covid-19 protocols.

When the technology detects individuals too close to each other or not wearing proper PPE, the noncompliance is flagged and automatically video captured and documented. The program compiles and reports the number of infractions, which camera detected them. Reviewing this data daily enables us to address failures in processes, identify areas of risk and coach those out of compliance in order to change behaviors.

After implementing this tool, following a non punitive approach, in March 2020, in consultation with workers' unions, we saw a 76 percent reduction in Covid-19-related noncompliance issues, and a 90 percent improvement in social distancing and PPE protocol compliance by May 2020. The knowledge and experience gained from this pilot project has already been scaled up to other projects, and can potentially be spread to other markets as well.

→ **Health and Safety**

Monitor health and safety performance and strategic actions

Skanska's highest and most frequent safety risks are connected to lifting, loading and lowering activities. We are therefore focused on improved practices in this area. In 2020 action plans were developed within all business units. The plans include actions in all levels in the Hierarchy of controls model (page 61) to minimize the risk of accidents. This work will continue in 2021 and involve improved logistics operations and a greater emphasis on innovative technological solutions for safer construction sites.

Skanska monitors safety performance by the lost time accident rate (LTAR), near misses that could potentially have resulted in fatality, executive safety site visits (ESSV) and the business units' delivery on improvement plans. The business units also have local indicators that include training and auditing. Executive safety site visits (ESSV) promote clear and visible leadership.

The focus on improved safety procedures regarding lifting, loading and lowering activities have given positive results 2020, with reduced number of incidents. Safety performance follow-up is carried out by the Group Leadership Team and by the Board on a monthly basis.

In 2020 Skanska obtained Group-wide limited assurance of health and safety data for the first time. The purpose of this process is to assure high quality, efficient follow-up and evaluation of health and safety processes – all of which are crucial for ongoing improvement.

Reducing risk associated with lifting, loading and lowering activities

A large percentage of accidents are related to activities involving lifting, loading and lowering.

In the Welsh Water Cog Moors Plant Project, in the UK, where Skanska installed a new boiler and thermal hydrolysis plant, the project was redesigned to make greater use of prefabrication and preassembly and thereby reduce the amount of lifting required. The preassembled equipment reduced the number of crane lifts and manual handling of equipment required.

The project and design teams connected with specialist contractors as early as the design phase of the project to discuss the most practicable ways to construct and install the plant and equipment required. Once the equipment was delivered and installed, the duration of work required at height was significantly reduced.

As the plant and equipment was predominately preassembled, the number of deliveries was reduced. This reduced the need for unloading onsite, which in turn reduced the risk at the people-machine interface.

This is just one example of how Skanska has implemented plans to reduce the number accidents related to lifting, loading and lowering activities.

Covid-19 measures

Protecting people from the Covid-19 pandemic has been an essential aspect of our health and safety work in 2020. At an early stage of the pandemic, Skanska developed instructions for the entire group. They are based on existing standards and procedures and aim to ensure that appropriate rules, guidance, risk assessments, communication materials and other tools are put in place.

In addition to ensuring the correct personal protective equipment (PPE) is worn and social distancing is maintained, and our zero tolerance for working while ill, we implemented the following measures:

- Strict hygiene protocols
- Closure of offices, projects or parts of projects when an infected person has been on site
- Travel bans
- Limitation on attending large gatherings and meetings
- Working remotely if possible.

Working together to ensure a sustainable value chain

Saint Gobain designs, manufactures and distributes materials and solutions for the construction of buildings, transportation, infrastructure and industrial applications. Emmanuel Normant, Vice President for Sustainable Development at Saint Gobain, describes how partnerships are necessary to meet and solve the climate challenge.

In November 2020, Saint Gobain set out its new CO_2 roadmap for achieving carbon neutrality by 2050. The roadmap incorporates a reduction in direct and indirect carbon emissions, as well as emissions generated along the company's value chain.

Ensuring sustainable products is strategically important for Saint Gobain and the company is committed to carry out comprehensive life cycle analysis for its entire product range.

"It is only through working together that we can solve the climate challenge facing the construction industry. Partnerships contribute greatly to our ability to meet and make progress on sustainability goals, in many cases spurred by new emerging market demands where the whole value chain must be accounted for. We can only solve these challenges in partnership with our customers and partners, as we truly are stronger together," says Emmanuel.

The Skanska and Saint Gobain cooperation spans all markets in which the companies are active and stretches back several years.

Emmanuel continues by discussing the role of innovation and Skanska as a business partner.

"In finding new and improved solutions that can tackle climate issues, it is important to partner up with advanced players, such as Skanska, who can be a part of shaping the future of the construction industry. By cooperating on innovation we can accelerate solutions, expand market uptake and create value for our whole society. Skanska's high set goals within sustainability are major drivers to accelerate our work on sustainability, in an effort from our side to provide optimal solutions to our customers. The work we do together with Skanska bilaterally but also in cooperation with international organizations, helps design a more sustainable environment," says Emmanuel.

Saint Gobain is engaged on various platforms and organizations promoting sustainability, for example as part of the advisory board for the World Green Building Council. Saint Gobain is also working with customers, including Skanska, in for example the World Business Council for Sustainable Development (WBCSD), to meet high set sustainability goals that spans the entire value chain.

At the WBCSD, Skanska and Saint Gobain cooperate on circularity by being among the founding members of Factor10, WBCSD's Circular Economy project with the conviction that eco-efficiency materials must improve by a factor of 10, in order to reach Vision 2050 in which not a particle of waste exists.

Emmanuel Normant, Vice President for Sustainable Development at Saint Gobain, emphasizes the importance of partnership.

Ethics

A sharp focus on anti-corruption and preventing ethical breaches ensures Skanska's ability to do good business. A comprehensive ethical framework, solid preventive processes and employee training ensure that business is conducted in an ethical and responsible way.

→ **Ethics**

Ethics is good business

Skanska operates in a sector with large projects, long value chains and both public and private customers. This complexity increases the risk of bribery and corruption. Most of Skanska's operations are in countries with relative low corruption rate according to the Transparency International's Corruption Perceptions Index. However, the countries in which Skanska operates in Central Europe achieve a less favorable rating, but still on the upper half of the index.

We are committed to doing business with the highest degree of integrity and transparency and we expect those we work with to share these values. Skanska works hard to identify and mitigate risks to prevent breaches that have the potential to damage the business. We are accountable for our actions and have a governance structure with a clear allocation of responsibilities.

Skanska's initiatives in this area correspond to United Nations Sustainable Development Goal 8: Decent work and economic growth, and Goal 16: Peace, justice and strong institutions.

Code of Conduct

Act Ethically and Transparently is one of our values, and our comprehensive Code of Conduct is key to our ability to live up to it. The Code of Conduct stipulates how all employees should work and interact every day with colleagues, customers and other stakeholders. It covers topics ranging from anti-corruption, financial crime and discrimination, as well as environmental and safety responsibility and human rights. It connects the whole Skanska Group with our values and thereby strengthens our company.

The Code of Conduct is reviewed by the Board annually to ensure it remains up-to date and relevant. The 2020 review resulted in clarifications regarding human rights.

Providing training in Skanska's Code of Conduct is high priority. All new employees are required to receive training within one month of starting their employment. In 2020, the target was reached to 97 percent. Refresher training is provided on a two-year rolling basis and is mandatory for all employees. The target was reached to 99 percent, in 2020.

Anti-corruption and ethical risks

The Anti-Corruption Policy offers guidance on specific situations that may be encountered. This mandatory Policy has been reviewed by the Board, Group Leadership Team and all business unit management teams as part of the governance implementation program. Anti-corruption training is provided to all employees with additional e-learning for those in more "at risk" roles.

A two-year program of ethics risk assessment and assurance review is carried out by all business units. Risk assessment is addressed at workshops for participants at all levels and in all roles to provide a balanced view of the ethics risk within their area of expertise. Practical measures are implemented, within each business unit, to address the ethics risks identified.

Speak up culture

Fostering a speak up culture in which employees feel empowered to address any issues is crucial to enabling the employees to live up to Skanska's values. The 2020 employee survey showed that 84 percent felt free to express concerns without fear of negative consequences, compared to the industry benchmark of 64 percent.

Skanska encourages reporting of possible ethical breaches and offers protection via the no retaliation policy. If individuals reporting an issue wish to remain anonymous, they can use the Code of Conduct hotline, Skanska's whistleblower channel, which is operated by a third party and is open to employees and external stakeholders.

Cases that are assessed as higher risk are also reported to the Group Leadership Team and the Board.

Confirmed breaches of the Code of Conduct may result in disciplinary actions, including termination of employment, depending on the nature and severity of the breach. If a breach is substantiated against a supplier their contract may be terminated.

84%

Employees that feel free to express concerns without fear of negative consequences.

97%

Code of Conduct training in the first month of employment.

Code of Conduct Hotline reporting

In 2020, a total of 152 reports were received via the Code of Conduct Hotline. Cases are categorized in line with the topics in Skanska's Code of Conduct. The majority of reports, 101, in 2020, were related to workplace behavior including bullying and harassment, as well as issues related to personal conditions of employment and health and well-being. Two new reports were specifically categorized as corruption, both unsubstantiated and low risk.

In 2020, 154 cases were closed, of which some carried over from 2019. A breach was substantiated in 22 of these. Five cases resulted in termination of employment. Consequences for the remaining breaches included written or verbal warnings, retraining and process improvements.

Ethics

Supply chain responsibility

Skanska works with its supply chain to implement a shared commitment to sustainability topics such as human rights, labor rights, environment, ethics and safety. Procurement and supply chain contacts take place within each business unit. The Supplier Code of Conduct establishes the key requirements for all.

The construction and development sector is characterized by long and complex supply chains with many regional and local suppliers. Skanska has a supply chain consisting of more than 300,000 suppliers of goods, materials and services. It includes professional consultants and subcontractors, performing work on project sites.

Skanska aims to ensure that conditions are fair at all of our workplaces, with zero tolerance for any form of human trafficking or forced or child labor. Human rights and social sustainability go hand in hand with environmental sustainability, safety and labor rights, as acknowledged in the European Union's definition of human rights.

Skanska has carried out risk assessment and heatmaps of materials and geographical regions where there is a higher risk of violation of human and labor rights, as well as a risk of ethical or environmental breaches. This provides guidance for the business units' procurement processes.

Ensuring trustworthy partners and suppliers

Skanska carries out risk-based assessment followed by due diligence for certain categories of supplier or if this is deemed necessary. Mandatory ethical due diligence is carried out for intermediaries, joint venture partners and sellers or buyers of land or real estate assets. Skanska gathers information on the ethical standards and culture of third parties as well as information on any past legal violations, possible transaction-related conflicts and other indicators of risk. We also ensure that the ultimate beneficial owners of parties that we do business with are known.

Skanska has an automated sanctions screening process and uses a global database to check all active suppliers, according to the Group's sanctions procedure, every 24 hours.

Supplier Code of Conduct in contracts

The Code of Conduct is supplemented by the Supplier Code of Conduct, which must be adhered to by all subcontractors, suppliers, consultants, intermediates and agents. The Supplier Code of Conduct is included in agreements with these parties and outlines the expectations Skanska put on those we do business with. It enables continuous monitoring and audits to be carried out where applicable. There is an option to terminate an agreement in the event of a major breach of the Skanska Supplier Code of Conduct, such as corruption or inclusion on the sanctions list.

Sustainable procurement practices

Procurement and supply chain management is decentralized within Skanska. In the UK, Skanska, together with peers in the industry, created the Supply Chain Sustainability School. The school is now supported by over 100 partners in the industry. Targeting the construction sectors, the school aims to strengthen sustainability competence, including responsible procurement practices. Since the school was formed, learning resources have been accessed by more than 40,000 members. In Sweden, Skanska has created a digital system and process through which suppliers can be pre-qualified as responsible suppliers. Suppliers are also evaluated regularly on their performance in the environment, ethics and safety. The system has been running for several years and in 2020, over 300 supplier reviews have been conducted. Around 100 audits are also conducted every year.

Skanska is committed to act on ethical breaches

Skanska's experience in modernizing and refurbishing the landmark Olympic Stadium in Helsinki, Finland, showcases the importance of large actors taking their responsibility on reports of misconduct being voiced. Learnings from actions taken has been shared within the Skanska Group.

Before its completion in August 2020, the Olympic Stadium project was one of the biggest Skanska Finland sites with over 5,000 craft workers over a period of three years, corresponding to approximately 500 workers per day. The Olympic Stadium is a landmark in Helsinki and the project received significant interest from the public and media. Kirsi Palviainen, General Counsel and Anu Aspiala, Employee Relations Manager at Skanska Finland, discuss how Skanska took firm action on ethical issues raised at the construction site.

In March 2020, Skanska was informed about misconducts on the site. The issues raised was under the management of a Skanska second tier subcontractor, who is obliged to follow Skanska´s Code of Conduct, and included underpayment, threats of violence, inadequate housing conditions and safety issues at site.

"We immediately formed a task force consisting of representatives from site management, HR, legal and communications. We also filed a police report regarding the alleged threats. We communicated about the issue in media, distributed information in several languages to reach all employees and had a direct dialogue with the employees concerned," explains Anu Aspiala.

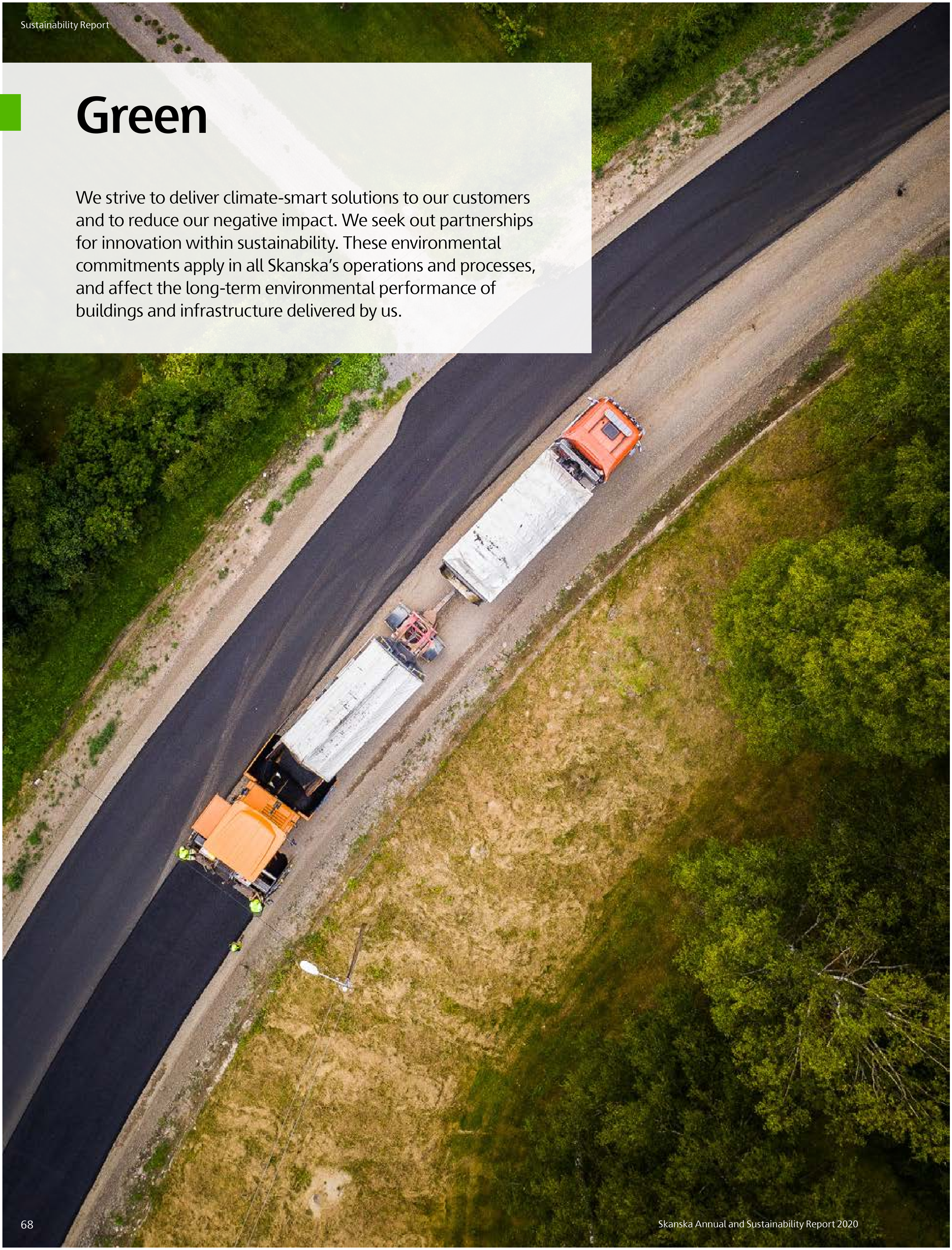
"We are happy that we contacted all the parties concerned straight away to fully understand the issues and how we could potentially compensate them, and also that we directly contacted the police when we became aware of potential crimes committed", says Kirsi Palviainen.

The actions involved numerous employee interviews to ensure that there were no additional cases of breaches on the site. Skanska also had an open dialogue with the workers' unions to fully understand the scope. Contracts with the subcontractors found guilty of misconducts were terminated. Information about employee rights in Finland was distributed via letters and posters at the site.

To prevent future breaches Skanska Finland strengthened procurement practices through procurement training for teams, initiated interviews with potential subcontractors and developed a new e-tool for procurement to better assess risks.

"While we took immediate action, challenges remained in terms of foreign employees being afraid of reporting concerns, especially if they were non-EU citizens and their work permit was linked to a specific employer. For the future, we want to do more to prevent such issues arising. Educating management and supervisors as well as properly informing employees about their rights and how we can help them is key. We want all people working on our sites, both our own employees and those of subcontractors, to know and feel that we support them", says Anu Aspiala.

To learn from the experience, increase awareness and share best practice within Skanska, the takeaways have been shared with all Skanska´s business units, and discussed in the respective networks for Ethics, Sustainability and HR professionals in Skanska.



Green

We strive to deliver climate-smart solutions to our customers and to reduce our negative impact. We seek out partnerships for innovation within sustainability. These environmental commitments apply in all Skanska's operations and processes, and affect the long-term environmental performance of buildings and infrastructure delivered by us.

→ Green

Climate change and carbon reduction

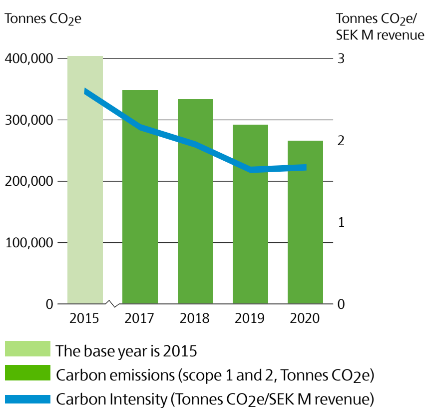
2045

Targeted year for net-zero carbon emissions for Skanska Group.

-34%

Reduction of carbon emissions from our own operations since 2015.

Carbon emissions in Skanska's own operations



Read more on page 82.

The construction sector accounts for about 40 percent of global energy-related carbon emissions (IEA, 2019), and we want to be part of the solution. Our long-term target is to achieve net-zero carbon emissions in our own operations and in the value chain by 2045. This is in line with the Paris Agreement and we are committed to having our climate target approved as a Science Based Target.

Since 2015 we have decreased our own carbon emissions by 34 percent and the carbon intensity is reduced by 36 percent since 2015. The small increase in 2020 compared to last year is due to lower revenues in 2020.

To reduce emissions in the value chain and to achieve our climate target we build partnerships for innovation. Innovative projects and solutions like ESS, Powerhouse and low-carbon asphalt (page 18 and 71) are excellent examples.

We are convinced that our low-carbon solutions will be in an increasing demand in the market and an opportunity to support our clients' needs. Our focus on climate also prepare us for changed regulations and potentially higher cost for carbon emissions. Skanska's operations in this area correspond to United Nations Sustainable Development Goal 8: Decent work and economic growth, Goal 11: Sustainable cities and communities, Goal 12: Responsible consumption and production, and Goal 13: Climate action.

Certifications highlight value for customers

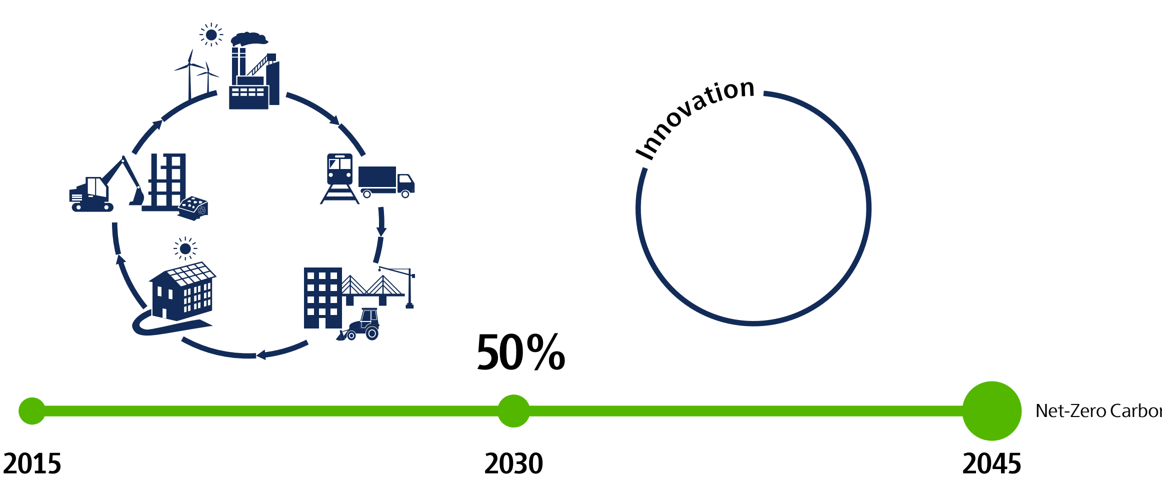
We participate to develop sustainability standards for buildings and infrastructure. Certification and measurement are important drivers to make sustainability a part of the customer offering. These tools are also important to tenants and customers since they create a possibility to compare and evaluate sustainability performance.

Skanska has received four full certifications in the Living Building Challenge certification program. This is considered the most comprehensive and highest standard for sustainable buildings. In 2020, approximately 130 ongoing and completed projects, developed by Skanska, were in the process of being certified according to external certification schemes such as WELL, LEED, BREEAM, or national certifications including Miljöbyggnad, Nordic Swan Ecolabel and RTS.

Preventing climate risk

The changing climate is putting pressure on society, with the higher frequency of storms, flooding, drought, heat waves, forest fires and water scarcity. The projects that Skanska develops must be adapted in order to withstand the effects of climate change such that the long-term value of the buildings are assured. As an example, in USA, climate impact analysis is carried out in all development projects in order to design buildings to mitigate climate risk.

The Skanska Group climate target has a lifecycle perspective, with cooperation in the value chain and innovations to reach net-zero emissions



→ Green

Changing market demands across all markets

Policy changes aimed at reducing carbon emissions are taking place in all of our markets. Such policies may include carbon targets, national and regional regulations, carbon reduction requirements in public procurement and changes to building standards.

While the Nordic countries and the UK are at the forefront in efforts to reduce carbon emissions, the European Union's aim to be carbon neutral by 2050 is spurring further development throughout the markets in Central Europe. In many of the US states and cities where Skanska has operations there is an increasing focus on climate change, with climate policies related to the built environment. USA has recommitted to the Paris Agreement and President Joe Biden has announced initiatives that promote climate change. Market demand for low-carbon solutions is expected to increase in the years to come, providing opportunities for Skanska to contribute with expertise and experience in low-carbon sustainable solutions.

-42%

Energy reduction in new office buildings

Annual energy reduction in divested office buildings developed by Commercial Development Nordics, Europe and USA compared to the certification system LEED's established baseline.

See more on page 86.

Skanska's actions toward net-zero carbon emissions

Skanska's climate plan to achieve our climate target has been developed during 2020, with plans and actions for each of our markets. This work will continue in 2021, with emphasis to further explore opportunities within sustainability innovation and solutions to customers. Market analysis and to identify business opportunities are vital parts of Skanska's climate plan.

We improve the way we design and construct buildings and infrastructure projects. This includes choice of materials and pursuing resource efficiency and circularity, and buildings that use less energy in the user phase. Transitioning to renewable fuels, increasing our use of electricity from renewable sources, efficient transport solutions and making greater use of electrification and automation will decrease our emissions. Since 2015 our own energy usage has been reduced by 25 percent. The use of renewable energy has increased by 57 percent. The commercial buildings built by Skanska use on average 42 percent less energy compared to the certification system LEED's established baseline.

Measurement and follow-up on climate performance are key in developing solutions to reduce the emissions. Skanska has measured and reported on carbon emissions since 2008, now measuring and reporting scope 1, scope 2 and 3 carbon emissions. Over the past few years we have been expanding and improving the quality of our scope 3 data and 2020 will serve as our baseline for scope 3 emissions going forward. Carbon performance follow-up is carried out by the Group Leadership Team and the Board of Directors on a quarterly basis.

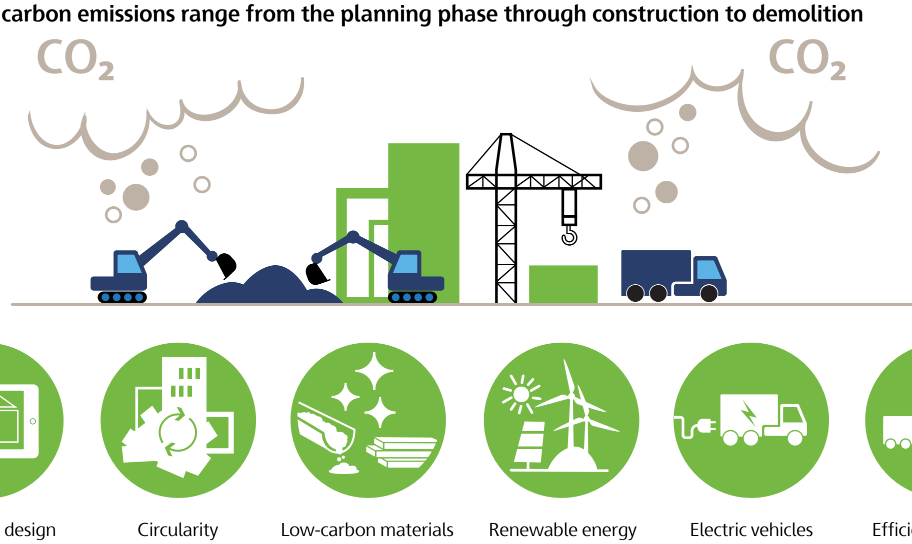
Read more on page 82.

98%

Certified commercial buildings share of total divestments

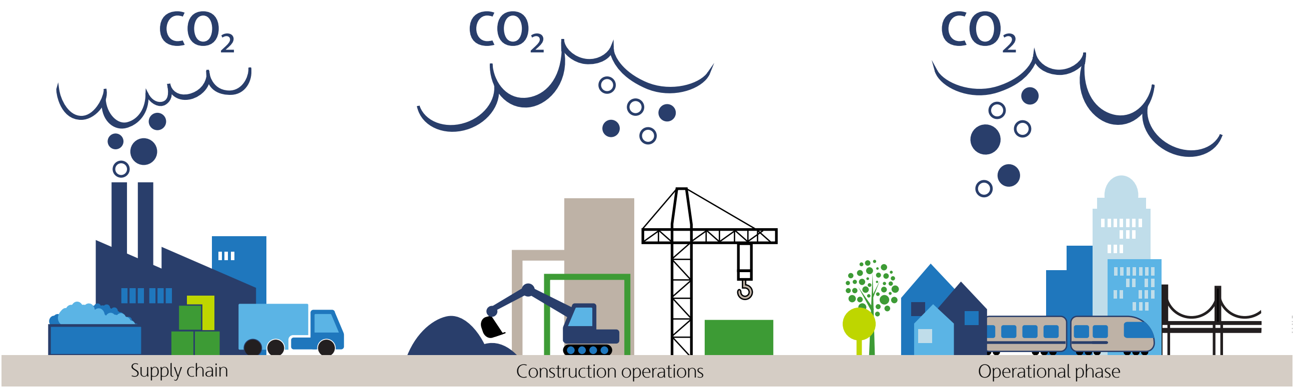
Share of total value, corresponding to SEK 12.1 billion, of divested offices in the Commercial Property Development business stream, certified with WELL, LEED (Platinum or Gold) or BREEAM (Excellent).

Actions to reduce carbon emissions range from the planning phase through construction to demolition



→ Green

Carbon emissions in Skanska's value chain



The carbon emissions in Skanska's value chain originate from the supply chain, the construction operations and the operational phase. A large part of the carbon emissions originate from the production of materials.

Skanska's green journey

In 2009 we introduced our own Color Palette™. A tool that defines Skanska's vision of Green and Deep Green projects, with low or zero environmental impact. Together with measuring environmental impact and ensuring overall sound environmental management according to ISO 14 001 it has served us well to further our green journey in a structured way throughout Skanska. It encapsulated the focus on our business, performance and delivering value to customers.

With the development of third-party certifications and the surge of investor and customer expectations of comparable disclosures on sustainability performance the past years the use of an inhouse certification is of limited relevance. Materials, energy, carbon and water will continue to be in focus with the climate target as a key driver in the green journey. Our Green Bond Impact Report and third-party certifications on projects are ways to meet the expectations on performance disclosures. We are also working to align our sustainability disclosures with the EU Taxonomy and the TCFD recommendations for financial reporting of climate-related risks and opportunities.

Read more on page 85.

Powerhouse Telemark located in Porsgrunn, Norway, are one of the most energy efficient and environmentally-friendly buildings in the world.

Green bonds help spur sustainable development

By leveraging our Group's sustainability expertise and portfolio, we finance parts of our commercial and residential projects with green bonds. Projects funded through our Green Bond Framework, third-party verified by CICERO, must aim for the upper certification levels within any of the following third-party certification programs: LEED, BREEAM, DGNB or the Nordic Swan Ecolabel (Svanen).

Skanska issued its first green bonds in 2014 and a second issue, with a value of SEK 1 billion, was completed in 2018.

Read more about green bonds on page 11.

Low-carbon asphalt paving the way toward net-zero

In 2020 Skanska rolled out the first close to climate-neutral asphalt in Ludvika, Sweden – a milestone that shows that the transition to large scale climate-friendly road paving is possible.

Firstly, the asphalt is manufactured in a plant using fossil-free fuel. Skanska is gradually converting the more than 25 asphalt plants in Sweden to run on renewable fuel. Secondly, the asphalt contains up to 70 percent recycled asphalt previously used for other roads. Thirdly, we have worked with a supplier to develop a new renewable binder extracted from forest raw material. This has replaced a part of the commonly used fossil-based binder, bitumen. This represents a vital step taken by Skanska as bitumen is extracted from crude oil and accounts for almost half of the climate footprint of asphalt.

→ **Green**

Circularity, materials and resource efficiency

We strive for increased circularity and resource efficiency by reusing and recycling materials and products. Through smarter design, planning, procurement and logistics, we are reducing waste and improving resource efficiency. This often goes hand in hand with reduced cost. We have been tracking self-generated waste to landfill since 2008 and today we have succeeded in reducing generation to less than 4.4 percent. Our target is no more than 5 percent.

The ESS project in Lund, Sweden, is one example of a large project that has managed to achieve zero waste to landfill, proving that it is possible and is the way to go in the future. In the Epic project in Malmö, Sweden, upcycling was applied in cooperation with other projects. One nearby project had dismantled window frames and these were then used in the atrium façade in the Epic project. A total of 35,221 meters of wood window frames were reused in the project. 17 tonnes of leftover bricks from the façade were used as floor in the project. Another example is the Hyllie Terass project in Malmö, Sweden, where materials will be reused and upcycled to reach the project's net-zero target. Our project I4 in Florida, USA, has also focused on circular processes and have so far reused over 200,000 tonnes of concrete as bulk filling for new roads.

The new tramline Skanska built is connecting the ESS in Lund, Sweden with the central parts of Lund.

Sustainable water management

Increasing water efficiency is an important objective to reduce the impact of climate change and to minimize the effects on the surrounding environment. As a construction company we have a major impact on water usage during the construction phase and in the end-user phase. Skanska reports information about our water performance to CDP and in 2020 we received the score C.

We have been able to contribute to more sustainable water usage by integrating innovative water-efficient solutions into projects, such as substituting potable water for water with an alternative quality grade. For example, in the Czech Republic a project called Botanica K Residential Development is using an innovative water solution for grey water management. This has reduced potable water consumption by around 40 percent by using treated water from washbasins, bathtubs and showers as well as collected rainwater for flushing toilets.

Unique residential buildings where innovative thinking has gone into every detail

In the Czech Republic, Skanska is developing the unique residential project, Čertův vršek, where sustainability thinking has gone into each detail ranging from construction to operation of the building.

»Čertův vršek has been recognized as a pioneering project at the forefront of sustainable development.«

Čertův vršek, located in Prague, is Skanska's first residential project using Rebetong, concrete made of 100 percent recycled aggregate. The benefits of using this concrete include less demolition waste sent to landfill, around a 12 percent reduction in carbon emissions compared to regular concrete, and reduced cost. Rebetong also has better insulating properties than regular concrete so it helps to lower energy consumption throughout a building's lifecycle. Rebetong concrete has been used in the concrete building foundations as well as in vertical interior walls throughout the structures. 900 cubic meters of Rebetong has been used to date, equivalent to around 20 percent of the total concrete used at the site.

Aspiring to achieve BREEAM Very Good certification, the project includes several other innovative solutions. The buildings are equipped with a grey water treatment system to flush toilets with recycled water. There is also an accumulation tank in which rainwater will be collected and then used to water the buildings' communal and private gardens. Roof mounted solar panels on the buildings heat the water in the buildings. Greenery is planted on sections of the roofs to improve the local microclimate and to act as a natural insulator for the upper floors.

Čertův vršek has been recognized as a pioneering project at the forefront of sustainable development in Czech Republic. It has, for example, attracted the attention of the Minister of the Environment of the Czech Republic, who visited the project to learn more about Rebetong recycled concrete.

The project includes 39 modern luxury apartments comprising of five smaller buildings of 3 to 4 floors, with areas up to 177 square meters. The buildings as well as the surrounding communal gardens are designed to fully satisfy the need of the modern customer, both in terms of life quality and sustainability.

Community Investment

How we plan, design and build infrastructure and buildings today will impact human health and social equality and how well cities are equipped for future challenges. We strive to have a positive impact on local communities, the environment and people's well-being by listening to the needs of society, customers and companies.

→ **Community Investment**

Developing sustainable cities and communities

Our operations have a significant impact on the areas where we operate, both during construction and after the projects are completed. It is our responsibility to understand this impact and consult with stakeholders in local communities. The way we build and design our projects can give a long-term positive contribution to the society.

Design and build for social impact may include creating integrated movement patterns to reduce physical segregation and improve accessibility and inclusiveness for various groups, for example children or elderly people, within a city. Another example is when projects aim for a positive impact by developing needs-based community development programs focusing on employability and education, targeting diverse and challenged groups in the local community.

Sweden and USA are examples of markets where the social impact approach is used in land allocation, local bids or building permits for areas for new development and refurbishment. Priority is given to partners and solutions that contribute to holistic solutions, providing green buildings and infrastructure, and helping to improve health and well-being, affordability and social equity in local communities.

Skanska sees this work as important factors in meeting United Nations Sustainable Development Goal 9: Industry, innovation and infrastructure and Goal 11: Sustainable cities and communities.

Social disclosures in green building certification

Social sustainability still lacks sector consensus on definitions, as well as tools to measure, quantify and compare social impact. Nevertheless, international certifications are increasingly adding social topics to their disclosures to define social impact.

Several international green certification programs for both buildings and infrastructure have disclosures related to social impact. WELL has a strong focus on health and well-being for tenants, and LEED introduced social equity pilot credits designed to reduce disparities by recognizing projects that extend the benefits of green building to communities. CEEQUAL and Envision are certification tools for infrastructure projects, recognizing projects that can verify engaging in developing and executing activities and programs to expand the positive social impact of the project on the community. Skanska is exploring the use of social equity pilot credits, for example LEED in commercial buildings in USA, WELL in central Europe and CEEQUAL in Norway.

Affordable sustainable quality homes in demand

Low-cost and sustainable homes are in high demand in many of our markets. BoKlok, jointly owned by Skanska and IKEA, provides space-saving, functional, sustainable, quality housing at a price that enables more people to afford a comfortable home.

Training Program provides new opportunities for small businesses

In 2007, Skanska USA launched a program to engage with small and diverse businesses through partnership, training and development with the goal of strengthening companies and building capacity.

Skanska´s Construction Management Building Blocks Training Program (CMBB) allows participants to interact with Skanska and industry professionals, who share knowledge and insight on what it takes to be successful in the construction industry. Courses include project planning, business development, human resources, accounting, sustainability, legal and more. The program also embraces community partnership which leads to businesses not only gaining a strong Skanska network, but also experience with customers and community organizations who partner with Skanska for the program. The program promotes a more diverse workforce and job opportunities – benefitting both Skanska and the community.

To date, more than 700 companies have graduated from the program and over USD 250 M in contracts have been awarded to program graduates.

Social and environmental criteria in financial follow-up

Skanska Sweden has established a way to enhance environmental and social impact in projects. The business unit has sustainability criteria and targets connected to revenue.

This is one example of how social sustainability can be measured. The share of revenue in Skanska Sweden projects where these environmental and social criteria have been met has steadily increased over the past few years. This reflects the growing interest among customers in solutions for sustainable communities.

Diversity and Inclusion

We are committed to be a diverse and inclusive organization. An inclusive culture is characterized by openness, fairness, trust and respect and is vital to attract and retain skilled employees, as well as building high performing teams.

Diversity and Inclusion

Fostering a diverse and inclusive culture

We are committed to attract and develop a diverse workforce and provide inclusive workplaces where all people – regardless of gender, race, ethnicity, sexual orientation or other diversity strands and backgrounds – feels a sense of belonging. We are determined to creating spaces where everyone feels that they can contribute and be proud of working for Skanska.

We are convinced that a diverse workforce and an inclusive workplace are invaluable in facilitating more creative, innovative and effective solutions to achieve our overall business objectives. Ensuring an inclusive workplace is crucial to our ability to recruit and retain a diverse talent pool, well-equipped to understand and leverage our increasingly diverse customer base, as well as emerging trends in the marketplace.

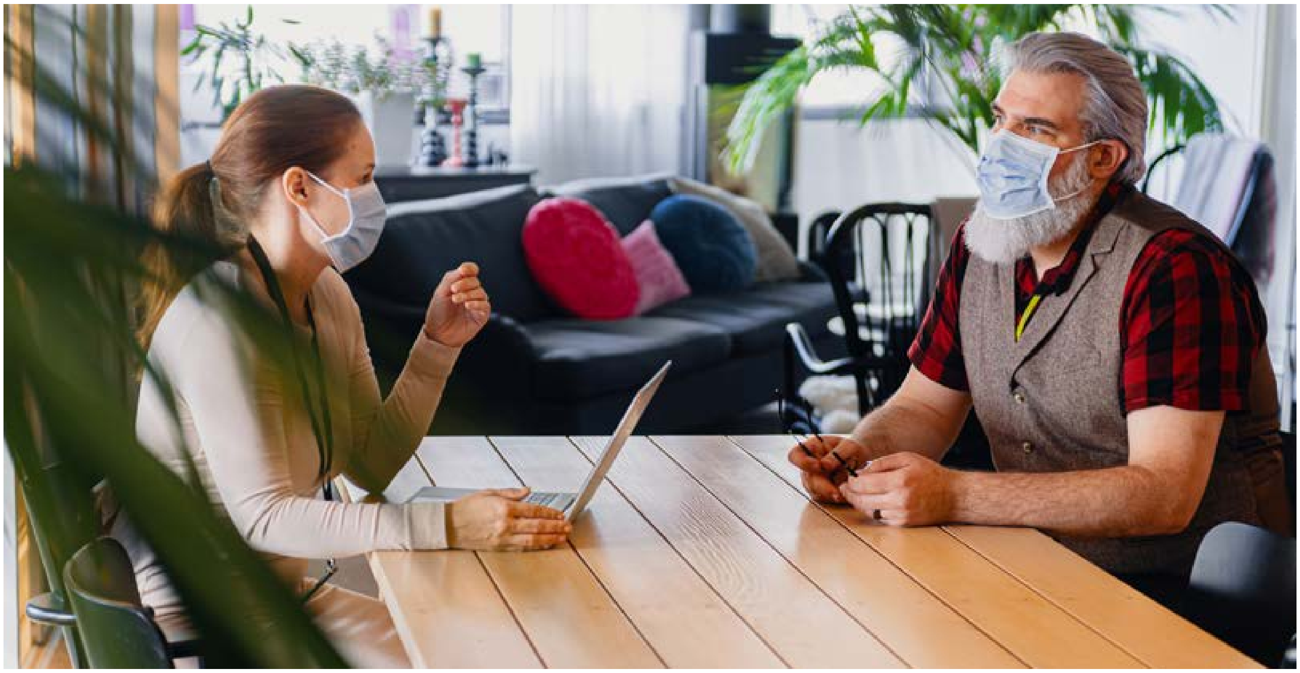
Skanska sees diversity and inclusion as critical factors in meeting United Nations Sustainable Development Goal 5: Gender equality and goal 8: Decent work and economic growth.

Leadership with focus on diversity and inclusion

Reinforced expectations and strengthened governance from the Group Leadership Team is demonstrated in the Diversity and Inclusion Procedure. As outlined by the Procedure, all business units are required to set their own diversity and inclusion goals, and to develop and track action plans.

Since many years Skanska has worked to ensure workplaces free from discrimination, harassments and bullying. This foundation allows us to have deeper Group wide and business unit specific conversations on how to prevent racism and racial inequities. To Skanska it is important to be an equal opportunity employer.

Covid-19 is posing challenges and providing opportunities in terms of inclusion. It is important to ensure understanding and appreciation between people working on sites and those working flexibly and remotely. These new aspects have been identified and developed during 2020, and will continue 2021.



Our Know the Line program

The Know the Line program developed by Skanska in USA, aims for everyone in our workplaces to feel safe to be themselves and to feel included, respected and supported to do their best work. The program includes training of HR, Legal and Ethics professionals, communication campaigns, and team conversations led by managers. The program alerts us to the "line" between respect and inclusion and their opposites – disrespect, harassment, bullying and discrimination.

Firstly, by knowing the line and remembering that words and actions matter. Secondly, by drawing the line; being courageous and speaking up for yourself or others if something seen or heard does not feel right. Thirdly, by respecting the line and supporting colleagues.

As part of the program an Experience Spectrum was created, which shows a range of behaviors and the impact they may have on others. This tool creates a common tool and should be used if an employee believes someone has crossed the line. A number of guiding questions are provided to facilitate constructive conversations for everyone involved, and to bring about a change in behavior. The program truly exemplifies the value of Being Better Together.

→ **Diversity and Inclusion**

Advancing gender equality is a priority

Traditionally the construction industry is dominated by men. Increasing the number of women in top positions and throughout Skanska is a long-term priority.

82 percent of Skanska's employees are men and 18 percent are women. Gender, from representation as well as inclusion perspective, is a prioritized focus area.

Since 2016 the percentage of women in senior positions (levels 3–6, the four most senior levels below the CEO) has increased from 20 percent to 25 percent. Three of seven of Skanska's elected board members are women.

Gender ratios also vary among different professional groups, in different business streams and in different business units within Skanska. Craft worker employees account for the most skewed gender ratio, with 96 percent men and 4 percent women. In Commercial Property Development and Residential Development business units, the number of men and women are about even.

Other aspects of diversity, such as ethnicity or age, are tracked by business units rather than at the Group level since definitions, legal requirement and restrictions differ from country to country.

Read more on page 84.

25%

Women in senior positions.

43%

Women in Skanska's Board of Directors.

Progress within inclusion

Our annual employee survey (YVOS) shows that there has been an overall positive trend in diversity and inclusion. Regarding "a caring and fair workplace", 86 percent of the respondents agree, which is 10 percentage points above general industry benchmark. Despite steady increase of the question "my manager makes the most of the diversity in the team, to create better performance together" Skanska scores 2 percentage points below general industry standard. Consequently, inclusive leadership continuous to be a focus area. And although 88 percent of the respondents say their "workplace is free from bullying and harassment", this also continues to be an area of attention. A large proportion of the cases reported to the Code of Conduct Hotline and Ethics Committee are related to discrimination, harassments and bullying.

Read more on page 84.

A climate-neutral office building

Skanska's Hyllie Terrass project in Malmö, Sweden, is a pilot project for the new Swedish climate certification NollCO_2 (ZeroCO_2). It gives a glimpse of the future for the construction industry, as NollCO_2 requires buildings to have a net-zero climate impact during its lifetime – from material production to dismantling.

As the construction and operation of buildings account for a large percentage of greenhouse gas emissions, the new third party certification scheme NollCO_2, is developed by the Sweden Green Building Council, to prompt buildings with a net-zero climate impact. It builds on other leading certifications, including LEED, BREEAM and works as an add on.

Hyllie Terrass is one of the first projects that has passed the new tough Swedish NollCO_2 pre-certification. In addition to the NollCO_2 certification, Hyllie Terrass will be health certified according to WELL and will be environmentally certified according to LEED, which provides a great complement to NollCO_2 that focuses on carbon emissions.

From the very first sketch, the climate footprint, and to reach net-zero emissions, has been one of Skanska's key parameters in all decisions, from material production to deconstruction. The project will use innovative solutions, such as low-carbon concrete, upcycling and innovative energy solutions.

Considerable effort has been put into optimizing the building's concrete construction, which accounts for the largest climate impact. All parts are being built with new, climate-improved concrete mixtures.

As much material as possible is recycled or reused in the construction process. It will also feature solar cells in combination with local battery storage, ensuring an energy supply when it is needed the most.

To the north, Hyllie Terrass shows a strict and well-designed façade with exciting architectural details and to the south, the house opens up and offers lush, organically shaped terraces connecting with the park across the street. The green terraces break off against the minimalist façade and give the building its distinct character.

The office building Hyllie Terrass comprises 12 story's and will have a total leasable area of approximately 14,000 square meters. It will offer an optimal location close to public transportation, enabling companies to be able to act sustainably at all levels.

Non-financial information

Sustainability governance
The management of sustainability follows the Group Governance Framework and internal audit procedures see page 40. The Group Governance Framework is decided by the Board. The business units are responsible to comply with what is stated in the Group Policies and Group Procedures and Standards. The framework for sustainability is set by the Code of Conduct, Supplier Code of Conduct, Anti-Corruption Policy, Sustainability Policy, Health and Safety Standard, Health and Safety Reporting Procedure, Green Reporting Procedure, Restricted Substance Standard, Health and Safety Road Map Standard, Procedure of the Code of Conduct Program, Community Investment and Sponsorship Standard and Diversity and Inclusion Procedure.

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

The governance structure for green bonds is established in the Skanska Green Bond Framework prepared by the Green Bond Committee, which is headed by the Senior Vice President Sustainability. Amongst the members of the committee are EVP for the Development business units and VP for Skanska Treasury.

Sustainability performance is assessed via key performance indicators and the annual Group-wide employee survey. Employees are annually evaluated according to their performance and capability to drive sustainability. Sustainability , through climate and health and safety parameters, are included in incentive programs for the CEO and the business unit management teams.

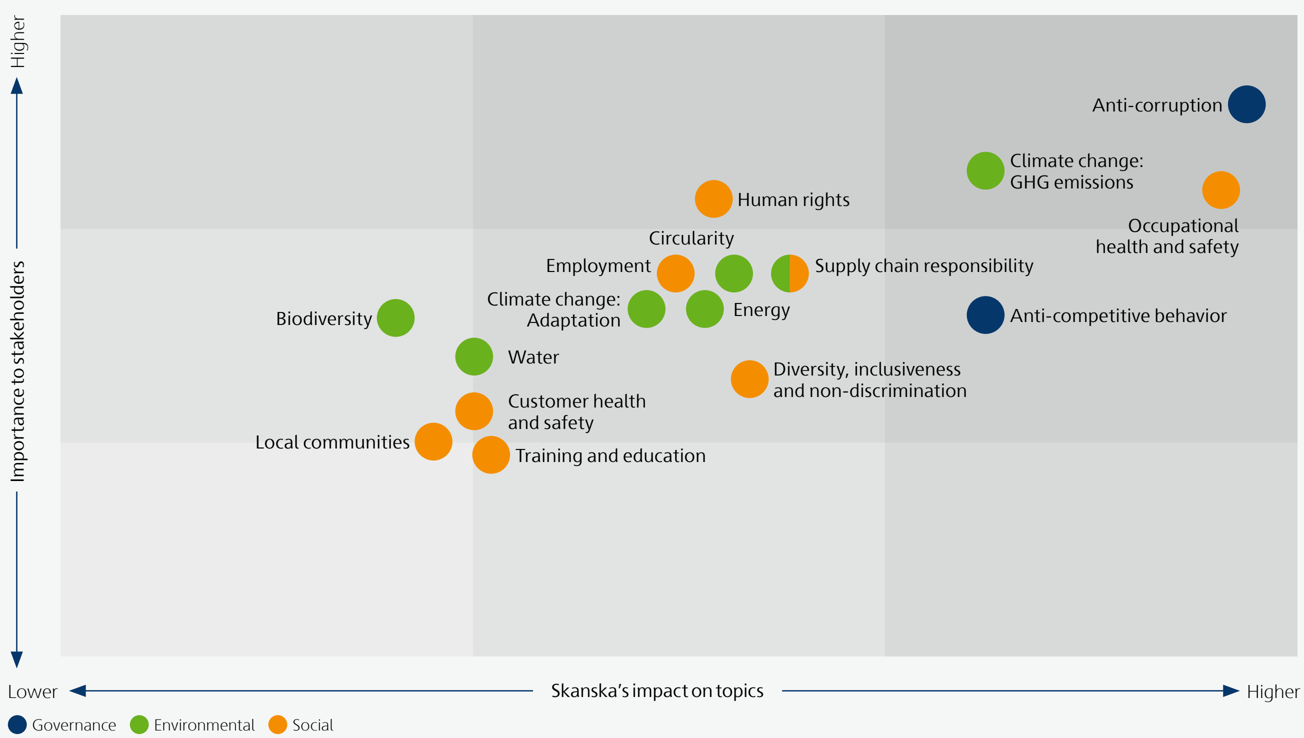
Materiality assessment
Listening to and acting on the views and expectations of Skanska´s stakeholders is crucial to the day-to-day operations and long-term planning. As part of the regular operations we continuously solicit feedback from the stakeholders in a variety of ways – from project meetings with clients to consultations with local communities. In addition, we perform a materiality assessment every two years. The latest analysis was conducted during the autumn of 2020. Part of this process includes receiving valuable input from stakeholders on what they consider to be the most important issues for Skanska to focus on. This year we received input from over 400 stakeholders through surveys and structured interviews. We selected respondents and interviewees to represent the views of the wide range of stakeholders that make up our value chain. The survey was also open to the public on Skanska's web site.

The selected respondents include:
- Investors and shareholders
- Customers
- Employees
- Suppliers and subcontractors
- Society and local communities
- Academia and NGOs.

The input received from stakeholders was compiled and an analysis of Skanska's relative impact on the different topics was carried out. Since the materiality assessment 2018 the importance of climate change has increased in general and that mirrors the debate and focus in both the society and in the industry. Anti-corruption, health and safety and climate change are clearly singled out as the most material sustainability areas to Skanska. Human rights/Supply chain responsibility are considered of increased significance by important stakeholder groups such as customers and investors/shareholders, and worth noting is also that the customer group has ranked both biodiversity and circularity considerable higher than average.

The result of the materiality assessment is presented in the below graph and shows significant alignment between Skanska and our stakeholders. This analysis gives valuable input regarding the views and expectations of our stakeholders – and guides us in shaping our sustainability agenda as well as our reporting. The next materiality analysis will be conducted in 2022.

Materiality graph



Health and Safety

Number of accidents
Total number of lost-time accidents.

	2020	2019	2018	2017	2016
Lost time accidents	504	566	712	730	638
Skanska employees	231	252			
Subcontractors	273	314			

Lost time accident rate (LTAR)
Number of employee and subcontractor lost-time accidents multiplied by 1,000,000 hours and divided by total labor hours.

	2020	2019	2018	2017	2016
LTAR	3.1	3.1	3.5	3.4	2.8
Skanska employees	3.4	3.5			
Subcontractors	3.0	3.0			

Fatal accidents
Number of fatal accidents on Skanska worksites.

	2020	2019[1]	2018	2017	2016
Fatal accidents	2	4	5	3	3
Skanska employees	1	2			
Subcontractors	1	2			

1 The number of fatal accidents in 2019 has been changed from three to four. A subcontractor employee died in 2020 as a result of an accident that occurred in 2019.

Executive Site Safety Visits (ESSV)
Site safety visits performed by senior managers.

	2020	2019	Target 2020
Executive Site Safety Visits	2,522	4,034	3,130

Improving safety in workplaces
Percentage of favorable scores (“Strongly Agree” and “Agree” ratings on the 5-point SA-SD Likert scale). Percentages indicate the proportion of respondents agreeing with the statement being asked.

%	Industry norm	2020	2019	2018	2017
Skanska is committed to improving the safety in my workplace	81	89	88	88	87

ISO 45001 certification
Number of major non-conformities identified by accredited third-party auditors.

	2020
Major non-conformities	0

Ethics

Code of Conduct training
Share of employees who have undergone training in Skanska's Code of Conduct.

%	2020	2019	2018	Target
First month of employment	97	94	93	100
Updated training every second year	99	98	100	100

Speak up culture
Percentage of favorable scores ("Strongly Agree" and "Agree" ratings on the 5-point SA-SD Likert scale). Percentages indicate the proportion of respondents agreeing with the statement being asked.

%	Industry norm	2020	2019	2018	2017
I can freely express my concerns without fear of negative consequences (e.g., safety, discrimination, ethical matters, etc)	64	84	83	82	79

Code of Conduct Hotline
Number of reports reported to the Code of Conduct Hotline.

	2020	2019
Number of reports	152	190

Green

Skanska Group climate target
Skanska aims to achieve net-zero carbon emissions in its own operations and its value chain (scope 1, 2 and 3) by 2045.

2030 interim target
For Skanska's development units (Residential Development and Commercial Property Development), the interim target is a 50 percent decrease in carbon emissions by 2030 – including the value chain for the projects (scope 1, 2 and 3). The base year for scope 1 and 2 is 2015, while the base year for scope 3 is 2020.

For construction projects with external clients the interim target is to reduce carbon emissions by 50 percent by 2030. This covers emissions from Skanska's own operations (scope 1 and 2).

To achieve the interim target, scope 1 and 2 emissions must see an average annual decrease of 3.3 percentage points.

The scopes are defined according to the Greenhouse Gas Protocol:
- Scope 1 emissions include direct emissions from sources owned or controlled by Skanska, such as boilers, furnaces and vehicles.
- Scope 2 includes indirect emissions from the generation of electricity, heating and cooling purchased and consumed by Skanska. Scope 2 emissions occur at the facility where the electricity, heat and cooling are generated.
- Scope 3 includes indirect greenhouse gas emissions from sources not owned or directly controlled by the organization.

See reporting principles on page 85–86.

Skanska's scope 3 reported categories

Category according to Greenhouse Gas Protocol	CO_2e emissions (tonnes)
Purchased goods and services	986,777 (limited to cement, concrete, steel and bitumen)
Capital goods	
Fuel- and energy-related activities (not included in scope 1 or scope 2)	44,921
Upstream transportation and distribution	
Waste generated in operations	
Business travel	4,139 (limited to air travel)
Employee commuting	
Upstream leased assets	
Downstream transportation and distribution	
Processing of sold products	
Use of sold products	835,699 (limited to the use of divested buildings within Skanska's development units)
End-of-life treatment of sold products	
Downstream leased assets	
Franchises	
Investments	

Scope 1 and scope 2 emissions (CO_2e)[1]
Scope 1 (direct) and scope 2 (indirect) emissions (CO_2e) generated in Skanska's operations.

Tonnes CO_2e		2020	2019	2018	2017	2015
Scope 1		193,020	212,609	275,173	275,537	**322,325**
Scope 2[2]	Location-based method	37,731	42,987	36,824	55,464	**42,987**
	Market-based method	71,575	78,069	57,187	71,389	**80,334**
Change since base year (scope 1 and 2), %		–34	–28	–17	–14	–
Scope 3		1,871,537				
Greenhouse gas emission intensity[3]		1.67	1.64	1.95	2.16	**2.60**
Outside of scope[4]		17,118	20,078	7,002		

1 The base year for scope 1 and 2 is 2015, while the base year for scope 3 is 2020.
2 When calculating scope 2 market-based method is used.
3 Scope 1 and 2 (market-based)/SEK M revenue, according to segment reporting.
4 The direct carbon dioxide (CO_2) impact of burning biomass and biofuels is reported Outside of scope.

Green cont.

Total energy usage
Total energy usage generated in Skanska's operations

MWh	2020	2019	2018	2017	2016
Fuel usage	821,484	897,759	1,091,436	1,091,336	1,176,128
Non-renewable	698,708	715,541	1,021,815	1,023,242	1,121,646
Renewable	122,776	182,218	69,621	68,094	54,482
Renewable, %	15	20	6	6	5
Electricity usage	300,209	331,167	241,495	272,979	263,246
Non-renewable	179,524	211,551	114,531	154 ,363	143,037
Renewable	120,685	119,617	126,964	118,616	120,209
Renewable, %	40	36	53	43	46
District heating usage	23,924	12,275	10,499	11,740	3,721
District cooling usage	2,138	36,739	623	1,499	2,597
Total energy usage	1,147,756	1,277,940	1,344,054	1,377,555	1,445,692
Non-renewable	904,294	976,106	1,147,468	1,190,844	1,271,001
Renewable	243,462	301,835	196,585	186,710	174,691
Renewable energy (excl. heating and cooling), %	21	24	15	14	12
Energy intensity[1]	7.24	7.23	7.88	8.57	9.55

1 Total energy MWh/SEK M revenue, according to segment reporting.

Certified commercial buildings share of total divestments
Share of total value, corresponding to SEK 12.1 billion, of divested offices in the Commercial Property Development business stream, certified with WELL, LEED (Platinum or Gold) or BREEAM (Excellent)

%	2020	2019
Certified commercial buildings share of total divestments	98	90

ISO 14001 certification
Number of major non-conformities identified by accredited third-party auditors.

	2020	2019	2018	2017	2016
Major non-conformities	3	0	0	1	0

Significant environmental incidents

Significant environmental incidents with potential level of impact according to the Skanska Green Reporting Procedure

	2020	2019	2018	2017	2016
Significant environmental incidents	1	3	2	1	3

Self-generated waste
Self-generated waste from projects sent to landfill.

%	2020[1]	Target
Self-generated waste to landfill	4.4	5

1 The definition of this indicator is subject to change as it is currently under review in order to improve alignment with relevant frameworks and standards. Due to this, only data for 2020 is provided here.

Diversity and Inclusion

Employees by gender by year end

Employees divided by gender and management levels

%	2020		2019		2018		2017		2016	
Category	**Men**	**Women**	**Men**	**Women**	**Men**	**Women**	**Men**	**Women**	**Men**	**Women**
Skanska AB Board of Directors[1]	57	43	57	43	43	57	50	50	63	37
Senior executives (Group Leadership Team, level 7)	67	33	67	33	67	33	67	33	70	30
Business Unit Presidents (level 6)	92	8	92	8	92	8	93	7	93	7
Group Senior Vice Presidents (level 6)	44	56	33	67	44	56	62	38	67	33
Senior positions (level 3–6)[2]	75	25	75	25	78	22	78	22	80	20
All employees	82	18	82	18	83	17	83	17	83	17

1 Elected at the Annual General Meeting.

2 Level 6 means Business Unit Presidents and Group Senior Vice Presidents, level 5 means business unit management teams, level 4 means direct reports to level 5 and level 3 means direct reports to level 4.

Employees by business unit 2020[1]

		Average headcount			
Business unit	**Total number of employees (headcount)**	**Of which women**	**% of total number of employees (headcount)**	**Of which men**	**% of total number of employees (headcount)**
SWE	8,449	1,763	21	6,686	79
NOR	3,644	362	10	3,282	90
FIN	2,218	381	17	1,837	83
CE	4,449	935	21	3,514	79
UK	5,193	1,240	24	3,953	76
USA Civil, USA Building and Skanska Inc.	10,082	1,249	12	8,833	88
CDE	202	118	58	84	42
CDN	121	62	51	59	49
CD US	72	34	47	38	53
BoKlok	347	104	30	243	70
RDE	131	71	54	60	46
HQ	124	72	58	52	42
Total	**35,032**	**6,391**	**18**	**28,641**	**82**

1 The definition is described in reporting principles, page 86 and differs from Note 36.

Diversity and inclusion indicators from annual employee survey

Percentage of favorable scores (“Strongly Agree” and “Agree” ratings on the 5-point SA-SD Likert scale). Percentages indicate the proportion of respondents agreeing with the statement being asked.

	Industry norm	2020	2019	2018	2017
My manager makes the most of the diversity in the team to achieve stronger performance together	78	76	74	73	70
My workplace is free from bullying and harassment	–	88	86	86	85
At my workplace, people care for each other and treat each other fairly	76	86	84	83	82

Reporting principles

Skanska is reporting in accordance with the GRI Standards Core sustainability reporting guidelines. Skanska aims to ensure that all information and data is relevant, transparent, consistent, accurate and complete and that it provides an objective picture of the Group's operations. The reporting period is January 1, 2020 to December 31, 2020.

The sustainability disclosures are reported from the business units quarterly or monthly using the sustainability reporting database cr360, if not else stated. As a rule, 5 years of data is reported unless such data is unavailable or if otherwise stated.

Greenhouse gases and energy

Skanska calculates and reports greenhouse gas emissions in accordance with the GHG Protocol Corporate Standard. Scope 2 emissions are calculated in accordance with the GHG Protocol scope 2 Guidance applying the market-based and location-based methods. Scope 3 emissions are calculated in accordance with the GHG Protocol Corporate Value Chain (scope 3) Accounting and Reporting Standard. Activity data is based on invoiced data, real-time meters, models, assumptions and estimates or data as reported by suppliers. Energy conversions use publicly available conversion factors and emission factors are sourced from databases such as the IEA (2020), BEIS (2020), ICE 3.0 Reliable Disclosure Systems for Europe and RE-DISS (2019). Greenhouse gases included in the reported carbon inventory are carbon dioxide (CO_2), methane (CH_4) and nitrous oxide (N_2O). Biogenic emissions of CO_2 from the combustion of biofuel and biomass are reported separately from the gross direct (scope 1) GHG emissions as Outside of scope. The GWPs used in the calculation of CO_2e are based on the IPCC Fourth Assessment Report (AR4) over a 100-year period, with exception for scope 2 calculations applying emission factors from the IEA, which are based on AR5. Skanska applies the financial control approach. Emissions data is subject to inherent uncertainties due to incomplete scientific knowledge used to determine emission factors and uncertainties in measurement methods and resulting effects on measurements and estimations.

Base years for Skanska Group's climate target have been selected on the basis of data quality. Skanska has measured and reported carbon emissions since 2008. The first year for limited assurance of the Skanska's GHG emission data was in 2014. 2020 is the first year in which all business units reported scope 3 data, and 2020 will serve as the base year for scope 3 emissions.

TCFD alignment

The process of aligning Skanska's non-financial reporting is ongoing.

Governance: Definitions and procedures to follow up on carbon emissions are defined in the Governance Framework. The carbon emission performance is followed up by the Group Leadership Team and the Board of Directors on a quarterly basis, as well as by business unit presidents.

Strategy: To meet the carbon reduction target, mitigate risks and address business opportunities, climate plans have been developed in all business units. Climate parameter is part of incentive for program for the CEO and President, and this is extended to business unit presidents 2021.

Risk management: Sustainability risks are part of ERM processes and project-specific risk assessments, and further integration is ongoing.

Targets and metrics: Skanska has a long track record of measuring and reporting on carbon emissions, including limited assurance. The Group climate target was decided on in 2019.

Waste to landfill

The indicator for waste is defined as the amount of self-generated waste to landfill. Self-generated by Skanska means materials brought into the project which were not used in the production of the project but instead are being treated as waste. Demolition waste or excavated materials are not included in the definition. The waste disposal method is based on the organizational defaults of the waste disposal contractor. The waste indicator is measured as the weight of the waste which is diverted from landfill and sent for reuse, recycling or recovery divided by the total weight of self-generated waste. Data is based on invoiced data, assumptions and estimates or data as reported by supplier, and is subject to inherent uncertainties.

Compliance with ISO 14001 and ISO 45001 management systems

If a third-party auditor identifies a major non-conformity at their review, it is to be reported through the cr360 reporting database.

Certified projects and commercial buildings

The certified projects are reported manually to Skanska headquarters.

Energy reduction in new office buildings developed by Commercial Property Development business units

This figure is calculated as all office properties divested 2020 developed by the business units Commercial Development Europe, Commercial Development Nordic and Commercial Development USA. All of them at either WELL-, LEED- (Platinum or Gold) or BREEAM-certified (Excellent). This calculation is made according to international standards, such as ASHRAE. The annual consumption of energy is determined through two models, proposed and baseline, in order to determine the energy efficiency of current projects.

Health and safety

The lost time accident rate (LTAR) represents the number of accidents resulting in an injury that restricts the employee from being able to perform their normally assigned duties for a period of one or more working days, multiplied by 1,000,000 hours and divided by total labor hours. The reported data includes Skanska employees and subcontractor employees working on Skanska jobsites. The number of fatal accidents includes Skanska employees and subcontractor employees working on Skanska jobsites, and refers to the year when the accident occurred. The data is based on report from the projects. The LTAR is influenced by national regulations, norms and regional definitions, and is hence subject to inherent uncertainty.

Annual employee survey (YVOS)

The annual employee web survey was conducted during the fall 2020. All employees are addressed except for craft employees at Skanska USA Civil and Skanska USA Building, due to union restrictions. The percentage of favorable scores refers to “Strongly Agree” and “Agree” ratings on the 5-point SA-SD Likert scale. These percentages indicate the proportion of respondents agreeing with the statement being asked.

Code of Conduct training

Code of Conduct training statistics are collated by the business units’ HR functions and entered into the Skanska common reporting system. The business units report as non-compliance any new employees who have not participated in Code of Conduct training within one month of starting work. There is a requirement for temporary staff and consultants who will be working with Skanska for a medium to long period of time to also take the training. That time period is determined as three months, although it differs between business units. Refresher training for all employees is required every two years. Due to the differences in reporting, the percentage of employees taking the refresher training within two years may in some cases cover a period of up to 27 months.

Human resources

The HR statistics are reported manually by the business units’ HR functions through the data entry portal Skanska Common Analytics. Data is broken down by gender and is reported on a quarterly basis.

The headcount reflects the actual number of people directly employed by Skanska at the end of the quarter. All employees count as one, regardless of worktime percentage. The average headcount is calculated as the average over the last four quarters.

Changes in the Sustainability Report between 2019 and 2020

- Limited assurance of health and safety performance
- Waste only disclosed for 2020
- SDG sub-targets are disclosed in GRI Index.

New data disclosed

- All business units report scope 3
- Scope 3, Use of sold products, reported by Residential Development and Commercial Property Development business units.

Financial analysis

Revenue decreased in both Swedish kronor and local currencies, while operating income according to both segment reporting and IFRS increased both in Swedish kronor and in local currencies compared to the previous year. The decrease in revenues in Construction is to some extent related to Covid-19 disruptions, primarily in Europe and USA, and by customers delaying the start of new projects. It is also the result of the strategic measures intended to focus the operations and to be more selective in bidding process to improve profitability. The operating margin during the year was 2.5 percent. The more selective bidding process and the focus on building an order backlog with a good balance between risk and return has, in the long term, resulted in an order backlog, amounting to SEK 149.8 billion.

The order backlog in Construction at the end of the year amounted to SEK 178.9 billion, which is equivalent to 16 months of production. Residential Development showed stable profitability. The number of homes sold and started increased during the year and Rental (Hyresbostäder) had biggest increase in volume. BoKlok launched its first project in the UK in 2020. Demand is particularly strong in the Nordic countries and Skanska has a strong landbank in all markets. The long-term effects of the pandemic make the prospects uncertain, particular in terms of the impact of unemployment levels. Commercial Property Development had a very active and profitable year with respect to divestments in all three markets. In 2020, the Nordics, Central Europe and USA divested property for SEK 13.8 billion with divestment gains of SEK 4.8 billion reported according to segment reporting. Skanska's commercial properties are in demand and are considered attractive by investors. At the end of the year, Commercial Property Development had 31 ongoing projects. Skanska leased out 233,000 square meters in 2020. The pandemic has negatively impacted the leasing market as uncertainty about demand and criteria for future offices is causing tenants to postpone decisions on signing new leases. Skanska's ability to adapt to the needs of tenants will be a strength when development projects start up in a changing office market. During the year Skanska divested its 50 percent ownership stake in the Elizabeth River Crossings company in USA.

Market outlook

Construction

The pandemic has had a negative impact on demand in Construction, mainly from private non-residential and residential customers. Public sector investment in social infrastructure and other infrastructure remains at a relatively good level, even though certain decisions have been postponed. Financing could be a challenge because many public budgets are shrinking due to lower tax revenue and increased use of resources to fight the pandemic and to stimulate economies. This is evident in the civil construction market in USA where competition is also increasing. The inauguration of the new US President is likely to reduce uncertainty in the market and federal investments in infrastructure could potentially increase, although lead times are expected to be long. The civil market in the UK is improving as the trade agreement with the EU is reducing the uncertainty affecting decision-making in the public sector.

Residential Development

Low interest rate policies to support economic recovery are increasing affordability, which is boosting home buyer confidence. The housing market is, in many cases, experiencing a housing shortage due to significant slowing in the start of new development projects. The risk of increased unemployment as a consequence of an economic slowdown due to the pandemic may potentially have a negative effect on demand. To some extent, a structural shortage of homes in many of Skanska's markets will offset this situation.

In 2020, 3,991 (3,853) homes were sold and construction on 3,807 (3 407) homes was started, of which BoKlok has sold 1,037 (1,024) homes and started 826 (1,035) homes. At the end of the year there were 6,948 (7,130) homes under construction and 72 percent (70) of these were sold.

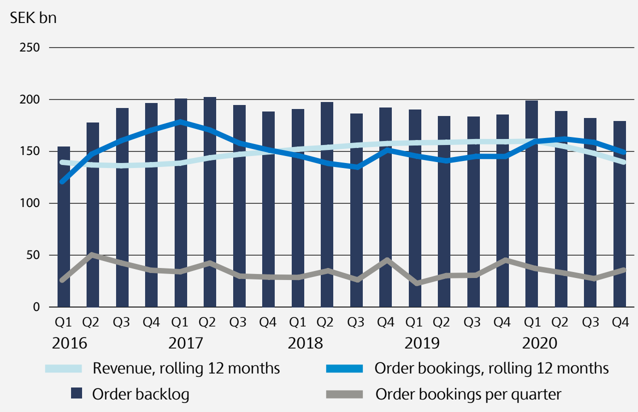
Commercial Property Development

Transaction volumes and the number of new development projects started have decreased due to uncertainty in the markets. The credit market has, however, recovered and remains stable. Investors' interest in high-quality development projects is expected to stabilize at around the current level in terms of yield requirements.

The lease market has slowed down significantly, largely due to uncertainty among tenants. Activity is expected to pick up, but demand and behavior in the office market will likely change.

At the end of the year, Commercial Property Development had 31 ongoing projects, representing leasable space of 595,000 square meters.

Order bookings, order backlog and revenue in Construction



Order bookings

Order bookings amounted to SEK 149.8 billion (145.8) (decreased by 6 percent in local currency). Order bookings in SEK were 7 percent higher than revenue in 2020, compared to 9 percent lower order bookings than revenue the previous year. Compared to the previous year, order bookings were higher in Europe and include SEK 13.9 billion order booking for a high-speed railway in the UK. Order bookings were, however, lower in Sweden and USA.

Order bookings and order backlog

	Order bookings		Order backlog	
SEK M	**2020**	**2019**	**2020**	**2019**
Nordic countries	59,253	59,437	63,514	62,244
of which Sweden	30,502	37,596	34,558	37,771
Europe	40,147	18,953	37,681	24,699
USA	50,402	67,428	77,729	98,427
Total	**149,802**	**145,818**	**178,924**	**185,370**

Order backlog

The order backlog decreased by 3 percent compared to the previous year and amounted to SEK 178.9 billion (185.4) at the end of the year. The order backlog is equivalent to 16 (14) months of production.

The US, Nordic and European operations accounted for 43, 36 and 21 percent respectively of the order backlog.

Segment reporting and IFRS

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

Revenue

SEK M	2020	2019
Revenue by business stream according to segment reporting		
Construction	140,483	159,579
Residential Development	13,070	12,483
Commercial Property Development	14,983	17,850
Central and eliminations	–9,930	–13,130
Total revenue according to segment reporting	**158,606**	**176,782**
Difference in accounting principles	1,738	–3,936
Total revenue in accordance with IFRS	**160,344**	**172,846**

Revenue in accordance with IFRS decreased by 7 percent (decreased 5 percent in local currency) to SEK 160.3 billion (172.8).

Revenue according to segment reporting decreased by 10 percent (decreased 8 percent in local currency) to SEK 158.6 billion (176.8). In the Construction business stream revenue decreased in SEK by 12 percent, in part due to Covid-19 disruptions, mainly in Europe and USA. SEK 9.8 billion (13.0) of revenue in Construction, equivalent to 7 percent (8), was generated by the Group's Project Development operations. Of the SEK 13,070 M (12,483) in Residential Development revenue, SEK 594 M (532) is from joint ventures and this has been included line by line according to the proportional method in segment reporting.

Operating income

SEK M	2020	2019
Operating income by business stream according to segment reporting		
Construction	3,528	3,772
Residential Development	1,543	1,195
Commercial Property Development	3,897	3,287
Central	2,830	–388
Eliminations	62	–38
Operating income according to segment reporting	**11,860**	**7,828**
Difference in accounting principles	773	–400
Operating income in accordance with IFRS	**12,633**	**7,428**

Operating income in accordance with IFRS increased by 70 percent (increased 72 percent in local currency) to SEK 12,633 M (7,428).

Operating income according to segment reporting amounted to SEK 11,860 M (7,828). Impairment losses on current and non-current assets were charged to operating income in the amount of SEK –393 M (–719), mainly attributable to impairment losses on current-asset properties, while the previous year's impairment losses were mainly on goodwill impairment.

Construction

In the Construction business stream, operating income decreased and amounted to SEK 3,528 M (3,772). The operating margin was higher than in the previous year and amounted to 2.5 percent (2.4). Operating income for Sweden was negatively impacted by weak profitability and restructuring charges in residential construction, and by lower volumes in Industry operations. Profitability continued to improve in USA. The operating income in the comparable period was positively impacted by SEK 196 M related to awarded damages in a legal case in Norway and negatively impacted by SEK –367 M goodwill impairment charge in the UK.

Residential Development according to segment reporting

Operating income in Residential Development amounted to SEK 1,543 M (1,195) and includes divestment of a multi family housing portfolio consisting of around 600 homes in Sweden and a sales total of SEK 1.5 billion. The previous year was negatively affected by goodwill impairment losses of SEK –101 M in Norway. The business stream's operating margin increased to 11.8 percent (9.6). Impairment losses including reversal of impairment losses on current-asset properties in Residential Development were charged to earnings in the amount of SEK –45 M (–170).

Commercial Property Development according to segment reporting

Operating income in the Commercial Property Development business stream amounted to SEK 3,897 M (3,287). Properties were sold during the year for a value of SEK 13,827 M (17,133), generating divestment gains of SEK 4,750 M (4,275) and income from joint ventures of –8 (146) M. Impairment losses on current-asset properties in Commercial Property Development were charged to earnings in the amount of SEK –279 M (–19).

Central

Central amounted to SEK 2,830 M (–388), of which SEK 3,734 M (24) is attributable to the PPP (Public Private Partnership) portfolio, on which the divestment of the 50 percent ownership stake in Elizabeth River Crossings in Virginia, USA, had a positive effect. Operating income was negatively affected during the year in the amount of SEK –700 M. This mainly consists of provisions for remaining risks in settlement of legacy items and the PPP portfolio. Central expenses for the comparative period were positively affected by the release of a provision totaling SEK 212 M for legal proceedings relating to the R4 project in Czech Republic.

Elimination of intra-Group profits

Elimination of profits on internal projects amounted to SEK 62 M (–38). 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 26.0 percent (21.4) and return on capital employed in Project Development operations amounted to 12.2 percent (10.3) according to segment reporting.

Income in accordance with IFRS

SEK M	2020	2019
Operating income	12,633	7,428
Financial income	120	188
Financial expense	–349	–276
Financial items	**–229**	**–88**
Income after financial items	**12,404**	**7,340**
Taxes	–2,507	–1,286
Profit for the year	**9,897**	**6,054**

Financial items amounted to SEK –229 M (88) net, including interest expense from lease liabilities of SEK –244 M (–272). Tax expense for the year amounted to SEK –2,507 M (–1,286), representing a tax rate of 20 percent (18).

Investments/divestments

SEK M	2020	2019
Operations – investments		
Intangible assets	–132	–116
Property, plant and equipment	–1,487	–2,566
Equities	–19	–108
Current-asset properties	–20,047	–22,173
of which Residential Development	–10,299	–9,308
of which Commercial Property Development	–9,748	–12,865
Operations – investments	**–21,685**	**–24,963**
Strategic investments		
Acquisition of businesses		–6
Strategic investments	**0**	**–6**
Total investments	**–21,685**	**–24,969**
Operations – divestments		
Intangible assets	8	25
Property, plant and equipment	289	1,028
Equities	5,470	284
Current-asset properties	28,426	25,258
of which Residential Development	11,548	11,740
of which Commercial Property Development	16,878	13,518
Operations – divestments	**34,193**	**26,595**
Total net divestments(+)/investments(–)	**12,508**	**1,626**
Depreciation/amortization, non-current assets	–2,945	–3,043

The Group's investments amounted to a total of SEK –21,685 M (– 24,969). Divestments amounted to SEK 34,193 M (26,595), and the Group's net divestments amounted to SEK 12,508 M (1,626).

Net divestments in current-asset properties amounted to SEK 8,379 M (3,085). In Residential Development investments in current-asset properties amounted to SEK –10,299 M (–9,308), of which SEK –2,499 M (–1,744) was for land, equivalent to 4,328 (4,197) building rights. Homes were handed over for a volume of SEK 11,548 M (11,740). Net divestment of current-asset properties in Residential Development amounted to SEK 1,249 M (2,432).

In Commercial Property Development investments in current-asset properties amounted to SEK –9,748 M (–12,865), of which SEK –2,752 M (–2,498) was for land. Divestments of current-asset properties amounted to SEK 16,878 M (13,518). Net divestment of current-asset properties in Commercial Property Development amounted to SEK 7,130 M (653). Share divestments relate to the sale of the ownership stake in Elizabeth River Crossings.

Consolidated operating cash flow

SEK M	2020	2019
Cash flow from operating activities	4,104	4,704
Change in working capital	608	–651
Net investments(–)/divestments(+)	12,508	1,632
Accrual adjustments	–355	209
Cash flow from business operations before taxes paid	**16,865**	**5,894**
Taxes paid in business operations	–1,481	–1,371
Cash flow from business operations including taxes paid	**15,384**	**4,523**
Net interest and other financial items	1,334	–983
Taxes paid in financing operations	400	295
Cash flow from financing activities	**–934**	**–688**
Cash flow from operations	**14,450**	**3,835**
Strategic net divestments(+)/investments(–)		–6
Dividend etc.[1]	–1,443	–2,488
Cash flow before change in interest-bearing receivables and liabilities	**13,007**	**1,341**
Change in interest-bearing receivables and liabilities	–1,336	–3,415
Cash flow for the year	**11,671**	**–2,074**
Cash and cash equivalents, January 1	8,745	10,722
Exchange rate differences in cash and cash equivalents	–908	97
Cash and cash equivalents, December 31	**19,508**	**8,745**
1 Of which repurchases of shares	–88	

Cash flow for the year amounted to SEK 11,671 M (–2,074).

Cash flow from operating activities amounted to SEK 14,450 M (3 835), with an increase in net divestments in Commercial Property Development being the main reasons for the change in cash flow. Taxes paid in business operations amounted to SEK –1,481 M (–1,371).

Cash flow for the year of SEK 11,671 M (–2,074) combined with translation differences of SEK –908 M (97) increased cash and cash equivalents, which amounted to SEK 19,508 M (8,745).

Commercial Property Development assets sold but not yet transferred as of December 31, 2020 will have a positive effect on cash flow of SEK 5.7 billion, of which SEK 4.1 billion will be received in 2021. The remainder will impact cash flow in 2022.

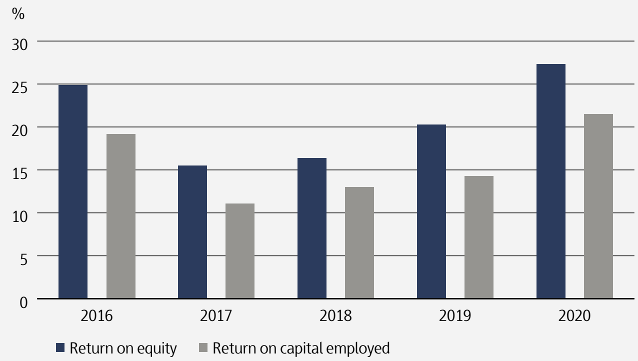
Financing and liquidity

At the end of 2020 the Group had interest-bearing net receivables amounting to SEK 7.3 billion (–4.9), including SEK 7.2 billion (8.9) in lease liabilities in accordance with IFRS 16.

At the end of the year, cash and cash equivalents and unutilized confirmed credit facilities amounted to SEK 27.0 billion, of which SEK 22.8 billion is available within one week. The Group's total assets increased by SEK 0.4 billion and amounted to SEK 125.6 billion (126.0).

For financial position, see also Note 6 and Note 14.

Return on equity and capital employed



At the end of the year, equity attributable to equity holders amounted to SEK 38,620 M (32,924). Apart from comprehensive income for the year of SEK 6,824 M, the change in equity is mainly explained by dividends of SEK –1,340 M and share-based payments in connection with long-term employee ownership programs (Seop) totaling SEK 300 M. Return on equity increased to 27.8 percent (20.3).

Capital employed at year-end amounted to SEK 61,129 M (55,938). Return on capital employed amounted to 21.5 percent (14.3).

Equity/assets ratio and debt/equity ratio

The net debt/equity ratio amounted to –0.2 (0.1) and the equity/assets ratio amounted to 30.8 percent (26.2).

For additional financial information see Note 6 and Note 14.

Parent Company

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

Profit for the year amounted to SEK 2,976 M (3,038) and mainly consisted of dividends from subsidiaries. The average number of employees was 96 (97).

Senior executive remuneration

For information about the most recently approved guidelines for determining salaries and other remuneration for the CEO and other senior executives, see Note 37.

Skanska employee ownership program (Seop)

The purpose of the Seop is to strengthen the Group's ability to retain and recruit qualified employees and to align them 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 earn matching shares and performance shares, a person must be employed during the entire lock-up period and have retained the shares purchased within the framework of the program.

In 2020, costs related to the Seop program amounted to SEK 300 M. See also Note 26 and Note 37.

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

Research and development (R&D)

Through our R&D activities, Skanska identifies, develops and applies new and improved products, services and processes in order to offer customers innovative and climate-smart solutions. R&D thus not only enables us to improve operational efficiency, but also supports our ability to add value for our shareholders over the long-term.

Skanska's business units head up our initiatives and activities. This allows us to flexibly and easily make the best possible use of our R&D to meet the needs of our business. Our various internal networks and communication platforms facilitate knowledge sharing throughout the Group to drive our efforts forward.

Digitalization and sustainability

Digitalization and sustainability are at the core of our R&D activities. R&D is essential if we are to reach our climate goals and digitalization plays a crucial role. It is possible to reduce carbon emissions by half using existing technology, methods and business models, but achieving climate neutrality depends entirely on finding new paths forward. R&D is therefore crucial to solve sustainability challenges.

New technology, innovations and improved products are playing an increasingly important role, with increased demand for digitalized solutions and for quality, functionality and design.

Read more on Skanska's innovative solutions within sustainability in our Sustainability report on pages 58–86.

Importance of R&D partnerships

It is equality important for us to increase our R&D collaboration with external partners. Partnerships with representatives from throughout the value chain – from decision-makers, business partners and suppliers, to private individuals – are key for success in sustainable development. Partnerships help to drive progress on important initiatives in the construction and infrastructure sector, including those focusing on reasonably priced housing, sustainable growth and urban planning. R&D partnerships are also key in order to reach the zero carbon emissions target by 2045 – a target that guides Skanska's efforts to reduce climate impact within its operations.

Information on shares

To ensure allotment of shares to the participants in Skanska's employee ownership programs, the 2020 Annual General Meeting authorized the Board to repurchase treasury shares. According to this decision the company may buy a maximum of 1,200,000 Series B shares to ensure allotment of shares to participants in Seop 5.

During the year, Skanska repurchased a total of 460,000 shares at an average price of SEK 190.74. The average price of all repurchased shares is SEK 138.45. The quota value of the repurchased shares is SEK 3.00 per share, totaling SEK 1.4 M, and the shares represent 0.1 percent of the total share capital. The cost of acquiring the shares amounted to SEK 88 M. During the year 1,237,805 shares were allotted to the employees participating in the employee ownership program. The quota value of these shares is SEK 3.00 per share, totaling SEK 3.7 M, and the shares represent 0.3 percent of the total share capital. The number of treasury shares held as of December 31, 2020 amounted to 7,616,674. The quota value of these shares is SEK 3.00 per share, totaling SEK 22.9 M, and the shares represent 1.8 percent of the total share capital.

The cost of acquiring the shares amounted to SEK 1.1 billion.

Proposal for dividend

The Board of Directors (the "Board") proposes that the Annual General Meeting on March 30, 2021, decides on a dividend for 2020 of SEK 9.50 (3.25) per share, of which SEK 6.50 (3.25) per share as ordinary dividend and SEK 3.00 (0.00) per share as extra dividend. The Board proposes Thursday April 1, 2021, as the record date for receiving dividend. If the Annual General Meeting resolves in accordance with the Board's proposal, the dividend is expected to be distributed by Euroclear Sweden AB on Thursday April 8, 2021. The proposed dividend totals SEK 3,917 M (1,340). No dividend is paid for the Parent Company's holding of Series B treasury shares. The total dividend amount may change up to the time of the record date, depending on the repurchase of own Series B shares and transfer of Series B shares to participants in long-term share saving programs.

The Board's justification for its proposed dividend

The Board hereby issues the following reasoned statement in accordance with Chapter 18, Section 4 of the Swedish Companies Act due to the dividend proposal.

The Parent Company's and the Group's operations, risks in these operations and governance, processes and mechanisms for managing these risks, the Parent Company's and the Group's financial situation as of December 31, 2020, and which accounting principles are applied to valuing assets and liabilities are stated in this Annual and Sustainability Report. The proposed dividend reduces the Parent Company's equity/assets ratio from 87.3 percent to 81.3 percent and the Group's equity/assets ratio from 30.8 percent to 28.6 percent, calculated on December 31, 2020.

The Board is of the opinion that, after the dividend has been paid, the financial strength of the Parent Company and the Group is assessed to continue to be good in relation to the industry in which the Parent Company and the Group are operating and, also with regard to Covid-19, to be fully sufficient to enable the Parent Company and the Group to fulfil its obligations in the short and long term. It is the Board's assessment that the Parent Company and the Group are well prepared to handle any changes in respect of liquidity, as well as unexpected events. The Board is of the opinion that the Parent Company and the Group have the ability to take future business risks and also cope with potential losses. The Parent Company's and the Group's ability to make commercially motivated investments in accordance with the strategy of the Board will not be adversely affected by the dividend.

The proposed dividend is deemed by the Board to be justifiable in view of what is required in terms of the size of the Parent Company's and the Group's equity as well as the Parent Company's and the Group's consolidation requirements, liquidity and position in general, based on the nature, scale and risks of the operations. The Board has hereby considered, among other things, the Parent Company's and the Group's historical development, expected development and the economic situation.

With reference to the above and based on what has otherwise come to the Board's attention, and after an assessment of the financial position of the Parent Company and the Group, the Board concludes that the proposed dividend is justifiable taking into account the requirements set forth in Chapter 17, Section 3 of the Swedish Companies Act.

Consolidated income statement

SEK M	Note	2020	2019
Revenue	8, 9	160,344	172,846
Cost of sales	10	–143,457	–156,540
Gross income		**16,887**	**16,306**
Selling and administrative expenses	11	–8,269	–9,469
Income from joint ventures and associated companies	20	4,015	591
Operating income	10, 12, 13, 22, 36, 38, 40	**12,633**	**7,428**
Financial income		120	188
Financial expense		–349	–276
Financial items	14, 15	**–229**	**–88**
Income after financial items		**12,404**	**7,340**
Taxes	16	–2,507	–1,286
Profit for the year		**9,897**	**6,054**
Profit for the year attributable to			
Parent Company equity holders		9,875	6,031
Non-controlling interests		22	23
Earnings per share, SEK	26, 43	23.97	14.68
Earnings per share after dilution, SEK	26, 43	23.84	14.62
Proposed regular dividend per share, SEK		6.50	3.25
Proposed extra dividend per share, SEK		3.00	0.00

Consolidated statement of comprehensive income

SEK M	2020	2019
Profit for the year	**9,897**	**6,054**
Other comprehensive income		
Items that will not be reclassified to profit or loss		
Remeasurement of defined-benefit pension plans[1]	–1,003	–895
Tax on items that will not be reclassified to profit or loss for the period	211	166
	–792	**–729**
Items that have been or will be reclassified to profit or loss		
Translation differences attributable to equity holders	–2,120	672
Translation differences attributable to non-controlling interests	–7	3
Hedging of exchange rate risk in foreign operations	–19	4
Effect of cash flow hedges	35	31
Share of other comprehensive income of joint ventures and associated companies	–176	–41
Tax on items that have been or will be reclassified to profit or loss for the period	21	–10
	–2,266	**659**
Other comprehensive income after tax	**–3,058**	**–70**
Comprehensive income for the year	**6,839**	**5,984**
Comprehensive income for the year attributable to		
Parent Company equity holders	6,824	5,958
Non-controlling interests	15	26
1 Effects of social insurance contributions including special employer's contribution are included	–143	–144

See also Note 26.

Consolidated statement of financial position

SEK M	Note	Dec 31, 2020	Dec 31, 2019
ASSETS			
Non-current assets			
Property, plant and equipment	17	6,816	7,742
Property, plant and equipment right-of-use assets	40	3,930	4,616
Goodwill	18	3,713	4,057
Other intangible assets	19	771	865
Investments in joint ventures and associated companies	20	1,689	3,442
Non-current financial assets	21	1,931	2,528
Deferred tax assets	16	1,803	1,862
Total non-current assets		**20,653**	**25,112**
Current assets			
Current-asset properties	22	44,947	46,373
Current-asset properties right-of-use assets	40	2,980	3,980
Inventories	23	1,100	1,128
Current financial assets	21	8,492	6,899
Tax assets	16	950	670
Contract assets	9	4,599	5,898
Other operating receivables	24	22,402	27,213
Cash and bank balances	25	19,508	8,745
Total current assets		**104,978**	**100,906**
ASSETS	32	**125,631**	**126,018**
of which interest-bearing financial non-current assets	31	1,884	2,483
of which interest-bearing current assets	31	27,808	15,517
		29,692	18,000

Continued

SEK M	Note	Dec 31, 2020	Dec 31, 2019
EQUITY	26		
Share capital		1,260	1,260
Paid-in capital		3,327	3,027
Reserves		906	3,165
Retained earnings		33,127	25,472
Equity attributable to equity holders		**38,620**	**32,924**
Non-controlling interests		97	97
TOTAL EQUITY		**38,717**	**33,021**
LIABILITIES			
Non-current liabilities			
Financial non-current liabilities	27	3,247	2,565
Lease liabilities	40	6,217	7,843
Pensions	28	7,360	6,866
Deferred tax liabilities	16	928	1,045
Total non-current liabilities		**17,752**	**18,319**
Current liabilities			
Financial current liabilities	27	4,663	4,617
Lease liabilities	40	1,016	1,078
Tax liabilities	16	1,883	564
Current provisions	29	10,326	10,021
Contract liabilities	9	19,462	20,419
Other operating liabilities	30	31,812	37,979
Total current liabilities		**69,162**	**74,678**
TOTAL LIABILITIES		**86,914**	**92,997**
EQUITY AND LIABILITIES	32	**125,631**	**126,018**
of which interest-bearing financial liabilities	31	15,052	16,051
of which interest-bearing pensions and provisions	31	7,360	6,866
		22,412	22,917

Information on 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	Cash flow hedge reserve	Retained earnings	Total	Non-controlling interests	Total equity capital
	Equity attributable to equity holders							
Equity, December 31, 2018	**1,260**	**2,782**	**2,875**	**–366**	**22,699**	**29,250**	**97**	**29,347**
Changed accounting principle, Note 3					–67	–67		–67
Adjusted equity, January 1, 2019	**1,260**	**2,782**	**2,875**	**–366**	**22,632**	**29,183**	**97**	**29,280**
Profit for the year					6,031	6,031	23	6,054
Other comprehensive income for the year			676	–20	–729	–73	3	–70
Dividend					–2,462	–2,462	–26	–2,488
Change in share-based payments		245				245		245
Equity, December 31, 2019/ Equity, January 1, 2020	**1,260**	**3,027**	**3,551**	**–386**	**25,472**	**32,924**	**97**	**33,021**
Profit for the year					9,875	9,875	22	9,897
Other comprehensive income for the year			–2,139	–120	–792	–3,051	–7	–3,058
Dividend					–1,340	–1,340	–15	–1,355
Repurchase of 460,000 Series B shares					–88	–88		–88
Change in share-based payments		300				300		300
Equity, December 31, 2020	**1,260**	**3,327**	**1,412**	**–506**	**33,127**	**38,620**	**97**	**38,717**

See also Note 26.

Consolidated cash flow statement

SEK M	2020	2019
Operating activities		
Operating income	12,633	7,428
Adjustments for items not included in cash flow	–8,529	–2,724
Income tax paid	–1,452	–1,309
Cash flow from operating activities before change in working capital	**2,652**	**3,395**
Cash flow from change in working capital		
Investments in current-asset properties	–20,424	–22,036
Divestments of current-asset properties	28,448	25,330
Change in inventories and operating receivables	2,417	2,009
Change in operating liabilities	–1,804	–2,660
Cash flow from change in working capital	**8,632**	**2,643**
Cash flow from operating activities	**11,284**	**6,038**
Investing activities		
Acquisition of business		–6
Investments in intangible assets	–132	–116
Investments in property, plant and equipment	–1,487	–2,566
Investments in shares	–19	–108
Increase in interest-bearing receivables	–3,666	–1,300
Divestments of intangible assets	8	25
Divestments of property, plant and equipment	289	1,028
Divestments of shares	5,470	284
Decrease in interest-bearing receivables	1,137	1,607
Income tax paid	–29	–62
Cash flow from investing activities	**1,571**	**–1,214**
Financing activities		
Net interest	113	224
Other financial income and expense	–139	79
Borrowings	8,821	2,497
Repayment of debt excluding lease liabilities	–7,612	–6,219
Total cash outflow for leases	–1,324	–1,286
Dividend	–1,340	–2,462
Repurchase of treasury shares	–88	
Dividend to non-controlling interests	–15	–26
Income tax paid	400	295
Cash flow from financing activities	**–1,184**	**–6,898**
Cash flow for the year	**11,671**	**–2,074**
Cash and cash equivalents, January 1	8,745	10,722
Translation differences in cash and cash equivalents	–908	97
Cash and cash equivalents, December 31	**19,508**	**8,745**

Change in interest-bearing net receivables/net liabilities

SEK M	2020	2019
Interest-bearing net receivables/net liabilities, January 1	**–4,917**	**3,231**
Changed accounting principle, Note 3		–7,469
Adjusted opening balance	**–4,917**	**–4,238**
Cash flow from operating activities	11,284	6,038
Cash flow from investing activities excluding change in interest-bearing receivables	4,100	–1,521
Cash flow from financing activities excluding change in interest-bearing liabilities	–2,393	–3,176
Remeasurement of pension liabilities	–860	–751
Net receivable/net liability acquired/divested		–505
Translation differences	–1,067	129
Other	1,133	–893
Interest-bearing net receivables/net liabilities, December 31 (+/–)	**7,280**	**–4,917**

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	2020	2019
Construction		
Cash flow from operating activities	6,257	6,614
Change in working capital	1,382	–262
Net divestments(+)/ investments(–)	–1,188	–1,503
Total Construction	**6,451**	**4,849**
Residential Development		
Cash flow from operating activities	–434	–707
Change in working capital	–693	1,055
Net divestments(+)/investments(–)	1,291	2,354
Accrual adjustments [1]		
Total Residential Development	**164**	**2,702**
Commercial Property Development		
Cash flow from operating activities	–1,088	–917
Change in working capital	–487	–1,130
Net divestments(+)/investments(–)	7,211	775
Accrual adjustments [1]	–355	209
Total Commercial Property Development	**5,281**	**–1,063**
Central and eliminations		
Cash flow from operating activities	–631	–286
Change in working capital	406	–314
Net divestments(+)/investments(–)	5,194	6
Total central and eliminations	**4,969**	**–594**
Total cash flow from operating activities	4,104	4,704
Total change in working capital	608	–651
Total net divestments(+)/investments(–)	12,508	1,632
Total accrual adjustments [1]	–355	209
Total cash flow from operating activities before taxes paid	**16,865**	**5,894**

SEK M	2020	2019
Taxes paid in business operations	–1,481	–1,371
Cash flow from business operations including taxes paid	**15,384**	**4,523**
Net interest, other financial items and repayment of lease liabilities	–1,334	–983
Taxes paid in financing operations	400	295
Cash flow from financing activities	**–934**	**–688**
Cash flow from operations	**14,450**	**3,835**
Strategic net divestments(+)/investments(–)		–6
Dividend etc. [2]	–1,443	–2,488
Cash flow before change in interest-bearing receivables and liabilities	**13,007**	**1,341**
Change in interest-bearing receivables and liabilities excluding lease liabilities	–1,336	–3,415
Cash flow for the period	**11,671**	**–2,074**
Cash and cash equivalents, January 1	8,745	10,722
Translation differences in cash and cash equivalents	–908	97
Cash and cash equivalents, December 31	**19,508**	**8,745**

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

2 Of which shares repurchased –88

See also Note 35.

Parent Company income statement

SEK M	Note	2020	2019
Revenue	45	675	729
Gross income		**675**	**729**
Selling and administrative expenses		–523	–533
Operating income	48, 49, 61	**152**	**196**
Income from holdings in Group companies	46	2,857	2,896
Interest expense and similar items	46	–28	–33
Income after financial items		**2,981**	**3,059**
Tax on profit for the year	47	–5	–21
Profit for the year[1]		**2,976**	**3,038**

1 Coincides with comprehensive income for the year.

Parent Company balance sheet

SEK M	Note	Dec 31, 2020	Dec 31, 2019
ASSETS			
Intangible non-current assets	48	8	11
Property, plant and equipment	49		
Plant and equipment		0	0
Total property, plant and equipment		**0**	**0**
Non-current financial assets	50		
Holdings in Group companies	51	11,477	11,318
Holdings in joint arrangements	52	3	3
Receivables in Group companies	62	384	318
Deferred tax assets	47	60	64
Other non-current receivables	50	107	107
Total non-current financial assets		**12,031**	**11,810**
Total non-current assets		**12,039**	**11,821**
Current receivables			
Current receivables in Group companies	62	34	28
Tax assets		13	8
Other current receivables		102	107
Prepaid expenses and accrued income	53	15	14
Total current receivables		**164**	**157**
Total current assets		**164**	**157**
ASSETS	58	**12,203**	**11,978**

SEK M	Note	Dec 31, 2020	Dec 31, 2019
EQUITY AND LIABILITIES			
Equity	54		
Share capital		1,260	1,260
Statutory reserve		598	598
Restricted equity		**1,858**	**1,858**
Retained earnings		5,818	3,892
Profit for the year		2,976	3,038
Unrestricted equity		**8,794**	**6,930**
Total equity		**10,652**	**8,788**
Provisions	55		
Provisions for pensions and similar obligations	56	164	173
Other provisions		76	81
Total provisions		**240**	**254**
Non-current interest-bearing liabilities	57		
Liabilities to Group companies	62	1,211	2,816
Total non-current interest-bearing liabilities		**1,211**	**2,816**
Current liabilities	57		
Trade accounts payable		13	21
Liabilities to Group companies	62	5	21
Other liabilities		3	5
Accrued expenses and prepaid income		79	73
Total current liabilities		**100**	**120**
EQUITY AND LIABILITIES	58	**12,203**	**11,978**

Parent Company statement of changes in equity

SEK M	Share capital	Statutory reserve	Unrestricted equity	Total equity
Equity, January 1, 2019	**1,260**	**598**	**6,138**	**7,996**
Compensation to subsidiaries for shares issued under employee ownership programs			–29	–29
Dividend			–2,462	–2,462
Share-based payments			245	245
Profit for the year[1]			3,038	3,038
Equity, December 31, 2019	**1,260**	**598**	**6,930**	**8,788**
Equity, January 1, 2020				
Repurchase of 460,000 Series B shares			–88	–88
Compensation from subsidiaries for shares issued under employee ownership programs			16	16
Dividend			–1,340	–1,340
Share-based payments			300	300
Profit for the year[1]			2,976	2,976
Equity, December 31, 2020	**1,260**	**598**	**8,794**	**10,652**

1 Coincides with comprehensive income for the year.

See also Note 54.

Parent Company cash flow statement

SEK M	2020	2019
Operating activities		
Operating income	152	196
Adjustments for items not included in cash flow	17	15
Income tax paid	–13	–12
Cash flow from operating activities before change in working capital	**156**	**199**
Cash flow from change in working capital		
Change in operating receivables	–1	–14
Change in operating liabilities	–34	–61
Cash flow from change in working capital	**–35**	**–75**
Cash flow from operating activities	**121**	**124**
Investing activities		
Increase in interest-bearing receivables	–66	–17
Cash flow from investing activities	**–66**	**–17**
Financing activities		
Net interest	–28	–33
Dividends received	2,857	2,896
Repayment of debt	–1,605	–684
Dividend	–1,340	–2,462
Repurchase of shares	–88	
Income tax paid	6	7
Payments from subsidiaries for employee ownership programs	143	169
Cash flow from financing activities	**–55**	**–107**
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 60.

Notes, including accounting and valuation principles

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

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Note 1. Consolidated accounting and valuation principles

Conformity with laws and standards

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

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

The Parent Company's annual accounts and the consolidated annual accounts were approved for issuance by the Board of Directors on February 4, 2021. The Parent Company income statement and balance sheet and the consolidated income statement and statement of financial position will be subject to adoption by the Annual General Meeting on March 30, 2021.

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 accordance 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

Effective January 1, 2020, the Group is applying the amendments in IFRS 9 Financial instruments and IFRS 7 Financial instruments: Disclosures attributable to the Interest Rate Benchmark Reform. In conjunction with the reform, the amendments provide temporary reliefs related to specific requirements when hedge accounting is applied. The purpose of the reliefs is so that hedge accounting can continue to be applied after the reform. The amendments have had no significant impact on the Group's financial reporting. See the more detailed description of IFRS 9 later in this note, and of its effects in Note 6.

Effective June 1, 2020, the Group is applying the temporary amendment "Covid-19-Related Rent Concessions," which is a supplement to IFRS 16 Leases. In connection with the ongoing Covid-19 pandemic, the amendments provide temporary relief for rent concessions arising as a direct consequence of the pandemic. The purpose of the relief is to provide practical assistance to lessees, who do not then need to assess a Covid-19-related rent concession from a lessor as a modification of a lease. A lessee utilizing this option reports all changes in rent payments directly in the income statement as they arise, not as a lease modification as described in IFRS 16. The amendment has had no significant impact on the Group's financial reporting.

Early adoption of new or revised IFRS and interpretations

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

IAS 1 Presentation of Financial Statements

Income statement

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

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

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

Financial income and expenses are recognized divided into two items: "Financial income" and "Financial expense." Among items recognized under financial income are interest income, dividends and other financial items. Financial expense includes 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 expense. The net amount of exchange rate differences and gains/losses on divestments of shares are recognized either as financial income or financial expense. Financial income and expense are described in more detail in Note 6 and in Note 14.

Comprehensive income

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

Statement of financial position

Assets

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

Cash and cash equivalents consist of cash and immediately available deposits at banks and equivalent institutions, plus short-term liquid investments with a maturity from the acquisition date of less than three months that are subject to only an insignificant risk of fluctuation in value. Checks that have been issued reduce cash and cash equivalents 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

Note 1. Continued

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 from the closing day. The allocation between non-current non-financial assets is based on expected annual depreciation. The division for current-asset properties is mainly based on outcomes during the past three years. This division is even more uncertain than for other assets, since the outcome during the coming year is strongly influenced by the dates when large individual properties are handed over.

Equity

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

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

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

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

Liabilities

Liabilities are allocated between current liabilities and non-current liabilities. Recognized as current liabilities are liabilities that are either supposed to be paid within 12 months of the closing day or – in the case of business-related liabilities only – are expected to be paid within the operating cycle. Since the operating cycle is taken into account, no non-interest-bearing liabilities, such as trade accounts payable and accrued employee expenses, are recognized as non-current. Liabilities that are recognized as interest-bearing due to discounting are included among current liabilities, since they are paid within the operating cycle. Interest-bearing liabilities can be recognized as non-current even if they fall due for payment within 12 months of the closing day if the original maturity was longer than 12 months and the company reaches an agreement on long-term refinancing of the obligation before the end of the reporting period. Information on liabilities is provided in Note 27 and Note 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 investment holding and has the ability to affect those returns through its power over the investment holding. If, on the acquisition date, a subsidiary meets the conditions to be classified as held for sale in accordance with IFRS 5, it is reported according to that accounting standard.

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

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

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

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

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

IFRS 3 Business Combinations

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

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

Note 1. Continued

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 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, disposal groups and liabilities attributable to them, and discontinued operations are recognized separately in the statement of financial position.

IAS 28 Investments in Associates and Joint Ventures

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

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

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

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

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

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

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

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

IFRS 11 Joint Arrangements

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

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

Note 1. Continued

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

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

IFRIC 12 Service Concession Arrangements

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

IFRS 15 Revenue from Contracts with Customers

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

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

In step three the transaction price is determined. This determination involves establishing a fixed agreed price, variable consideration, any contingent considerations, bonuses and penalties. If there is variable consideration, an estimate is made of the highest amount of revenue that will likely not require a reversal of accumulated revenue in later reporting periods. If the contract includes a significant financing component, the transaction price is to be adjusted for the effect of the time value of money.

Changes to and supplementary orders in contracts that have not yet been approved by the customer do not require an increase in the transaction price in the project's estimated income upon completion. Where there is a non-cash consideration, this is measured at fair value. If a customer defers goods or services, an assessment is made as to whether it has gained control of these; if this is the case, they are recognized as non-cash revenue received from the customer.

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

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

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

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

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

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

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

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

Most often the contracts within this business stream contain only one performance obligation. Performance obligations in the Construction business stream are the construction contract or the service that is to be delivered, for example the construction of a building on the customer's land or the maintenance of existing facilities, such as roads. If an agreement

Note 1. Continued

involves operations in different geographical locations, delivered during different time periods or with different risk exposures, the breakdown of several performance obligations may be relevant.

If there is a right to variable remuneration, such as incentive agreements, this is taken into account to the extent that it is highly unlikely it will be reversed at a later date. Revenue is recognized over time in the Construction business stream, when the customer simultaneously receives and consumes the benefits provided through the entity's performance or when Skanska creates or enhances an asset that the customer controls.

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

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

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

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

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

In the Commercial Property Development stream Skanska initiates, develops and leases out investment holdings in the form of commercial properties, and also sells these to real estate investors.

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

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

The combination of contracts rarely occurs. In some cases, Skanska also assists the investor with renting the property, an undertaking that may be a separate performance obligation. The transaction price is usually a fixed price according to the terms of the contract.

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

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

The PPP portfolio includes development of hospitals, airports, roads and other necessary social structures. The accounting of these projects complies with IFRIC 12 Service Concession Arrangements, which in turn recognizes revenue in accordance with IFRS 15.

IFRS 16 Leases

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

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

When assessing whether an asset is of low value, the asset is grouped with assets on which it is heavily dependent or with which it is linked. Where the asset can be substituted by the supplier and it is practically possible to do so, a lease is not considered to exist since Skanska does not have control over the specific asset.

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

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

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

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

IAS 16 Property, Plant and Equipment

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

Note 1. Continued

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

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

IAS 38 Intangible Assets

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

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

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

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

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

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

IAS 36 Impairment of Assets

Assets covered by IAS 36 are tested on every closing day for indications of impairment. Exempted assets, for example inventories (including current-asset properties), assets arising when construction contracts are carried out and financial assets included within the scope of IFRS 9, are measured in accordance with the respective accounting standard.

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

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

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

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

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

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

IAS 23 Borrowing Costs

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

Note 1. Continued

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 expense 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 customer. Such obligations may also be required by law.

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

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

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

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

Contingent liabilities

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

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

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

Note 33 presents information about contingent liabilities.

Contingent assets

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

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

Note 1. Continued

Assets pledged
Shares in joint ventures within the PPP portfolio 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 in accordance with 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. Plan assets in pension funds 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 AFP plan in Norway, this is also reported as a defined-contribution plan.

IFRS 2 Share-based Payment
The Seop 4 and Seop 5 employee ownership programs are recognized as share-based payment settled with equity instruments, in accordance with IFRS 2. This means that the fair value is calculated on the basis of market value at the time of investment (which is the same as the time of allotment according to the standard) and expected fulfillment of targets. This value is allocated over the respective vesting period. After the fair value is established, there is no reappraisal during the remainder of the vesting period, except in the case of changes in the number of shares because the condition of continued employment during the vesting period is no longer met.

Social insurance contributions
Social insurance contributions that are payable in connection with share-based payments are reported in accordance 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 accordance 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 accordance with the standard, the Report of the Directors presents an operating cash flow statement that does not conform to the structure specified in the standard. The operating cash flow statement was prepared on the basis of the operations that the different business streams carry out.

IAS 33 Earnings per Share
Earnings per share are reported directly below the consolidated income statement and are calculated by dividing the portion of profit for the year that is attributable to the Parent Company's equity holders (shareholders) by the average number of shares outstanding during the period.

For Seop 4 and Seop 5 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.

Note 1. Continued

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 61 and 62.

IAS 40 Investment Property

Skanska is not reporting any investment properties. Properties that are used in the Group's own operations are reported in accordance 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 Group's highest executive decision-maker and about which separate financial information is available.

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

The Group Leadership Team is the Group's highest executive decision-maker.

The principle for segment reporting of Residential Development and Commercial Property Development in the income statement deviates from IFRS on two points. In segment reporting a divestment gain is recognized on the date a sales contract is signed. In segment reporting joint ventures are recognized within Residential Development line by line according to the proportional method of accounting. This means that Construction's revenue from joint ventures within Residential Development operations is eliminated in segment reporting. Note 4 presents a reconciliation between segment reporting and the income statement in accordance 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 sales, selling and administrative expenses and capital employed. Capital employed refers to total assets minus tax assets and receivables invested in Skanska's treasury unit (internal bank) less non-interest-bearing liabilities excluding tax liabilities. In the calculation of capital employed, a capitalized interest expense is removed from total assets for the Residential Development and Commercial Property Development segments. Acquisition goodwill 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." Operating segment income includes intra-Group profits and, consequently, these are eliminated during reconciliation with the consolidated income statement and the consolidated statement of financial position.

In addition to information about operating segments, Note 4 provides disclosures on external revenue for the entire Group and disclosures on the allocation of certain assets divided by countries with more than ten percent of the Group's total items.

IAS 10 Events After the Reporting Period

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

Such information is provided in Note 41.

IAS 32 Financial Instruments: Presentation

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

Prepaid income and expenses are not financial instruments. Accrued income and expenses that are related to the business are not recognized as financial instruments. Thus, contract assets and contract liabilities are not included under financial instruments. Obligations for employee benefit plans in accordance 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 accordance with the accounting standard is provided mainly in Notes 6, 21 and 27.

IFRS 9 Financial Instruments

IFRS 9 Financial Instruments addresses the recognition of financial assets and liabilities. Categories exempt from application in accordance with 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 in accordance with 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, canceled 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).

Note 1. Continued

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

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

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

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

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

A cash flow hedge is recognized as follows:

a) the separate component in equity, cash flow hedge reserve, which is linked to the hedged item is to be adjusted to the lower of the following: the cumulative gains or losses from the hedging instrument from the date the hedge was entered into or the cumulative change in fair value for the hedged item from the date the hedge was entered into;
b) the portion of the gain or loss for a hedging instrument that has been determined to be an effective hedge is recognized in other comprehensive income;
c) the remaining gain or loss for the hedging instrument is hedging ineffectiveness that is to be recognized through profit or loss;
d) the amount accumulated in the cash flow hedge reserve derived from the cash flow hedged in accordance with a) is to be recognized as follows:
   i) if a hedged forecast transaction subsequently leads to recognition of a non-financial asset or liability, or a hedged forecast transaction for a non-financial asset or liability becomes a binding commitment for which hedge accounting of fair value is used, the entity is to deduct this from the reserve originating from the cash flow hedge and include it directly in the initial cost or other recognized value for the asset or liability;
   ii) for all cash flow hedges except those covered by i) this amount is to be reclassified from the reserve originating from the cash flow hedge to profit or loss as a reclassification adjustment in the same period or periods during which the hedged expected future cash flows affect profit or loss;
   iii) if this amount is a loss and an entity is expecting all or part of the loss not to be recovered during one or more future periods, the amount not expected to be recovered is to be immediately reclassified to profit or loss as a reclassification adjustment.

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

Skanska applies temporary exceptions from applying specific hedge accounting requirements for all hedging relationships that are directly affected by the Interest Rate Benchmark Reform. Accordingly, the interest rate benchmark upon which the hedged cash flows are based is not amended by the reference rate reform until the uncertainty arising due to the reference interest rate reform no longer exists or when the hedging relationship the hedged item is part of ends.

IFRS 7 Financial Instruments: Disclosures

The company provides disclosures that enable the evaluation of the significance of financial instruments for its financial position and performance. The disclosures also enable an evaluation of the nature of financial instruments and risks associated with them to which the company has been exposed during the period and is exposed to at the end of the reporting period. These disclosures also provide a basis for assessing how these risks are managed by the company. This standard supplements the principles for recognizing, measuring and classifying financial assets and liabilities in IAS 32 and IFRS 9.

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

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

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

Note 1. Continued

IAS 20 Accounting for Government Grants and Disclosure of Government Assistance

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

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

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

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

Disclosures on the number of employees, gender distribution and distribution among countries are provided in Note 36. The number of employees during the year was calculated as an average of the average number of employees during the quarters in the year. In this calculation, part-time employment is equivalent to 60 percent of full-time employment. Employees belonging to operations divested during the year are included up until the date of divestment. Employees of acquired companies are included from the date of acquisition.

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

In addition to board members and the 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 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 CEOs within the Group.

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

Order bookings and order backlog

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

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

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

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

Market appraisal

Commercial Property Development

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

Residential Development

In appraising properties in Residential Development, market value is calculated taking into account the value that can be obtained within the usual economic cycle and refers to properties once they are completed.

PPP portfolio

Skanska obtains an estimated value for the PPP portfolio by discounting estimated future cash flows in the form of dividends and repayments of loans and equity by a discount rate based on country, risk model and project phase for the various projects. The discount rate chosen is applied to all future cash flows starting on the appraisal date. This is based on the most recently updated financial model. This financial model describes all cash flows in the project and serves as the ultimate basis for financing, which is carried out with full project risk and without guarantees from Skanska.

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

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

Note 1. Parent Company accounting and valuation principles

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

Important differences compared to consolidated accounting principles

In accordance with RFR 2, IFRS 9 is not applied to financial guarantee agreements benefiting subsidiaries, associated companies and joint ventures. Instead, IAS 37 is applied, which normally means that provisions for these measures are not recognized since it is unlikely that an outflow of resources will be required to settle the obligation.

In compliance with RFR 2, IFRS 16 is not applied to leases. Instead lease payments are recognized on a straight-line basis over the term of the lease, unless a different systematic approach better reflects the economic benefit over time.

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

The Seop 4 and Seop 5 employee ownership programs are recognized as share-based payment settled with equity instruments, in accordance with IFRS 2. The portion of the Group's expense for these employee ownership programs that relates to employees of subsidiaries is recognized in the Parent Company as an increase in the carrying amount of holdings in subsidiaries and an increase in equity. When the amount to be debited to the subsidiary is established, a transfer is made to "Receivables from subsidiaries." Where compensation from subsidiaries for shares that have been allocated deviates from the previously reported increase in the carrying amount of holdings in subsidiaries, the carrying amount of holdings in subsidiaries is reduced to the portion of the amount that does not exceed the previously reported increase. Any remaining portion of the compensation is recognized directly in equity.

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

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

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

Note 2. Key estimates and judgments

Key estimates and judgments

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

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

Covid-19

Covid-19 and its effects on real economies is creating uncertainty and risks that will last for a while. Skanska acted quickly and resolutely to protect the employees, the company and the balance sheet in 2020. Despite the second wave of the pandemic the Construction and Project Development operations have remained stable. Skanska does not believe that Covid-19 will affect the Group's ability to operate in the future; in other words, the Group is still presumed to be a going concern.

Goodwill impairment testing

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

Pension assumptions

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

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

Revenue recognition over time

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

Disputes

Although management's best judgment is used in reporting disputed amounts, the actual future outcomes may deviate from the judgment made. See Note 33 and Note 29.

Investments in the PPP portfolio

The estimated investment amounts are presented 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 20–30 years into the future, and/or changes in yield requirements, may materially affect both estimated values and carrying amounts for each investment.

Current-asset properties

The stated combined market value in Note 22 is calculated on the basis of prevailing price levels in the respective location of the individual properties. Changes in the supply of similar properties, as well as changes in demand due to changed yield requirements, may materially affect both estimated market values and carrying amounts for each property.

In Commercial Property Development, the estimated market value for ongoing projects is assessed for each property once it is completed and fully occupied.

In Residential Development the supply of capital and the price of capital for financing home buyers' investments are critical factors. The market value assessed here too is the value of the properties once they are completed and taking into account the value that may be added in a normal economic cycle. The accounting principle applied to the sale of properties via the divestment of companies is stated in Note 1.

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 inputs 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

There were no changes to the accounting principles in 2020. As of January 1, 2019 the IFRS accounting rules have changed for lease recognition (IFRS 16 replaces the previous IAS 17). The accounting principles were changed in accordance with the transition rules.

IFRS 16

For Skanska, IFRS 16 involves expanding the balance sheet to include lines for property, plant and equipment right-of-use assets, current-asset properties right-of-use assets and lease liabilities.

The effects of IFRS 16 were reported upon its implementation on January 1, 2019 and are presented in the following table.

Leases ending within twelve months were treated in the same way as short-term leases. See Note 1.

Initial direct expenses prior to the implementation date were eliminated in the measurement of the right-of-use assets on the date of first application.

Effect on the Group, January 1, 2019

SEK M	Before the change	Change	After the change
Property, plant and equipment	7,645	–282	7,363
Non-current right-of-use assets		4,762	4,762
Current right-of-use assets		2,865	2,865
Current financial receivables	7,117	18	7,135
Deferred tax asset	1,933	15	1,948
Other operating receivables	27,243	–49	27,194
Total assets	**43,938**	**7,329**	**51,267**
Equity	29,347	–67	29,280
Non-current financial liabilities	3,912	–280	3,632
Lease liabilities		7,769	7,769
Current financial liabilities	7,310	–2	7,308
Other operating liabilities	38,072	–91	37,981
Total equity and liabilities	**78,641**	**7,329**	**85,970**

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

Transition from operating leases in accordance with IAS 17 to lease liabilities in accordance with IFRS 16, SEK billion

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

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

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

1 If the functional currency is EUR.

Note 4. Operating segments

Skanska's business streams – Construction, Residential Development and Commercial Property 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 associated with different risks. Construction includes both building construction and civil construction.

Residential Development develops residential projects for immediate sale. Homes are adapted for selected customer categories. The units in this segment are responsible for planning and selling projects. The construction assignments are performed by construction units in the Construction business stream in each respective market. Commercial Property Development initiates, develops, leases and divests commercial property projects. Project Development focuses on office buildings, retail and logistics properties. Construction assignments are performed in most markets by Skanska's Construction segment. Construction assignments are performed by the construction units where Skanska has construction operations. Intra-Group pricing between operating segments occurs on market terms. The segment "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.

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, 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

2020	Construction	Residential Development	Commercial Property Development	Total operating segments	Central	Eliminations	Total segments	Difference in accounting principles	Total IFRS
External revenue	130,301	13,057	14,900	158,258	348		158,606	1,738	160,344
Revenue from internal customers	10,182	13	83	10,278	22	−10,300	0		0
Total revenue	**140,483**	**13,070**	**14,983**	**168,536**	**370**	**−10,300**	**158,606**	**1,738**	**160,344**
Cost of sales	−131,140	−10,892	−10,282	−152,314	−283	10,362	−142,236	−1,221	−143,457
Gross income	**9,343**	**2,178**	**4,701**	**16,222**	**86**	**62**	**16,370**	**517**	**16,887**
Selling and administrative expenses	−5,852	−635	−796	−7,283	−986		−8,269		−8,269
Income from joint ventures and associated companies	37		−8	29	3,730		3,759	256	4,015
Operating income	**3,528**	**1,543**	**3,897**	**8,968**	**2,830**	**62**	**11,860**	**773**	**12,633**
of which depreciation/ amortization	−2,759	−27	−74	−2,860	−85		−2,945		−2,945
of which impairment losses/ reversals of impairment losses									
Other assets	−7	−44	−282	−333	−63	3	−393		−393
of which gains from sale of commercial properties			4,750	4,750		359	5,109	868	5,977
of which gains from sale of PPP portfolio					4,054		4,054		4,054
Personnel	30,944	571	445	31,961	502		32,463		
Gross margin, %	6.7	16.7							
Selling and administrative expenses, %	−4.2	−4.9							
Operating margin, %	2.5	11.8							
Assets, of which									
Property, plant and equipment	9,999	70	457	10,526	227	−6	10,746		10,746
Intangible assets	3,985	301	16	4,301	182		4,484		4,484
Investments in joint ventures and associated companies	263	475	218	956	745	−12	1,689		1,689
Current-asset properties	56	17,385	31,055	48,496		−569	47,927		47,927
Capital employed	−5,270	13,608	30,906	39,244	21,885		61,129		61,129
Investments	−1,503	−10,420	−9,777	−21,699	−89	103	−21,685		−21,685
Divestments	314	11,710	16,988	29,013	5,296	−117	34,193		34,193
Net investments	**−1,189**	**1,291**	**7,211**	**7,314**	**5,208**	**−14**	**12,508**		**12,508**
Reconciliation from segment reporting to IFRS									
Revenue according to segment reporting – upon signing of contracts	140,483	13,070	14,984	168,537	369	−10,300	158,606		
Plus properties sold before the period		13,520	9,285	22,805		−30	22,775		
Less properties not yet occupied by the buyer on closing day		−13,869	−6,011	−19,880			−19,880		
Plus revenue of joint ventures in Residential Development		−594	0	−594		23	−571		
Exchange rate differences		−466	−119	−586			−586		
Revenue in accordance with IFRS – handover	**140,483**	**11,661**	**18,138**	**170,282**	**369**	**−10,307**	**160,344**		
Operating income according to segment reporting – upon signing of contracts	3,528	1,543	3,897	8,968	2,830	62	11,860		
Plus properties sold before the period		2,001	1,492	3,493		35	3,528		
Less properties not yet occupied by the buyer on closing day		−1,982	−693	−2,675		−62	−2,737		
Plus operating income of joint ventures in Residential Development		23		23			23		
New intra-Group profits						24	24		
Exchange rate differences		−71	−18	−89		24	−65		
Operating income in accordance with IFRS – handover	**3,528**	**1,514**	**4,678**	**9,721**	**2,830**	**83**	**12,633**		

Note 4. Continued

2019	Construction	Residential Development	Commercial Property Development	Total operating segments	Central	Eliminations	Total segments	Difference in accounting principles	Total IFRS
External revenue	146,000	12,431	17,773	176,204	578		176,782	–3,936	172,846
Revenue from internal customers	13,579	52	77	13,708	362	–14,070	0		0
Total revenue	**159,579**	**12,483**	**17,850**	**189,912**	**940**	**–14,070**	**176,782**	**–3,936**	**172,846**
Cost of sales	–149,142	–10,497	–13,749	–173,388	–350	14,005	–159,733	3,193	–156,540
Gross income	**10,437**	**1,986**	**4,101**	**16,524**	**590**	**–65**	**17,049**	**–743**	**16,306**
Selling and administrative expenses	–6,702	–791	–960	–8,453	–1,028	12	–9,469		–9,469
Income from joint ventures and associated companies	37		146	183	50	15	248	343	591
Operating income	**3,772**	**1,195**	**3,287**	**8,254**	**–388**	**–38**	**7,828**	**–400**	**7,428**
of which depreciation/ amortization	–2,846	–25	–86	–2,957	–86		–3,043		–3,043
of which impairment losses/ reversals of impairment losses									
Goodwill	–367	–110	–70	–547			–547		–547
Other assets	35	–188	–19	–172			–172		–172
of which gains from sale of commercial properties			4,275	4,275		240	4,515	–677	3,838
of which gains from sale of PPP portfolio					70		70		70
Personnel	33,225	551	427	34,203	553		34,756		
Gross margin, %	6.5	15.9							
Selling and administrative expenses, %	–4.2	–6.3							
Operating margin, %	2.4	9.6							
Assets, of which									
Property, plant and equipment	11,730	90	423	12,243	127	–12	12,358		12,358
Intangible assets	4,319	334	14	4,667	255		4,922		4,922
Investments in joint ventures and associated companies	284	743	245	1,272	2,177	–7	3,442		3,442
Current-asset properties	11	17,041	33,977	51,029		–676	50,353		50,353
Capital employed	–2,640	12,954	34,495	44,809	11,129		55,938		55,938
Investments	–2,542	–9,437	–12,946	–24,925	–47	3	–24,969		–24,969
Divestments	1,039	11,793	13,713	26,545	105	–55	26,595		26,595
Net investments	**–1,503**	**2,356**	**767**	**1,620**	**58**	**–52**	**1,626**		**1,626**
Reconciliation from segment reporting to IFRS									
Revenue according to segment reporting – upon signing of contracts	159,579	12,483	17,850	189,912	940	–14,070	176,782		
Plus properties sold before the period		13,247	5,708	18,955		0	18,955		
Less properties not yet occupied by the buyer on closing day		–13,520	–9,285	–22,805		30	–22,775		
Plus revenue of joint ventures in Residential Development		–532		–532		232	–300		
Exchange rate differences		191	–7	184			184		
Revenue in accordance with IFRS – handover	**159,579**	**11,869**	**14,266**	**185,714**	**940**	**–13,808**	**172,846**		
Operating income according to segment reporting – upon signing of contracts	3,772	1,195	3,287	8,254	–388	–38	7,828		
Plus properties sold before the period		2,012	888	2,900		43	2,943		
Less properties not yet occupied by the buyer on closing day		–2,001	–1,492	–3,493		–35	–3,528		
Plus operating income of joint ventures in Residential Development		200		200			200		
New intra-Group profits						–37	–37		
Exchange rate differences		29	–6	23		–1	22		
Operating income in accordance with IFRS – handover	**3,772**	**1,435**	**2,677**	**7,884**	**–388**	**–68**	**7,428**		

Note 4. Continued

External revenue in accordance with IFRS by geographical area

	Sweden		UK		USA		Norway		Other[1]		Total	
	2020	**2019**	**2020**	**2019**	**2020**	**2019**	**2020**	**2019**	**2020**	**2019**	**2020**	**2019**
Construction	28,030	29,210	16,864	20,458	59,697	66,951	12,475	15,910	13,259	13,703	130,325	146,232
Residential Development	5,964	5,725					1,086	1,942	4,597	4,149	11,648	11,816
Commercial Property Development	5,142	3,178		746	8,231	5,245	17	1,481	4,636	3,570	18,025	14,220
Central and Eliminations	308	252			39	44				282	347	578
Total operating segments	**39,444**	**38,365**	**16,864**	**21,204**	**67,967**	**72,240**	**13,578**	**19,333**	**22,492**	**21,704**	**160,344**	**172,846**

1 No geographical area with revenue accounting for 10 percent or more of the Group's total revenue is included.

The Group has no customers that account for 10 percent or more of its revenue.

Non-current assets and current-asset properties by geographical area

	Property, plant and equipment		Intangible assets		Investments in joint ventures and associated companies		Current-asset properties	
	Dec 31, 2020	**Dec 31, 2019**	**Dec 31, 2020**	**Dec 31, 2019**	**Dec 31, 2020**	**Dec 31, 2019**	**Dec 31, 2020**	**Dec 31, 2019**
Norway	2,278	2,683	1,204	1,338	51	86	3,923	3,706
Czech Republic	707	762	101	568	83	84	1,406	2,027
Poland	198	329	5	6			1,488	1,407
Sweden	2,687	3,146	876	545	1,391	1,402	13,613	14,231
UK	1,317	1,420	1,229	1,252	23	116	1,659	52
USA	2,567	2,948	533	655	134	1,751	8,935	12,277
Other[1]	992	1,069	536	559	6	2	16,903	16,653
	10,746	**12,358**	**4,484**	**4,922**	**1,689**	**3,442**	**47,927**	**50,353**

1 No geographical area with revenue accounting for 10 percent or more of the Group's total items is included.

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

Non-current assets held for sale and discontinued operations are recognized in accordance with IFRS 5. See Note 1. No operations were recognized as discontinued in 2020 or 2019.

At the end of 2020, there were no non-current assets that under IFRS 5 are to be recognized as current assets and specified as assets held for sale. Nor were there any such non-current assets in 2019.

Note 6. Financial instruments and financial risk management

Financial instruments are recognized in accordance with IFRS 9 Financial Instruments, IAS 32 Financial Instruments: Presentation and IFRS 7 Financial Instruments: Disclosures.

Skanska's contract assets and contract liabilities are not recognized as a financial instrument and the risk associated with these receivables and liabilities is thus not reported in this note either.

Risks in partly-owned joint venture companies in the PPP portfolio are managed within each respective joint venture company. Skanska's aim is to ensure that financial risk management within these companies is equivalent to that which applies to the Group's wholly owned companies. As the contract period in many cases amounts to decades, management of the interest rate risk in financing is essential in each joint venture company. This risk is managed using long-term interest rate swaps. These holdings are recognized according to the equity method of accounting. As a result, the financial instruments in each joint venture company are included under the item "Income from joint ventures and associated companies." Disclosures on financial instruments in joint ventures and associated companies are not included in the following disclosures.

Financial risk management

Through its operations, aside from business risk, Skanska is exposed to various financial risks such as credit risk, liquidity risk and market risk. These risks are associated with the Group's reported financial instruments such as cash and cash equivalents, interest-bearing receivables, trade accounts receivable, trade accounts payable, borrowings and derivatives.

Objectives and policy

The Group endeavors to achieve a systematic assessment of both financial and business risks. To do this a common risk management model is used. The risk management model does not involve avoidance of risk but is instead aimed at identifying and managing the risks.

Through the Group's Financial Policy, each year the Board of Directors establishes guidelines, objectives and limits for financial management and administration of financial risk within the Group. The Financial Policy regulates the distribution of responsibility among Skanska's Board, the Group Leadership Team, Skanska Financial Services (Skanska's Group Function for financial services) 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 derivatives, and customer credit risk, which is risk relating to trade accounts receivable.

Financial credit risk – risk in interest-bearing assets and derivatives

Financial credit risk is the risk that the Group is exposed to in its relationships with financial counterparties when investing surplus funds and with respect to bank account balances and investments in financial assets. Credit risk in the form of counterparty risk also arises when using derivatives and is the risk that a potential gain will not be realized if the counterparty does not fulfill its part of the contract.

According to the policy, Skanska must limit its exposure to financial counterparties by using banks and financial institutions assigned a high credit rating by rating agencies Standard & Poor's, Moody's or Fitch. The permitted exposure volume per counterparty is dependent on the counterparty's credit rating and the maturity of the exposure. To reduce the credit risk associated with derivative instruments, the Group has also signed standardized netting agreements (ISDA agreements) with all financial counterparties with whom Skanska enters into derivative contracts.

When investing surplus funds the objective is to always achieve good risk diversification. As of the end of the year the surplus funds were primarily invested with larger banks with a global presence, mainly from the Nordic region, Europe, USA and Japan, and in short-term interest-bearing instruments and money market funds. Skanska currently uses around ten banks for derivative transactions.

Maximum exposure is equivalent to the fair value of the assets and amounts to SEK 28,827 M (16,618).

The average maturity of interest-bearing assets amounted to 0.1 (0.3) years as of December 31, 2020. The Group's financial interest-bearing assets as of December 31, 2020, primarily consisting of bank balances and investments in short-term debt instruments, were still considered to have a low credit risk as of the closing day as the assets have a high credit rating, and thus the loss provision for these assets is based on 12 months' expected credit losses.

Interest-bearing assets and derivatives	Dec 31, 2020	Dec 31, 2019
Maximum exposure in outstanding receivables	28,827	16,618
of which derivatives	196	128
Less adjustment from fair value	–1	–14
Loss provision for expected credit losses in accordance with IFRS 9	–36	–21
Carrying amount	**28,790**	**16,583**

Change in impairment losses on interest-bearing assets and derivatives	2020	2019
January 1	21	25
Adjustment loss provision in accordance with IFRS 9	15	–4
December 31	**36**	**21**

Customer credit risk – risk in trade accounts receivable

Customer credit risk is managed using the Skanska Group's common procedures for identifying and managing risks: the Skanska Tender Approval Procedure (STAP) and Project Scrutiny and Approval Procedure (PSAP).

Skanska's credit risk with regard to trade accounts receivable has a high degree of risk diversification due to the large number of projects of varying sizes and types with numerous different customer categories – many of which are in the public sector – in a large number of geographical markets.

The portion of Skanska's operations related to construction projects extends only limited credit, since projects are invoiced in advance as much as possible. In other operations, the extension of credit is limited to customary invoicing periods.

The impairment loss on trade accounts receivable amounts to SEK 363 M (379), of which SEK 129 M (150) is for the loss provision for expected credit losses according to IFRS 9.

Note 6. Continued

Trade accounts receivable	Dec 31, 2020	Dec 31, 2019
Outstanding receivables	13,642	20,592
Impairment losses	–363	–379
Carrying amount	**13,279**	**20,213**

Change in impairment losses, trade accounts receivable	2020	2019
January 1	379	447
Impairment losses for the year	95	44
Reversals of impairment losses	–34	
Impairment losses settled	–58	–121
Exchange rate differences	–19	9
December 31	**363**	**379**

Risk in other operating receivables including shares

Other financial operating receivables consist of receivables for properties divested, accrued interest income, deposits etc.

On the closing day no operating receivables were past due and there were no impairment losses.

Holdings with less than 20 percent of voting power in a company are reported as shares. Their carrying amount is SEK 43 M (44).

Other financial operating receivables are reported by time interval with respect to when the amounts fall due in the future.

	Dec 31, 2020	Dec 31, 2019
Due within 30 days		14
Due in over 30 days but within one year	99	116
Due after one year	10	25
Total	**109**	**155**

Liquidity and refinancing risk

Liquidity and financing risk is defined as the risk of Skanska not being able to meet its payment obligations due to lack of liquidity or due to difficulties in obtaining or rolling over external loans.

The Group uses liquidity forecasting as a means of identifying and managing the fluctuations in short-term liquidity.

Surplus liquidity is, if possible, to be used primarily to repay the principal on loan liabilities.

Financing

Skanska has several borrowing programs, both committed bank credit facilities and market funding programs, which provide good preparedness for temporary fluctuations in the Group's short-term liquidity requirements and ensure long-term funding. Skanska does not have a credit rating.

In 2020 Skanska repaid a syndicated credit facility for a total of EUR 200 M early and replaced this with two new bilateral backup facilities, one of SEK 500 M with a term of one year and one of EUR 50 M with a term of one year and an option to extend it for a further one year.

A bilateral loan of SEK 60 M from Svensk Exportkredit matured during the year. To extend the maturity structure of the debt portfolio and secure access to EUR, this was replaced by two new loans each of EUR 50 M with terms of five years and seven years respectively. To secure access to USD, the Group took out a bilateral loan from Svensk Exportkredit for USD 65 M with a term of one year.

At the end of the year a medium-term note (MTN) for SEK 500 M matured. Due to the strong liquidity situation, the maturing bond was not refinanced.

At the end of the year the central debt portfolio amounted to SEK 3.7 billion (3.5). The unutilized credit facilities of SEK 7.5 billion (8.8) in combination with interest-bearing net receivables excluding cash and cash equivalents with restrictions, lease liabilities and net pension liabilities of SEK 16.0 billion (3.2) ensure that the Group has sufficient financial capacity.

				Dec 31, 2020		Dec 31, 2019	
	Maturity	Currency	Limit in currency	Limit in SEK	Utilized	Limit in SEK	Utilized
Market funding programs							
Commercial paper (CP) program, maturities 0–1 years		SEK/EUR	SEK 6,000 M	6,000		6,000	
Medium-term note (MTN) program, maturities 1–10 years		SEK/EUR	SEK 8,000 M	8,000	500	8,000	1,000
				14,000	**500**	**14,000**	**1,000**
Committed credit facilities							
Green syndicated bank loan	2020	SEK/EUR/ USD/GBP	EUR 200 M			2,089	
Bilateral loan	2020	EUR	EUR 60 M			627	627
Syndicated bank loan	2024	SEK/EUR/ USD/GBP	EUR 600 M	6,033		6,268	
Bilateral bank loan	2021	SEK	SEK 500 M	500			
Bilateral bank loan	2021	EUR	EUR 50 M	503			
Bilateral loan agreement	2021	USD	USD 65 M	533	533		
Bilateral loan agreement	2023/2024	USD	USD 100 M	818	818	932	932
Bilateral loan agreement	2024	USD	USD 100 M	818	818	932	932
Bilateral loan agreement	2025	EUR	EUR 50 M	502	502		
Bilateral loan agreement	2027	EUR	EUR 50 M	502	502		
Other credit facilities				433		455	5
				10,642	**3,174**	**11,303**	**2,496**

At year-end 2020 the Group's unutilized confirmed credit facilities amounted to SEK 7,468 M (8,807).

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 unutilized committed credit facilities. At year-end, cash and cash equivalents and unutilized confirmed credit facilities amounted to SEK 27 billion (18), of which SEK 23 billion (12) is, or is expected to be, available within one week.

The Group's policy is for the central borrowing portfolio's maturity structure to be distributed over time and 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, 2020 the average maturity of the borrowing portfolio was 3.1 years (3.4), if unutilized credit facilities are taken into account.

Including interest payments, the maturity structure of the Group's financial interest-bearing liabilities, derivatives and lease liabilities is distributed over the next few years according to the following table. For lease liabilities the future payments are in undiscounted amounts.

Dec 31, 2020				Maturity			
Maturity period		**Carrying amount**	**Future payment amount**	**Within 3 months**	**After 3 months within 1 year**	**After 1 year within 5 years**	**After 5 years**
Interest-bearing financial liabilities		8,417	8,651	19	4,701	3,317	614
Derivatives: Currency forward contracts	Inflow		–4,180	–3,534	–569	–77	
	Outflow	88	4,268	3,618	569	81	
Derivatives: Interest rate swaps	Inflow						
	Outflow	3	3	1	1	1	
Lease liabilities		7,233	25,971	299	807	2,883	21,982
Trade accounts payable		9,649	9,649	9,649			
Other operating liabilities		531	531	429	59	43	
Total		**25,921**	**44,893**	**10,481**	**5,568**	**6,248**	**22,596**

Dec 31, 2019				Maturity			
Maturity period		**Carrying amount**	**Future payment amount**	**Within 3 months**	**After 3 months within 1 year**	**After 1 year within 5 years**	**After 5 years**
Interest-bearing financial liabilities		7,721	8,085	37	4,693	3,193	162
Derivatives: Currency forward contracts	Inflow		–7,254	–7,208	–46		
	Outflow	50	7,292	7,245	47		
Derivatives: Interest rate swaps	Inflow		–2			–2	
	Outflow	2	5	1	1	3	
Lease liabilities		8,921	30,575	234	597	2,235	27,509
Trade accounts payable		15,854	15,854	15,854			
Other operating liabilities		399	399	287	48	64	
Total		**32,947**	**54,954**	**16,450**	**5,340**	**5,493**	**27,671**

The average maturity for interest-bearing liabilities excluding lease liabilities and unutilized committed credit facilities was 2.1 years (1.9).

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 rate risk).

To limit the risk, the interest-rate maturities for financial assets and liabilities are to match to the greatest extent possible in the respective borrowing currencies.

When calculating the Group's sensitivity to changes in interest rates, all interest-bearing assets, liabilities and derivatives are included, with the exception of pensions and taxes. For interest rate risk related to pensions, see Note 28. The analysis is based on the assumption that the position as of December 31, 2020 will remain the same in terms of the size of net debt, the ratio of fixed and variable interest rates, and the percentage of financial instruments in foreign currencies.

Fair value sensitivity is measured using three different scenarios: a base scenario with an interest rate increase of one percentage point across all maturities, or an increase or decrease in the base scenario rate of one half of a percentage point over all maturities. According to this policy, the change in fair value may not exceed SEK 150 M for any of these interest scenarios.

As of December 31, 2020 the change in fair value estimated using the scenarios above would impact net financial items in the range of SEK 37–68 M (45–88) and other comprehensive income by SEK 0 M (in the range of 1–2), since the interest rate swap where hedge accounting was applied has matured. All amounts are stated before tax. Equity would thus be affected by SEK 29–53 M (36–70) taking tax into account.

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

Note 6. Continued

positive effect on the Group's financial items of around SEK 190 M (39) for the coming 12-month period. The deviation as of December 31, 2020 is an approved temporary effect due to the proceeds from the sale of two large project holdings in USA, 2+U and Elizabeth River Crossings, having been received at the end of the year.

The average fixed interest period for all of the Group's interest-bearing assets was 0.03 (0.1) years, taking derivatives into account. The interest rate for these was 0.1 (0.84) percent at year-end. Of the Group's total interest-bearing financial assets, 49 (61) percent carry fixed interest rates and 51 (39) percent variable interest rates. The average fixed interest period for all interest-bearing liabilities, taking into account derivatives but excluding lease liabilities and pension liabilities, was 0.2 (0.2) years. The interest rate for interest-bearing liabilities amounted to 1.43 (1.89) percent at year-end. Taking into account derivatives, the interest rate was 1.09 (–0.01) percent. Of total interest-bearing financial liabilities, after taking into account derivatives, 7 (14) percent carry fixed interest rates and 93 (86) percent variable interest rates.

As of December 31, 2020 there were two outstanding interest rate swap contracts amounting to a nominal SEK 500 M (918), which were entered into in order to swap part of the Group's borrowing from variable to fixed interest.

Hedge accounting is applied for interest rate swaps with terms that match the hedged loan with respect to nominal amounts, reference interest rate, date of maturity, and the payment and interest rate adjustment date. The effectiveness is evaluated when the hedging relationship is entered into and on an ongoing basis. Ineffectiveness may arise if the creditworthiness of the contracting party affects fair value changes to the hedge and the hedged loan differently.

As of December 31, 2020 Skanska has no interest rate swap contracts for which hedge accounting is applied. In 2020 one interest rate swap contract matured for which hedge accounting had been applied (as of Dec 31, 2019: nominal SEK 418 M, fair value recognized in other comprehensive income SEK –0.4 M). The fair value of interest rate swaps for which hedge accounting is not applied totaled SEK –3 M (–2) on December 31, 2020. 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 and hedge accounting is applied for all of these.

Adjustment to the Interest Rate Benchmark Reform (IBOR reform)

Extensive work is under way internationally to produce alternative benchmark interest rates and, in some cases, to adapt current interbank interest rates to fulfill the requirements set out in the EU's Benchmarks Regulation. Skanska is monitoring the reform work and making preparations for a potential switch to new benchmark interest rates. This work includes identifying which products, contracts and IT systems are affected, the impact on risk measurement and measurement of financial instruments, and also which measures need to be taken.

In each respective home market, Skanska usually has exposure to the country's interbank interest rate. The main interest rates directly affected by the IBOR reform are the Stibor, Euribor, GBP Libor and USD Libor rates.

Skanska is applying the relief rules in IFRS 9 relating to the IBOR reform in respect of hedging relationships in which interest rate swaps are used to obtain fixed interest on variable borrowing. As of December 31, 2020, all outstanding hedging relationships with exposure to benchmark interest rates that are directly affected by the reform are in partly owned joint venture companies. In these hedging relationships the Group has exposure to the Stibor, GBP Libor och USD Libor rates.

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, 2020 foreign exchange rate risk accounted for SEK 4 M (15) of transaction exposure before tax, which would affect other comprehensive income in the amount of SEK 3 M (12) after tax.

Contracted net flows – as well as hedges for these – in currencies that are foreign to the respective Group company break down into currencies and maturities as follows:

Dec 31, 2020	The Group's contracted net foreign currency flows			Hedging of foreign currency flows			
SEK M[1]	2021	2022	2023 and later	SEK M	2021	2022	2023 and later
PLN	–1,424	–319	–8	PLN	1,427	311	0
EUR	–474	–44	0	EUR	487	27	0
HUF	–116	–109		HUF	149	63	
CZK	–161	–41		CZK	151	40	
RON	–18	–20		RON	4		
USD	24			USD	–23		
Other currencies	1	–1		Other currencies	1		
Total equivalent value	**–2,167**	**–534**	**–8**	**Total equivalent value**	**2,196**	**441**	**0**

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 and Norway.

Note 6. Continued

Dec 31, 2019	The Group's contracted net foreign currency flows			Hedging of foreign currency flows			
SEK M[1]	2020	2021	2022 and later	SEK M	2020	2021	2022 and later
PLN	–2,510			PLN	1,883	414	
EUR	–1,318	–330	–5	EUR	1,305	280	28
CZK	–178	–36	–6	CZK	185	36	6
HUF	–148			HUF	140		
SEK	–43			SEK	46		
RON	–20			RON			
NOK	–1			NOK	1		
USD	69	–5		USD	–59	5	
GBP	196			GBP	–196		
Total equivalent value	**–3,953**	**–371**	**–11**	**Total equivalent value**	**3,305**	**735**	**34**

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 and Norway.

Skanska hedges foreign currency flows by matching critical terms such as nominal amount, currency and maturity date. A qualitative evaluation of the relationship's effectiveness is made in this way. The effectiveness of a hedge is evaluated when the hedging relationship is entered into and on an ongoing basis. A currency hedge may become ineffective if the timing of the transaction differs from what was initially estimated and if the credit risk associated with the derivative counterparty changes.

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 –47 M (59) on December 31, 2020. The hedges fulfill effectiveness requirements, which means that unrealized gains or losses are recognized in other comprehensive income. As of December 31, 2020 the fair value of currency hedges for which hedge accounting is not applied totaled SEK –39 M (–13), including the fair value of embedded derivatives. Changes in fair value for these 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" in Note 26.

Translation exposure

Skanska's policy stipulates that net investments in Commercial Property Development are to be currency-hedged since the intention is to sell these assets over time. These hedges consist of forward currency contracts and/or foreign currency loans. The positive fair value of the currency forward contracts amounts to SEK 0 M (2) and their negative fair value to SEK 2 M (0). In 2020 and 2019 no foreign currency loans were used for hedging.

Net investments in other foreign subsidiaries are not normally hedged, unless the Board of Directors of Skanska AB decides otherwise. At year-end 2020, 0 percent (0) 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 +/–2.6 billion (2.5) on other comprehensive income after tax and taking and hedges into account.

Hedging of net investments outside Sweden

	Dec 31, 2020					Dec 31, 2019				
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	2,435			2,435	6	2,393			2,393	7
DKK	801			801	2	834			834	3
EUR	4,215			4,215	11	4,214			4,214	13
GBP	843	–78	9	765	2	1,435	–86	6	1,349	4
NOK	4,797			4,797	12	5,512			5,512	17
PLN	90			90	0	57			57	
USD	13,470			13,470	35	10,420	40		10,460	32
Other foreign	–6			–6	0	197			197	1
Total foreign currencies	**26,646**	**–78**	**0**	**26,567**	**69**	**25,062**	**–46**	**0**	**25,016**	**76**
SEK and eliminations				12,052	31				7,908	24
Total				**38,620**	**100**				**32,924**	**100**

1 Hedged amount before subtracting tax portion.
2 After subtracting hedged portion.

Hedge accounting is applied in cases where hedging of net investments takes place outside Sweden. The hedges fulfill effectiveness requirements, which means that unrealized gains or losses on the hedges are recognized in other comprehensive income until the hedged transaction takes place, at which point the accumulated change in value is transferred to profit or loss.

The effectiveness of the hedge is evaluated on an ongoing basis to ensure that the relationship meets the criteria. Ineffectiveness may arise in connection with a change in net investments and if the credit risk associated with the derivative counterparty changes.

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" in Note 26.

See also Note 34.

Note 6. Continued

The significance of financial instruments for the Group's financial position and income

Financial instruments in the statement of financial position

The table below shows the carrying amount and fair value of financial instruments by category, as well as a reconciliation with total assets and liabilities in the statement of financial position.

See also Note 21, Note 24, Note 27 and Note 30.

Fair value relating to hedged transaction exposure is reported under "Contract assets/liabilities" or under "Other operating receivables/ liabilities."

Fair value

There are three different levels for establishing fair value. The first level uses the official price quotation in an active market. The second level, which is used when a price quotation in an active market does not exist, calculates fair value by remeasuring at observable exchange rates and discounting future cash flows based on observable market interest rates for each respective maturity and currency. The third level uses substantial input data not observable in the market.

All fair value items in the table below have been measured at the second level above, except for shares and participations and a portion of the liabilities for the contingent considerations which are measured at fair value according to level three. In calculating fair value in the borrowing portfolio, Skanska takes into account current market interest rates which include the credit risk premium that Skanska is estimated to pay for its borrowing.

The fair value of financial instruments with option elements is calculated using the Black-Scholes model. As of December 31, 2020, Skanska had no instruments with option elements.

The fair value of financial instruments recognized at amortized cost: cash and bank balances, trade accounts receivable, other operating receivables, trade accounts payable and other operating liabilities, is considered the same as the carrying amount.

Assets **Dec 31, 2020**	**Hierarchy level**	**At fair value through profit or loss**	**At fair value through other comprehensive income**	**At amortized cost**	**Total carrying amount**	**Total fair value**
Financial instruments						
Interest-bearing assets and derivatives						
Financial assets[1]	2	196		9,086	9,282	9,319
Cash and bank balances	–			19,508	19,508	19,508
		196	**0**	**28,594**	**28,790**	**28,827**
Trade accounts receivable[2]				**13,279**	**13,279**	**13,408**
Other operating receivables including shares and participations						
Shares and participations[3]	3		43		43	43
Other operating receivables[2, 4]	–			109	109	109
			43	**109**	**152**	**152**
Total financial instruments		**196**	**43**	**41,982**	**42,221**	**42,387**
Dec 31, 2019						
Financial instruments						
Interest-bearing assets and derivatives						
Financial assets[1]	2	128		7,710	7,838	7,873
Cash and bank balances	–			8,745	8,745	8,745
		128	**0**	**16,455**	**16,583**	**16,618**
Trade accounts receivable[2]				**20,213**	**20,213**	**20,362**
Other operating receivables including shares and participations						
Shares and participations[3]	3		44		44	44
Other operating receivables[2, 4]	–			155	155	155
		0	**44**	**155**	**199**	**199**
Total financial instruments		**128**	**44**	**36,823**	**36,995**	**37,179**

1 The carrying amount of financial assets excluding shares and participations, totaling SEK 9,282 M (7,838), is presented in Note 21.
2 See Note 24.
3 Shares and participations are reported in the consolidated statement of financial position among financial assets. See also Note 21.
4 In the consolidated statement of financial position, SEK 22,402 M (27,213) was reported as other operating receivables. See Note 24. Of this amount, trade accounts receivable accounted for SEK 13,279 M (20,213). These were reported as financial instruments. The remaining amount is SEK 9,123 M (7,000) and breaks down as SEK 109 M (155) for financial instruments and SEK 9,014 M (6,845) for non-financial instruments. The amount reported as financial instruments includes accrued interest income, deposits etc. Amounts reported as non-financial instruments include, for example, interim items other than accrued interest, VAT receivables, pension-related receivables and other employee-related receivables.

Note 6. Continued

Reconciliation with statement of financial position	Dec 31, 2020	Dec 31, 2019
Assets		
Financial instruments according to the categories in IFRS 9	42,221	36,995
Other assets		
Property, plant and equipment and intangible assets	11,300	12,664
Property, plant and equipment, right-of-use assets	3,930	4,616
Investments in joint ventures and associated companies	1,689	3,442
Net assets in funded pension plans	1,098	1,545
Tax assets	2,753	2,532
Current-asset properties	44,947	46,373
Current-asset properties, right-of-use assets	2,980	3,980
Inventories	1,100	1,128
Receivables from customers for contract work	4,599	5,898
Other operating receivables[1]	9,014	6,845
Total assets	**125,631**	**126,018**

1 In the consolidated statement of financial position, SEK 22,402 M (27,213) was reported as other operating receivables. See Note 24. Of this amount, trade accounts receivable accounted for SEK 13,279 M (20,213). These were reported as financial instruments. The remaining amount is SEK 9,123 M (7,000) and breaks down as SEK 109 M (155) for financial instruments and SEK 9,014 M (6,845) for non-financial instruments. The amount reported as financial instruments includes accrued interest income, deposits etc. Amounts reported as non-financial instruments include, for example, interim items other than accrued interest, VAT receivables, pension-related receivables and other employee-related receivables.

Liabilities Dec 31, 2020	Hierarchy level	At fair value through profit or loss	At amortized cost	Total carrying amount	Total fair value
Financial instruments					
Interest-bearing liabilities and derivatives					
Financial liabilities[1]	2, 3	483	8,025	8,508	8,560
		483	**8,025**	**8,508**	**8,560**
Operating liabilities					
Trade accounts payable	–		9,649	9,649	9,649
Other operating liabilities[2]	–		531	531	531
		0	**10,180**	**10,180**	**10,180**
Total financial instruments		**483**	**18,205**	**18,688**	**18,740**

Dec 31, 2019					
Financial instruments					
Interest-bearing liabilities and derivatives					
Financial liabilities[1]	2, 3	405	7,368	7,773	7,828
		405	**7,368**	**7,773**	**7,828**
Operating liabilities					
Trade accounts payable	–		15,854	15,854	15,854
Other operating liabilities[2]	–		399	399	399
		0	**16,253**	**16,253**	**16,253**
Total financial instruments		**405**	**23,621**	**24,026**	**24,081**

1 The carrying amount for financial liabilities totaling SEK 8,508 M (7,773) is reported in the statement of financial position along with financial liabilities of SEK 7,910 M (7,182) from Note 27 and contingent consideration of SEK 598 M (591) from Note 29. Contingent consideration is included in financial liabilities measured at fair value at SEK 392 M (353) and in financial liabilities measured at amortized cost at SEK 206 M (238). In 2020 SEK 44 M (0) of the contingent consideration was paid out and SEK 39 M (41) accrued as interest expense. An additional SEK 12 M (15) accrued as contingent consideration and an adjustment has been made in the amount of SEK 0 M (–38).
2 Other financial operating liabilities, totaling SEK 10,180 M (16,253), are reported in the statement of financial position together with trade accounts payable of SEK 9,649 M (15,854) and other financial instruments of SEK 531 M (399). The total item in the statement of financial position amounts to SEK 31,812 M (37,979). 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, 2020	Dec 31, 2019
Equity and liabilities		
Financial instruments	18,688	24,026
Other liabilities		
Equity	38,717	33,021
Pensions	7,360	6,866
Lease liabilities	7,233	8,921
Tax liabilities	2,811	1,609
Provisions	9,728	9,430
Contract liabilities	19,462	20,419
Other operating liabilities[1]	21,632	21,726
Total equity and liabilities	**125,631**	**126,018**

1 Other financial operating liabilities, totaling SEK 10,180 M (16,253), are reported in the statement of financial position together with trade accounts payable of SEK 9,649 M (15,854) and other financial instruments of SEK 531 M (399). The total item in the statement of financial position amounts to SEK 31,812 M (37,979). 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.

	Dec 31, 2020		Dec 31, 2019	
Disclosures concerning offsetting of financial instruments	**Financial assets**	**Financial liabilities**	**Financial assets**	**Financial liabilities**
Gross amount	42,221	18,688	36,995	24,026
Amounts offset				
Recognized in balance sheet	**42,221**	**18,688**	**36,995**	**24,026**
Amounts covered by netting arrangements	–27	–27	–23	–23
Net amount after netting arrangements	**42,194**	**18,661**	**36,972**	**24,003**

Note 6. Continued

Impact of financial instruments on the consolidated income statement, other comprehensive income and equity

Revenue and expenses from financial instruments recognized in the income statement	2020	2019
Recognized in operating income		
Interest expense on financial liabilities measured at cost		–1
Cash flow hedges removed from equity and recognized in the income statement	155	148
Total income and expenses in operating income	**155**	**147**
Recognized in financial items		
Interest income on assets measured at fair value	52	
Interest income on assets measured at amortized cost	18	14
Interest income on cash and bank balances	48	138
Dividends		32
Changes in market value of financial liabilities measured at fair value through profit or loss	2	4
Total income in financial items	**120**	**188**
Interest expense on financial liabilities measured at fair value through profit or loss	–6	43
Interest expense on financial liabilities measured at amortized cost	–188	–252
Changes in market value of financial assets measured at fair value through profit or loss	–1	
Changes in market value of financial liabilities measured at fair value through profit or loss	–4	
Impairment losses attributable to any future credit losses	–15	
Net exchange rate differences	–7	–15
Expenses for borrowing programs	–18	–14
Bank-related expenses and other	0	11
Total expenses in financial items	**–239**	**–227**
Net income and expenses from financial instruments recognized in the income statement	**36**	**108**
of which interest income on financial assets not measured at fair value through profit or loss	66	152
of which interest expense on financial liabilities not measured at fair value through profit or loss	–188	–252

Reconciliation with financial items	2020	2019
Total income from financial instruments in financial items	120	188
Total expense from financial instruments in financial items	–239	–227
Net interest on pensions	–61	–84
Interest expense for lease liabilities	–244	–272
Capitalized interest expense	195	307
Total financial items	**–229**	**–88**

See also Note 14.

Income and expenses from financial instruments recognized in other comprehensive income	2020	2019
Cash flow hedges recognized directly in equity	–296	–160
Cash flow hedges removed from equity and recognized in the income statement	155	150
Translation differences	–2,135	672
Resolved translation differences for companies divested	15	
Hedging of exchange rate risk in foreign operations	–19	4
Total	**–2,280**	**666**
of which recognized in cash flow hedge reserve	–141	–10
of which recognized in translation reserve	–2,139	676
	–2,280	**666**

Collateral

The Group has provided collateral (assets pledged) in the form of financial receivables amounting to SEK 934 M (891). Also see Note 33.

These assets may be utilized by customers if Skanska does not fulfill its obligations according to the respective construction contract. To a varying extent, the Group has obtained collateral for trade accounts receivable in the form of guarantees issued by banks and insurance companies and, in some cases, in the form of guarantees from the parent companies of customers.

Note 7. Business combinations

Business combinations are reported in accordance with IFRS 3 Business Combinations. See Note 1.

2020

No acquisitions were made during the year.

2019

Two acquisitions were made the previous year, one in Finland and one in Poland.

In accordance with IFRS 10, Skanska has a controlling influence over the acquired companies. See Note 1.

Skanska therefore consolidates the companies as subsidiaries in the consolidated accounts.

Acquisition in Finland

In March 2019 an additional 53 percent of the shares in the Finnish company Sipoonranta Oy were acquired. Skanska now owns 100 percent. Sipoonranta OY runs a residential development business in Sipoo, Finland. The acquisition is included in the Residential Development business stream. In connection with the acquisition SEK 26 M was allocated to intangible assets, of which SEK 8 M in goodwill has been reported for Skanska. A goodwill impairment loss was reported on the acquisition. See Note 13.

The fair value of previously owned shares amounted to SEK –4 M immediately before the acquisition date.

The recognized loss as a consequence of remeasurement amounted to SEK –4 M and is included in the goodwill impairment loss.

The consolidated income statement included Sipoonranta OY with net sales in 2019 of SEK 12 M and a net loss of SEK –13 M. If the acquisition had occurred on January 1, Skanska's net sales and net profit would have changed only marginally. There were no direct acquisition expenditures in connection with the acquisition.

Acquisition in Poland

In March 2019 an additional 60 percent of the shares in the company Business Link were acquired. Skanska now owns 100 percent of the shares. Business Link rents out office space in Poland. The acquisition is includes in the Commercial Property Development business stream. In connection with the acquisition a total of SEK 69 M was allocated to intangible assets consisting of goodwill been reported for Skanska. Due to a necessary restructuring process, Skanska has decided to report a goodwill impairment loss. See Note 13. Restructuring was carried out to make the company better suited to meet market demand.

The fair value of previously owned shares amounted to SEK –17 M immediately before the acquisition date.

The recognized loss as a consequence of remeasurement amounted to SEK –17 M and is included in the goodwill impairment loss.

The consolidated income statement included Business Link with the net sales in 2019 of SEK 73 M and a net loss of SEK –39 M. If the acquisition had occurred on January 1, Skanska's net sales and net profit would have changed only marginally. There were no direct acquisition expenditures in connection with the acquisition.

Acquisition analysis

Below is information on acquired net assets and goodwill per acquisition:

	Finland	Poland	Total
Consideration	0	26	26
Fair value of net assets	–8	–44	–52
Goodwill	8	70	78

Below is information on acquired assets and liabilities as well as surplus value, excluding goodwill, per acquisition in SEK M:

	Finland			Poland			
Assets	**Acquired balance sheet**	**Surplus value**	**Total**	**Acquired balance sheet**	**Surplus value**	**Total**	**Total acquisitions**
Intangible assets		18	18			0	18
Property, plant and equipment			0	88		88	88
Property, plant and equipment, right-of-use assets			0	281		281	281
Current-asset properties	90		90			0	90
Non-interest-bearing assets	4		4	34		34	38
Cash and cash equivalents	2		2	18		18	20
Total	**96**	**18**	**114**	**421**	**0**	**421**	**535**
Liabilities							
Lease liabilities			0	371		371	371
Interest-bearing liabilities	56		56	76		76	132
Non-interest-bearing liabilities	66		66	18		18	84
Total	**122**	**0**	**122**	**465**	**0**	**465**	**587**
Net assets	–26	18	–8	–44	0	–44	–52

Note 8. Revenue

Revenue is recognized in accordance with IFRS 15 Revenue from Contracts with Customers and IFRS 16 Leases. See Note 1. For revenue in accordance with IFRS 15, see also Note 9. Revenue from contracts with customers amounted to SEK 159,310 M (172,103) and rental income from leases amounted to SEK 1,034 M (743). As for other types of revenue, dividends and interest income are recognized in financial items. See Note 14.

Revenue by business stream	2020	2019
Construction	140,483	159,579
Residential Development	11,661	11,869
Commercial Property Development	18,138	14,266
Other		
Central	369	940
Eliminations, see below	–10,307	–13,808
Total	**160,344**	**172,846**

Reported as eliminations

	2020	2019
Intra-Group construction for		
Construction	–252	–253
Residential Development	–4,511	–4,365
Commercial Property Development	–5,280	–8,602
Intra-Group property divestments	–117	–52
Other[1]	–148	–536
Total	**–10,307**	**–13,808**

1 Construction includes SEK 4,643 M (7,223) in intra-Group construction for joint ventures in the PPP portfolio. Elimination does not occur since this revenue consists of invoices issued to joint ventures, which are recognized according to the equity method of accounting.

Other

For other transactions with related parties, see Note 39.

Note 9. Contract assets and contract liabilities

Contract assets and contract liabilities are recognized in accordance with IFRS 15 Revenue from Contracts with Customers. See Note 1.

For risks in ongoing assignments, see Note 2 and the Report of the Directors.

Information from the income statement

Revenue recognized during the year amounts to SEK 130,747 M (143,705).

Information from the statement of financial position	Dec 31, 2020	Dec 31, 2019
Contract assets	4,599	5,898
Contract liabilities	19,462	20,419

Contract assets	2020	2019
January 1	5,898	6,661
Revenue accrued during the year, not yet invoiced	3,754	5,287
Revenue accrued during the year, invoiced during the year	31,895	47,811
Invoiced revenue	–36,629	–54,336
Reclassification	100	168
Exchange rate differences for the year	–419	307
Carrying amount, December 31	**4,599**	**5,898**

Assets arising from expenses to obtain or complete a contract with a customer are included in contract assets and amount to SEK 0 M (0).

Depreciation amounted to SEK 0 M (0) and impairment losses, which are charged to the project, to SEK 0 M (0).

Contract liabilities	2020	2019
January 1	20,419	20,738
Invoiced revenue	95,908	89,660
Revenue accrued during the year, invoiced during the year	–84,428	–73,944
Revenue accrued during the year, invoiced in previous years	–10,670	–16,618
Revenue adjustment	–99	–45
Reclassification	–100	45
Exchange rate differences for the year	–1,568	583
Carrying amount, December 31	**19,462**	**20,419**

Future revenue for remaining performance obligations breaks down between the following years.

Expected revenue recognition for remaining performance obligations in 2020

	2021	2022	2023	2024	≥2025	Total
Construction	91,857	50,711	21,305	9,995	5,056	178,924
Residential Development	6,923	5,742	1,204			13,869
Commercial Property Development	4,907	1,104				6,011
Total	**103,687**	**57,557**	**22,509**	**9,995**	**5,056**	**198,804**

Expected revenue recognition for remaining performance obligations in 2019

	2020	2021	2022	2023	≥2024	Total
Construction	101,386	47,075	27,066	7,468	2,375	185,370
Residential Development	7,851	3,739	1,930			13,520
Commercial Property Development	6,920	1,236	1,129			9,285
Total	**116,157**	**52,050**	**30,125**	**7,468**	**2,375**	**208,175**

Note 10. Operating expenses by category of expense

In 2020 revenue decreased by SEK 12,502 M to SEK 160,344 M (172,846). Operating income increased by SEK 5,205 M to SEK 12,633 M (7,428). Personnel expenses for the year amounted to SEK –27,716 M (–27,748).

Other operating expenses adjusted for current-asset properties divested and income in joint ventures and associated companies amounted to SEK –102,380 M (–116,548).

	2020	2019
Revenue	**160,344**	**172,846**
Personnel expenses[1]	–27,716	–27,748
Depreciation	–2,945	–3,043
Impairment losses	–393	–719
Carrying amount of current-asset properties divested	–18,427	–18,255
Income from joint ventures and associated companies	4,015	591
Income from property, plant and equipment sold	135	304
Other operating expenses[2]	–102,380	–116,548
Total expenses	**–147,711**	**–165,418**
Operating income	**12,633**	**7,428**

1 Personnel expenses include salaries and other remuneration of SEK 21,846 M (21,508), social insurance contributions of SEK 5,574 M (5,695) recognized according to Note 36, and non-monetary remuneration such as company car benefits and shares received under Seop of SEK 296 M (545).
2 Other operating expenses 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.

Selling and administrative expenses	2020	2019
Construction	–5,852	–6,702
Residential Development	–634	–791
Commercial Property Development	–797	–960
Central expenses[1]	–986	–1,016
Total	**–8,269**	**–9,469**

1 Including eliminations.

Note 12. Depreciation

Depreciation and amortization are carried out in accordance with IAS 16 Property, Plant and Equipment, IFRS 16 Leases and IAS 38 Intangible Assets. See Note 1.

Depreciation and amortization are presented below by business stream.

For further information about depreciation and amortization, see Note 17, Note 19 and Note 40.

Depreciation/amortization by asset class and business stream 2020	Construction	Residential Development	Commercial Property Development	Central and eliminations	Total
Intangible assets	–162	–2	–1	–63	–228
Property, plant and equipment					
Property (buildings and land)	–79	–3		–1	–83
Plant and equipment	–1,556	–2	–22	–8	–1,588
Property, plant and equipment, right-of-use assets					
Property (buildings and land)	–20				–20
Offices	–589	–5	–44	–12	–650
Cars	–170	–1	–7	–1	–179
Plant and equipment	–135				–135
Other	–48	–14	0		–62
Total	**–2,759**	**–27**	**–74**	**–85**	**–2,945**
2019					
Intangible assets	–164	–3	–1	–65	–233
Property, plant and equipment					
Property (buildings and land)	–66			–1	–67
Plant and equipment	–1,649	–1	–28	–9	–1,687
Property, plant and equipment, right-of-use assets					
Property (buildings and land)	–19				–19
Offices	–571	–6	–49	–10	–636
Cars	–176	–1	–7	–1	–185
Plant and equipment	–156				–156
Other	–45	–14	–1		–60
Total	**–2,846**	**–25**	**–86**	**–86**	**–3,043**

Note 13. Impairment losses/reversals of impairment losses

Impairment losses/reversals of impairment losses are recognized in accordance with IAS 36 Impairment of Assets. See Note 1. Impairment losses/reversals of impairment losses on current-asset properties are recognized in accordance with IAS 2 Inventories.

Impairment loss/reversals of impairment losses are presented below by business stream.

For further information on impairment losses/reversals of impairment losses, see Note 17, Note 18, Note 19, Note 22 and Note 40.

Impairment losses/reversals of impairment losses by asset class and business stream

2020	Construction	Residential Development	Commercial Property Development	Central and Eliminations	Total
Recognized in operating income					
Intangible assets					
Goodwill					0
Other intangible assets	18				18
Property, plant and equipment					
Property (buildings and land)	–1				–1
Plant and equipment	1			–2	–1
Property, plant and equipment, right-of-use assets					
Site leaseholds					0
Offices	–24				–24
Cars					0
Plant and equipment					0
Investments in joint ventures and associated companies				–61	–61
Current-asset properties					
Commercial Property Development			–282	3	–279
Residential Development	–1	–44			–45
Current-asset properties, right-of-use assets					
Commercial Property Development					0
Residential Development					0
Total	**–7**	**–44**	**–282**	**–60**	**–393**

2019	Construction	Residential Development	Commercial Property Development	Central and Eliminations	Total
Recognized in operating income					
Intangible assets					
Goodwill	–367	–110	–70		–547
Other intangible assets	18	–18			0
Property, plant and equipment					
Property (buildings and land)	1				1
Plant and equipment	6				6
Property, plant and equipment, right-of-use assets					
Site leaseholds					0
Offices	10				10
Cars					0
Plant and equipment					0
Investments in joint ventures and associated companies					
Current-asset properties					
Commercial Property Development			–19		–19
Residential Development		–170			–170
Current-asset properties, right-of-use assets					
Commercial Property Development					0
Residential Development					0
Total	**–332**	**–298**	**–89**	**0**	**–719**

Note 14. Financial items

	2020	2019
Financial income		
Interest income	118	152
Dividends		32
Change in fair value	2	4
	120	**188**
Financial expense		
Interest expense	–194	–209
Interest expense for lease liabilities	–244	–272
Net interest on pensions	–61	–84
Capitalized interest expense	195	307
Change in fair value	–5	
Net exchange rate differences	–7	–15
Impairment losses attributable to any future credit losses	–15	
Other financial items	–18	–3
	–349	**–276**
Total	**–229**	**–88**

Information on how large a portion of income and expense in financial items comes from financial instruments is presented in Note 6.

Net interest

Financial items amounted to SEK –229 M (–88) net. Net interest decreased to SEK –186 M (–106). Interest income decreased to SEK 118 M (152).

Interest expense before capitalized interest improved to SEK –438 M (–481). In 2020 Skanska capitalized interest expense of SEK 195 M (307) in its own ongoing projects.

Interest income was received at an average interest rate of 0.58 percent (1.06). Interest expense, excluding interest on pension liabilities, was paid at an average interest rate of 1.70 percent (1.54) during the year. The average interest rate for lease liabilities was 2.92 percent (3.32).

Net interest on pensions, which is the net amount of interest expense for pension obligations calculated at the beginning of the year, based on the 2020 outcome, and the expected return on plan assets, increased to SEK –61 M (–84). See also Note 28.

The Group had net interest items of SEK 0 M (–1) that were recognized in operating income. See Note 1 Accounting and valuation principles.

Change in fair value

The change in fair value amounted to SEK –3 M (4) and the decrease is mainly due to a positive change in the fair value of currency swap contracts.

Other financial items

Other financial items amounted to SEK –40 M (–18) net relating to various charges for credit facilities and bank guarantees, exchange rate differences, as well impairment losses relating to any future credit losses in accordance with IFRS 9.

Note 15. Borrowing costs

Borrowing costs related to investments that require a substantial period for completion are capitalized. See Note 1.

In 2020 borrowing costs were capitalized at an interest rate of around 1.6 (1.6) percent.

	Capitalized interest during the year		Total accumulated capitalized interest included in cost	
	2020	**2019**	**2020**	**2019**
Current-asset properties	195	307	309	418
Total	**195**	**307**	**309**	**418**

Note 16. Income taxes

Income taxes are reported in accordance with IAS 12 Income Taxes. See Note 1.

Tax expense	2020	2019
Current taxes	–2,287	–683
Deferred tax expense from change in temporary differences	–85	–581
Deferred tax expense from change in loss carryforwards	–161	–22
Change in provision for tax risk	26	
Total	**–2,507**	**–1,286**

Tax items recognized under other comprehensive income	2020	2019
Deferred taxes attributable to cash flow hedges	21	–10
Deferred taxes attributable to pensions	211	166
Total	**232**	**156**

Relationship between taxes calculated after aggregating nominal tax rates and recognized taxes

The Group's recognized tax rate is 20 percent (18).

The Group's aggregated nominal tax rate has been estimated at 23 percent (22).

The average nominal tax rate in Skanska's home markets in Europe is 20 percent (20) and in USA just over 27 percent (27), depending on the distribution of income between the different states there.

The relationship between taxes calculated after aggregating nominal tax rates of 23 percent (22) and recognized tax of 20 percent (18) is explained in the table on page 136.

Note 16. Continued

	2020	2019
Income after financial items	12,404	7,340
Tax according to aggregation of nominal tax rates, 23 percent (22)	–2,853	–1,615
Tax effect of:		
Property divestments[1]	574	481
Divestment of PPP projects[2]		15
Other	–228	–167
Recognized tax expense	**–2,507**	**–1,286**

1 In a number of the countries where Skanska operates, the sale of real estate projects via the divestment of companies is tax-free.
2 In a number of the countries where Skanska operates the sale of PPP projects via the divestment of companies is tax-free.

Income taxes paid in 2020 amounted to SEK 1,081 M (1,076).

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 in the preparation of the consolidated income statement. If the final income tax is less than the amount provisionally withdrawn in previous years, income taxes paid for the year may be substantially reduced.

The table below shows a breakdown by country of income taxes paid:

Income taxes paid

	2020		2019
Sweden	743	Sweden	684
Poland	112	Finland	183
USA	86	Poland	121
Norway	49	Norway	56
Finland	45	Czech Republic	20
Other	46	Other	12
Total	**1,081**	**Total**	**1,076**

Tax assets and tax liabilities

	Dec 31, 2020	Dec 31, 2019
Tax assets	950	670
Tax liabilities	1,883	564
Net tax assets(+)/tax liabilities(–)	**–933**	**106**

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, 2020	Dec 31, 2019
Deferred tax assets according to the statement of financial position	1,803	1,862
Deferred tax liabilities according to the statement of financial position	928	1,045
Net deferred tax assets(+)/deferred tax liabilities(–)	**875**	**817**

	Dec 31, 2020	Dec 31, 2019
Deferred tax assets for loss carryforwards	214	398
Deferred tax assets for other assets	362	484
Deferred tax assets for pension provisions	1,785	1,643
Deferred tax assets for ongoing projects	552	786
Other deferred tax assets	1,240	1,393
Total before net accounting	**4,153**	**4,704**
Net accounting of offsettable deferred tax assets/liabilities	–2,350	–2,842
Deferred tax assets according to the statement of financial position	**1,803**	**1,862**

	Dec 31, 2020	Dec 31, 2019
Deferred tax liabilities for non-current assets	280	264
Deferred tax liabilities for ongoing projects	1,746	1,935
Deferred tax liabilities for other current assets	96	156
Other deferred tax liabilities	1,156	1,532
Total before net accounting	**3,278**	**3,887**
Net accounting of offsettable deferred tax assets/liabilities	–2,350	–2,842
Deferred tax liabilities according to the statement of financial position	**928**	**1,045**

Change in net deferred tax assets(+)/liabilities(–)

	2020	2019
Net deferred tax assets, January 1	817	1,222
Changed accounting principle, Note 3		15
Adjusted net deferred tax assets, January 1	**817**	**1,237**
Divestments	30	7
Recognized under other comprehensive income	232	156
Deferred tax income/expenses	–220	–603
Reclassifications		6
Exchange rate differences	16	14
Net deferred tax assets, December 31	**875**	**817**

Note 16. Continued

Deferred tax assets other than for loss carryforwards are temporary differences between carrying amounts for tax purposes and carrying amounts recognized in the statement of financial position. These differences arise, for example, when the Group's valuation principles deviate from those applied locally by a Group company. These deferred tax assets are mostly expected to be realized within five years.

Deferred tax assets arise, for example, when a recognized depreciation/amortization/impairment loss on assets becomes tax-deductible only in a later period, when eliminating intra-Group profits, when there are differences with respect to provisions for defined-benefit pensions between local rules and IAS 19, when the required provisions become tax-deductible in a later period and when advance payments for ongoing projects are taxed on a cash basis.

Deferred tax liabilities for other assets and other deferred tax liabilities are temporary differences between carrying amounts for tax purposes and carrying amounts in the statement of financial position. These differences arise, for example, when the Group's valuation principles deviate from those applied locally by a Group company. For the most part, these deferred tax liabilities are expected to be realized within five years.

For example, deferred tax liabilities arise when depreciation/amortization for tax purposes in the current period is larger than the required economic depreciation/amortization and when accrued profits in ongoing projects are taxed only when the project is completed.

Temporary differences attributable to investments in Group companies, branches, associated companies and joint ventures for which deferred tax liabilities were not recognized amount to SEK 0 M (0). In Sweden and a number of other countries, divestments of holdings in limited companies are tax-exempt under certain circumstances. Temporary differences thus do not normally exist for the shareholdings of the Group's companies in these countries.

Deferred tax liabilities for future dividends from subsidiaries amount to SEK 0 M (0) because dividends from subsidiaries in the markets where Skanska is currently active do not have any consequences with respect to taxes.

Temporary differences and loss carryforwards that are not recognized as deferred tax assets

	Dec 31, 2020	Dec 31, 2019
Loss carryforwards that expire within one year	513	191
Loss carryforwards that expire in more than one year but within three years	1,085	577
Loss carryforwards that expire in more than three years	2,297	2,520
Total	**3,895**	**3,288**

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 recognized.

Note 17. Property, plant and equipment

Property, plant and equipment are reported in accordance with IAS 16 Property, Plant and Equipment. See Note 1.

Office buildings and other buildings used in the Group's operations are recognized as property, plant and equipment. Machinery and equipment are recognized as a single item.

Property, plant and equipment by asset class

	Dec 31, 2020	Dec 31, 2019
Property (buildings and land)	1,358	1,530
Plant and equipment	5,338	6,144
Property, plant and equipment under construction	120	68
Total	**6,816**	**7,742**

Depreciation of property, plant and equipment by asset class and function

	Cost of sales		Selling and administration		Total	
	2020	**2019**	**2020**	**2019**	**2020**	**2019**
Property (buildings and land)	–45	–37	–38	–30	–83	–67
Plant and equipment	–1,488	–1,568	–101	–119	–1,588	–1,687
Total	**–1,533**	**–1,605**	**–139**	**–149**	**–1,671**	**–1,754**

Impairment losses/reversals of impairment losses on property, plant and equipment

In 2020 impairment losses/reversals of impairment losses in the net amount of SEK –2 M (7) were recognized. Impairment losses/reversals of impairment losses were recognized in Poland and Sweden during the year. In the comparative year, impairment losses/reversals of impairment losses were recognized in Poland. Impairment losses/reversals of impairment losses were recognized as cost of sales in the amount of SEK 1 M and selling and administrative expenses in the amount of SEK –3 M.

Impairment losses/ reversals of impairment losses	Property (buildings and land)		Plant and equipment		Total	
	2020	**2019**	**2020**	**2019**	**2020**	**2019**
Impairment losses	–2	–1	–3		–5	–1
Reversals of impairment losses	1	2	2	6	3	8
Total	**–1**	**1**	**–1**	**6**	**–2**	**7**

Impairment losses/reversals of impairment losses are based on	Property (buildings and land)		Plant and equipment		Total	
	2020	**2019**	**2020**	**2019**	**2020**	**2019**
Fair value less selling expenses/costs of disposals	0	1	–1	6	–1	7
Value in use	–1				–1	
Total	**–1**	**1**	**–1**	**6**	**–2**	**7**

Note 17. Continued

Information about cost, accumulated depreciation and accumulated impairment losses

	Property (buildings and land)		Plant and equipment		Property, plant and equipment under construction	
	2020	**2019**	**2020**	**2019**	**2020**	**2019**
Accumulated cost						
January 1	3,614	3,734	27,475	25,445	68	130
Changed accounting principle, Note 3				–282		
Adjusted amount at beginning of year	**3,614**	**3,734**	**27,475**	**25,163**	**68**	**130**
Investments	44	70	1,396	2,369	54	127
Acquisitions of companies				89		
Divestments	–29	–291	–450	–646	–3	–186
Reclassifications	–486	3	–5,349	2	1	–3
Exchange rate differences for the year	–229	98	–1,508	498		
	2,913	**3,614**	**21,563**	**27,475**	**120**	**68**
Accumulated depreciation according to plan						
January 1	–1,782	–1,759	–21,107	–19,270		
Changed accounting principle, Note 3						
Adjusted amount at beginning of year	**–1,782**	**–1,759**	**–21,107**	**–19,270**		
Divestments and disposals	4	85	308	200		
Reclassifications	430		5,251			
Depreciation for the year	–83	–67	–1,588	–1,687		
Exchange rate differences for the year	99	–41	1,062	–350		
	–1,333	**–1,782**	**–16,073**	**–21,107**		
Accumulated impairment losses						
January 1	–302	–381	–224	–254		
Changed accounting principle, Note 3						
Adjusted amount at beginning of year	**–302**	**–381**	**–224**	**–254**		
Divestments	4	85	10	29		
Reclassifications	67		55			
Impairment losses for the year	–2	–1	–3			
Reversals of impairment losses	1	2	2	6		
Exchange rate differences for the year	10	–7	8	–5		
	–222	**–302**	**–152**	**–224**		
Carrying amount, December 31	**1,358**	**1,530**	**5,338**	**6,144**	**120**	**68**
Carrying amount, January 1	1,530	1,594	6,145	5,921	68	130

Other

Information about capitalized interest is presented in Note 15. For information on finance leases, see Note 40. Skanska has obligations to acquire property, plant and equipment in the amount of SEK 0 M (0).

Skanska did not receive any significant compensation from third parties for property, plant and equipment that was damaged or lost during the year or in the comparative year.

Note 18. Goodwill

Goodwill is recognized in accordance with IFRS 3 Business Combinations, see Note 1. For key judgments, see Note 2.

Goodwill amounted to SEK 3,713 M (4,057). During the year goodwill decreased by SEK 344 M net due to exchange rate differences.

Goodwill amounts by cash-generating units

	Dec 31, 2020	Dec 31, 2019	Change during the year	of which exchange rate differences
Construction				
Sweden	51	52	–1	–1
Norway	903	1,001	–98	–98
Finland	440	458	–18	–18
Central Europe	518	554	–36	–36
UK	1,138	1,249	–111	–111
USA Building	333	379	–46	–46
USA Civil	30	34	–4	–4
Residential Development				
Norway	290	320	–30	–30
Finland	10	10		
Total	**3,713**	**4,057**	**–344**	**–344**

The goodwill recoverable amount is based 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 performance of the Residential Development and Commercial Property Development business streams and the development of construction investments in each market in the countries where the Group has operations. The forecasts are based on the units' two-year forecasts. 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. When 10-year models are used 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.

From 2020 onwards, goodwill in the Czech Republic is tested for the whole of Central Europe since the Czech Republic and Poland have been integrated into one business unit.

Each business unit uses a unique discount factor based on weighted average cost of capital (WACC). Parameters that affect the WACC are interest rates for borrowing, market risks and the ratio between borrowed funds and equity. The WACC is stated both before and after taxes.

The following table shows how the carrying amount relates to the recoverable amount for the respective business units for Skanska's largest goodwill items. The recoverable amount is expressed as 100. The tests are based on an assessment of anticipated development over the next 10-year period.

	Norway	Finland	Central Europe	UK
Recoverable amount, 100	100	100	100	100
Carrying amount	37	n/a	n/a	n/a
Carrying amount, previous year[1]	45	n/a	16	n/a
Interest rate, percent (WACC), before taxes	12	10	12	11
Interest rate, percent (WACC), after taxes	9	8	9	9
Expected growth, %	2	2	3	1
Interest rate, percent (WACC), previous year (before taxes)	10	8	9	11
Interest rate, percent (WACC), previous year (after taxes)	9	7	8	7
Expected growth, %, previous year	2	2	3	1
Carrying amount in relation to recoverable amount, 100 in case of increase in interest rate by				
+1 percentage point	44	n/a	n/a	n/a
+5 percentage points	79	n/a	n/a	n/a
Carrying amount, previous year, in relation to recoverable amount 100 in case of increase in interest rate by				
+1 percentage point	55	n/a	19	n/a
+5 percentage points	102	n/a	32	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 Finland and the UK, the carrying amount was negative due to negative working capital exceeding the value of non-current assets.

Note 18. Continued

Goodwill impairment losses

During the year the Group reported goodwill impairment losses of SEK 0 M (547).

Impairment losses for 2019 are based on a calculation of value in use and reported as selling and administrative expenses in the income statement.

Changed market conditions for the operations in the UK and Norway resulted in decisions to apply goodwill impairment losses in the comparative year of SEK 367 M in the UK and SEK 101 M in Norway. In the comparative year the Group also reported goodwill impairment losses arising in connection with acquisitions in Poland and Finland made in the same financial year.

Note 19. Intangible assets

Intangible non-current assets are recognized in accordance with IAS 38. See Note 1.

Intangible assets and useful life applied

	Dec 31, 2020	Dec 31, 2019	Useful life applied
Intangible assets, externally acquired	317	385	3–10 years
Intangible assets, internally generated	454	480	3–7 years
Total	**771**	**865**	

Internally generated intangible assets consist of business systems. Externally acquired intangible assets include acquired software in USA, Sweden and Finland, and licenses and right-of-use assets in Sweden.

Business systems are amortized over a maximum of seven years. Customer contracts are amortized as projects progress to completion and patents are amortized over 10 years.

Amortization of other intangible assets by function

All intangible assets are amortized as they have a limited useful life.

Amortization by function	2020	2019
Cost of sales	–115	–123
Selling and administration	–113	–110
Total	**–228**	**–233**

Impairment losses/reversals of impairment losses on other intangible assets

In 2020 impairment losses/reversals of impairment losses in the net amount of SEK 17 M (0) were recognized. Reversals of impairment losses were recognized in Poland during the year.

Information about cost, accumulated amortization and accumulated impairment losses

	Intangible assets, externally acquired		Intangible assets, internally generated[1]	
	2020	2019	2020	2019
Accumulated cost				
January 1	1,638	1,674	841	812
Investments	38	87	94	29
Acquisitions of companies		18		
Divestments	–25	–199		
Reclassifications	7		–8	
Exchange rate differences for the year	–130	58	–3	
	1,528	**1,638**	**924**	**841**
Accumulated amortization				
January 1	–1,030	–1,031	–361	–249
Divestments	17	156		
Amortization for the year	–110	–121	–117	–112
Reclassifications	9		8	
Exchange rate differences for the year	81	–34		
	–1,033	**–1,030**	**–470**	**–361**
Accumulated impairment losses				
January 1	–223	–231	0	0
Divestments		18		
Impairment losses for the year		–18		
Reversals of impairment losses	18	18		
Reclassifications	10			
Exchange rate differences for the year	17	–10		
	–178	**–223**	**0**	**0**
Carrying amount, December 31	**317**	**385**	**454**	**480**
Carrying amount, January 1	385	412	480	563

1 Internally generated intangible assets consist of business systems.

Other

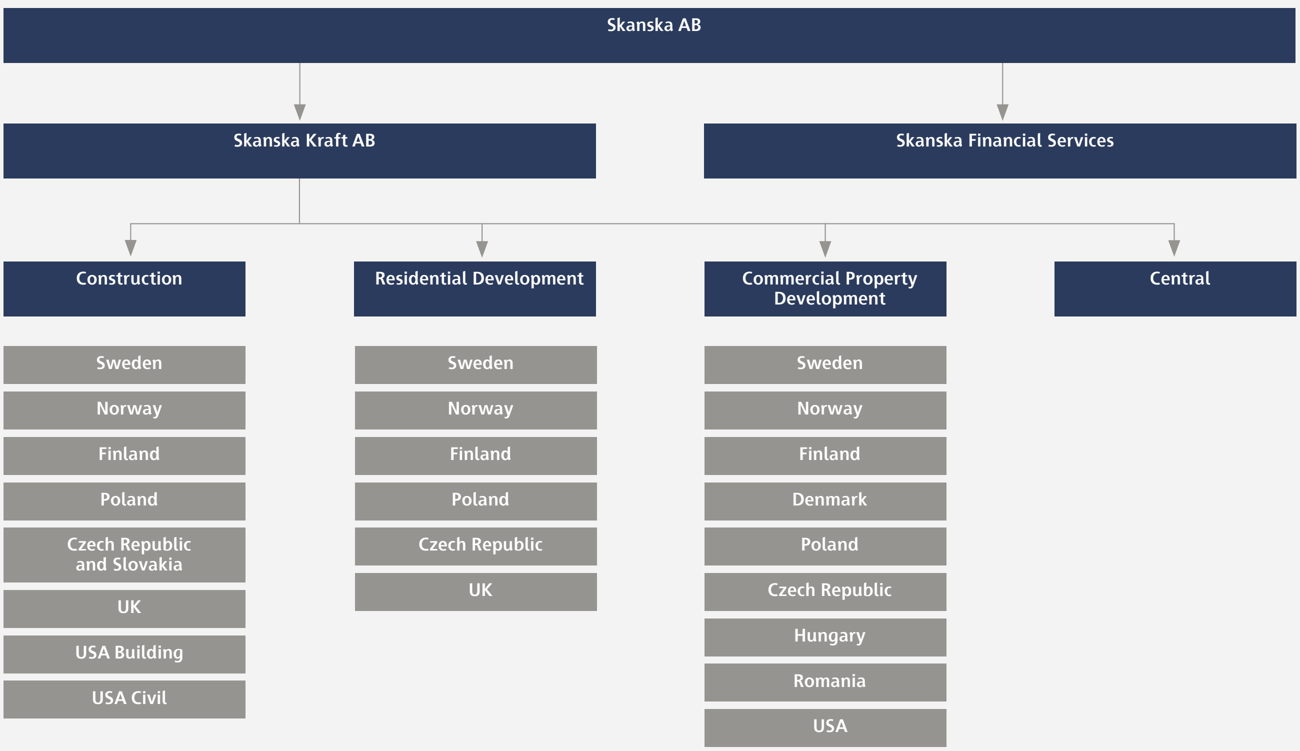
Information about capitalized interest is presented in Note 15.

Direct research and development expenses amounted to SEK 216 M (233).

Note 20 A. Subsidiaries

The Parent Company Skanska AB holds 100 percent of the shares in Skanska Financial Services AB and Skanska Kraft AB. Skanska Kraft AB in turn directly or indirectly owns the subsidiaries in the countries in which Skanska has operations. All subsidiaries are independent limited companies, partnerships or equivalent legal forms in each country. For the location of the registered office of the companies, see Note 51 in the Parent Company notes.

Skanska's Corporate Structure



According to Note 26, there are only minor interests in non-controlling interests.

Note 20 B. Investments in joint ventures and associated companies

For all joint arrangements an assessment is made of their legal form, agreements between the owning parties, and other circumstances. In accordance with IFRS 11, the joint arrangement is reported as a joint venture if the owning parties only have rights to the net assets. See also Note 1.

Investments in joint ventures and associated companies are reported according to the equity method of accounting. Income from joint ventures and associated companies after tax is reported on a separate line in operating income. This income consists of the Group's share of the income in joint ventures and associated companies after tax, adjusted for any impairment losses on consolidated goodwill and intra-Group profits.

Income from joint ventures and associated companies is presented in the following table.

	2020	2019
Share of income in joint ventures according to the equity method	22	521
Divestments of joint ventures	4,054	70
Impairment losses in joint ventures	–61	
Total	**4,015**	**591**

The carrying amount according to the statement of financial position and the change that occurred can be seen in the following table.

	2020			2019		
	Joint ventures	**Associated companies**	**Total**	**Joint ventures**	**Associated companies**	**Total**
January 1	3,419	23	3,442	3,267	21	3,288
New acquisitions	17		17	104		104
Divestments	–1,334		–1,334	–165		–165
Reclassifications	648		648	287		287
Exchange rate differences for the year	–48	–2	–50	95	1	96
The year's reversal of elimination of gains in intra-Group projects			0	1		1
Change in fair value of derivatives	–16		–16	–41		–41
Impairment losses for the year	–61		–61			0
The year's change in share of income in joint ventures and associated companies after subtracting dividends received	–957		–957	–129	1	–128
Carrying amount, December 31	**1,668**	**21**	**1,689**	**3,419**	**23**	**3,442**

Joint ventures

Joint ventures are recognized in accordance with IAS 28 Investments in Associates and Joint Ventures. See Note 1.

The Group has holdings in joint ventures with a carrying amount of SEK 1,668 M (3,419).

The PPP portfolio includes carrying amounts in joint ventures totaling SEK 741 M (2,174).

Income from joint ventures

The share of income in joint ventures, after tax, is recognized 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 operations in the PPP portfolio.

PPP portfolio

Public-private partnerships (PPP) are a type of public procurement where a project company owned by private enterprises 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, IFRIC 12, Note 1. The concession periods for current investments vary between 30 and 58 years and the portions owned in the current portfolio are between 32 and 50 percent. At this time the PPP portfolio has investments in Sweden, the UK and USA.

Note 20 B. Continued

Specification of major holdings of shares and participations in joint ventures

Company	Business stream	Country	Percentage of capital	Percentage of votes	Consolidated carrying amount[1] Dec 31, 2020	Consolidated carrying amount[1] Dec 31, 2019	of which cash flow hedges Dec 31, 2020	of which cash flow hedges Dec 31, 2019
AB Sydsten	Construction	Sweden	50	50	151	148		
Bristol LEP Ltd[2]	Construction	UK	80	80		1		
Essex LEP Ltd[2]	Construction	UK	70	70		20		
UNIASFALT s.r.o.	Construction	Slovakia	50	50	44	44		
Botkyrka Södra Porten Holding AB	Construction	Sweden	50	50	99	101		
Nacka 13:79 JV AB	Residential Development	Sweden	50	50	30	321		
Sjöstadsbo AB	Residential Development	Sweden	50	50	167	265		
Järvastaden AB	Residential Development	Sweden	50	50	166	18		
Kista Park AB	Residential Development	Sweden	50	50	20	19		
Kista Valley AB	Residential Development	Sweden	50	50	36	35		
BCal SCD Property LP	Commercial Property Development	USA	10	10	111	135		
Ranheimsfjæra Utbyggindsselskap DA	Residential Development	Norway	50	50	25	60		
Joint ventures in the PPP portfolio[3]					741	2,174	–337	–327
Other joint ventures					78	78		
Total joint ventures, Group					**1,668**	**3,419**	**–337**	**–327**

1 Consolidated carrying amounts represent the Group's share of equity including results achieved, Group adjustments and deductions for dividends provided.
2 Holding divested in 2020.
3 Carrying amounts for joint ventures in the PPP portfolio are affected by cash flow hedges. The value of these cash flow hedges amounts to –337 (–327).
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.

Unrealized development gain in the PPP portfolio

SEK bn	Dec 31, 2020	Dec 31, 2019
Present value of cash flow from projects	2.2	4.9
Present value of remaining investments	–1.0	–1.1
Net present value of projects	**1.2**	**3.8**
Carrying amount before cash flow hedging	–0.7	–2.5
Unrealized development gain	**0.5**	**1.3**
Cash flow hedge	0.3	0.3
Effect in unrealized equity[1]	**0.8**	**1.6**

1 Tax effects not included.

Note 20 B. Continued

Details of Skanska's joint ventures

Most of Skanska's joint ventures are in the PPP portfolio, which is reported in accordance with IFRIC 12 Service Concession Arrangements. The amounts correspond to 100 percent of the joint venture's income statement and statement of financial position.

	PPP portfolio		Other joint ventures		Total all joint ventures	
Income statement	**2020**	**2019**	**2020**	**2019**	**2020**	**2019**
Revenue	9.161	12,372	2,731	4,118	11,892	16,490
Depreciation	–161	–220	–32	–32	–193	–252
Other operating expenses	–9,659	–11,994	–2,281	–2,367	–11,940	–14,361
Operating income	**–659**	**158**	**418**	**1,719**	**–241**	**1,877**
Interest income	1,104	1,132	6	8	1,110	1,140
Interest expense	–1,104	–1,240	–17	–14	–1,121	–1,254
Financial items		1	304	–658	304	–657
Income after financial items[1]	**–659**	**51**	**711**	**1,055**	**52**	**1,106**
Taxes	134	–47	–18	–15	116	–62
Profit for the year	**–525**	**4**	**693**	**1,040**	**168**	**1,044**
Comprehensive income for the year	**–525**	**4**	**693**	**1,040**	**168**	**1,044**
Statement of financial position	**Dec 31, 2020**	**Dec 31, 2019**	**Dec 31, 2020**	**Dec 31, 2019**	**Dec 31, 2020**	**Dec 31, 2019**
Non-current assets	41,103	56,872	395	327	41,498	57,199
Current assets	2,186	475	11,113	5,527	13,299	6,002
Cash and bank balances	3,798	7,962	1,253	495	5,051	8,457
Total assets	**47,087**	**65,309**	**12,761**	**6,349**	**59,848**	**71,658**
Equity attributable to equity holder[2]	1,675	4,419	5,449	3,127	7,124	7,546
Non-current financial liabilities	40,505	55,028	626	397	41,131	55,425
Other non-current liabilities			187	126	187	126
Current financial liabilities	4,907	5,862	5,864	2,280	10,771	8,142
Other current liabilities			635	419	635	419
Total equity and liabilities	**47,087**	**65,309**	**12,761**	**6,349**	**59,848**	**71,658**
Skanska received the following dividend[3]	261	64	717	584	978	648
Reconciliation with participations in joint ventures						
Equity attributable to the investors in joint ventures, 100%	1,675	4,419	5,449	3,127	7,124	7,546
Less equity attributable to investors other than Skanska	–1,245	–2,273	–4,326	–1,875	–5,571	–4,148
Skanska's portion of equity in joint ventures, adjusted for surplus value and goodwill	**430**	**2,146**	**1,123**	**1,252**	**1,553**	**3,398**
+ Losses recognized as provisions	372	28	2		374	28
– Impairment losses	–61				–61	
+/– Elimination of intra-Group profit			–198	–7	–198	–7
Carrying amount of Skanska's holdings	**741**	**2,174**	**927**	**1,245**	**1,668**	**3,419**
of which cash flow hedges	–337	–327			–337	–327

1 The amount includes impairment losses in the consolidated accounts.
2 Equity includes subordinated loans from the owners.
3 Dividends include interest paid on the subordinated loans.

Note 20 B. Continued

Assets pledged

Shares in joint ventures pledged as collateral for loans and other obligations amount to SEK 741 M (2,174).

Other

Skanska's joint ventures are owned by Skanska and other investors. They are financed in part by capital from the owning parties, but the majority are financed via banks or credit institutions. The assets of the respective joint ventures are used as collateral for the liabilities. According to agreements with the banks, the ability to access bank account funds from these joint ventures is restricted.

Skanska's portion of the total investment obligations of partly owned joint ventures amounts to SEK 1,789 M (2,848), of which Skanska has remaining obligations to invest SEK 1,120 M (1,275) in infrastructure 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 357 M (574).

Associated companies

Associated companies are recognized in accordance with IAS 28 Investments in Associates and Joint Ventures. See Note 1. The carrying amount of associated companies is SEK 21 M (23).

Information on the Group's share of revenue, income, assets, liabilities and equity in associated companies

	2020	2019
Revenue	20	25
Profit/loss	0	–2
Assets	**24**	**26**
Equity[1]	21	23
Liabilities	3	3
	24	**26**

1 Reconciliation between equity and carrying amount of holdings, in accordance with the equity method of accounting.

	Dec 31, 2020	Dec 31, 2019
Equity in associated companies	21	23
Carrying amount	**21**	**23**

Other

The associated companies have no liabilities or contingent liabilities which the Group may become responsible for paying. Nor are there any obligations for future investments.

Note 20 C. Joint operations

Skanska executes certain projects with a joint party without a separate legal company being formed for the purpose. These projects are then classified as joint operations in accordance 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
Skanska/Walsh	Airport	USA	70
Skanska Balfour Beatty	Campus area	USA	50
tRIIO	Gas maintenance	UK	50
Skanska-Granite-Lane Joint Venture	Highway/bridge	USA	40
Regional Connector Constructors	Public transit	USA	63
Skanska-Traylor-Shea Joint Venture	Public transit	USA	50
Skanska Costian Strabag Joint Venture	Railway	UK	34
Costain Skanska HS2 South EW Joint Venture	Railway	UK	50
Mid-Coast Transit Constructors	Railway	USA	33
Skanska Trevcon II	Foundation work	USA	65
Skanska Corman McLean Joint Venture	Bridge	USA	65
Hoffman Skanska	Airport	USA	50
Skanska Ecco III	Highway/bridge	USA	70

There are 100 other small joint operations in the above countries, as well as in Sweden, Norway and the Czech Republic.

Note 21. Financial assets

Financial investments, financial receivables and shareholdings where ownership is less than 20 percent and the Group has no significant influence are recognized as non-current financial assets.

Financial investments and financial receivables are recognized as current financial assets. See also Note 6.

Non-current financial assets	Dec 31, 2020	Dec 31, 2019
Non-current financial assets at fair value through profit or loss		
Derivatives	4	1
	4	**1**
Non-current financial assets at fair value through other comprehensive income		
Shares and participations[1]	43	44
	43	**44**
Non-current financial assets at amortized cost		
Receivables from joint ventures	10	15
Restricted cash and cash equivalents	611	768
Other interest-bearing receivables	165	155
	786	**938**
Other		
Net assets in funded pension plans	1,098	1,545
Total	**1,931**	**2,528**
of which interest-bearing non-current financial assets	1,884	2,483
of which non-interest-bearing non-current financial assets	47	45

Current financial assets	Dec 31, 2020	Dec 31, 2019
Current financial assets at fair value through profit or loss		
Derivatives	192	127
	192	**127**
Current financial assets at amortized cost		
Restricted cash and cash equivalents	4,202	5,316
Receivables from joint ventures	21	19
Other interest-bearing receivables	4,077	1,437
	8,300	**6,772**
Total	**8,492**	**6,899**
of which interest-bearing current financial assets	8,300	6,772
of which non-interest-bearing current financial assets	192	127
Total carrying amount, financial assets	**10,423**	**9,427**
of which financial assets excluding shares and pensions	9,282	7,838

1 Shareholdings were affected by impairment losses of SEK 0 M (1) during the year.

Note 22. Current-asset properties/Project Development

Current-asset properties are recognized in accordance with IAS 2 Inventories, see Note 1.

The allocation of items in the statement of financial position by business stream is presented below.

Business stream	Dec 31, 2020	Dec 31, 2019
Commercial Property Development	27,906	29,708
Residential Development	17,041	16,665
Total	**44,947**	**46,373**

For a further description of the respective business streams, see Note 4. Current-asset properties are divided into completed properties, properties under construction and development properties.

Impairment losses/reversals of impairment losses

Current-asset properties are valued in accordance 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 in the income statement under "Cost of sales," as are reversals of previous impairment losses. Net realizable value is affected by the type and location of the property, and by the yield requirement in the market.

	Impairment losses		Reversals of impairment losses		Total	
	2020	2019	2020	2019	2020	2019
Commercial Property Development	–279	–19			–279	–19
Residential Development	–47	–170	2		–45	–170
Total	**–326**	**–189**	**2**	**0**	**–324**	**–189**

Carrying amounts

	Completed properties		Properties under construction		Development properties		Current-asset properties	
	Dec 31, 2020	Dec 31, 2019	Dec 31, 2020	Dec 31, 2019	Dec 31, 2020	Dec 31, 2019	Dec 31, 2020	Dec 31, 2019
Commercial Property Development	6,575	5,025	9,739	14,882	11,592	9,801	27,906	29,708
Residential Development	648	567	7,843	7,902	8,550	8,196	17,041	16,665
Total	**7,223**	**5,592**	**17,582**	**22,784**	**20,142**	**17,997**	**44,947**	**46,373**

	Commercial Property Development		Residential Development		Total current-asset properties	
	2020	2019	2020	2019	2020	2019
Carrying amount						
January 1	29,708	25,829	16,665	16,562	46,373	42,391
Acquisitions				89		89
Investments	9,751	12,890	10,302	9,310	20,053	22,200
Carrying amount of properties divested	–9,330	–8,998	–9,097	–9,257	–18,427	–18,255
Impairment losses	–279	–19	–47	–170	–326	–189
Reversals of impairment losses			2		2	
The year's provision for intra-Group profits in contracting work	–289	–327	–163	–135	–452	–462
Reclassifications	–152	–265	104	4	–48	–261
Exchange rate differences for the year	–1,503	598	–725	262	–2,228	860
December 31	**27,906**	**29,708**	**17,041**	**16,665**	**44,947**	**46,373**

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, 2020	Dec 31, 2019	Dec 31, 2020	Dec 31, 2019	Dec 31, 2020	Dec 31, 2019
Commercial Property Development	27,832	29,637	74	71	27,906	29,708
Residential Development	16,803	16,008	238	657	17,041	16,665
Total	**44,635**	**45,645**	**312**	**728**	**44,947**	**46,373**

Note 22. Continued

Difference between fair value and carrying amount for current-asset properties

SEK bn	Surplus value Dec 31, 2020	Surplus value Dec 31, 2019
Commercial Property Development		
Completed projects	2.1	1.6
Development properties	0.7	1.0
Ongoing projects[1]	4.3	7.1
	7.1	**9.7**
Residential Development		
Undeveloped land and development properties	2.8	3.2
Total	**9.9**	**12.9**

1 Estimated market value. Internal appraisal, with valuation on respective completion dates.

Assets pledged

Current-asset properties pledged as collateral for loans and other obligations amount to SEK 0 M (0), see Note 33.

Other

Information about capitalized interest is presented in Note 15.

Skanska has committed to investing SEK 2,565 M (1,870) in current-asset properties.

Note 23. Inventories

Inventories are reported in accordance with IAS 2 Inventories. See Note 1.

	Dec 31, 2020	Dec 31, 2019
Raw materials and supplies	318	300
Products being manufactured	101	105
Finished products and merchandise	681	723
Total	**1,100**	**1,128**

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, 2020	Dec 31, 2019
Trade accounts receivable	13,279	20,213
Other operating receivables	5,813	2,982
Prepaid expenses and accrued income	3,310	4,018
Total	**22,402**	**27,213**
Of which financial instruments reported in Note 6.		
Trade accounts receivable	13,279	20,213
Other operating receivables including accrued interest income	109	155
	13,388	**20,368**
Of which non-financial instruments	9,014	6,845

Note 25. Cash and bank balances

"Cash and bank balances" consists of cash and available funds at banks and equivalent financial institutions. Cash and bank balances amount to SEK 19,508 M (8,745). The Group had no short-term investments on the closing day, nor on the previous year's closing day.

Note 26. Equity/earnings per share

Equity is allocated between equity attributable to equity holders (shareholders) and non-controlling interests (minority interests).

Non-controlling interests account for 0.3 percent of total equity.

Equity changed during the year as follows:

	2020	2019
January 1	**33,021**	**29,347**
of which non-controlling interests	97	97
Changed accounting principle, Note 3		–67
Adjusted opening balance	**33,021**	**29,280**
Comprehensive income for the year		
Profit for the year attributable to		
Equity holders	9,875	6,031
Non-controlling interests	22	23
Other comprehensive income		
Items that will not be reclassified to profit or loss		
Remeasurement of defined-benefit pension plans[1]	–1,003	–895
Tax on items that will not be reclassified to profit or loss for the period	211	166
Total	**–792**	**–729**
Items that have been or will be reclassified to profit or loss for the period		
Translation differences attributable to equity holders[2]	–2,120	672
Translation differences attributable to non-controlling interests	–7	3
Hedging of exchange rate risk in foreign operations[2]	–19	4
Effect of cash flow hedges[3]	–141	–10
Tax on items that have been or will be reclassified to profit or loss for the period	21	–10
Total	**–2,266**	**659**
Other comprehensive income after tax	**–3,058**	**–70**
Comprehensive income for the year	**6,839**	**5,984**
of which attributable to equity holders	6,824	5,958
of which attributable to non-controlling interests	15	26
Other changes in equity not included in total comprehensive income for the year		
Dividend to shareholders	–1,340	–2,462
Dividend to non-controlling interests	–15	–26
Effects of equity-settled share-based payments	300	245
Shares repurchased	–88	0
Total	**–1,143**	**–2,243**
Equity, December 31	**38,717**	**33,021**
of which non-controlling interests	97	97

1 Remeasurement of defined-benefit pension plans, SEK –1,003 M (–895), together with tax, SEK 211 M (166), totaling SEK –792 M (–729), constitutes the Group's total effect on other comprehensive income of remeasurement of pensions recognized in accordance with IAS 19 and is recognized in retained earnings.

2 Translation differences attributable to equity holders, SEK –2,120 M (672), plus hedging of exchange rate risk in foreign operations, SEK –19 M (4), totaling SEK –2,139 M (676), constitute the change in the Group's translation reserve.

3 The effect on cash flow hedges, SEK –141 M (–10), together with taxes SEK 21 M (–10), totaling SEK –120 M (–20), constitutes the change in the Group's cash flow hedge reserve.

Equity attributable to equity holders is allocated as follows:

	Dec 31, 2020	Dec 31, 2019
Share capital	1,260	1,260
Paid-in capital	3,327	3,027
Reserves	906	3,165
Retained earnings	33,127	25,472
Total	**38,620**	**32,924**

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 2020 and 2019 was attributable to share-based payments and amounted to SEK 300 M (245).

Reserves

	Dec 31, 2020	Dec 31, 2019
Translation reserve	1,412	3,551
Cash flow hedge reserve	–506	–386
Total	**906**	**3,165**

Reconciliation of reserves

	2020	2019
Translation reserve		
Translation reserve, January 1	3,551	2,875
Translation differences for the year	–2,120	672
Hedging of exchange rate risk in foreign operations	–19	4
Translation reserve, December 31	**1,412**	**3,551**
Cash flow hedge reserve		
Hedge reserve, January 1	–386	–366
Cash flow hedges recognized in other comprehensive income		
Hedges for the year	–296	–160
Transferred to the income statement	155	150
Taxes attributable to hedging for the year	21	–10
Hedge reserve, December 31	**–506**	**–386**
Total reserves	**906**	**3,165**

Translation reserve

The translation reserve consists of accumulated translation differences from the translation of financial reports for foreign operations. The translation reserve also includes exchange rate differences that have arisen when hedging net investments in foreign operations. The translation reserve was reset at zero upon the transition to IFRS on January 1, 2004.

Translation differences for the year amount to SEK –2,120 M (672) and consist of positive translation differences mainly in USD.

In 2020 the translation reserve was affected by exchange rate differences of SEK –19 M (4) due to currency hedging. The accumulated translation reserve totaled SEK 1,412 M (3,551).

Note 26. Continued

Cash flow hedge reserve
Hedge accounting is applied mainly for the PPP portfolio. Unrealized gains and losses on hedging instruments are recognized in the cash flow hedge reserve. The change during the year amounts to SEK –120 M (–20), which is explained by changes in exchange rates where forward contracts have been entered into for future transactions in foreign currencies and hedge accounting is applied, as well as the fact that interest rate swaps have matured and been realized, which to a certain extent is offset by changes in market interest rates. The reserve at year-end amounted to SEK –506 M (–386).

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 accordance with IAS 19 are recognized only under "Other comprehensive income."

Remeasurement of defined-benefit pension plans
Equity was affected by remeasurement of defined-benefit pension plans in the amount of SEK –792 M (–729) after taking into account social insurance contributions and taxes. Remeasurement of pension obligations amounted to SEK –2,306 M (–2,617) and is largely due to a reduced discount rate for the pension plans in Sweden, Norway and the UK.

Remeasurements of plan assets were made in the amount of SEK 1,446 (1,866) as the actual return on the assets exceeds the estimated return, see also Note 28.

	2020	2019
Remeasurements of pension obligations	–2,306	–2,617
Difference between expected and actual return on plan assets	1,446	1,866
Social insurance contributions including special payroll tax	–143	–144
Taxes	211	166
Total	**–792**	**–729**

IFRS 2 Share-based payment
The share incentive programs introduced in 2017 and 2020 respectively are recognized as share-based payment, which is settled with an equity instrument in accordance with IFRS 2. This means that fair value is calculated on the basis of estimated fulfillment of established performance 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 balance sheet date, the Board of Directors has proposed a dividend for 2020 of SEK 9.50 (3.25) per share, consisting of an ordinary dividend of SEK 6.50 (3.25) per share and an extra dividend of SEK 3.00 (0.00) per share. The proposal is equivalent to a dividend payout totaling SEK 3,917 M (1,340). No dividend is paid for the Parent Company's holding of Series B treasury shares. The Board of Directors has proposed Thursday, April 1, 2021 as the record date for receiving dividend. The total dividend amount may change up to the time of the record date, depending on the repurchas of own Series B shares and transfer of Series B shares to participants in long-term share saving programs. Resolution on dividend to the shareholders for 2020 shall be adopted by the Annual General Meeting on March 30, 2021.

Shares
Information on the number of shares as well as earnings and equity per share is presented in the table below.

	2020	2019
Number of shares at year-end	419,903,072	419,903,072
of which Series A shares	19,684,564	19,704,715
of which Series B shares	400,218,508	400,198,357
Average price, repurchased shares, SEK	138.45	137.54
of which repurchased during the year	460,000	
Number of Series B treasury shares, December 31	7,616,674	8,394,479
Number of shares outstanding, December 31	412,286,398	411,508,593
Average number of shares outstanding	411,993,869	410,720,937
Average number of shares outstanding after dilution	414,304,017	412,585,074
Average dilution, %	0.56	0.45
Earnings per share, SEK	23.97	14.68
Earnings per share after dilution, SEK	23.84	14.62
Equity per share, SEK	93.67	80.01

Change in number of shares	2020	2019
Number on January 1	411,508,593	409,678,438
Number of total Series B shares repurchased	–460,000	
Number of shares transferred to employees	1,237,805	1,830,155
Number on December 31	**412,286,398**	**411,508,593**

Dilution effect
In the employee ownership programs introduced in 2017 and 2020 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 established targets. After the end of the measurement period, Skanska establishes the number of shares that may be issued, provided that the requirement of continued employment is fulfilled. The number of potential ordinary shares thus calculated is then reduced by the difference between the payment Skanska is expected to receive and the average share price during the period.

Excluding social insurance contributions, the cost of both employee ownership programs is estimated at a total of SEK 1,196 M, allocated over the three-year vesting period, equivalent to 6,529,998 shares. The maximum dilution at the end of the vesting period is estimated at 1.56 percent.

In 2020 the cost of both programs amounted to SEK 300 M, excluding social insurance contributions. Share awards earned but not yet allotted by the end of 2020 totaled 2,310,148 shares. The dilution effect up to and including 2020 amounted to 0.56 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 free working capital (negative). The free working capital in the Construction business stream combined with the profits from the Group's operations, as well as the possibility of increasing borrowing through credit financing, make it possible for Skanska to finance investments in inhouse project development.

In light of the Construction business stream's large volumes with differentiated risk in various types of assignments and customer demands for guarantees, such as performance guarantees in publicly procured projects in the US market, the equity requirement is significant. It is also necessary to take into account financing of goodwill and future investments in Project Development.

Note 26. Continued

A number of financial targets have been established that are deemed to best reflect the profitability of the operations and best demonstrate the financial scope for investment 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 targets for 2016–2020 is a return on the Group's equity of at least 18 percent, an operating margin of least 3.5 percent in Construction 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 the Financial Policy, see Note 6.

Non-current financial liabilities	Dec 31, 2020	Dec 31, 2019
Financial liabilities at fair value through profit or loss		
Derivatives	6	2
Financial liabilities at amortized cost		
Liabilities to credit institutions	2,641	1,864
Other liabilities	600	699
Total	**3,247**	**2,565**
of which interest-bearing non-current financial liabilities	3,241	2,563
of which non-interest-bearing non-current financial liabilities	6	2
Current financial liabilities		
Financial liabilities at fair value through profit or loss		
Derivatives	85	50
Financial liabilities at amortized cost		
Construction loans, cooperative housing associations	4,045	3,430
Liabilities to credit institutions	533	632
Other liabilities		505
Total	**4,663**	**4,617**
of which interest-bearing current financial liabilities	4,578	4,567
of which non-interest-bearing current financial liabilities	85	50
Total carrying amount for financial liabilities	**7,910**	**7,182**

Note 28. Pensions

Pension provisions are recognized in accordance with IAS 19 Employee Benefits. See Note 1.

Pension liability according to the statement of financial position

According to the statement of financial position, interest-bearing pension liabilities amounted to SEK 7,360 M (6,866) and interest-bearing pension receivables amounted to SEK 1,098 M (1,545). The net amount of interest-bearing pension liabilities and interest-bearing pension receivables was SEK 6,262 M (5,321).

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 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 statement of financial position 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 46 M (4) due to the limit in the ceiling rule.

On the closing day the pension obligations amounted to SEK 28,173 M (27,115). During the year pension obligations were affected by remeasurements. The reduced discount rate for all three countries increased pension obligations, which was offset to a certain extent by lower inflation in Sweden. The remeasurements are included in other comprehensive income in a net amount of SEK –2,306 M (–2,617). Pension obligations were also affected by the cost of vested pensions and interest expense exceeding pensions paid. The pension obligations decreased due to lower exchange rates for NOK and GBP.

The plan assets amounted to SEK 21,911 M (21,794). The plan assets were affected during the year by remeasurements, since the actual return on the assets was higher than the estimated return. The remeasurements are included in other comprehensive income in the amount of SEK 1,446 M (1,866). The plan assets decreased due to lower exchange rates for NOK and GBP.

The return on plan assets recognized in the income statement amounted to SEK 424 M (519), while the actual return amounted to SEK 1,870 M (2,385). The higher return is attributable to the pension plans in all three countries.

The plan assets mainly consist of equities, interest-bearing securities, mutual fund units and investments in properties and PPP projects. No assets are used in Skanska's operations. The number of directly owned shares in Skanska AB totaled 0 (0) 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, pay increases, inflation and life expectancy. The risk inherent in the plan assets is mainly market risk. Overall, these risks may result in

Note 28. Continued

volatility in the company's equity and in increased future pension expenses and higher than estimated pension disbursements. Skanska monitors changes in its pension obligations on an ongoing basis and updates the most significant assumptions every quarter and other assumptions at least once a year.

Pension commitments are calculated by independent actuaries. The company has prepared policy documents for the management of plan assets in the form of investment guidelines regulating permitted investments and allocation frameworks for these. In addition, the company uses external investment advisors who continually monitor development of the plan assets. The long duration of the pension obligations is partly matched by long-term investments in PPP projects and property investments, and investments in long-term interest-bearing securities.

The largest defined-benefit plan for Skanska in Sweden is the ITP 2 plan, in which pensions are based on final salary on retirement. ITP 2 covers salaried employees born in 1978 or earlier. The pension obligations are secured through assets in a pension fund and through insurance with PRI Pensionsgaranti. The pension obligation is lifelong and sensitive to changes in the discount rate, pay increases, inflation and life expectancy.

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 2020 amounted to SEK 3 M (3). At the end of 2020, the collective funding ratio of defined-benefit plans in Alecta totaled a preliminary 148 percent (148). The collective funding ratio consists of assets as a percentage of actuarial obligations.

Within Skanska Norway, the largest defined-benefit pension plan is the Skanska Norge Pensionskassa pension fund. This plan covered almost all employees of Skanska in Norway and the pension is based on final salary and number of years of employment with Skanska. The pension obligations are secured through assets in the pension fund. The Skanska Norge Pensionskassa pension fund has been closed for new members since mid-2018. The pension obligation 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 obligations are secured through assets in the pension fund. The Skanska Pension Fund has been closed for vesting and new members since the end of the first quarter of 2018. The pension obligation is sensitive to changes in the discount rate, inflation and life expectancy.

Net liability related to employee benefits, defined-benefit plans

	Dec 31, 2020	Dec 31, 2019
Pension obligations, funded plans, present value, December 31	28,173	27,115
Plan assets, fair value, December 31	–21,911	–21,794
Net liability according to statement of financial position	**6,262**	**5,321**

Pension obligations and plan assets by country

	Sweden	Norway	UK	Total
2020				
Pension obligations	11,902	4,626	11,645	28,173
Plan assets	–4,988	–5,724	–11,199	–21,911
Net liability according to statement of financial position	**6,914**	**–1,098**	**446**	**6,262**
2019				
Pension obligations	11,190	4,288	11,637	27,115
Plan assets	–4,848	–5,833	–11,113	–21,794
Net liability according to statement of financial position	**6,342**	**–1,545**	**524**	**5,321**

Interest-bearing pension liability, net

	2020	2019
Net pension liability, January 1	5,321	4,765
Pension expenses	551	524
Benefits paid by employers	–248	–237
Funds contributed by employers	–313	–490
Remeasurements[1]	860	751
Curtailments and settlements	–8	0
Exchange rate differences	99	8
Net liability according to statement of financial position	**6,262**	**5,321**

1 See also Note 26, which shows the tax portion and social insurance contributions recognized in other comprehensive income.

Pension obligations

	2020	2019
January 1	27,115	23,275
Pensions earned during the year	496	446
Interest on obligations	485	603
Benefits paid by employers	–248	–237
Benefits paid from plan assets	–442	–477
Remeasurements:		
– Actuarial gains(–)/losses(+), changed financial assumptions	2,442	2,941
– Actuarial gains(–)/losses(+), changed demographic assumptions	–236	–88
– Experience-based changes	100	–236
Curtailments and settlements	–8	
Exchange rate differences	–1,531	888
Pension obligations, present value	**28,173**	**27,115**

Note 28. Continued

Breakdown of pension obligations and average duration by country

2020	Sweden	Norway	UK
Active members' portion of obligations	43%	47%	4%
Dormant pension rights	26%	17%	55%
Pensioners' portion of obligations	31%	36%	41%
Weighted average duration	21 years	20 years	20 years
2019			
Active members' portion of obligations	41%	47%	4%
Dormant pension rights	26%	14%	56%
Pensioners' portion of obligations	33%	39%	40%
Weighted average duration	21 years	19 years	20 years

Plan assets

	2020	2019
January 1	21,794	18,510
Estimated return on plan assets	424	519
Funds contributed by employers	313	490
Funds contributed by employees	6	6
Benefits paid	–442	–477
Difference between actual return and estimated return	1,446	1,866
Exchange rate differences	–1,630	880
Plan assets, fair value	**21,911**	**21,794**

Amounts contributed are expected to total SEK 350 M in 2021.

Plan assets not included in carrying amount due to the limit in the ceiling rule

	2020	2019
January 1	4	18
Change during the year	42	–14
Plan assets not included in carrying amount	**46**	**4**

Plan assets and return by country

2020	Sweden	Norway	UK
Equities	30%	40%	29%
Interest-bearing securities	35%	41%	47%
Alternative investments	35%	19%	24%
Estimated return	1.50%	2.50%	2.00%
Actual return	4.30%	7.30%	11.60%
2019			
Equities	33%	38%	31%
Interest-bearing securities	34%	43%	41%
Alternative investments	33%	19%	28%
Estimated return	2.25%	3.00%	2.75%
Actual return	9.90%	12.50%	12.20%

Total plan assets by asset class

	Dec 31, 2020	Dec 31, 2019
Equities and mutual funds		
Swedish equities and mutual funds	640	556
Norwegian equities and mutual funds	848	819
UK equities and mutual funds	1,327	1,280
Global mutual funds	4,258	4,612
Total equities and mutual funds	**7,073**	**7,267**
Interest-bearing securities		
Swedish bonds	1,464	1,320
Norwegian bonds	926	1,038
UK bonds	4,081	3,520
Bonds in other countries	2,865	2,826
Total interest-bearing securities	**9,336**	**8,704**
Alternative investments:		
Hedge funds	303	310
Property investments	1,639	1,636
Projects in the PPP portfolio	1,503	1,800
Other	2,057	2,077
Total alternative investments	**5,502**	**5,823**
Total plan assets	**21,911**	**21,794**

Equities and mutual funds, interest-bearing securities and hedge funds were measured at current market prices. Property investments and infrastructure projects were measured by discounting future cash flows. Of total plan assets, 80 percent have a quoted price on an active market.

Note 28. Continued

Actuarial assumptions

2020	Sweden	Norway	UK
Financial assumptions			
Discount rate, January 1	1.50%	2.50%	2.00%
Discount rate, December 31	1.10%	1.80%	1.40%
Estimated return on plan assets for the period	1.50%	2.50%	2.00%
Expected pay increase, December 31	3.00%	2.25%	3.25%
Expected inflation, December 31	1.50%	1.50%	3.00%
Demographic assumptions			
Life expectancy after age 65, men	23 years	21 years	22 years
Life expectancy after age 65, women	25 years	25 years	24 years
Life expectancy table	PRI	K2013	S3 2019

2019			
Financial assumptions			
Discount rate, January 1	2.25%	3.00%	2.75%
Discount rate, December 31	1.50%	2.50%	2.00%
Estimated return on plan assets for the period	2.25%	3.00%	2.75%
Expected pay increase, December 31	3.00%	2.25%	3.25%
Expected inflation, December 31	1.75%	1.50%	3.00%
Demographic assumptions			
Life expectancy after age 65, men	23 years	21 years	23 years
Life expectancy after age 65, women	25 years	24 years	24 years
Life expectancy table	PRI	K2013	S2 2018

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, 2020	11,902	4,626	11,645	28,173
Discount rate increase of 0.25%	–600	–225	–575	–1,400
Discount rate decrease of 0.25%	600	225	575	1,400
Increase of 0.25% in expected pay increase	150	125	0	275
Decrease of 0.25% in expected pay increase	–150	–125	0	–275
Increase of 0.25% in expected inflation	450	175	375	1,000
Decrease of 0.25% in expected inflation	–450	–175	–375	–1,000
Life expectancy increase of 1 year	500	200	425	1,125

1 Estimated change in pension obligation/pension liability if the assumption is increased or decreased for all three countries. If pension liability increases for all three countries, the Group's equity is reduced by about 90 percent of the increase in the pension liability after taking into account deferred tax and social insurance contributions.

Sensitivity of plan assets to changes in estimated return and actual return

	Sweden	Norway	UK	Total[1]
Plan assets, December 31, 2020	4,988	5,724	11,199	21,911
Return increase of 5%	250	300	550	1,100
Return decrease of 5%	–250	–300	–550	–1,100

1 If the actual return exceeds the estimated return by 5 percent, the gain upon remeasurement is expected to amount to SEK 1,100 M. If the actual return falls below the estimated return by 5 percent, the loss upon remeasurement is expected to amount to SEK 1,100 M.

The sensitivity analyses are based on existing circumstances, assumptions and populations. Application at other levels may produce different effects of changes.

Defined-contribution plans

These plans mainly cover retirement pension, disability pension and family pension. The premiums are paid regularly during the year by the respective Group company to separate legal entities, for example insurance companies. The size of the premium is based on salary. The pension expenses for the period are included in the income statement.

Total pension expenses in the income statement for defined-benefit plans and defined-contribution plans

	2020	2019
Defined-benefit pension plans vested during the year	–496	–446
Less: Funds contributed by employees	6	6
Interest on obligations	–485	–603
Estimated return on plan assets	424	519
Curtailments and settlements	1	
Pension expenses, defined-benefit plans	**–550**	**–524**
Pension expenses, defined-contribution plans	–1,834	–1,849
Social insurance contributions, defined-benefit and defined-contribution plans[1]	–177	–179
Total pension expenses	**–2,561**	**–2,552**

1 Refers to special payroll tax in Sweden and employer fee in Norway.

Allocation of pension expenses in the income statement

	2020	2019
Cost of sales	–2,007	–1,984
Selling and administrative expenses	–493	–484
Financial items	–61	–84
Total pension expenses	**–2,561**	**–2,552**

Note 29. Provisions

Provisions are reported in accordance with IAS 37 Provisions, Contingent Liabilities and Contingent Assets. See Note 1.

Provisions are allocated in the statement of financial position between non-current liabilities and current liabilities. Provisions are both interest-bearing and non-interest-bearing. Provisions that are part of the operating cycle are recognized as current. Interest-bearing provisions that fall due within a year are treated as current.

Current provisions

	Dec 31, 2020	Dec 31, 2019
Non-interest-bearing	10,326	10,021
Total	**10,326**	**10,021**

The change in provisions broken down into reserve for legal disputes, provisions for warranty obligations and other provisions is presented in the following table. Regarding the reserve for legal disputes see also Note 33.

	Reserve for legal disputes		Provision for warranty obligations		Other provisions		Total	
	2020	**2019**	**2020**	**2019**	**2020**	**2019**	**2020**	**2019**
January 1	1,501	1,327	3,076	3,236	5,444	5,359	10,021	9,922
Provisions for the year	940	967	1,913	605	739	1,715	3,592	3,287
Provisions utilized	–427	–696	–829	–569	–942	–1,406	–2,198	–2,671
Unutilized amounts that were reversed, change in value	–152	–144	–496	–288	–226	–359	–874	–791
Exchange rate differences	–78	32	–172	78	–238	104	–487	214
Reclassifications	0	15	22	14	249	31	272	60
December 31	**1,786**	**1,501**	**3,514**	**3,076**	**5,026**	**5,444**	**10,326**	**10,021**

Specification of "Other provisions"

	Dec 31, 2020	Dec 31, 2019
Provisions for restructuring measures	240	332
Employee-related provisions	256	392
Environmental obligations	124	120
Provision for social insurance contributions for pensions and share-based payments	1,663	1,522
Contingent considerations[1]	598	591
Provisions for commitments in joint ventures	374	28
Provisions for losses	694	1,329
Provisions for completed projects	649	565
Damage restoration	112	131
Tax and VAT (other than corporate tax)	93	106
Other provisions	223	328
Total	**5,026**	**5,444**

1 Acquisitions of current-asset properties. These are reported as financial instruments. See Note 6.

The normal cycle time for "Other provisions" is one to three years.

Provisions for legal disputes are provisions in the Construction business stream for projects that have been completed, as well as other disputes.

Provisions for warranty obligations are for expenses that may arise during the warranty period and for rent guarantees for properties sold by the Commercial Property Development business stream. Such provisions in Construction are based on individual assessments of each project or average experience-based cost, expressed as a percentage of sales during a five-year period. The expenses are charged to each project on a continuous basis. Provisions for warranty obligations in other business streams are based on individual assessment of the project in question. The change in 2020 was mainly related to Construction.

Provisions for restructuring measures mainly consist of items related to Poland, Sweden and the discontinuation of operations in Latin America.

Employee-related provisions consist of items such as the cost of profit-sharing, certain bonus programs and other obligations to employees.

Provisions for environmental obligations include the cost 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, 2020	Dec 31, 2019
Trade accounts payable	9,649	15,854
Other operating liabilities to associated companies	9	
Other operating liabilities[1]	6,603	4,988
Accrued expenses and prepaid income	15,551	17,137
Total	**31,812**	**37,979**
Of which financial instruments reported in Note 6 Financial instruments and financial risk management		
Trade accounts payable	9,649	15,854
Other operating liabilities including accrued interest expense	531	399
	10,180	**16,253**
Of which non-financial instruments	21,632	21,726

1 "Other operating liabilities" includes SEK 423 M (285) for checks issued but not yet cashed, mainly in USA. See Note 1.

Note 31. Specification of interest-bearing net receivables/net liabilities per asset and liability

	Dec 31, 2020			Dec 31, 2019		
	Interest-bearing	Non-interest-bearing	Total	Interest-bearing	Non-interest-bearing	Total
ASSETS						
Non-current assets						
Property, plant and equipment		6,816	6,816		7,742	7,742
Property, plant and equipment, right-of-use assets		3,930	3,930		4,616	4,616
Goodwill		3,713	3,713		4,057	4,057
Other intangible assets		771	771		865	865
Investments in joint ventures and associated companies		1,689	1,689		3,442	3,442
Non-current financial assets	1,884	47	1,931	2,483	45	2,528
Deferred tax assets		1,803	1,803		1,862	1,862
Total non-current assets	**1,884**	**18,769**	**20,653**	**2,483**	**22,629**	**25,112**
Current assets						
Current-asset properties		44,947	44,947		46,373	46,373
Current-asset properties, right-of-use assets		2,980	2,980		3,980	3,980
Inventories		1,100	1,100		1,128	1,128
Current financial assets	8,300	192	8,492	6,772	127	6,899
Tax assets		950	950		670	670
Contract assets		4,599	4,599		5,898	5,898
Other operating receivables		22,402	22,402		27,213	27,213
Cash and bank balances	19,508		19,508	8,745		8,745
Total current assets	**27,808**	**77,170**	**104,978**	**15,517**	**85,389**	**100,906**
TOTAL ASSETS	**29,692**	**95,939**	**125,631**	**18,000**	**108,018**	**126,018**
LIABILITIES						
Non-current liabilities						
Non-current financial liabilities	3,241	6	3,247	2,563	2	2,565
Lease liabilities	6,217		6,217	7,843		7,843
Pensions	7,360		7,360	6,866		6,866
Deferred tax liabilities		928	928		1,045	1,045
Total non-current liabilities	**16,818**	**934**	**17,752**	**17,272**	**1,047**	**18,319**
Current liabilities						
Current financial liabilities	4,578	85	4,663	4,567	50	4,617
Lease liabilities	1,016		1,016	1,078		1,078
Tax liabilities		1,883	1,883		564	564
Current provisions		10,326	10,326		10,021	10,021
Contract liabilities		19,462	19,462		20,419	20,419
Other operating liabilities		31,812	31,812		37,979	37,979
Total current liabilities	**5,594**	**63,568**	**69,162**	**5,645**	**69,033**	**74,678**
TOTAL LIABILITIES	**22,412**	**64,502**	**86,914**	**22,917**	**70,080**	**92,997**
Total equity			**38,717**			**33,021**
EQUITY AND LIABILITIES			**125,631**			**126,018**
Interest-bearing net receivables/net liabilities (+/–)	7,280			–4,917		

Note 32. Expected recovery periods for assets and liabilities

	Dec 31, 2020			Dec 31, 2019		
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]	1,671	5,145	6,816	1,755	5,987	7,742
Property, plant and equipment, right-of-use assets[1]	1,046	2,884	3,930	1,056	3,560	4,616
Goodwill		3,713	3,713		4,057	4,057
Other intangible assets[1]	228	543	771	232	633	865
Investments in joint ventures and associated companies[2]		1,689	1,689		3,442	3,442
Non-current financial assets		1,931	1,931		2,528	2,528
Deferred tax assets[3]		1,803	1,803		1,862	1,862
Total non-current assets	**2,945**	**17,708**	**20,653**	**3,043**	**22,069**	**25,112**
Current assets						
Current-asset properties[4]	20,900	24,047	44,947	22,000	24,373	46,373
Current-asset properties, right-of-use assets[4]	400	2,580	2,980	260	3,720	3,980
Inventories	107	993	1,100	473	655	1,128
Current financial assets	8,492		8,492	6,899		6,899
Tax assets	950		950	670		670
Contract assets[5]	3,967	632	4,599	5,261	637	5,898
Other operating receivables[5]	17,249	5,153	22,402	24,458	2,755	27,213
Cash and bank balances	19,508		19,508	8,745		8,745
Total current assets	**71,573**	**33,405**	**104,978**	**68,766**	**32,140**	**100,906**
TOTAL ASSETS	**74,518**	**51,113**	**125,631**	**71,809**	**54,209**	**126,018**
LIABILITIES						
Non-current liabilities						
Non-current financial liabilities		3,247	3,247		2,565	2,565
Lease liabilities		6,217	6,217		7,843	7,843
Pensions[6]	274	7,086	7,360	275	6,591	6,866
Deferred tax liabilities		928	928		1,045	1,045
Total non-current liabilities	**274**	**17,478**	**17,752**	**275**	**18,044**	**18,319**
Current liabilities						
Current financial liabilities	2,643	2,020	4,663	3,404	1,213	4,617
Lease liabilities	1,016		1,016	1,078		1,078
Tax liabilities	1,883		1,883	564		564
Current provisions	3,766	6,560	10,326	3,814	6,207	10,021
Contract liabilities	15,545	3,917	19,462	17,624	2,795	20,419
Other operating liabilities	28,605	3,207	31,812	36,240	1,739	37,979
Total current liabilities	**53,458**	**15,704**	**69,162**	**62,724**	**11,954**	**74,678**
TOTAL LIABILITIES	**53,732**	**33,182**	**86,914**	**62,999**	**29,998**	**92,997**
Total equity			**38,717**			**33,021**
EQUITY AND LIABILITIES			**125,631**			**126,018**

1 In the case of amounts expected to be recovered within 12 months, the expected annual depreciation/amortization has been recognized.
2 The breakdown cannot be estimated.
3 Deferred tax assets are expected to be recovered in their entirety after 12 months.
4 Recovery of current-asset properties within one year is based on an historical assessment from the past three years. For right-of-use assets the assessment is based on the implementation of IFRS 16 on January 1, 2019.
5 Current receivables that fall due in more than 12 months' time are part of the operating cycle and are thus recognized as current.
6 "Within 12 months" refers to expected benefit payments (payments from funded plans are not included).

Note 33. Assets pledged, contingent liabilities and contingent assets

Assets pledged

	Dec 31, 2020	Dec 31, 2019
Shares and participations	741	2,174
Receivables	934	891
Total	**1,675**	**3,065**

Joint ventures within the PPP portfolio are reported as pledged assets when the holdings in the project company, which may be owned directly by Skanska or owned through intermediary holding companies, are provided as security for loans from banks or lenders other than the co-owners.

Assets pledged for liabilities

	Shares and receivables	
	Dec 31, 2020	**Dec 31, 2019**
Own obligations		
Other liabilities	934	891
Total own obligations	**934**	**891**
Other obligations	741	2,174
Total	**1,675**	**3,065**

Assets pledged for other liabilities, SEK 0.9 billion (0.9), relate predominantly to financial instruments pledged as collateral to clients in conjunction with contracting work in USA.

Contingent liabilities

Contingent liabilities are reported in accordance with IAS 37 Provisions, Contingent Liabilities and Contingent Assets. See Note 1.

	Dec 31, 2020	Dec 31, 2019
Contingent liabilities related to joint operations within the Construction business stream	56,588	36,550
Contingent liabilities related to other joint operations	22	28
Contingent liabilities related to joint ventures	357	574
Other contingent liabilities	954	1,612
Total	**57,921**	**38,764**

The Group's contingent liabilities related to contracting work executed jointly with other contractors totaled SEK 56.6 billion (36.6). This amount is 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. This type of 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 1.0 billion (1.6) relates mainly to obligations attributable to residential projects.

Skanska selectively forms joint operations and joint ventures when this is beneficial in view of project size and/or the type of commitments involved in the project. Combining expertise and resources with other construction companies is then a means of optimizing project planning and execution as well as managing specific project risks. External partners in these arrangements are scrutinized in accordance with the tender approval process. For more information regarding joint operations and joint ventures, see Note 20 B and Note 20 C.

In December 2016 Skanska received a claim from the Maltese Government, which in July 2018 led to commencement of arbitration, regarding the Mater Dei hospital on Malta. The Government alleged defects in certain concrete works performed in 1996 and errors in seismic design. Skanska contested the claims on both formal and material grounds. The arbitration tribunal found in a partial award in November 2019 that all claims under the contract are barred due to a valid waiver agreement and due to prescription under law. In January 2020 the Maltese Government withdrew its Notice of Arbitration. In May 2020 the arbitration tribunal issued a final award, pursuant to which Skanska was awarded compensation for its legal and arbitration costs.

A Skanska subsidiary in Finland was notified that the prosecutor requested a corporate fine in connection to a bribery investigation involving a former real estate manager in another company. Skanska Finland's manager was also a defendant in the case. Skanska has actively cooperated with the prosecutor and police since the start of the investigation. In October 2019 the Helsinki District Court dismissed the case against Skanska and Skanska Finland's manager. In January 2020 the prosecutor appealed the case. The main hearing will take place in March–June 2021.

The Brazilian competition authority, the Administrative Council of Economic Defense ("CADE"), and the Comptroller General of the Union ("CGU") initiated in the end of 2015 administrative procedures against Skanska Brazil Limitada in relation to certain Petrobras projects. In June 2016 CGU decided that Skanska Brazil shall be excluded from public tenders during no less than two years. Skanska Brazil's appeal is still pending. CADE has yet to decide on the cartel case.

Other authorities in Brazil have initiated legal proceedings relating to the same transactions. Skanska informed in April 2016 that the Brazilian Attorney General ("AGU") commenced a lawsuit against seven companies including Skanska Brazil. The charges focused on claims of inappropriate payments by a joint venture partner. Both courts of first and second instance rejected the claims against Skanska Brazil. AGU appealed to the Superior Court and in March 2020 the Superior Court decided to uphold the lower court's decision to reject the claim against Skanska Brazil. AGU has appealed to the Superior Court for reconsideration, which is pending.

The Federal Audit Court ("TCU") is an authority auditing public contracts, including those of Petrobras, and Skanska Brazil has some contracts under TCU review. TCU decided in June 2020 in principle that damages for overpricing in all contracts entered into by members of the Petrobras cartel can be made in accordance with an econometric (statistical) model. TCU has in an audit-report in respect of the UDAV project proposed application of the model. A final decision by TCU is expected during 2021.

Early 2006 tax authorities in Argentina started investigating about 120 companies, including Skanska S.A. in Argentina, for use of fake invoices. Skanska cooperated with the authorities and corrected its tax returns. The Appeal Court found in 2011 no evidence of wrongdoings and no convictions were made. However, the Federal Criminal court decided in October 2017 to once again indict a large number of individuals including nine former Skanska employees. A trial date has not been set. Skanska sold its Argentine business in 2015, but is managing the case due to an ongoing obligation to the buyer.

Contingent assets

The Group has no contingent assets of significant importance in assessing the position of the Group. See Note 1.

Note 34. Foreign exchange rates and effect of changes in foreign exchange rates

Exchange rates are dealt with in accordance with IAS 21 The Effect of Changes in Foreign Exchange Rates. See Note 1.

Exchange rates

In 2020 the Swedish krona fluctuated against currencies in countries in which the Group does business.

		Average exchange rate			Change, %	
Currency	Country	2020	2019	2018	2019–2020	2018–2019
CZK	Czech Republic	0.397	0.412	0.400	–4	3
DKK	Denmark	1.407	1.418	1.377	–1	3
EUR	EU	10.488	10.584	10.260	–1	3
GBP	UK	11.809	12.071	11.597	–2	4
NOK	Norway	0.979	1.075	1.068	–9	1
PLN	Poland	2.362	2.463	2.408	–4	2
USD	USA	9.212	9.457	8.696	–3	9

		Closing day exchange rate			Change, %	
Currency	Country	Dec 31, 2020	Dec 31, 2019	Dec 31, 2018	2019–2020	2018–2019
CZK	Czech Republic	0.384	0.410	0.398	–6	3
DKK	Denmark	1.352	1.399	1.373	–3	2
EUR	EU	10.054	10.446	10.253	–4	2
GBP	UK	11.154	12.240	11.352	–9	8
NOK	Norway	0.956	1.059	1.027	–10	3
PLN	Poland	2.219	2.453	2.383	–10	3
USD	USA	8.193	9.329	8.941	–12	4

Income statement

In 2020 the average exchange rate of the SEK strengthened against all of the Group's other currencies. The total exchange rate effect on the Group's revenue was SEK –3,983 M (7,615), equivalent to –2.3 (4.4) percent. The total exchange rate effect on the Group's operating income was SEK –163 M (202), equivalent to –2.2 (3.6) percent. See the table below.

2020	USD	EUR	GBP	NOK	CZK	PLN	Other	Total
Revenue	–1,819	–145	–383	–1,280	–214	–143	1	–3,983
Operating income	–77	–16	–5	–58	–12	–3	8	–163
Income after financial items	–69	–15	–4	–61	–12	–2	9	–154
Profit for the year	–51	–11	–4	–46	–11	–2	10	–115

2019	USD	EUR	GBP	NOK	CZK	PLN	Other	Total
Revenue	5,943	397	848	105	172	127	23	7,615
Operating income	154	31	5	5	6	3	–2	202
Income after financial items	131	27	4	6	6	3	–2	175
Profit for the year	91	24	1	4	4	2	–1	125

Note 34. Continued

Consolidated statement of financial position by functional currency

Consolidated total assets decreased by SEK 0.4 billion, from SEK 126.0 billion to SEK 125.6 billion. The effect of changes in foreign exchange rates was SEK –8.8 billion. The closing exchange rate of the Swedish krona strengthened against all currencies in countries in which the Group does business.

Dec 31, 2020, SEK bn	USD	GBP	EUR	NOK	CZK	PLN	DKK	Other foreign currencies[1]	Hedges of foreign currency[2]	SEK	Total
Assets											
Property, plant and equipment	1.8	0.4	0.5	1.8	0.5	0.1				1.7	6.8
Property, plant and equipment, right-of-use assets	0.7	0.9	0.5	0.5	0.2	0.1				1.0	3.9
Intangible assets	0.6	1.2	0.5	1.1	0.1			0.1		0.9	4.5
Shares and participations	0.1			0.1	0.1					1.4	1.7
Interest-bearing receivables	29.4	2.4	3.6	4.7	1.7	1.8	0.1	–29.9		–3.6	10.2
Current-asset properties	6.8	0.1	10.0	0.8	1.4	1.4	2.6	8.6		13.2	44.9
Current-asset properties, right-of-use assets	2.1	1.6	3.9	3.1		0.1		–8.2		0.4	3.0
Non-interest-bearing receivables	13.8	2.9	2.9	3.1	1.3	0.5		–0.1		6.7	31.1
Cash and cash equivalents	6.8	0.1	0.2	0.1	0.1	0.1		–0.1		12.2	19.5
Total	**62.1**	**9.6**	**22.1**	**15.3**	**5.4**	**4.1**	**2.7**	**–29.6**	**0.0**	**33.9**	**125.6**
Equity and liabilities											
Equity attributable to equity holders[3]	13.5	0.8	4.2	4.8	2.4	0.1	0.8	–0.5		12.1	38.6
Non-controlling interests					0.1						0.1
Interest-bearing liabilities	22.8	3.4	11.5	2.9	0.4	1.5	1.5	–29.3		8.1	22.4
Non-interest-bearing liabilities	25.8	5.4	6.4	7.6	2.5	2.5	0.4	0.2		13.7	64.5
Total	**62.1**	**9.6**	**22.1**	**15.3**	**5.4**	**4.1**	**2.7**	**–29.6**	**0.0**	**33.9**	**125.6**

Dec 31, 2019, SEK bn	USD	GBP	EUR	NOK	CZK	PLN	DKK	Other foreign currencies[1]	Hedges of foreign currency[2]	SEK	Total
Assets											
Property, plant and equipment	2.2	0.3	0.5	2.1	0.5	0.1		0.1		1.9	7.7
Property, plant and equipment, right-of-use assets	0.8	1.1	0.5	0.6	0.3	0.2		–0.1		1.2	4.6
Intangible assets	0.7	1.2	0.6	1.3	0.6					0.5	4.9
Shares and participations	1.8	0.1		0.1	0.1			–0.1		1.4	3.4
Interest-bearing receivables	28.2	3.5	3.5	5.1	1.4	2.0		–31.9		–2.5	9.3
Current-asset properties	9.3	0.1	14.4	3.7	2.0	1.3	1.7			13.9	46.4
Current-asset properties, right-of-use assets	2.9		0.5			0.1		0.1		0.4	4.0
Non-interest-bearing receivables	17.9	3.2	3.3	3.6	1.0	0.9	0.1	0.3		6.7	37.0
Cash and cash equivalents	1.2		0.7	0.1	0.1	0.1	0.1			6.4	8.7
Total	**65.0**	**9.5**	**24.0**	**16.6**	**6.0**	**4.7**	**1.9**	**–31.6**	**0.0**	**29.9**	**126.0**
Equity and liabilities											
Equity attributable to equity holders[3]	12.1	1.3	4.2	5.5	2.4	0.1	0.8	–3.0		8.0	32.9
Non-controlling interests					0.1						0.1
Interest-bearing liabilities	23.2	2.2	12.9	3.3	0.7	1.6	0.8	–28.6		8.3	22.9
Non-interest-bearing liabilities	29.7	6.0	6.9	7.8	2.8	3.0	0.3			13.6	70.1
Total	**65.0**	**9.5**	**24.0**	**16.6**	**6.0**	**4.7**	**1.9**	**–31.6**	**0.0**	**29.9**	**126.0**

1 Including elimination of intra-Group receivables and liabilities.
2 Amount refers to hedges before tax deduction. Net investments abroad are currency-hedged to a certain extent through foreign currency loans and forward currency contracts. See also Note 6. Hedging of net investments through foreign currency loans mainly in GDP amounts to SEK 78 M.
3 The respective currencies are calculated including goodwill on consolidation and the net amount of Group surpluses after deducting deferred taxes.

Note 34. Continued

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 2020 income statement and statement of financial position, shows the sensitivity of the Group to a unilateral 10-percent change in the SEK against all currencies, as well as a unilateral 10-percent change in 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	+/–12.3	+/–6.8
Operating income	+/–0.6	+/–0.3
Equity	+/–2.6	+/–1.4
Net receivables/net liabilities	+/–0.6	+/–1.3

Other

For information on the change in the translation reserve in equity, see Note 26.

Note 35. Cash flow statement

Aside from the cash flow statement prepared in accordance 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/items to be included in cash flow

	2020	2019
Depreciation/amortization and impairment losses/reversals of impairment losses	3,277	3,762
Income from divestments of non-current assets and current-asset properties	–9,333	–7,044
Income after financial items from joint ventures and associated companies	39	–521
Dividends from joint ventures and associated companies	978	648
Provision for the year, intra-Group profits on contracting work	451	460
Pensions recognized as expenses but not related to payments	490	441
Pensions paid	–690	–714
Cost of Seop, employee ownership programs	300	245
Gain/loss on joint ventures divested	–4,114	–71
Other items that have not affected cash flow from operating activities	73	70
Total	**–8,529**	**–2,724**

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 –1,081 M (–1,076).

Information about interest and dividends

	2020	2019
Interest income received during the year	114	138
Interest paid during the year	289	287
Dividend received during the year	1,010	680

Cash and cash equivalents

Cash and cash equivalents in the cash flow statement consist of cash and bank balances as well as short-term investments. The definition of cash and bank balances in the statement of financial position can be found in Note 1.

The same rule that was used to determine cash and cash equivalents in the statement of financial position has been used to determine 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.

	Dec 31, 2020	Dec 31, 2019
Cash and bank balances	19,508	8,745
Total	**19,508**	**8,745**

Other

At year-end, the Group's unutilized credit facilities amounted to SEK 8,812 M (8,613).

Information about assets and liabilities in acquired Group companies/businesses

	Dec 31, 2020	Dec 31, 2019
Assets		
Intangible assets		18
Property, plant and equipment		89
Property, plant and equipment, right-of-use assets		281
Current-asset properties		90
Non-interest-bearing assets		38
Cash and cash equivalents		20
Total	**0**	**536**
Liabilities		
Lease liabilities		371
Interest-bearing liabilities		132
Non-interest-bearing liabilities		84
Total	**0**	**587**
Paid consideration		–26
Effect on cash and cash equivalents, acquisitions	**0**	**–26**

Acquired Group companies/operations are described in Note 7.

Relationship between the consolidated operating cash flow statement and the consolidated cash flow statement

The difference between the consolidated operating cash flow statement and the consolidated cash flow statement in accordance with IAS 7 Statement of Cash Flows is presented below.

The consolidated cash flow statement prepared in accordance with IAS 7 recognizes cash flow divided into:
Cash flow from operating activities
Cash flow from investing activities
Cash flow from financing activities

Note 35. Continued

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 accordance 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 the PPP portfolio.

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.

Cash flow for the year

	2020	2019
Cash flow from business operations including taxes paid according to operating cash flow	15,384	4,523
Less net investments in property, plant and equipment and intangible assets	–4,129	1,453
Less tax payments on property, plant and equipment and intangible assets divested	29	62
Cash flow from operating activities	**11,284**	**6,038**
Cash flow from strategic investments according to operating cash flow		–6
Net investments in property, plant and equipment and intangible assets	4,129	–1,453
Increase and decrease in interest-bearing receivables	–2,529	307
Taxes paid on property, plant and equipment and intangible assets divested	–29	–62
Cash flow from investing activities	**1,571**	**–1,214**
Cash flow from financing activities according to operating cash flow statement, including change in interest-bearing receivables and liabilities excluding lease liabilities	–2,270	–4,103
Increase and decrease in interest-bearing liabilities	2,529	–307
Dividend etc.[1]	–1,443	–2,488
Cash flow from financing activities	**–1,184**	**–6,898**
Cash flow for the year	**11,671**	**–2,074**
1 Of which shares repurchased.	88	

Relationship 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.

	2020	2019
Net investments in operating activities	8,734	3,294
Net investments in investing activities	4,129	–1,459
	12,863	**1,835**
Less accrual adjustments, cash flow effect of investments	–355	–209
Total net divestments (+) / investments (–)	**12,508**	**1,626**

The consolidated operating cash flow statement recognizes net investments divided into net investments in operations and strategic net investments as follows.

Investments/divestments

	2020	2019
Operations – investments		
Intangible assets	–132	–116
Property, plant and equipment	–1,487	–2,566
Shares	–19	–108
Current-asset properties	–20,047	–22,173
of which Residential Development	–10,299	–9,308
of which Commercial Property Development	–9,748	–12,865
	–21,685	**–24,963**
Operations – divestments		
Intangible assets	8	25
Property, plant and equipment	289	1,028
Shares	5,470	284
Current-asset properties	28,426	25,258
of which Residential Development	11,548	11,740
of which Commercial Property Development	16,878	13,518
	34,193	**26,595**
Net divestments (+) / investments (–) in operations	12,508	1,632
Strategic investments		
Business combinations		–6
Net strategic investments		**–6**
Total net divestments (+) / investments (–)	**12,508**	**1,626**

The change in interest-bearing liabilities belonging to financing activities is presented in the following table.

Interest-bearing liabilities

	2020	2019
January 1	16,051	11,171
Change in accounting principle		7,487
Items affecting cash flow from financing activities	–3,820	–5,008
Acquisitions of companies		503
Other change in leases	185	1,695
Reclassification	231	–70
Exchange rate differences	2,405	273
December 31	**15,052**	**16,051**

Note 36. Personnel

Wages, salaries, other remuneration and social insurance contributions

	2020	2019
Wages, salaries and other remuneration		
Board members, CEOs, Executive Vice Presidents and other executive team members[1]	612	590
of which variable remuneration	252	239
Other employees	21,234	20,918
Total wages, salaries and other remuneration	**21,846**	**21,508**
Social insurance contributions	5,574	5,695
of which pension expenses	2,500	2,468

1 The amount related to board members, CEOs, Executive Vice Presidents and other executive team members includes remuneration to former board members, CEOs and Executive Vice Presidents in all Group companies during the financial year.

Of the Group's total pension expenses, SEK 52 M (56) relates to the category "board members, CEOs, Executive Vice Presidents and other executive team members." The amount includes remuneration to former board members, CEOs and Executive Vice Presidents.

Average number of employees

The number of employees is calculated as an average number of employees. See Note 1.

	2020	of which men	%	of which women	%	2019	of which men	%	of which women	%
Sweden	8,778	6,848	78	1,930	22	9,167	7,246	79	1,921	21
Norway	3,783	3,402	90	381	10	3,849	3,463	90	386	10
Denmark	24	15	63	9	37	22	13	59	9	41
Finland	2,211	1,851	84	360	16	2,156	1,805	84	351	16
UK	5,294	4,030	76	1,264	24	5,543	4,249	77	1,294	23
Poland	1,921	1,279	67	642	33	2,815	2,028	72	787	28
Czech Republic	2,219	1,872	84	347	16	2,385	2,000	84	385	16
Slovakia	522	450	86	72	14	791	699	88	92	12
USA	7,575	6,354	84	1,221	16	7,862	6,609	84	1,253	16
Other countries	136	78	57	58	43	166	93	56	73	44
Total	**32,463**	**26,179**	**81**	**6,284**	**19**	**34,756**	**28,205**	**81**	**6,551**	**19**

The number of employees at the end of the year was 31,517 (33,585).

Men and women on Boards of Directors and in executive teams on the closing day

	Dec 31, 2020		Dec 31, 2019	
	of which men, %	of which women, %	of which men, %	of which women, %
Number of board members	75	25	80	20
Number of CEOs and members of executive teams of business units	73	27	74	26

Other

No loans, assets pledged or contingent liabilities have been provided for the benefit of any board member or CEO within the Group.

Note 37. Remuneration to senior executives and board members

Senior executives include the President and CEO and the other members of the Group Leadership Team. The Group Leadership Team consisted at the end of 2020 of six persons, including the President and CEO, of which two women and four men. Information on the President and CEO and the other members of the Group Leadership Team can be found on pages 44–45.

Preparation and decision-making processes

The Board's Compensation Committee prepares proposals for resolution by the Annual General Meeting on guidelines for salary and other remuneration to senior executives when significant modifications of the guidelines become necessary, however at least every fourth year. Salary and other benefits for the President and CEO are established by the Board of Directors (the "Board") following proposals from the Compensation Committee. The Compensation Committee sets salaries, variable remuneration and other benefits for the Group Leadership Team. The President and CEO regularly informs the Compensation Committee about the salaries, variable remuneration and other benefits of the heads of Group Functions and business units. In 2020 the Compensation Committee consisted of the Chairman of the Board, Hans Biörck, and the board members Pär Boman and Jayne McGivern. The Compensation Committee held five meetings in 2020. The Annual General Meeting resolves on fees to the Board and remuneration for work in the committees of the Board following proposals submitted by the Nomination Committee.

Senior executive remuneration

Guidelines for salary and other remuneration to senior executives

The Annual General Meeting on March 26, 2020, adopted the Board's proposal on guidelines for salary and other remuneration to senior executives. The guidelines are intended to remain valid for a period of four years until the Annual General Meeting 2024.

Senior executives include the President and CEO and other members of the Group Leadership Team. These guidelines are forward-looking, i.e. they are applicable to remuneration agreed, and amendments to remuneration already agreed, after adoption of the guidelines by the Annual General Meeting 2020. The guidelines do not apply to any remuneration decided by the Annual General Meeting, including any long-term share related incentive plans.

The guidelines' promotion of the company's business strategy, long-term interests and sustainability

A prerequisite for the successful implementation of Skanska AB's (the "company") business strategy and safeguarding of its long-term interests, including sustainability, is that the company is able to recruit and retain qualified personnel. To this end, it is necessary that the company offers competitive remuneration. These guidelines enable the company to offer the senior executives a competitive total remuneration.

Variable cash remuneration covered by these guidelines shall aim at promoting the company's business strategy and long-term interests, including sustainability. This is accomplished through the financial and non-financial targets that determine the outcome of the variable cash remuneration and are clearly linked to the business strategy and the company's sustainability agenda. The variable cash remuneration is further described in the section "Variable cash remuneration" below.

The company's objectives for having a variable cash remuneration program and a long-term share related incentive plan are to (i) drive behaviors that will support the company's long and short term business success and create shareholder value, (ii) make the company attractive as an employer for top talents, (ii) retain key individuals within the company, and (iv) increase the employees' interest and involvement in the company's business and development.

For information regarding the company's business strategy, see the company's website: group.skanska.com/about-us/strategy/.

Total remuneration

The combined remuneration for each senior executive shall be market-related and competitive in the labor market in which the senior executive is placed, and distinguished performance should be reflected in the total remuneration. The remuneration may consist of the following components: fixed cash salary, variable cash remuneration, pension and insurance benefits and other benefits. Additionally, the Annual General Meeting may – irrespective of these guidelines – resolve on, among other things, share-related or share price-related remuneration. Fixed salary and variable remuneration shall be related to the senior executive's responsibility and authority.

Variable cash remuneration

The satisfaction of criteria for awarding variable cash remuneration shall be measured over a period of one or several years. The variable cash remuneration shall be capped and related to the fixed salary, and may amount to not more than 100 percent of the fixed annual cash salary.

The variable cash remuneration shall take into account both financial and non-financial performance. The outcome in relation to predetermined and measurable financial targets shall determine the total (financial) bonus potential, i.e., the financial targets shall be the basis of the total bonus potential. This outcome may be reduced depending on the outcomes of the non-financial targets. The variable cash remuneration must be based on results in relation to established targets and be designed to increase the alignment between the shareholders and senior executives of the company.

The financial targets for variable cash remuneration may be related to the Group's earnings before taxes, to relevant business unit's earnings before interest and taxes, etc.

The non-financial targets shall be set to support the business strategy and long term interests, including sustainability, by for example being clearly linked to the business strategy or sustainability. The non-financial targets should together represent 50 percent of the total bonus which means that the total bonus outcome may be reduced with up to 50 percent if the non-financial targets are not met.

To which extent the criteria for awarding variable cash remuneration has been satisfied shall be evaluated/determined when the measurement period has ended. The Board is responsible for the evaluation so far as it concerns variable remuneration to the President and CEO. For variable cash remuneration to other senior executives, the Compensation Committee is responsible for the evaluation. For financial objectives, the evaluation shall be based on the latest financial information made public by the company.

The terms for variable cash remuneration shall be structured so that the Board, if exceptional economic conditions prevail, has the possibility to limit or refrain from paying variable remuneration, if such payment is considered unreasonable and incompatible with the company's responsibility in general to the shareholders, employees and other stakeholders. There shall also be a possibility to limit or refrain from paying variable remuneration if the Board considers that this is appropriate for other reasons. Further, the Board shall have the possibility to reclaim paid out variable cash remuneration if it is discovered after the payment that the senior executive has violated Skanska's Code of Conduct or other Skanska values, policies, standards or procedures.

Further variable cash remuneration may be awarded in extraordinary circumstances, provided that such extraordinary arrangements are limited in time and only made on an individual basis, either for the purpose of recruiting or retaining senior executives, or as remuneration for extraordinary performance beyond the individual's ordinary tasks. Such remuneration may not exceed an amount corresponding to 100 percent of the fixed annual cash salary and may not be paid more than once each year per individual. Any resolution on such remuneration for the President and CEO shall be made by the Board based on a proposal from the Compensation Committee. Any resolution on such remuneration for other senior executives shall be made by the Compensation Committee based on a proposal from the President and CEO.

Note 37. Continued

Pension and insurance

For the President and CEO, pension benefits, including health insurance, shall be defined-contribution schemes. Variable cash remuneration shall not qualify for pension benefits. The pension premiums to defined-contribution schemes shall amount to not more than 35 percent of the fixed annual cash salary. For other senior executives, pension benefits, including health insurance, shall be defined-contribution schemes. Variable cash remuneration shall not qualify for pension benefits, except when it follows from rules under a general pension plan (like the Swedish ITP plan). The pension premiums for defined-contribution pension shall amount to not more than 30 percent of the fixed annual cash salary. If the variable cash remuneration qualify for pension benefits, the pension premiums for defined-contribution pension on the variable cash remuneration shall amount to not more than 30 percent of the fixed annual cash salary.

Other benefits

Other benefits may include, for example, medical insurance, housing, home travel, tax compensation, parking and company cars. Such benefits may amount to not more than 15 percent of the fixed annual cash salary.

For employments governed by rules other than Swedish rules, pension benefits and other benefits may be duly adjusted for compliance with mandatory rules or established local practice, taking into account, to the extent possible, the overall purpose of these guidelines.

Senior executives who are expatriates, i.e., based in another country than their home country, may receive additional remuneration and other benefits to the extent reasonable in light of the special circumstances associated with the expat arrangement, taking into account, to the extent possible, the overall purpose of these guidelines. Such benefits may not in total exceed 50 percent of the fixed annual cash salary.

Long-term share saving programs

Long-term share saving programs, Skanska Employee Ownership Programs ("Seop 4" and "Seop 5") have been implemented in the company. Such plans have been resolved by the Annual General Meeting and are therefore excluded from these guidelines. New plans may also be resolved by the Annual General Meeting. Seop 4 and Seop 5 give present and future employees the opportunity of becoming shareholders of Skanska and include permanent employees in the Skanska Group. The performance criteria used to assess the outcome of the plans are clearly linked to the business strategy and thereby to the company's long-term value creation, including sustainability. The performance criteria consist of financial targets at Group, Business Unit and/or Business Unit Cluster level. At present, the financial target applicable at Group level is growth in earning per share ("EPS"). The financial targets applicable at Business Unit and/or Business Unit Cluster level vary depending on which business stream the relevant Business Unit or Business Unit Cluster belongs to, as set out in the table below.

Construction	Residential Development	Commercial Development
EBIT[1]	EBIT	EBIT
–	ROCE[2]	Leasing square meters

1 Earnings before interest and taxes.
2 Return on capital employed.

Seop 4 and Seop 5 are further conditional upon the participant's own investment and three-year holding and employment period. For more information on Seop 4 and Seop 5, including the criteria which the outcome depends on, please see the company's website: group.skanska.com/4922a2/siteassets/corporate-governance/annual-general-meeting/2019/item-17-the-board-of-directors-proposal-on-a-long-term-employee-ownership-program-seop-5-.pdf

Termination of employment

In the event of employment termination by the company, the normal period of notice is six months, combined with severance pay corresponding to a maximum of 18 months fixed cash salary, or, alternatively, a period of notice of maximum 12 months, combined with severance pay corresponding to a maximum of 12 months fixed cash salary. Fixed cash salary during the notice period and severance pay may not together exceed an amount corresponding to the fixed cash salary for two years. When termination is made by the senior executive, the notice period may not exceed 12 months, without any right to severance pay.

Remuneration to board members in addition to board fees

To the extent that a non-employed board member elected by the Annual General Meeting performs work for the company, besides the board membership, consultant fee and other remuneration may be granted for such work. Decisions on consultant fees and other remuneration to non-employed board members elected by the Annual General Meeting are made by the Compensation Committee.

Salary and employment conditions for employees

In the preparation of the Board's proposal for these remuneration guidelines, salary and employment conditions for employees of the company have been taken into account by including information on the employees' total income, the components of the remuneration and increase and growth rate over time, in the Compensation Committee's and the Board's basis of decision when evaluating whether the guidelines and the limitations set out herein are reasonable. The development of the gap between the remuneration to senior executives and remuneration to other employees will be disclosed in the remuneration report.

The decision-making process to determine, review and implement the guidelines

The Board has established a Compensation Committee. The Compensation Committee's tasks include preparing the Board's decision to propose guidelines for senior executive remuneration. The Board shall prepare a proposal for new guidelines at least every fourth year and submit it to the Annual General Meeting. The guidelines shall be in force until new guidelines are adopted by the Annual General Meeting. The Compensation Committee shall also monitor and evaluate programs for variable remuneration to senior executives, the application of the guidelines for senior executive remuneration as well as the current remuneration structures and compensation levels in the company. The members of the Compensation Committee are independent of the company and its senior executives. The President and CEO and other members of the senior executives do not participate in the Board's processing of and resolutions regarding remuneration-related matters in so far as they are affected by such matters.

Derogation from the guidelines

The Board may temporarily resolve to derogate from the guidelines, in whole or in part, if in a specific case there is special cause for the derogation and a derogation is necessary to serve the company's long-term interests, including its sustainability, or to ensure the company's financial viability. As set out above, the Compensation Committee's tasks include preparing the Board's resolutions in remuneration-related matters. This includes any resolutions to derogate from the guidelines.

Note 37. Continued

Targets and performance relating to variable remuneration

Variable remuneration consist of two parts: annual variable cash remuneration and the long-term share 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 2020 variable cash remuneration.

In addition to the financial performance targets, the members of the Group Leadership Team have non-financial targets that may reduce the outcome measured only according to the financial targets. The non-financial targets are set to support the business strategy and long-term interests, including sustainability, by for example being linked to the business strategy or sustainability. The outcome is reduced in cases where the non-financial targets have not been reached.

Annual variable cash remuneration for the Group Leadership Team, excluding the President and CEO, is mainly tied to the Group targets and/or to the business units they are directly responsible for. The preliminary outcome for other members of the Group Leadership Team averaged 79 percent (78) of fixed annual salary. This calculation is preliminary insofar as any deductions as a consequence of the non-financial targets have not yet been taken into account. The Board will determine the final outcome of variable cash remuneration in the first quarter of 2021 after reviewing operational performance.

Targets and performance related to variable cash remuneration for the President and CEO

The financial targets for the President and CEO were the same as the Group targets presented in the table below. The Board has the option of reducing the final outcome of variable cash remuneration measured solely on the financial targets by a maximum of 50 percent, based on the outcome of the non-financial targets. The preliminary outcome for the President and CEO’s variable cash remuneration (i.e., excluding the employee ownership program) shows an outcome of 75 percent (75) of fixed annual salary, based on financial targets with a target fulfillment of 100 percent (100). This calculation is preliminary insofar as any deductions as a consequence of the non-financial targets have not yet been taken into account. The Board will determine the final outcome in the first quarter of 2021 after reviewing operational performance.

Pension benefits

The retirement age for members of the Group Leadership Team is 65 years. Employees in Sweden are entitled to pension benefits according to the ITP occupational pension plan. Employees outside Sweden are covered by local pension plans. The contribution to the defined contribution ITP 1 pension plan 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 President and CEO is covered by an individual occupational pension insurance scheme. The occupational pension insurance scheme is a defined contribution scheme and the total premiums for the occupational pension insurance scheme shall amount to 35 percent of the fixed annual cash salary.

Severance pay

The notice period for the members of the Group Leadership Team, in the case of termination by the company, is six months with retention of fixed salary and benefits, excluding variable cash 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 deducted from the amount payable.

A mutual notice period of 12 months applies between Skanska and the President and CEO, with retention of fixed salary and benefits, excluding variable cash remuneration. After the notice period, severance pay is disbursed for 12 months. When payments are disbursed after the notice period other income must normally be deducted from the amount payable.

Remuneration and benefits recognized as expenses in 2020

Directors’ fees

The Annual General Meeting 2020 resolved that fees would be paid to the board members elected by the Annual General Meeting totaling 8,815 (8,815) thousands of Swedish kronor (kSEK), including a special allowance for committee work. See the table on page 168.

Chairman of the Board

During the financial year the Chairman of the Board, Hans Biörck, received a director’s fee totaling kSEK 2,585 (2,585), of which kSEK 485 (485) was for committee work.

Financial targets for variable cash remuneration 2020

	Measure of earnings	Starting point	Outperform	Outcome	Percentage fulfilled[2]
Group	Income after financial items, SEK bn[1]	4.9	6.8	7.8	100%
Construction	Operating income, SEK bn	3.1	4.1	3.5	58%
	Operating margin, %	2.2	2.9	2.5	57%
Residential Development	Operating income, SEK bn	0.9	1.2	1.5	99%
	Return on capital employed, %	6	9	13	100%
	Units sold, thousands	3.1	4.3	4.0	54%
Commercial Property Development	Operating income, SEK bn	1.6	2.8	3.9	100%
	Return on capital employed, %[3]	5	9	12	88%
	Leasing, thousands of sqm[3]	148	267	216	43%
	Return on capital employed cluster, %[3]	5	9	12	100%

1 The income excludes eliminations at the Group level and the operating unit Asset Management (portfolio of PPP-assets). The outperform target at the Group level constitutes 95 percent of the business streams’ total outperform target and the starting point target constitutes 105 percent of the business streams’ total starting point target.
2 Percentage fulfilled is based on the outcomes for the respective business units, which are weighed together. As the amount fulfilled per business unit cannot be less than 0 percent, negative earnings from the business units may affect the comparison with the business stream’s total earnings.
3 Encompasses the Commercial Property Development business units in the Nordic region, Europe and USA.

Note 37. Continued

Board members

Members of the Board did not receive any remuneration for their role as board members beyond their regular directors' fees and remuneration for committee work.

For board members appointed by the employees, no disclosures are made concerning salaries and remuneration or pensions as they do not receive these in their capacity as board members. For board members who were employees of the company before the beginning of the financial year, disclosures are made concerning pension obligations in their former role as employees.

President and CEO

In 2020 the President and CEO, Anders Danielsson, received a fixed salary of kSEK 12,500 (11,550) plus estimated variable cash remuneration of kSEK 9,375 (8,663) based on a preliminary figure of financial targets being 100 percent (100) fulfilled. Variable cash remuneration is maximized at 75 percent of fixed annual salary. The final outcome of variable cash remuneration for the President and CEO will be established by the Board in the first quarter of 2021 after reviewing operational performance. The preliminary outcome was equivalent to 75 percent (75) 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 5, which involves an allotment of performance shares. See the section under the heading "Long-term share programs" in this note. Within the framework of Seop 5, Anders Danielsson acquired 6,379 (6,290) Skanska Series B shares, which is expected to result in the allotment of 38,277 (36,169) performance shares with a value of kSEK 8,027 (7,657) as the outperform targets were preliminarily 100 percent (100) fulfilled. The amount stated is based on the share price on December 30, 2020 (SEK 209.7). The allotment of performance shares will be finally determined by the Board in the first quarter of 2021 after reviewing operational performance.

Annual pension provisions will total 35 percent of fixed annual salary. The cost for 2020 amounted to kSEK 4,375 (4,043).

Other members of the Group Leadership Team

At the end of 2020 the other members of the Group Leadership Team consisted of five individuals.

The Group Leadership Team received a fixed salary and variable cash 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

Board of Directors

	Director's fee		Audit Committee		Compensation Committee		Project Review Committee		Total	
kSEK	**2020**	**2019**	**2020**	**2019**	**2020**	**2019**	**2020**	**2019**	**2020**	**2019**
Chairman of the Board										
Hans Biörck	2,100	2,100	165	165	110	110	210	210	2,585	2,585
Other board members										
Fredrik Lundberg	700	700	0	0	0	0	210	210	910	910
Charlotte Strömberg	-	700	-	230	-	0	-	210	-	1,140
Pär Boman	700	700	230	165	105	105	210	210	1,245	1,180
Jayne McGivern	700	700	0	0	105	105	210	210	1,015	1,015
Catherine Marcus	700	700	0	0	0	0	210	210	910	910
Jan Gurander	700	700	165	165	0	0	210	210	1,075	1,075
Åsa Söderström Winberg	700	-	165	-	0	-	210	-	1,075	-
Board of Directors	**6,300**	**6,300**	**725**	**725**	**320**	**320**	**1,470**	**1,470**	**8,815**	**8,815**

Group Leadership Team

	Annual salary		Variable cash remuneration[1]		Awarded value, employee ownership programs[2]		Other remuneration and benefits		Pension expense		Total	
kSEK	**2020**	**2019**	**2020**	**2019**	**2020**	**2019**	**2020**	**2019**	**2020**	**2019**	**2020**	**2019**
President and CEO												
Anders Danielsson	12,500	11,550	9,375	8,663	8,027	7,990	123	101	4,375	4,043	34,399	32,347
Other members of the Group Leadership Team (5 individuals)	29,606	28,474	23,150	22,260	18,989	18,939	1,228	1,247	8,561	7,277	81,534	78,197
Total	**42,106**	**40,024**	**32,525**	**30,923**	**27,015**	**26,929**	**1,351**	**1,348**	**12,936**	**11,320**	**115,934**	**110,543**

1 Variable cash remuneration relating to the 2020 financial year is preliminary and will be finally determined and disbursed after the outcome is established in the first quarter of 2021. The variable cash remuneration agreements include a general clause stipulating that the Board and the Compensation Committee are entitled to wholly or partly reduce variable cash remuneration. The amounts included under the heading "Variable cash remuneration" for 2019 in the table above refer to actual disbursements for the 2019 financial year.

2 The value stated refers to a preliminary award of performance shares for the 2020 invested shares, at the share price on December 30, 2020 (SEK 209.7). The Group Leadership Team will receive an estimated 128,829 (121,903) performance shares. The Board will determine the final outcome in the first quarter of 2021 after reviewing operational performance. In order to receive performance shares, an additional three years of service are required. The total cost has not yet been expensed as the cost is distributed over three years in accordance with IFRS 2. See the section under the heading "Long-term share programs." For 2020, the Group Leadership Team invested in 21,471 (21,201) saving shares, equivalent to kSEK 4,503 (4,488), calculated based on the share price on December 30, 2020 (SEK 209.7). The President and CEO as well as the other members of the Group Leadership Team received remuneration related to the 2017 financial year. After a three-year lock-up period as part of the previous employee ownership program Seop 4, the President and CEO received 2,964 (13,657) shares, equivalent to kSEK 621 (2,891), calculated based on the share price on December 30, 2020 (SEK 209.7), for shares awarded during the 2017 financial year. As part of Seop 4, other members of the Group Leadership Team, after a three-year lock-up period, received 13,428 (29,700) Series B Skanska shares, equivalent to kSEK 2,816 (6,288), calculated based on the share price on December 30, 2020 (SEK 209.7), for shares awarded for the 2017 financial year.

Note 37. Continued

program, Seop 5, involving allotment of performance shares. See the section under the heading "Long-term share programs" in this note. Within the framework of Seop 5, other members of the Group Leadership Team acquired 15,092 (14,910) Skanska Series B shares, which is expected to result in the allotment of 90,552 (85,735) performance shares with a value of kSEK 18,989 (18,150) as the outperform targets were preliminarily 100 percent (100) fulfilled. The amount stated is based on the share price on December 30, 2020 (SEK 209.7). Variable cash remuneration and the outcome of performance shares for 2020 are preliminary. The final outcome will be established in the first quarter of 2021 after a review of operational performance. Disbursement of the variable cash remuneration normally occurs in May of the year following the performance year.

The pension cost for 2020 for other members of the Group Leadership Team amounted to kSEK 8,561 (7,277).

All above-mentioned remuneration and benefits were charged to Skanska AB, except for kSEK 28,394 (28,279) for other members of the Group Leadership Team, which was charged to other Group companies.

Pension obligations to current and former senior executives

Outstanding pension obligations in 2020 for the President and CEO and former CEOs amount to kSEK 155,150 (163,517). Outstanding obligations to other current and former members of the Group Leadership Team amount to kSEK 118,999 (114,367).

Long-term share programs

Share saving program – Skanska employee ownership program, Seop 5 (2020–2022)

The Annual General Meeting on March 28, 2019, resolved in accordance with the Board's proposal on the Seop 5 long-term employee ownership program for employees of the Group. This is essentially an extension of the earlier Seop 4 employee ownership program that ran from 2017 to 2019. The terms and conditions are the same in all material respects as those of the earlier Seop 4 program. Under the terms of Seop 5, however, executives cannot receive any matching shares. The maximum number of performance shares that may be awarded to the participants in each subcategory of executives has instead been increased by one 1 share to 16, 20 and 24 respectively for each four saving shares acquired.

The program is aimed at about 32,000 permanent employees of the Skanska Group, of whom approximately 2,000 are key employees and about 300 are executives, including the President and CEO and other members of the Group Leadership Team.

The program offers employees, key employees and executives the opportunity – provided they have made their own investment in Series B Skanska shares during a given financial year – to receive Series B Skanska shares from Skanska free of charge. For each four Series B saving shares purchased, the employees and key employees will be entitled, after a three-year lock-up period, to receive one Series B Skanska share free of charge ("matching share"). In addition, after the lock-up period, the employees, key employees and executives 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 acquisition period ("performance shares").

The acquisition period covers the years 2020–2022 and the lock-up period runs for three years from the month in which the saving shares are acquired. For each four saving shares purchased, employees may, in addition to one matching share, receive a maximum of three performance shares. For each four saving shares, key employees may, in addition to one matching share, receive a maximum of seven performance shares. For each four saving shares, executives (split into three subcategories) may receive a maximum of 16, 20 or 24 performance shares. The maximum number of saving 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.

To qualify to receive matching and/or performance shares, a participant must be employed within the Group throughout the lock-up period and must have retained his or her saving 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 225–700 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 2019 as the base year for Seop 5. The other cost ceiling is that Skanska's total cost per year may not exceed 15 percent of 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 12,000,000 shares. The number of issued shares will not change; instead the matching and performance shares will be allotted from repurchased shares.

The table below shows Seop 5 target fulfillment in 2020 for each business stream.

In the Skanska Group, a total of around 37 percent (37) of permanent employees participated in Seop 5 in 2020.

Excluding social insurance contributions, the total cost of Seop 5 for investments in 2020 is preliminarily estimated to be around SEK 398 M, of which the cost for 2020 amounts to around SEK 81 M. The remaining cost of Seop 5 up to and including 2025 is estimated at about SEK 317 M.

The dilution effect through 2020 of Seop 5 for the 2020 program is estimated at 205,383 shares or 0.05 percent of the number of Series B Skanska shares outstanding. Maximum dilution for the program in 2020 is expected to be 2,058,655 shares or 0.50 percent.

The number of issued shares will not change; instead the matching and performance shares will be distributed from repurchased shares. Repurchasing will be evenly distributed over time. There will therefore be essentially no dilution effect.

Financial targets for the employee ownership program, Seop 5, 2020[1]

	Measure of earnings	Starting point	Outperform	Outcome	Percentage fulfilled[2]
Group	Earnings per share, SEK[3]	15.1	15.9	22.5	100%
Construction	Operating income, SEK bn	3.8	4.3	3.5	58%
Residential Development	Operating income, SEK bn	1.1	1.3	1.5	95%
	Return on capital employed, %[4]	6	10	15	100%
Commercial Property Development	Operating income, SEK bn	2.4	3.0	3.9	92%
	Leasing, thousands of sqm[5]	148	267	216	43%

1 For further information, see the table "Financial targets for variable cash remuneration 2020" in Note 37 on page 167.
2 Percentage fulfilled is based on the outcomes for the respective business units, which are weighed together. As the amount fulfilled per business unit cannot be less than 0 percent, negative earnings from the business units may affect the comparison with the business stream's total earnings.
3 Profit for the period attributable to equity holders divided by the average number of outstanding shares during the year.
4 Encompasses the Residential Development business units in Central Europe and BoKlok.
5 Encompasses the Commercial Property Development business units in the Nordic region, Europe and USA.

Note 37. Continued

Previous long-term share programs

Share saving program – Skanska employee ownership program, Seop 4 (2017–2019)

Shares for the previous Skanska employee ownership program, which ran from 2017 to 2019, were distributed in 2020. These were shares that were related to 2017, 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 saving shares during this lock-up period. Excluding social insurance contributions, the cost of Seop 4 is estimated to amount to around SEK 798 M, of which SEK 382 M was expensed in 2017–2019, while the cost for 2020 amounts to around SEK 219 M. The remaining cost of Seop 4 up to and including 2022 is estimated at about SEK 197 M.

The dilution effect through 2020 for Seop 4 is estimated at 2,104,764 shares or 0.51 percent of the number of Series B Skanska shares outstanding. The maximum dilution for the program at the end of the vesting period in 2022 is expected to be 4,471,343 shares or 1.07 percent.

Local incentive programs

Salaries and other remuneration are established taking into account conditions prevailing in the rest of the construction industry and customary practices in each local market. The Skanska Group applies a remuneration model for the relevant executives and managers that consists of a fixed annual salary plus variable remuneration based on financial targets reached.

Note 38. Fees and other remuneration to auditors

EY	2020	2019
Audit assignments	54	54
Audit work in addition to the audit assignment		2
Tax advisory services	3	3
Other services	1	1
Total	**58**	**60**

For the Parent Company, fees for audit assignments during the year amounted to SEK 6.1 M.

"Audit assignments" refers to the statutory audit of the annual accounts and accounting documents as well as of the administration of the company by the Board of Directors and the CEO, and audit and other review work conducted according to agreements or contracts. This includes other tasks that are incumbent upon the company's auditors as well as advisory services or other assistance required as a result of observations made during such review work or the completion of such other tasks.

"Other services" refers to advisory services relating to accounting issues, advisory services concerning the divestment and acquisition of businesses, and advisory services relating to processes and internal control.

Note 39. Related party disclosures

Joint ventures and associated companies are companies related to Skanska. Information on transactions with these is presented in the following tables.

Information on remuneration and transactions with senior executives is found in Note 36 and Note 37.

Transactions with joint ventures	2020	2019
Sales to joint ventures	4,700	7,275
Purchases from joint ventures	58	62
Dividends from joint ventures	978	648
Receivables from joint ventures	31	34

Transactions with associated companies	2020	2019
Receivables from associated companies	1	1
Liabilities to associated companies	9	29

In 2020, the L E Lundbergföretagen AB gave Skanska no construction contracts. The total order backlog on the closing date was SEK 0 M (0). Sales in 2020 amounted to SEK 0 M (65) and order bookings amounted to SEK 0 M (14).

Skanska's pension fund owns 0 (0) shares in Skanska directly. There is an insignificant percentage of indirectly owned shares via investments in various mutual funds.

In 2020, no transactions took place with Skanska's pension funds. In 2019, Skanska Trean Allmän Pensionsstiftelse acquired 50 percent of Skanska's Rv3 project for SEK 31 M. Skanska has received reimbursements from the pension funds, and other services performed by Skanska were charged for.

Note 40. Leases

Leases are managed in accordance with IFRS 16 Leases, see Note 1.

When Skanska is a lessee, the lease assets are recognized as a right-of-use 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.

As a lessor Skanska has both finance and operating leases.

Skanska is a lessor of a finance lease which is due to a sublease for external office space.

As an operating lessor, Skanska leases properties to tenants mainly via its Commercial Property Development business stream.

A. Skanska as a lessee

Right-of-use assets by asset class

	Dec 31, 2020	Dec 31, 2019
Property (buildings and land)	99	120
Offices	3,132	3,596
Cars	331	405
Machinery	286	386
Other	82	109
Total right-of-use assets, non-current[1]	**3,930**	**4,616**
Right-of-use assets, ground leases	2,980	3,980
Total right-of-use assets, current[1]	**2,980**	**3,980**

1 Short-term leases and leasing of assets of low value are not included as these are expensed immediately.

The cost of short-term leases amounts to SEK 492 M (560) and the cost of leasing assets of low value amounts to SEK 669 M (919).

For information on depreciation/amortization, see Note 12.

Impairment losses/reversals of impairment losses on right-of-use assets

In 2020 impairment losses/reversals of impairment losses in the net amount of SEK –24 M (10) were recognized. Impairment losses/reversals of impairment losses were recognized in Poland and USA during the year. In the comparative year, reversals of impairment losses were recognized in Poland.

Impairment losses/reversals of impairment losses were recognized within cost of sales and selling and administrative expenses.

Note 40. Continued

Impairment losses/reversals of impairment losses	Impairment losses		Reversals of impairment losses		Total	
	2020	**2019**	**2020**	**2019**	**2020**	**2019**
Property (buildings and land)						0
Offices	–33		9	10	–24	10
Cars						0
Machinery						0
Other						0
Total right-of-use assets, non-current	**–33**	**0**	**9**	**10**	**–24**	**10**
Right-of-use assets, ground leases						0
Total right-of-use assets, non-current	**0**	**0**	**0**	**0**	**0**	**0**

Carrying amount

	Property (buildings and land)		Offices		Cars		Machinery		Other right-of-use assets, non-current		Right-of-use assets, current	
	2020	**2019**	**2020**	**2019**	**2020**	**2019**	**2020**	**2019**	**2020**	**2019**	**2020**	**2019**
January 1	120	–	3,596	–	405	–	386	–	109	–	3,980	–
Changed accounting principle, Note 3		153		3,297		542		649		121		2,865
Adjusted amount at beginning of year	**120**	**153**	**3,596**	**3,297**	**405**	**542**	**386**	**649**	**109**	**121**	**3,980**	**2,865**
New leases	10	7	408	658	180	86	79	282	29	48	37	1,356
Remeasurement	–9	7	54	–9	–53	–39	1		4	–1	12	–65
Leases sold		–19	–2	–115	–7	–14	–20	–397		–1	–728	–257
Acquisitions of companies				281								
Divestments												
Depreciation	–20	–19	–650	–636	–179	–185	–135	–156	–62	–60		
Impairment losses			–33									
Reversals of impairment losses			9	10								
Reclassifications		–12	–2	4				–20	2			
Exchange rate differences for the year	–2	3	–248	106	–15	15	–25	28		2	–321	81
December 31	**99**	**120**	**3,132**	**3,596**	**331**	**405**	**286**	**386**	**82**	**109**	**2,980**	**3,980**

Lease liabilities

Lease liabilities amount to SEK 7,233 M (8,921). For a maturity analysis of the undiscounted liabilities, see Note 6.

For information on interest expense, see Note 14.

The cost of variable lease payments that are not included in the measurement of the lease liability amounts to SEK 0 M (0).

For total lease payment cash flow, see the consolidated cash flow statement.

Future undiscounted cash flows not reflected in lease liabilities amount to SEK 755 M (778). These relate to options to extend and cancel, and to leases that have not yet started but that Skanska has committed to.

Other

Revenue from subleasing of right-of-use assets consists mainly of leasing of offices and amounts to SEK 8 M (9).

In 2020 Skanska CDUS sold 95 percent of the property 2+U to Hana Alternative Asset Management and Hana Financial Group. Skanska is leasing back a small part of the office area for seven years starting from December 2020. In 2019 Skanska UK sold the property 51 Moorgate to one of Deka Immobilien's property funds. Skanska is leasing back offices for 15 years starting in July 2019. Profit after elimination of these sale and leaseback transactions amounts to SEK 1,706 M (23). The effect on cash flow amounts to SEK 5,808 M (686).

There are no leases containing special restrictions or special terms and conditions.

Note 40. Continued

B. Skanska as lessor

Finance leases

Skanska USA Civil and Skanska Poland have an external lease that is subleased and recognized as a financial receivable of SEK 16 M (12).

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 22.

Lease income for Commercial Property Development in 2020 amounted to SEK 941 M (684).

The Group’s variable lease income for operating leases for the year amounts to SEK 222 M (18), which is not dependent on an index or an interest rate.

The due dates of future undiscounted payments relating to operating leases break down as follows:

Income, due	2020	2019
Within one year	772	525
Later than one year but within five years	3,299	4,834
Later than five years	2,910	7,593
Total	**6,981**	**12,952**

Note 41. Events after the reporting period

There were no events after the end of the reporting period.

Note 42. Five-year Group financial summary

Income statements, in accordance with IFRS

	2020	2019	2018	2017	2016
Revenue	160,344	172,846	171,730	157,877	145,365
Cost of sales	–143,457	–156,540	–157,465	–145,103	–131,119
Gross income	**16,887**	**16,306**	**14,265**	**12,774**	**14,246**
Selling and administrative expenses	–8,269	–9,469	–9,473	–9,851	–9,152
Income from joint ventures and associated companies	4,015	591	855	1,655	2,126
Operating income	**12,633**	**7,428**	**5,647**	**4,578**	**7,220**
Financial items	–229	–88	39	45	–119
Income after financial items	12,404	**7,340**	**5,686**	**4,623**	**7,101**
Taxes	–2,507	–1,286	–1,092	–512	–1,366
Profit for the year	9,897	**6,054**	**4,594**	**4,111**	**5,735**
Profit for the year attributable to					
Equity holders	9,875	6,031	4,571	4,095	5,722
Non-controlling interests	22	23	23	16	13
Other comprehensive income					
Items that will not be reclassified to profit or loss for the period					
Remeasurement of defined-benefit pension plans	–1,003	–895	–478	–399	–1,127
Tax on items that will not be reclassified to profit or loss for the period	211	166	59	69	189
	–792	**–729**	**–419**	**–330**	**–938**
Items that have been or will be reclassified to profit or loss for the period					
Translation differences attributable to equity holders	–2,120	672	1,299	–599	1,165
Translation differences attributable to non-controlling interests	–7	3	3	8	8
Hedging of exchange rate risk in foreign operations	–19	4	–183	–125	36
Effect of cash flow hedges	35	31	–30	138	31
Share of other comprehensive income of joint ventures and associated companies	–176	–41	272	83	855
Tax on items that have been or will be reclassified to profit or loss for the period	21	–10	7	–25	–4
	–2,266	**659**	**1,368**	**–520**	**2,091**
Other comprehensive income after tax	**–3,058**	**–70**	**949**	**–850**	**1,153**
Comprehensive income for the year	**6,839**	**5,984**	**5,543**	**3,261**	**6,888**
Comprehensive income for the year attributable to					
Equity holders	6,824	5,958	5,517	3,237	6,867
Non-controlling interests	15	26	26	24	21

	2020	2019	2018	2017	2016
Cash flow					
Cash flow from operating activities	11,284	6,038	9,454	2,846	–883
Cash flow from investing activities	1,571	–1,214	–2,367	1,590	–1,593
Cash flow from financing activities	–1,184	–6,898	–3,509	–2,817	–4,090
Cash flow for the year	**11,671**	**–2,074**	**3,578**	**1,619**	**–6,566**

Note 42. Continued

Income statement, in accordance with Segment Reporting

	2020	2019	2018	2017	2016
Revenue					
Construction	140,483	159,579	157,894	150,050	138,001
Residential Development	13,070	12,483	10,739	13,237	13,264
Commercial Property Development	14,983	17,850	16,271	11,440	10,226
Central and eliminations	–9,930	–13,130	–14,410	–13,904	–10,184
Group	**158,606**	**176,782**	**170,494**	**160,823**	**151,307**
Operating income					
Construction	3,528	3,772	1,099	1,205	3,546
Residential Development	1,543	1,195	1,505	1,716	1,605
Commercial Property Development	3,897	3,287	3,069	2,714	2,336
Central	2,830	–388	–780	–19	678
Eliminations	62	–38	–66	–112	34
Operating income	**11,860**	**7,828**	**4,827**	**5,504**	**8,199**
Financial items	–236	–103	36	45	–118
Income after financial items	**11,624**	**7,725**	**4,863**	**5,549**	**8,081**
Taxes	–2,350	–1,353	–934	–615	–1,555
Profit for the year	**9,274**	**6,372**	**3,929**	**4,934**	**6,526**
Earnings per share, segment, SEK	22.46	15.46	9.55	12.01	15.89
Earnings per share after dilution, segment, SEK	22.33	15.39	9.49	11.94	15.80

Note 42. Continued

Statement of financial position

	Dec 31, 2020	Dec 31, 2019	Restated Jan 1, 2019[4]	Dec 31, 2018	Restated Jan 1, 2018[5]	Restated Dec 31, 2017	Restated Jan 1, 2017[6]	Dec 31, 2016
ASSETS								
Non-current assets								
Property, plant and equipment	6,816	7,742	7,363	7,645	6,874	6,874	6,837	6,837
Property, plant and equipment, right-of-use assets	3,930	4,616	4,762					
Goodwill	3,713	4,057	4,324	4,324	4,554	4,554	5,270	5,270
Intangible assets	771	865	975	975	962	962	1,034	1,034
Investments in joint ventures and associated companies	1,689	3,442	3,288	3,288	3,314	3,314	4,160	4,160
Non-current financial assets[1, 3]	1,931	2,528	2,345	2,345	2,276	2,276	1,016	1,016
Deferred tax assets	1,803	1,862	1,948	1,933	1,797	1,757	1,649	1,649
Total non-current assets	**20,653**	**25,112**	**25,005**	**20,510**	**19,777**	**19,737**	**19,966**	**19,966**
Current assets								
Current-asset properties[2]	44,947	46,373	42,391	42,391	39,010	39,010	33,678	33,678
Current-asset properties, right-of-use assets	2,980	3,980	2,865					
Inventories	1,100	1,128	1,256	1,256	1,058	1,058	1,042	1,042
Current financial assets[3]	8,492	6,899	7,135	7,117	6,641	6,671	10,095	10,095
Tax assets	950	670	396	396	1,188	1,188	784	784
Contract assets	4,599	5,898	6,661	6,661	6,997	6,997	5,751	5,751
Other operating receivables	22,402	27,213	27,194	27,243	27,628	27,778	29,759	29,759
Cash and bank balances	19,508	8,745	10,722	10,722	6,998	6,998	5,430	5,430
Total current assets	**104,978**	**100,906**	**98,620**	**95,786**	**89,520**	**89,700**	**86,539**	**86,539**
TOTAL ASSETS	**125,631**	**126,018**	**123,625**	**116,296**	**109,297**	**109,437**	**106,505**	**106,505**
of which interest-bearing	29,692	18,000	20,089	20,071	15,770	20,071	16,318	16,318

4 Restated due to implementation of IFRS 16. For effects of changes in accounting principles, see Note 3.
5 Restated due to implementation of IFRS 9.
6 Restated due to implementation of IFRS 15.

Note 42. Continued

Statement of financial position, cont.

	Dec 31, 2020	Dec 31, 2019	Restated Jan 1, 2019[4]	Dec 31, 2018	Restated Jan 1, 2018[5]	Restated Dec 31, 2017	Restated Jan 1, 2017[6]	Dec 31, 2016
EQUITY								
Equity attributable to equity holders	38,620	32,924	29,183	29,250	26,924	27,064	27,350	27,350
Non-controlling interests	97	97	97	97	121	121	156	156
TOTAL EQUITY	**38,717**	**33,021**	**29,280**	**29,347**	**27,045**	**27,185**	**27,506**	**27,506**
LIABILITIES								
Non-current liabilities								
Non-current financial liabilities[3]	3,247	2,565	3,632	3,912	3,857	3,857	3,656	3,656
Lease liabilities	6,217	7,843	6,953					
Pensions	7,360	6,866	5,669	5,669	5,603	5,603	4,901	4,901
Deferred tax liabilities	928	1,045	711	711	1,235	1,235	1,491	1,491
Non-current provisions							1	1
Total non-current liabilities	**17,752**	**18,319**	**16,965**	**10,292**	**10,695**	**10,695**	**10,049**	**10,049**
Current liabilities								
Current financial liabilities[3]	4,663	4,617	7,308	7,310	7,624	7,624	6,681	6,681
Lease liabilities	1,016	1,078	816					
Tax liabilities	1,883	564	615	615	312	312	489	489
Current provisions	10,326	10,021	9,922	9,922	9,131	9,131	7,614	7,227
Contract liabilities	19,462	20,419	20,738	20,738	16,266	16,266	18,322	18,473
Other operating liabilities	31,812	37,979	37,981	38,072	38,224	38,224	35,844	36,080
Total current liabilities	**69,162**	**74,678**	**77,380**	**76,657**	**71,557**	**71,557**	**68,950**	**68,950**
TOTAL EQUITY AND LIABILITIES	**125,631**	**126,018**	**123,625**	**116,296**	**109,297**	**109,437**	**106,505**	**106,505**
of which interest-bearing	22,412	22,917	24,327	16,840	16,926	16,296	15,099	15,099
1 Of which shares	43	44	41	41	42	42	44	44
2 Current-asset properties								
Commercial Property Development	27,906	29,708	25,829	25,829	23,615	23,615	19,728	19,728
Residential Development	17,041	16,665	16,562	16,562	15,395	15,395	13,950	13,950
	44,947	46,373	42,391	42,391	39,010	39,010	33,678	33,678
3 Items related to non-interest-bearing unrealized changes in the value of derivatives/securities are included as follows:								
Non-current financial assets	4	1	2	2	6	6	2	2
Current financial assets	192	127	70	70	97	97	177	177
Non-current financial liabilities	6	2	3	3	21	21	116	116
Current financial liabilities	85	50	48	48	137	137	49	49

4 Restated due to implementation of IFRS 16. For effects of changes in accounting principles, see Note 3.
5 Restated due to implementation of IFRS 9.
6 Restated due to implementation of IFRS 15.

Note 42. Continued

Financial ratios[7]

	Dec 31, 2020	Dec 31, 2019	Restated Jan 1, 2019[4]	Dec 31, 2018	Restated Jan 1, 2018[5]	Restated Dec 31, 2017	Restated Jan 1, 2017[6]	Dec 31, 2016
Order bookings[8]	149,802	145,818		151,719		151,811		170,244
Order backlog[8]	178,924	185,370		192,042		188,411		196,254
Average number of employees	32,463	34,756		38,650		40,759		42,903
Ordinary dividend per share, SEK[9]	6.50	3.25		6.00		8.25		8.25
Ordinary dividend per share, SEK[9]	3.00							
Earnings per share, SEK	23.97	14.68	11.17	11.17	10.00	10.00	13.96	13.96
Earnings per share after dilution, SEK	23.84	14.62	11.11	11.11	9.94	9.94	13.88	13.88
Capital employed	61,129	55,938	53,607	46,187	43,971	44,111		42,605
Interest-bearing net receivables/ net liabilities	7,280	–4,917	–4,238	3,231	–1,156	–1,126		1,219
Equity per share, SEK	93.67	80.01		71.40		66.22		66.82
Equity/assets ratio, %	30.8	26.2	23.7	25.2		24.8		25.8
Debt/equity ratio	–0.2	0.1	0.1	–0.1		0.0		0.0
Interest cover	84.4	100.6		–245.8		288		88.7
Return on equity, %	27.8	20.3	16.5	16.4		15.5		24.9
Return on capital employed, %	21.5	14.3	12.7	13.0		11.1		19.2
Return on equity, segment, %	26.0	21.4	14.1	14.1		18.6		28.3
Return on capital employed in Project Development units, segment, %	12.2	10.3	11.9	12.0		13.6		14.8
Operating margin, %	7.9	4.3		3.3		2.9		5.0
Operating margin, Construction, %	2.5	2.4		0.7		0.8		2.6
Cash flow per share, SEK	31.57	3.26		9.51		–2.44		–10.16
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	19,684,564	19,704,715		19,725,759		19,755,414		19,793,202
of which Series B shares	400,218,508	400,198,357		400,177,313		400,147,658		400,109,870
Average price, repurchased shares	138.45	137.54		137.54		137.31		132.18
Number of Series B shares repurchased during the year	460,000	0		435,000		2,350,000		4,345,000
Number of Series B treasury shares, December 31	7,616,674	8,394,479		10,224,634		11,190,028		10,594,644
Number of shares outstanding, December 31	412,286,398	411,508,593		409,678,438		408,713,044		409,308,428
Average number of shares outstanding	411,993,869	410,720,937		409,130,770		409,447,407		409,896,419
Average number of shares outstanding after dilution	414,304,017	412,585,074		411,415,278		411,905,245		412,174,095
Average dilution, %	0.56	0.45		0.56		0.60		0.55

4 Restated due to implementation of IFRS 16. For effects of changes in accounting principles, see Note 3.
5 Restated due to implementation of IFRS 9.
6 Restated due to implementation of IFRS 15.
7 For definitions, see Note 43.
8 Refers to Construction.
9 Proposed by the Board of Directors: Ordinary dividend of SEK 6.50 per share and an extra dividend of SEK 3.00 per share.

Note 43. Definitions

Return on equity

Profit attributable to equity holders as a percentage of average visible equity attributable to equity holders.

Return on equity, segment, SEK M

Profit attributable to equity holders as a percentage of average equity attributable to equity holders.
9,252 / 35,522 = 26.0%

Return on capital employed, consolidated

Operating income plus financial income as a percentage of average capital employed.

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 is removed from operating income so that the return reflects the return before mortgages.

Return on capital employed in Residential Development segment, SEK M

Operating income	1,543
+ capitalized interest expense	109
+/– financial income and other financial items	2
– interest income from internal bank	
Adjusted profit	1,654
Average capital employed[1]	12,968
Return on capital employed in Residential Development	12.8%

1 Average capital employed

Q4 2020	13,608	x 0.5	6,804	
Q3 2020	12,810		12,810	
Q2 2020	12,478		12,478	
Q1 2020	13,301		13,301	
Q4 2019	12,954	x 0.5	6,477	
			51,870 / 4	**12,968**

Return on capital employed in Commercial Property Development segment, SEK M

Operating income	3,897
+ capitalized interest expense	135
+/– financial income and other financial items	10
– interest income from internal bank	
Adjusted profit	4,042
Average capital employed[1]	33,860
Return on capital employed in Commercial Property Development	11.9%

1 Average capital employed

Q4 2020	30,906	x 0.5	15,453	
Q3 2020	33,951		33,951	
Q2 2020	33,885		33,885	
Q1 2020	34,905		34,905	
Q4 2019	34,495	x 0.5	17,247	
			135,441 / 4	**33,860**

Return on capital employed in Project Development units, segment, SEK M

Calculated as the sum of the adjusted profit in Residential Development and Commercial Property Development divided by the aggregate amount of capital employed, average, for Residential Development and Commercial Property Development.

Total return on capital employed in Residential Development and Commercial Property Development

	Adjusted profit	Capital employed, average	Return on capital employed
Residential Development	1,654	12,968	12.8%
Commercial Property Development	4,042	33,860	11.9%
	5,696	**46,828**	**12.2%**

Note 43. Continued

Gross income

Revenue minus cost of sales.

Gross margin

Gross income divided by revenue.

Equity per share

Visible equity attributable to equity holders divided by the number of shares outstanding at year-end.

Financial items

The net of interest income, financial net pension cost, interest expense, capitalized interest expense, change in fair value and other financial items.

Free working capital

Non-interest-bearing receivables less non-interest-bearing liabilities excluding taxes.

Free working capital in Construction, average, SEK M

Calculated on the basis of five measurement points.

Q4 2020	–25,748	x 0.5	–12,874	
Q3 2020	–25,401		–25,401	
Q2 2020	–25,245		–25,245	
Q1 2020	–26,740		–26,740	
Q4 2019	–26,401	x 0.5	–13,201	
			–103,461 / 4	**–25,865**

Selling and administrative expenses, %

Selling and administrative expenses divided by revenue.

Average equity attributable to equity holders, SEK M

Calculated on the basis of five measurement points.

Q4 2020	38,620	x 0.5	19,310	
Q3 2020	35,589		35,589	
Q2 2020	36,035		36,035	
Q1 2020	34,692		34,692	
Q4 2019	32,924	x 0.5	16,462	
			142,088 / 4	**35,522**

Revenue, segment

Revenue, segment is the same as Revenue, IFRS in all business streams except for Residential Development and Commercial Property Development, where revenue is recognized when a binding agreement is signed for the sale of homes and properties. As segment reporting of joint ventures in Residential Development applies the proportional method, this also affects Revenue, segment.

Adjusted equity attributable to equity holders, SEK bn

Equity attributable to equity holders	38.6
Unrealized surplus value in land, Residential Development	2.8
Unrealized development gains, Commercial Property Development	7.1
Effect on unrealized equity in PPP portfolio	0.8
Less standard corporate tax, 10%	–1.0
Adjusted equity	**48.3**

Cash flow per share

Cash flow before change in interest-bearing receivables and liabilities divided by the average number of shares outstanding.

Net divestments/investments

Total investments minus total divestments.

Cash flow from operations

Cash flow from business operations including taxes paid and cash flow from financing operations. See also Note 35.

Order bookings

Contracting assignments: Upon written order confirmation or signed contract, where financing has been arranged and construction is expected to begin within 12 months. If a previously received order is canceled in a subsequent quarter, the cancellation is recognized as a negative item when reporting order bookings for the quarter when the cancellation occurs. Reported order bookings also include orders from Residential Development and Commercial Property Development, which assumes that a building permit has been obtained and construction is expected to begin within three months.

Services: For fixed-price assignments, upon signing of contract. For cost-plus assignments, order bookings coincide with revenue. For service agreements, a maximum of 24 months of future revenue is included.

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

Note 43. Continued

Order bookings in relation to revenue in Construction, rolling 12-month basis	Order bookings divided by revenue in Construction, rolling 12-month basis.
Unrealized development gains, Commercial Property Development	Market value minus investment value upon completion for ongoing projects, completed projects, and undeveloped land and development properties. Excludes projects sold according to segment reporting.
Order backlog	Contracting assignments: The difference between order bookings for the period and accrued revenue (accrued project costs plus accrued project income adjusted for loss provisions) plus order backlog at the beginning of the period. Services: The difference between order bookings and accrued revenue plus order backlog at the beginning of the period.
Income after financial items	Operating income minus financial items.
Earnings per share, segment	Profit for the period, segment, attributable to equity holders divided by the average number of shares outstanding.
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 period attributable to equity holders divided by the average number of shares outstanding after dilution.
Interest-bearing net receivables/ net liabilities	Interest-bearing assets minus interest-bearing liabilities.
Interest-bearing net receivables/ net liabilities, adjusted	Interest-bearing net receivables/liabilities excluding cash and cash equivalents with restrictions, lease liabilities and interest-bearing net pension liabilities.
Interest cover	Operating income and financial income plus depreciation/amortization divided by net interest.
Operating income	Revenue minus cost of sales, selling and administrative expenses and income from joint ventures and associated companies.
Operating income, segment	Revenue minus cost of sales, selling and administrative expenses and income from joint ventures and associated companies, according to segment reporting and where Residential Development uses the proportional method for joint ventures.
Operating income, rolling 12-month basis	Revenue minus cost of sales, selling and administrative expenses and income from joint ventures and associated companies, on a rolling 12-month basis.
Operating margin	Operating income divided by revenue.
Debt/equity ratio	Interest-bearing net liabilities divided by equity including non-controlling interests.
Equity/assets ratio	Equity including non-controlling interests as a percentage of total assets.
Capital employed, average	Calculated on the basis of five measurement points – see Return on capital employed.
Capital employed, consolidated	Total assets minus non-interest-bearing liabilities.
Capital employed, markets, business streams and business/reporting units	Total assets less tax assets, deposits in Skanska's internal bank and pension receivables, minus non-interest-bearing liabilities excluding tax liabilities. Capitalized interest expense is also deducted from total assets for the Residential Development and Commercial Property Development business streams.

Note 43. Continued

Capital employed Residential Development, SEK M

Total assets	20,058
– tax assets	–260
– deposits in internal bank	–102
– pension receivables	–33
– non-interest-bearing liabilities (excluding tax liabilities)	–5,986
– capitalized interest expense	–69
	13,608

Capital employed Commercial Property Development, SEK M

Total assets	34,631
– tax assets	–414
– deposits in internal bank	–157
– pension receivables	
– non-interest-bearing liabilities (excluding tax liabilities)	–2,914
– capitalized interest expense	–240
	30,906

Comprehensive income

Change in equity not attributable to transactions with owners.

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.

Parent Company's notes including accounting and valuation principles

Note 44. Financial instruments, Parent Company

Financial instruments are presented in accordance with IFRS 7 Financial Instruments: Disclosures. This note contains figures for the Parent Company's financial instruments. See also the notes to the consolidated financial statements: Note 1, Note 6 and financial risk management.

Financial instruments in the balance sheet	Dec 31, 2020	Dec 31, 2019
Assets		
Non-current receivables in Group companies	384	318
Current receivables in Group companies	34	28
Total financial instruments, assets	**418**	**346**
Liabilities		
Non-current liabilities to Group companies	1,211	2,816
Trade accounts payable and current liabilities to Group companies	18	42
Total financial instruments, liabilities	**1,229**	**2,858**

The fair value of the Parent Company's financial instruments does not deviate significantly in any case from the carrying amount. All assets belong to the category "Carried at amortized cost." No assets have been carried at fair value through profit or loss. All financial liabilities belong to the category "Carried at amortized cost."

Reconciliation with the balance sheet	Dec 31, 2020	Dec 31, 2019
Assets		
Financial instruments	418	346
Other assets		
Property, plant and equipment and intangible assets	8	11
Holdings in Group companies, joint ventures and other securities	11,480	11,321
Other non-current receivables	107	107
Tax assets	73	72
Other current receivables and accrued receivables	117	121
Total assets	**12,203**	**11,978**
Equity and liabilities		
Financial instruments	1,229	2,858
Other liabilities		
Equity	10,652	8,788
Provisions	240	254
Other current liabilities and accrued liabilities	82	78
Total equity and liabilities	**12,203**	**11,978**

Impact of financial instruments on the Parent Company income statement

Financial income and expense recognized in financial items	2020	2019
Interest income on receivables	2	
Interest expense on financial liabilities measured at amortized cost	–30	–33
Total	**–28**	**–33**

The Parent Company has no income or expense from financial instruments that is recognized directly in equity.

Risks attributable to financial instruments

The Parent Company holds financial instruments almost exclusively in the form of intra-Group receivables and liabilities. All external management of lending, borrowing, interest and currencies is handled by the Group's treasury unit (internal bank), the subsidiary Skanska Financial Services AB. See also Note 6.

Credit risk

The carrying amount of financial instruments, assets, corresponds to the maximum credit exposure on the closing day.

There were no impairment losses on financial instruments as of the closing day. No reserves for future credit losses under IFRS 9 are made as the Parent Company's trade accounts receivable, with only a few exceptions, are receivables from Group companies over which Skanska AB exercises control. The credit risk is therefore minimal.

Note 45. Revenue, Parent Company

The Parent Company's revenue consists mainly of amounts billed to Group companies.

The amount includes SEK 660 M (726) in sales to subsidiaries. For other transactions with related parties, see Note 62.

Note 46. Financial items, Parent Company

2020	Income from holdings in Group companies	Interest expense and similar items	Total
Dividend	2,857		2,857
Interest income		2	2
Interest expense		–30	–30
Total	**2,857**	**–28**	**2,829**
2019			
Dividend	2,896		2,896
Interest expense		–33	–33
Total	**2,896**	**–33**	**2,863**

Dividends

The amount for dividends consists of dividends as decided by the Annual General Meeting, amounting to SEK 3,000 M (3,000), less SEK –143 M (–104) in Group contributions paid.

Net interest

Of interest income, SEK 2 M (0) relates to Group companies. Of interest expense, SEK –30 M (–33) relates to Group companies.

Note 47. Income taxes, Parent Company

	2020	2019
Current taxes	–1	–11
Deferred tax expense/income from change in temporary differences	–4	–10
Total	**–5**	**–21**

The Swedish tax rate of 21.4 percent in relation to taxes recognized is explained in the table below.

	2020	2019
Income after financial items	2,981	3,059
Tax at tax rate of 21.4 percent (21.4)	–638	–655
Tax effect of:		
Dividends from subsidiaries	642	642
Non-deductible expenses	–9	–8
Recognized tax expense/income	**–5**	**–21**

Non-deductible expenses refers mainly to employee-related costs and costs for the Group’s foreign operations.

Deferred tax assets	Dec 31, 2020	Dec 31, 2019
Deferred tax assets for employee-related provisions	60	64
Total	**60**	**64**

Change in deferred taxes in balance sheet	2020	2019
Deferred tax assets, January 1	64	74
Deferred tax expense/income	–4	–10
Deferred tax assets, December 31	**60**	**64**

The Parent Company expects to be able to utilize deferred tax assets to offset Group contributions from Swedish operating subsidiaries.

Note 48. Intangible assets, Parent Company

Intangible assets are recognized in accordance with IAS 38 Intangible Assets. See Note 1. Amortization of intangible assets for the year according to plan amounts to SEK –3 M (–2) 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	
	2020	2019
Accumulated cost		
January 1	27	27
	27	**27**
Accumulated amortization according to plan		
January 1	–16	–14
Amortization for the year	–3	–2
	–19	**–16**
Accumulated impairment losses		
January 1	0	0
	0	**0**
Carrying amount, December 31	**8**	**11**
Carrying amount, January 1	11	13

Note 49. Property, plant and equipment, Parent Company

Property, plant and equipment are reported in accordance 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	
	2020	2019
Accumulated cost		
January 1	7	7
	7	**7**
Accumulated amortization according to plan		
January 1	–7	–6
Amortization for the year	0	–1
	–7	**–7**
Carrying amount, December 31	**0**	**0**
Carrying amount, January 1	0	1

Note 50. Non-current financial assets, Parent Company

Holdings and receivables are reported as non-current financial assets. Holdings are allocated between holdings in Group companies and joint arrangements. See Note 51 and Note 52. Receivables are allocated between receivables in Group companies, deferred tax assets and other non-current receivables. Tax assets are described in Note 47. All receivables except deferred tax assets are interest-bearing.

	Holdings in Group companies		Holdings in joint arrangements		Other non-current holdings of securities	
Holdings	**2020**	**2019**	**2020**	**2019**	**2020**	**2019**
Accumulated cost						
January 1	11,318	11,283	3	3	0	0
Share-based payments to employees of subsidiaries[1]	159	35				
Share of income			0	0		
	11,477	**11,318**	**3**	**3**	**0**	**0**
Accumulated impairment losses						
January 1	0	0	0	0	0	0
	0	**0**	**0**	**0**	**0**	**0**
Carrying amount, December 31	**11,477**	**11,318**	**3**	**3**	**0**	**0**
Carrying amount, January 1	11,318	11,283	3	3	0	0

1 Equivalent to the portion of the Group's cost for Seop 4 and Seop 5 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 2020 was thus reduced by SEK 127 M (199).

	Receivables from Group companies		Other non-current receivables and deferred tax assets	
Receivables	**2020**	**2019**	**2020**	**2019**
Accumulated cost				
January 1	318	301	171	182
Receivables added/settled	66	17	–4	–11
	384	**318**	**167**	**171**
Carrying amount, December 31	**384**	**318**	**167**	**171**
Carrying amount, January 1	318	301	171	182

Note 51. Holdings in Group companies, Parent Company

Skanska AB owns shares in two subsidiaries. The subsidiary Skanska Kraft AB is a holding company that owns the Group's shareholdings in Skanska Group operating companies. Skanska Financial Services AB is the Group's treasury unit (internal bank).

	Corp. ID No.	Registered office	No. of shares	Carrying amount	
Company				**Dec 31, 2020**	**Dec 31, 2019**
Swedish subsidiaries					
Skanska Financial Services AB	556106–3834	Stockholm	500,000	67	66
Skanska Kraft AB	556118–0943	Stockholm	4,000,000	11,410	11,252
Total				**11,477**	**11,318**

Both subsidiaries are 100-percent owned by the Parent Company.

Note 52. Holdings in joint arrangements, Parent Company

Holdings in joint arrangements are reported in accordance with IFRS 11 Joint Arrangements. See Note 1.

Company	Corp. ID No.	Registered office	Percentage of capital and votes	Carrying amount Dec 31, 2020	Carrying amount Dec 31, 2019
Swedish joint arrangements					
Sundlink Contractors HB	969620–7134	Malmö	37	3	3
Total				**3**	**3**

The company has no operations other than fulfilling guarantee undertakings.

Note 53. Prepaid expenses and accrued income, Parent Company

The Parent Company has prepaid expenses and accrued income of SEK 15 M (14). This amount consists of SEK 1 M (1) in prepaid insurance premiums and SEK 14 M (13) in other accrued receivables.

Note 54. 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 breaks down as SEK 1,260 M (1,260) in share capital, SEK 598 M (598) in the statutory reserve, SEK 5,818 M (3,892) in retained earnings and SEK 2,976 M (3,038) in profit for the year.

The Board of Directors is proposing a dividend for 2020 of SEK 9.50 (3.25) per share, consisting of an ordinary dividend of SEK 6.50 (3.25) per share and an extra dividend of SEK 3.00 (0.00) per share.

The proposal is equivalent to a dividend payout totaling SEK 3,917 M (1,340).

No dividend is paid for the Parent Company's holding of Series B treasury shares. The Board of Directors proposes Thursday, April 1, 2021 as the record date for receiving dividend. The total dividend amount may change up to the time of the record date, depending on the repurchase of own Series B shares and transfer of Series B shares to participants in Skanska's long-term employee ownership programs.

Number of shares	2020	2019
Average number of shares outstanding		
after share repurchase transactions and conversion	411,993,869	410,720,937
after share repurchase transactions, conversion and dilution	414,304,017	412,585,074
Total number of shares	**419,903,072**	**419,903,072**

The number of shares amounted to 419,903,072 (419,903,072), divided into 19,684,564 (19,704,715) Series A shares and 400,218,508 (400,198,357) Series B shares.

During the year 20,151 (21,044) Series A shares were converted into the same number of Series B shares. A total of 460,000 (0) Series B shares were repurchased. After distribution of 1,237,805 (1,830,155) shares, there were 7,616,674 (8,394,479) 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 55. Provisions, Parent Company

Provisions are reported in accordance with IAS 37 Provisions, Contingent Liabilities and Contingent Assets, see Note 1.

	Provisions for pensions and similar obligations		Other provisions	
	2020	2019	2020	2019
January 1	173	176	81	139
Provisions for the year	6	10	59	63
Provisions utilized	–15	–13	–64	–121
December 31	**164**	**173**	**76**	**81**

"Other provisions" consists of employee-related provisions.
The normal cycle time for "Other provisions" is about one to three years.
Employee-related provisions includes such items as social insurance contributions for share investment programs, bonus programs and other obligations to employees.

Note 56. Provisions for pensions and similar obligations, Parent Company

Provisions for pensions and similar obligations are reported in compliance with the Pension Obligations Vesting Act.

Pension liabilities according to the balance sheet

	Dec 31, 2020	Dec 31, 2019
Interest-bearing pension liabilities[1]	116	117
Other pension obligations	48	56
Total	**164**	**173**

1 Liabilities in compliance with the Pension Obligations Vesting Act.

	Dec 31, 2020	Dec 31, 2019
The company's total pension obligations	819	856
Less pension obligations secured through pension funds	–655	–683
Provisions for pensions and similar obligations[1]	**164**	**173**

1 Of which SEK 9 M (10) is secured through credit insurance. Other pension obligations are largely secured through pledged endowment policies.

Of the company's total pension obligations SEK 591 M (613) is for ITP plans. No payments to pensions funds are expected to be made in 2021.

Reconciliation, provisions for pensions

	2020	2019
January 1	117	118
Pension expenses	29	15
Benefits paid	–30	–16
Provisions for pensions according to the balance sheet	**116**	**117**

Note 57. Liabilities, Parent Company

Liabilities are allocated between non-current and current liabilities in accordance with IAS 1 Presentation of Financial Statements, see Note 1.

Accrued expenses and prepaid income

The Parent Company has accrued expenses and prepaid income of SEK 79 M (73). This relates to accrued vacation pay of SEK 25 M (23), accrued special payroll tax on pensions of SEK 29 M (25), accrued social insurance contributions of SEK 8 M (8) and other accrued expenses of SEK 17 M (17).

Note 58. Expected recovery periods for assets, provisions and liabilities, Parent Company

	Dec 31, 2020				Dec 31, 2019			
Amounts expected to be recovered	**Within 12 months**	**After 12 months**	**After five years (liabilities)**	**Total**	**Within 12 months**	**After 12 months**	**After five years (liabilities)**	**Total**
Intangible non-current assets[1]	**3**	**5**		**8**	**3**	**8**		**11**
Property, plant and equipment[1]	**0**	**0**		**0**	**0**	**0**		**0**
Non-current financial assets								
Holdings in Group companies and joint arrangements[2]		11,480		11,480		11,321		11,321
Receivables in Group companies[3]		384		384		318		318
Other non-current receivables		107		107		107		107
Deferred tax assets		60		60		64		64
		12,031		**12,031**		**11,810**		**11,810**
Current receivables								
Current receivables in Group companies	34			34	28			28
Tax assets	13			13	8			8
Other current receivables	102			102	107			107
Prepaid expenses and accrued income	15			15	14			14
	164			**164**	**157**			**157**
TOTAL ASSETS	**167**	**12,036**		**12,203**	**160**	**11,818**		**11,978**

	Dec 31, 2020				Dec 31, 2019			
Amounts expected to be paid	**Within 12 months**	**After 12 months**	**After five years (liabilities)**	**Total**	**Within 12 months**	**After 12 months**	**After five years (liabilities)**	**Total**
Provisions								
Provisions for pensions and similar obligations	15	149		164	13	160		173
Other provisions	57	19		76	64	17		81
	72	**168**		**240**	**77**	**177**		**254**
Liabilities								
Non-current liabilities								
Liabilities to Group companies[4]			1,211	1,211			2,816	2,816
			1,211	**1,211**			**2,816**	**2,816**
Current liabilities								
Trade accounts payable	13			13	21			21
Liabilities to Group companies	5			5	21			21
Other liabilities	3			3	5			5
Accrued expenses and prepaid income	79			79	73			73
	100			**100**	**120**			**120**
Total liabilities and provisions	**172**	**168**	**1,211**	**1,551**	**197**	**177**	**2,816**	**3,190**
Total equity				**10,652**				**8,788**
EQUITY AND LIABILITIES				**12,203**				**11,978**

1 In case of amounts expected to be recovered within 12 months, expected 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 59. Assets pledged and contingent liabilities, Parent Company

Assets pledged

Assets pledged by the Parent Company totaled SEK 107 M (107), which relates to assets in the form of non-current receivables.

These assets were pledged as collateral for some of the Parent Company's pension obligations.

Contingent liabilities

Contingent liabilities are reported in accordance with IAS 37 Provisions, Contingent Liabilities and Contingent Assets. Note 1, section IAS 37, describes the accounting principles.

	Dec 31, 2020	Dec 31, 2019
Contingent liabilities on behalf of Group companies	118,064	155,060
Other contingent liabilities	42,547	18,474
	160,611	**173,534**

Of the Parent Company's contingent liabilities on behalf of Group companies, almost SEK 111 (129) billion relates to obligations for operations in Construction, 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 36.3 (10.8) billion relates to liability for external entities' portion of ongoing contracting work. Of the remaining SEK 6.2 (7.7) billion, SEK 0.3 (0.5) billion is attributable to guarantees provided for financing of joint arrangements in which Group companies are co-owners and SEK 5.9 (7.2) billion is for guarantees in connection with financing of residential projects in Sweden.

The amounts in the table above include SEK 1 M (1) in Parent Company contingent liabilities relating to joint and several liability for trading company undertakings. The company's contingent liabilities relate entirely to guarantees originating from surety provided or responsibilities as a shareholder in companies.

Note 60. Cash flow statement, Parent Company

Adjustments for items not included in cash flow

	2020	2019
Depreciation	3	3
Cost of Seop, employee ownership programs	14	12
Total	**17**	**15**

Taxes paid

Total taxes paid in the Parent Company during the year amount to SEK –7 M (–5).

Information about interest and dividends

	2020	2019
Interest income received during the year	2	
Interest paid during the year	30	33

The change in interest-bearing liabilities belonging to financing activities is presented in the following table.

	2020	2019
January 1	2,816	3,500
Items affecting cash flow from financing activities	–1,605	–684
December 31	**1,211**	**2,816**

Note 61. Personnel, Parent Company

Wages, salaries, other remuneration and social insurance contributions

	2020		2019	
SEK M	Salaries and remunera-tion	Pension expense	Salaries and remunera-tion	Pension expense
Total salaries and remuneration, Board, CEO and other senior executives	60.4	12.5	62.0	10.9
of which variable remuneration	20.4		19.2	
of which severance related compensation				
Other employees	110.7	85.5	77.2	83.1
Less indemnification from pension fund		–69.0		–79.0
Total	**171.1**	**29.0**	**139.2**	**15.0**
Social insurance contributions		91.0		63.0
of which pension expenses		29.0		15.0

For disclosures of individual remuneration to each board member and the CEO, see Note 37. For board members appointed by the employees, no disclosures are made concerning salaries and remuneration or pensions since they do not receive these in their capacity as board members. For board members who were employees of the company prior to the beginning of the financial year, disclosures are made concerning pension obligations in their former role as employees.

In 2020, bonuses paid to the CEO and other senior executives amounted to SEK 19.2 M (9.3).

In 2020, an allotment of shares occurred under the employee ownership program, Seop 4. The value of shares allotted amounted to SEK 5.0 M (21.0), of which SEK 2.0 M (6.0) was for board members, the CEO and other members of the Group Leadership Team.

The Parent Company's pension expenses are calculated in compliance with the Pension Obligations Vesting Act.

In 2020, Skanska's Swedish pension funds reimbursed Skanska AB in the amount of around SEK 69 M (79).

The company's outstanding pension obligations to the CEO including former CEOs amounted to SEK 155.1 M (163.5). The company's outstanding pension obligations to Executive Vice Presidents, including former EVPs, amounted to SEK 98.4 M (102.7).

The cost in 2020 for defined-contribution pension plans was SEK 28.4 M (25.1) excluding indemnification.

Average number of employees

Personnel is calculated as the average number of employees. See Note 1.

	2020	of which men	of which women	2019	of which men	of which women
Sweden	96	38	58	97	38	59

Men and women on the Board of Directors and Group Leadership Team on closing day

	Dec 31, 2020	of which men	of which women	Dec 31, 2019	of which men	of which women
Number of Board members and deputy members	12	67%	33%	12	67%	33%
CEO and other senior executives	6	67%	33%	6	67%	33%

Note 62. 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 61. For transactions with senior executives, see Note 37.

	2020	2019
Sales to Group companies	660	726
Purchases from Group companies	–139	–177
Interest income from Group companies	2	
Interest income from Group companies	–30	–33
Dividends from Group companies	2,857	2,896
Non-current receivables in Group companies	384	318
Current receivables in Group companies	34	28
Non-current liabilities to Group companies	1,211	2,816
Current liabilities to Group companies	5	21
Contingent liabilities on behalf of Group companies	118,064	155,060

Note 63. 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, 2020 was 419,903,072, of which 19,684,564 were Series A shares with 10 votes each and 400,218,508 were Series B shares with one vote each.
2. There are no restrictions on the transferability of shares based on provisions in the law or the Articles of Association.
3. Of the company's shareholders, only AB Industrivärden and Lundberg Group 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, 2020, AB Industrivärden's holding amounted to 24.3 percent of total voting power in the company and Lundberg Group's holding to 13.1 percent of total voting power in the company.
4. Skanska's pension fund does not own any shares in Skanska directly. There is however an insignificant percentage of indirectly owned shares via investments in various mutual funds.
5. There are no restrictions on the number of votes each shareholder may cast at an Annual General Meeting.
6. The company is not aware of any agreements between shareholders that may result in restrictions on the right to transfer shares.
7. The Articles of Association state that the appointment of board members is to take place at the company's Annual General Meeting. The Articles of Association contain no stipulations on dismissal of board members or on amendments to the Articles of Association.
8. The Annual General Meeting on March 26, 2020, resolved in accordance with the Board of Directors' proposal to authorize the Board of Directors to resolve on acquisitions of own Series B shares in Skanska on the following terms and conditions.
   A. Acquisitions of Series B shares in Skanska may only be effected on Nasdaq Stockholm.
   B. The authorization may be exercised on one or several occasions, however at the latest until the Annual General Meeting 2021.
   C. No more than 1,200,000 Series B shares in Skanska may be acquired to secure delivery of shares to participants in the Skanska employee ownership program resolved by the AGM on March 28, 2019 (Seop 5).
   D. Acquisitions of Series B shares in Skanska on Nasdaq Stockholm may only be made at a price within the from time to time applicable range of prices (spread) on Nasdaq Stockholm, meaning the interval between the highest purchase price and the lowest selling price.
9. Skanska AB or its Group companies are not party to any material agreement that will go into effect, be amended or cease to apply if control over the company or Group companies changes as a consequence of a public takeover bid.
10. There are agreements between Skanska AB or its Group companies and employees that prescribe remuneration if employment is terminated without reasonable grounds. Such remuneration may not exceed 18 months' fixed salary after the end of the notice period or, in the case of the CEO, a maximum of 12 months' severance pay and a maximum of 12 months' fixed salary after the end of the notice period.
11. There are no agreements prescribing termination of employment as a consequence of a public takeover bid for the shares in the company.

Note 64. Supplementary information, Parent Company

Skanska AB (publ), Swedish corporate identity number 556000-4615, is the Parent Company of the Group.

The company has its registered office in Stockholm, Stockholm County, Sweden, and is a limited company in compliance with Swedish legislation.

The company's headquarters are located in Stockholm, Stockholm County, Sweden.

Address:
Skanska AB
SE-112 74 STOCKHOLM
Tel: +46 10 448 00 00
Fax: +46 8 755 12 56
group.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 65. Events after the reporting period, Parent Company

There are no material events to report for the Parent Company during the period.

Note 66. Allocation of earnings

The Board of Directors and the President and CEO propose that the profit for 2020 of SEK 2,975,527,740, plus the retained earnings of SEK 5,818,429,001 carried forward from the previous year, totaling 8,793,956,741 be allocated as follows:

A dividend to the shareholders of[1]	SEK 9.50 per share	3,916,720,781
Of which ordinary dividend	SEK 6.50 per share	2,679,861,587
Of which extra dividend	SEK 3.00 per share	1,236,859,194
To be carried forward		4,877,235,960
Total		**8,793,956,741**

1 Based on the total number of shares outstanding on December 31, 2020. The total dividend amount may change by the record date, depending on repurchases of Series B treasury shares and the transfer of Series B shares to participants in Skanska's long-term employee ownership programs.

The Board's assurance

The consolidated annual accounts and the annual accounts have been prepared in compliance with the international accounting standards referred to in Regulation (EC) No. 1606/2002 of the European Parliament and of the Council of July 19, 2002 on the application of IFRS and generally accepted accounting principles, and provide a true and fair view of the position and results of the Group and the Parent Company. The Report of the Directors for the Group and the Parent Company provides a true and fair view of the operations, financial position and results of the Group and the Parent Company, and describes the principal risks and uncertainties facing the Parent Company and the companies included in the Group.

Stockholm, February 4, 2021

Hans Biörck
Chairman

Pär Boman
Board member

Åsa Söderström Winberg
Board member

Fredrik Lundberg
Board member

Catherine Marcus
Board member

Jayne McGivern
Board member

Jan Gurander
Board member

Richard Hörstedt
Board member

Yvonne Stenman
Board member

Ola Fält
Board member

Anders Danielsson
President and Chief Executive Officer

Our Auditor's Report was submitted on March 8, 2021
Ernst & Young AB

Hamish Mabon
Authorized Public Accountant

Anders Kriström
Authorized Public Accountant

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 2020 except for the statutory sustainability report on pages 58–86. The annual accounts and consolidated accounts of the company are included on pages 33–45 and 51–193 in this document.

In our opinion, the annual accounts have been prepared in accordance with the Annual Accounts Act and present fairly, in all material respects, the financial position of the parent company as of December 31st, 2020 and its financial performance and cash flow for the year then ended in accordance with the Annual Accounts Act. The consolidated accounts have been prepared in accordance with the Annual Accounts Act and present fairly, in all material respects, the financial position of the group as of December 31st, 2020 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. A corporate governance statement has been prepared. Our opinions do not cover the statutory sustainability report on pages 58–86.

The statutory administration report and the corporate governance statement are consistent with the other parts of the annual accounts and consolidated accounts, and the corporate governance statement is in accordance with the Annual Accounts Act.

We therefore recommend that the general meeting of shareholders adopts the income statement and balance sheet for the parent company and the group.

Basis for Opinions

We conducted our audit in accordance with International Standards on Auditing (ISA) and generally accepted auditing standards in Sweden. Our responsibilities under those standards are further described in the Auditor's Responsibilities section. We are independent of the parent company and the group in accordance with professional ethics for accountants in Sweden and have otherwise fulfilled our ethical responsibilities in accordance with these requirements. This includes that, based on the best of our knowledge and belief, no prohibited services referred to in the Audit Regulation (537/2014) Article 5.1 have been provided to the audited company or, where applicable, its parent company or its controlled companies within the EU.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinions.

Key audit matters

Key audit matters of the audit are those matters that, in our professional judgment, were of most significance in our audit of the annual accounts and consolidated accounts of the current period. These matters were addressed in the context of our audit of, and in forming our opinion thereon, the annual accounts and consolidated accounts as a whole, but we do not provide a separate opinion on these matters. For each matter below, our description of how our audit addressed the matter is provided in that context.

We have fulfilled the responsibilities described in the Auditor's responsibilities for the audit of the financial statements section of our report, including in relation to these matters. Accordingly, our audit included the performance of procedures designed to respond to our assessment of the risks of material misstatement of the financial statements. The results of our audit procedures, including the procedures performed to address the matters below, provide the basis for our audit opinion on the accompanying financial statements.

Revenue recognition over time in Construction contracts

Description

The main portion of the company's income relates to construction contracts. For 2020 the revenues from construction contracts amount to MSEK 130,325. Usually a performance obligation is satisfied over time, which means that revenue should be recognized over time by measuring the progress towards complete satisfaction of that performance obligation. Revenue is recognized on the basis of the company's efforts to the satisfaction of a performance obligation relative to the total expected efforts. This requires the entity to be able to measure its progress towards complete satisfaction of the performance obligation and determine the transaction price. This in turn requires that the Group has effective, coordinated systems for cost estimation, forecasting and revenue/expense reporting. Also, a consistent process is required to assess the final outcome of the project, including analysis of differences compared with earlier assessment dates. This critical judgment is performed at least once per quarter.

How our audit addressed this key audit matter

Our audit procedures include, among others, analytical procedures of revenue and margins of material projects and data analytics of transactions. We have audited samples of revenue and costs in selected projects, which are of material size or represents a significant risk to the company. We have also had discussions with the company's controllers and responsible project managers about assessments, assumptions and estimates related to revenue recognition, profit margin and cost allocation.

We have also audited material contracts to identify potential risks for penalties due to any delays in the projects, and we also have continuous meetings with the Company's internal legal representatives. We have audited provisions and other reserves related to projects within Construction based on underlying support and the Company's assessments.

We have continuous meetings and discussions with responsible auditors in each country to identify and cover country-specific risks.

We have assessed the historical accuracy of the company's estimates of the final outcomes of projects through discussions with Group Leadership Team and Audit Committee regarding the actual outcome.

In addition, we have evaluated whether the valuation of revenue in the Company's accounting principles is reasonable and assessed the completeness of the disclosure requirements, which are found in Note 4 "Operating Segments" and Note 9 "Contract assets and contract liabilities".

Valuation of investments in property project development

Description

The book value of investments in property development projects, which constitute current asset properties, amounts to MSEK 44,947 as shown in note 22 "Current-asset properties/Project development". As shown in note 22 the current-asset properties are carried at cost or net realizable value, whichever is lower. The company therefore makes calculations of the net realizable value. Potential impairment in development projects under construction and completed projects could have significant impact on the company's net income. Changes in the supply of similar projects, as well as changes in demand may materially affect both estimated market values and carrying amounts for each project. These projects vary in size and the investment cycle could be either short or long.

How our audit addressed this key audit matter

Our audit procedures include assessing budgets and financial projections and reviewing other financial input used to determine the value in use models. We have also audited work performed by external appraisers. We specifically focused on the sensitivity in the difference between the net realizable value/estimated value and book values of the projects, where a reasonably possible change in assumptions could cause the carrying amount to exceed its estimated present value. We also assessed the historical accuracy of the company's estimates of the final outcomes of valuation through discussions with Group Leadership Team and the Audit Committee regarding the actual outcome.

Finally, we evaluated the adequacy of the Company's disclosures included in Note 22.

Claims and litigations

Description	How our audit addressed this key audit matter
The provision for legal disputes amounts to MSEK 1,786. As outlined in Note 29 "Provisions" of the Annual Report, the Company is exposed to potential claims and disputes in the Construction business stream for projects that have been completed. Claims and disputes including any provisions is a key audit matter to our audit because management judgement is required. The assessment process is complex and entails assessing future developments. In addition, some of the claims are in countries where the legal proceedings can stretch out over an extended period of time.	We have gained an understanding of the claims and litigations through discussions with the responsible persons within the Company, the Group Leadership Team and the Audit Committee. 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 and associated provisions 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 1–32, 46–50 and 194–211. The Board of Directors and the Managing Director are responsible for this other information.

Our opinion on the annual accounts and consolidated accounts does not cover this other information and we do not express any form of assurance conclusion regarding this other information.

In connection with our audit of the annual accounts and consolidated accounts, our responsibility is to read the information identified above and consider whether the information is materially inconsistent with the annual accounts and consolidated accounts. In this procedure we also take into account our knowledge otherwise obtained in the audit and assess whether the information otherwise appears to be materially misstated.

If we, based on the work performed concerning this information, conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

Responsibilities of the Board of Directors and the Managing Director

The Board of Directors and the Managing Director are responsible for the preparation of the annual accounts and consolidated accounts and that they give a fair presentation in accordance with the Annual Accounts Act and, concerning the consolidated accounts, in accordance with IFRS as adopted by the EU. The Board of Directors and the Managing Director are also responsible for such internal control as they determine is necessary to enable the preparation of annual accounts and consolidated accounts that are free from material misstatement, whether due to fraud or error.

In preparing the annual accounts and consolidated accounts, The Board of Directors and the Managing Director are responsible for the assessment of the company's and the group's ability to continue as a going concern. They disclose, as applicable, matters related to going concern and using the going concern basis of accounting. The going concern basis of accounting is however not applied if the Board of Directors and the Managing Director intends to liquidate the company, to cease operations, or has no realistic alternative but to do so.

The Audit Committee shall, without prejudice to the Board of Director's responsibilities and tasks in general, among other things oversee the company's financial reporting process.

Auditor's responsibility

Our objectives are to obtain reasonable assurance about whether the annual accounts and consolidated accounts as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinions. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs and generally accepted auditing standards in Sweden will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these annual accounts and consolidated accounts.

As part of an audit in accordance with ISAs, we exercise professional judgment and maintain professional scepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the annual accounts and consolidated accounts, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinions. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of the company's internal control relevant to our audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the company's internal control.

- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the Board of Directors and the Managing Director.
- Conclude on the appropriateness of the Board of Directors' and the Managing Director's use of the going concern basis of accounting in preparing the annual accounts and consolidated accounts. We also draw a conclusion, based on the audit evidence obtained, as to whether any material uncertainty exists related to events or conditions that may cast significant doubt on the company's and the group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the annual accounts and consolidated accounts or, if such disclosures are inadequate, to modify our opinion about the annual accounts and consolidated accounts. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause a company and a group to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the annual accounts and consolidated accounts, including the disclosures, and whether the annual accounts and consolidated accounts represent the underlying transactions and events in a manner that achieves fair presentation.
- Obtain sufficient and appropriate audit evidence regarding the financial information of the entities or business activities within the group to express an opinion on the consolidated accounts. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our opinions.

We must inform the Board of Directors of, among other matters, the planned scope and timing of the audit. We must also inform of significant audit findings during our audit, including any significant deficiencies in internal control that we identified.

We must also provide the Board of Directors with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

From the matters communicated with the Board of Directors, we determine those matters that were of most significance in the audit of the annual accounts and consolidated accounts, including the most important assessed risks for material misstatement, and are therefore the key audit matters. We describe these matters in the auditor's report unless law or regulation precludes disclosure about the matter.

Report on other legal and regulatory requirements

Opinions

In addition to our audit of the annual accounts and consolidated accounts, we have also audited the administration of the Board of Directors and the Managing Director of Skanska AB (publ) for the year 2020 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 scepticism throughout the audit. The examination of the administration and the proposed appropriations of the company's profit or loss is based primarily on the audit of the accounts. Additional audit procedures performed are based on our professional judgment with starting point in risk and materiality. This means that we focus the examination on such actions, areas and relationships that are material for the operations and where deviations and violations would have particular importance for the company's situation. We examine and test decisions undertaken, support for decisions, actions taken and other circumstances that are relevant to our opinion concerning discharge from liability.

As a basis for our opinion on the Board of Directors' proposed appropriations of the company's profit or loss we examined the Board of Directors' reasoned statement and a selection of supporting evidence in order to be able to assess whether the proposal is in accordance with the Companies Act.

The auditor´s opinion regarding the statutory sustainability report

The Board of Directors is responsible for the statutory sustainability report on pages 58-86, and that it is prepared in accordance with the Annual Accounts Act.

Our examination has been conducted in accordance with FAR's auditing standard RevR 12 The auditor´s opinion regarding the statutory sustainability report. This means that our examination of the statutory sustainability report is different and substantially less in scope than an audit conducted in accordance with International Standards on Auditing and generally accepted auditing standards in Sweden. We believe that the examination has provided us with sufficient basis for our opinion.

A statutory sustainability report has been prepared.

Ernst & Young AB, Box 7850, 103 99 Stockholm, was appointed auditor of Skanska AB by the general meeting of the shareholders on March 26, 2020 and has been the company's auditor since the 2016.

Stockholm March 8, 2021

Ernst & Young AB

Hamish Mabon
Authorized Public Accountant

Anders Kriström
Authorized Public Accountant

Auditor's limited assurance report on Skanska AB's greenhouse gas and health and safety reporting

This is a translation of the Swedish original.

To Skanska AB

Introduction

We have been engaged by Skanska AB to perform a limited assurance engagement, as defined by International Standards on Assurance Engagements (ISAE), on the information specified below (the "Subject Matters") in Skanska AB's 'Annual and Sustainability Report 2020'.

- Greenhouse gas emissions (p. 68–73, 82)
  - Direct GHG emissions (scope 1)
  - Energy indirect GHG emissions (scope 2)
  - Other indirect GHG emissions (scope 3)
- Health and safety (p. 60–62, 81)
  - Lost Time Accident Rate (LTAR)
  - Number of Accidents
  - Fatal Accidents
  - Executive Safety Site Visits
- Reporting principles (p. 85–86.)

Other than as described in the preceding paragraph, which sets out the scope of our engagement, we did not perform assurance procedures on the remaining information included in the Report, and accordingly, we do not express a conclusion on this information.

Responsibilities of the Board and Executive Management

Skanska AB's management is responsible for selecting the criteria, and for presenting the Subject Matters in accordance with those criteria, in all material respects. This responsibility includes establishing and maintaining internal controls, maintaining adequate records and making estimates that are relevant to the preparation of the subject matters, such that they are free from material misstatement, whether due to fraud or error. In preparation of the Subject Matters, Skanska AB applied the Greenhouse Gas Protocol and the Global Reporting Initiative (GRI) Standard 403: Occupational health and safety (hereinafter: Criteria).

Responsibilities of the auditor

Our responsibility is to express a conclusion on the presentation of the Subject Matters based on the evidence we have obtained. Our engagement is limited to historical information presented in this document and does therefore not include future oriented information.

We conducted our engagement in accordance with the ISAE 3000 Assurance Engagements Other Than Audits or Reviews of Historical Financial Information, which require that we obtain limited assurance about whether, in all material respects, the Subject Matters is presented in accordance with the criteria, and that we issue a report. The nature, timing, and extent of the procedures selected depend on our judgment, including an assessment of the risk of material misstatement, whether due to fraud or error.

The audit firm applies ISQC 1 (International Standard on Quality Control) 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. We are independent in relation to Skanska AB in accordance with professional ethics for accountants in Sweden and have otherwise fulfilled our professional ethical responsibility in accordance with these requirements.

A limited assurance engagement is different from and substantially less in scope than a reasonable assurance conducted in accordance with IAASB's Standards on Auditing and other generally accepted auditing standards in Sweden. A limited assurance engagement consists of making enquiries, primarily of persons responsible for preparing the greenhouse gas and health and safety reporting and related information, and applying analytical and other appropriate procedures.

We gained an understanding of the part of the company's internal control that is relevant for our limited assurance to design procedures that are appropriate in the circumstances, but not to express a conclusion on the internal control.

We included the following procedures:

- Conducted interviews with Skanska personnel to understand the business and the reporting process
- Conducted interviews with key personnel to understand the process for collecting, collating and reporting the Subject Matters during the reporting period
- Checked that the calculation criteria have been correctly applied in accordance with the methodologies outlined in the criteria
- Undertook analytical review procedures to support the reasonableness of the data
- Tested, on a sample basis, underlying source information to check the accuracy of the data

Our procedures are based on the criteria defined by the Board and Executive Management as described above. We consider these criteria suitable for the preparation of the Subject Matters.

We believe that the evidence obtained is sufficient and appropriate to provide a basis for our conclusion below.

Conclusion

Based on the limited assurance procedures performed, nothing has come to our attention that causes us to believe that the greenhouse gas and health and safety reporting for the financial year ending on 31 December 2020 is not, in all material aspects, prepared in accordance with the specified criteria.

Stockholm March 8, 2021

Ernst & Young AB

Hamish Mabon Authorized Public Accountant	Anders Kriström Authorized Public Accountant	Ingrid Cornander Specialist, Climate Change and Sustainability Services

Major orders, investments and divestments

Orders

Q1 2020

Skanska builds new bridge over the Potomac River, USA, for USD 301 M, about SEK 2.9 billion.

Skanska builds student housing in Svalbard, Norway, for NOK 310 M, about SEK 320 M.

Skanska modernizes the D1 motorway in the Czech Republic for about CZK 1.4 billion, about SEK 580 M.

Skanska builds the sixth phase of the residential project Ensjø Torg in Oslo, Norway for NOK 372 M, about SEK 400 M.

Skanska builds new commercial office building in the City of London, UK, for GBP 240 M, about SEK 3 billion.

Skanska builds a climate neutral office project in Malmö, Sweden, for SEK 420 M.

Skanska signs additional contract for manufacturing facility in western USA for USD 45 M, about SEK 430 M.

Skanska builds wind farm outside Sundsvall, Sweden, for SEK 360 M.

Skanska builds Oslo City Emergency Center, Norway, for about NOK 1.5 billion, about SEK 1.6 billion

Skanska builds multi-family buildings for Stena Fastigheter in Gothenburg, Sweden, for SEK 550 M.

Skanska provides preconstruction services and site demolition in New York City, USA for USD 34 M, about SEK 330 M.

Skanska builds new hospital building in Oulu, Finland, for EUR 190 M, about SEK 2.0 billion.

Skanska builds office space in Sleepy Hollow, New York, USA, for USD 32 M, about SEK 310 M.

Skanska signs five-year asset management contract with Welsh Water in the UK, of which the first two years are included in the orderbookings, worth GBP 52 M, about SEK 640 M.

Skanska signs amendments to existing contract for transit infrastructure in New York, USA, for USD 34 M, about SEK 330 M.

Skanska signs additional contracts for office improvements in western USA for USD 246 M, about SEK 2.4 billion.

Skanska rehabilitates Benjamin Franklin Bridge, USA, for USD 195 M, about SEK 1.9 billion.

Skanska builds new office building for Castellum in Malmö, Sweden, for SEK 920 M.

Skanska rehabilitates rail transit infrastructure in Northeast region, USA, for about USD 40 M, about SEK 390 M.

Q2 2020

Skanska builds new double-track on the West Coast Line, Sweden, for SEK 1.7 billion.

Skanska builds part of the UK's new high speed railway, HS2, for GBP 1.12 billion, about SEK 13.9 billion.

Skanska builds city bypass outside Karvina, Czech Republic, for about CZK 900 M, about SEK 370 M.

Skanska builds psychiatric hospital in Kristiansand, Norway, for NOK 530 M, about SEK 530 M.

Skanska renovates North Central Bronx Hospital in Bronx, New York, USA for USD 64.8 M, about SEK 606 M.

Skanska builds railway in Vestfold, Norway, for NOK 330 M, about SEK 330 M.

Skanska builds school in Lund, Sweden, for SEK 630 M.

Skanska signs additional contract for hospital expansion project in Arlington, USA, for USD 96 M, about SEK 896 M.

Skanska builds the South Coast Rail expansion, Fall River Secondary Line in MA, USA, for USD 79 M, about SEK 760 M.

Skanska builds care home in Bergen, Norway, for NOK 370 M, about SEK 380 M.

Orders continued

Q3 2020

Skanska builds commercial office in Swindon, UK, for GBP 37 M, about SEK 450 M.

Skanska builds new bridge in Trondheim, Norway, for NOK 805 M, about SEK 800 M.

Skanska upgrades railway track in Brno, Czech Republic, for CZK 1.5 billion, about SEK 610 M.

Skanska transforms new interchange in Florida, USA, for about USD 70 M, about SEK 615 M.

Skanska builds Forum Medicum in Lund for about SEK 450 M.

Skanska builds new water supply system in Oslo, Norway, for NOK 2.88 billion, about SEK 2.8 billion.

Skanska to build new commercial office building in London, UK, for GBP 72 M, about SEK 825 M.

Skanska builds the Interstate 95 Northbound Viaduct replacement in Providence, USA, for USD 106 M, about SEK 932 M.

Skanska builds new tram depot in Gothenburg, Sweden, for SEK 847 M.

Skanska builds Tier III Data Center in Hillsboro, Oregon, USA, for USD 64 M, about SEK 585 M.

Skanska builds replacement high school in Vancouver, Washington, USA, for USD 144 M, about SEK 1.3 billion.

Skanska to upgrade Gråsjø and Trollheim hydro electric power plant dams in Norway for NOK 508 M, about SEK 485 M.

Skanska to design, construct and renovate aluminum processing facility in Southeast, USA, for USD 91 M, about SEK 810 M.

Q4 2020

Skanska renovates and expands historical library in Charlottesville, USA, for about USD 112 M, about SEK 990 M.

Skanska signs contract on ground works for metro station in Oslo, Norway, for NOK 497 M, about SEK 470 M.

Skanska builds its first Los Angeles office development project located in Beverly Hills, Los Angeles, USA for about USD 33 M, about SEK 290 M.

Skanska signs additional contracts for office improvements in western USA for about USD 198 M, about SEK 1.7 billion.

Skanska builds and replaces bridge in the UK for GBP 52 M, about SEK 580 M.

Skanska builds new infrastructure at Los Angeles International Airport, California, USA, for USD 335 M, about SEK 2.9 billion.

Skanska to build new office building in London, UK, for GBP 180M, about SEK 2 billion.

Skanska builds highway in Norway, for about NOK 3 billion, about SEK 2.9 billion.

Skanska builds care facilities in California, USA for USD 90 M, about SEK 770 M.

Skanska builds school in Borlänge, Sweden, for SEK 620 M.

Skanska builds apartments in Helsinki, Finland, for EUR 34 M, about SEK 350 M.

Skanska builds a CO_2 reception facility in Øygarden, west of Bergen, Norway for NOK 380 M, about SEK 365 M.

Skanska builds rental apartments in Espoo, Finland, for EUR 39 M, about SEK 395 M.

Skanska renovates the government office building in Oslo, Norway for about NOK 1.12 billion, about SEK 1.1 billion.

Skanska builds Hartsfield-Jackson Atlanta International Airport Concourse T-North Extension in Georgia, USA, for USD 56 M, about SEK 460 M.

Skanska builds Orlando Health Jewett Orthopedic Institute in Florida, USA, for USD 64 M, about SEK 524 M.

Skanska renovates Pennsylvania Station Long Island Rail Road Concourse in New York, USA, for USD 392 M, about SEK 3.2 billion.

Skanska builds rental apartments in Barkarbystaden, Sweden, for SEK 370 M.

Investments

Q1 2020

Skanska invests EUR 28 M, about SEK 300 M, in a new office building in Krakow, Poland.

Skanska invests NOK 470 M, about SEK 500 M, in the sixth phase of the residential project Ensjø Torg in Oslo, Norway.

Skanska invests about SEK 590 M in a climate neutral office project in Malmö, Sweden.

Q3 2020

Skanska invests EUR 76 M, about SEK 780 M, in a new office building in Warsaw, Poland.

Skanska invests in land in Texas, USA for USD 27 M, about SEK 236 M.

Skanska invests EUR 65 M, about SEK 670 M, in a new office complex in Budapest, Hungary.

Q4 2020

Skanska invests in land in Massachusetts, USA, for USD 177M, about SEK 1.5 billion.

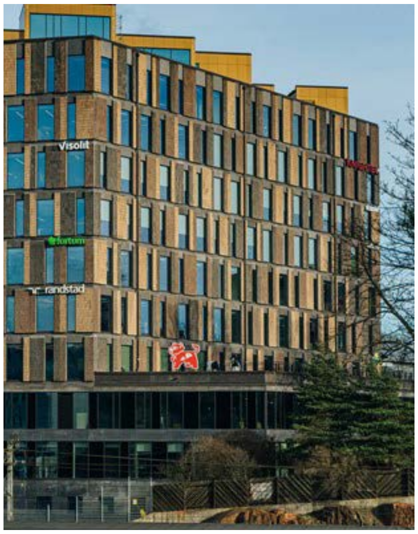
Skanska invests EUR 49M, about SEK 495M, in land for housing in Pasila, Helsinki, Finland.

Skanska invests SEK 580 M in rental apartments in Barkabystaden, Sweden.

Skanska invests USD 65 M, about SEK 570 M, in its first Los Angeles office development project located in Beverly Hills, USA.

Divestments

Q1 2020



Skanska divests the office building Solna United in Solna, Sweden, for SEK 3.3 billion.

Skanska divests residential project in Hillerød, Denmark, for DKK 154 M, about SEK 220 M.

Skanska sells office building in Warsaw, Poland, for EUR 98 M, about SEK 1.0 billion.

Q2 2020

Skanska divests retirement home in Stockholm, Sweden, for about SEK 320 M.

Q3 2020

Skanska sells retirement home in Helsingborg, Sweden, for SEK 202 M.

Skanska divests multifamily housing portfolio in Skåne, Sweden, for SEK 1.5 billion.

Skanska sells retirement home in Alingsås, Sweden, for SEK 260 M.

Q4 2020

Skanska sells office building in Warsaw, Poland, for EUR 70 M, about SEK 720 M.

Skanska sells elementary school in Växjö, Sweden, for SEK 300 M.

Skanska sells two office buildings in Bucharest, Romania, for EUR 97 M, about SEK 995 M.

Skanska divests majority interest in 2+U in Seattle, USA, for USD 669 M, about SEK 5.5 billion.

Skanska divests its ownership in Elizabeth River Crossings in Virginia, USA, for USD 625 M, about SEK 5.4 billion.

GRI Content Index

GRI Standard		Disclosure	Page	Ommission/ Comments
General Disclosures				
GRI 102: General Disclosures 2016	102–1	Name of the organization	Cover, Note 64	
	102–2	Activities, brands, products, and services	23–36, Note 4	
	102–3	Location of headquarters	Note 64	
	102–4	Location of operations	19	
	102–5	Ownership and legal form	9–11, 33–41, Note 63–64	
	102–6	Markets served	12–13, 19, 20–22, 24–26, 28–30	
	102–7	Scale of the organization	19, 84	
	102–8	Information on employees and other workers	84, 86	Not disclosed by employment contract.
	102–9	Supply chain	66	
	102–10	Significant changes to the organization and its supply chain	–	
	102–11	Precautionary Principle or approach	58	
	102–12	External initiatives	58	
	102–13	Membership of associations	58	A selection of memberships are reported.
	102–14	Statement from senior decision-maker	6–7	
	102–16	Values, principles, standards, and norms of behavior	4, 6–7, 33, 40–41, 58, 82	
	102–18	Governance structure	33–41	
	102–40	List of stakeholder groups	80	
	102–41	Collective bargaining agreements	–	The data is not reported at Group level.
	102–42	Identifying and selecting stakeholders	80	
	102–43	Approach to stakeholder engagement	80	
	102–44	Key topics and concerns raised	58–59, 80	
	102–45	Entities included in the consolidated financial statements	40	
	102–46	Defining report content and topic Boundaries	80	
	102–47	List of material topics	59, 80	
	102–48	Restatements of information	–	
	102–49	Changes in reporting	–	
	102–50	Reporting period	January 1, 2020 – December 31, 2020	
	102–51	Date of most recent report	March 5, 2020	
	102–52	Reporting cycle	Annual	
	102–53	Contact point for questions regarding the report	Lena Hök, SVP Sustainability André Löfgren, SVP Investor Relations	
	102–54	Claims of reporting in accordance with the GRI Standards	Content page	
	102–55	GRI content index	204–207	
	102–56	External assurance	194–199	

Material Topics

GRI Standard		Disclosure	Page	Ommission/ Comments	SDG	UN Global Compact
Health and Safety						
GRI 103: Management Approach 2016	103–1	Explanation of the material topic and its Boundary	51–56, 61–62		8 DECENT WORK AND ECONOMIC GROWTH Subtargets: 8.8	
	103–2	The management approach and its components	40, 51–56, 61–62, 80			
	103–3	Evaluation of the management approach	41, 61–62			
GRI 403: Occupational Health and Safety 2018	403–1	Occupational health and safety management system	61–62			
	403–2	Hazard identification, risk assessment, and incident investigation	61–62			
	403–3	Occupational health services	61–62			
	403–4	Worker participation, consultation, and communication on occupational health and safety	61–62			
	403–5	Worker training on occupational health and safety	61–62			
	403–6	Promotion of worker health	61–62			
	403–7	Prevention and mitigation of occupational health and safety impacts directly linked by business relationships	61–62			
	403–8	Workers covered by an occupational health and safety management system	61–62, 81			
	403–9	Work-related injuries	61–62, 81	Limited to fatalities and lost time accidents. Number of hours is not reported.		
Ethics						
GRI 103: Management Approach 2016	103–1	Explanation of the material topic and its Boundary	39, 51–56, 65–66		8 DECENT WORK AND ECONOMIC GROWTH Subtargets: 8.7 8.8 16 PEACE, JUSTICE AND STRONG INSTITUTIONS Subtargets: 16.1 16.3 16.5	**Principle 1, Human rights:** Businesses should support and respect the protection of internationally proclaimed human rights. **Principle 2, Human rights:** Businesses should make sure that they are not complicit in human rights abuses **Principle 3, Labor:** Business should uphold the freedom of association and the effective recognition of the right to collective bargaining. **Principle 4, Labor:** Businesses should uphold the elimination of all forms of forced and compulsory labour. **Principle 5, Labor:** Business should uphold the effective abolition of child labor. **Principle 10, Anti-corruption:** Businesses should work against corruption in all its forms, including extortion and bribery.
	103–2	The management approach and its components	38–41, 51–56, 65–66, 80			
	103–3	Evaluation of the management approach	51, 65–66			
GRI 205: Anti-Corruption 2016	205–2	Communication and training about anti-corruption policies and procedures	39, 65–66			
	205–3	Confirmed incidents of corruption and actions taken	65	Not broken down by employee category, business partner or region.		
GRI 206: Anti-competitive behavior 2016	206–1	Legal actions for anti-competitive behavior, anti-trust, and monopoly practices	65			
GRI 308: Supplier environmental assessment 2016	308–1	New suppliers that were screened using environmental criteria	66	Percentage of suppliers screened not reported.		
GRI 409: Forced or compulsory labor 2016	409–1	Operations and suppliers at significant risk for incidents of forced or compulsory labor	66			
GRI 412: Human rights assessment 2016	412–2	Employee training on human rights policies or procedures	65–66	The number of hours is not reported.		
	412–3	Significant investment agreements and contracts that include human rights clauses or that underwent human rights screening	66	The number and definition is not reported. The disclosure refers to the Supplier Code of Conduct.		
GRI 414: Supplier social assessment 2016	414–1	New suppliers that were screened using social criteria	66	Percentage of suppliers screened not reported.		

GRI Standard		Disclosure	Page	Ommission/ Comments	SDG	UN Global Compact
Green						
GRI 103: Management Approach 2016	103–1	Explanation of the material topic and its Boundary	51–56, 69–72		8 DECENT WORK AND ECONOMIC GROWTH Subtargets: 8.4 11 SUSTAINABLE CITIES AND COMMUNITIES Subtargets: 11.6 12 RESPONSIBLE CONSUMPTION AND PRODUCTION Subtargets: 12.2 12.4 12.5 13 CLIMATE ACTION Subtargets: 13.1	**Principle 7, Environment:** Businesses should support a precautionary approach to environmental challenges. **Principle 8, Environment:** Businesses should undertake initiatives to promote greater environmental responsibility. **Principle 9, Evironment:** Business should encourage the development and diffusion of environmentally friendly technologies.
	103–2	The management approach and its components	40–41, 51–56, 69–72, 80			
	103–3	Evaluation of the management approach	41, 69–72			
GRI 302: Energy 2016	302–1	Energy consumption within the organization	70,83	Steam is not reported.		
	302–2	Energy consumption outside of the organization	70, 83			
	302–3	Energy intensity	70, 83			
	302–4	Reduction of energy consumption	70, 83			
	302–5	Reductions in energy requirements of products and services	70, 83			
GRI 305: Emissions 2016	305–1	Direct (Scope 1) GHG emissions	69, 82, 85			
	305–2	Energy indirect (Scope 2) GHG emissions	69, 82, 85			
	305–3	Other indirect (Scope 3) GHG emissions	69, 82, 85			
	305–4	GHG emissions intensity	69, 82, 85			
	305–5	Reduction of GHG emissions	69, 82			
GRI 306: Waste 2020	306–1	Waste generation and significant waste-related impacts	72			
	306-2	Management of significant waste-related impacts	72			
	306-4	Waste diverted from disposal	83	Limited to % self-generated waste to landfill. Hazardous waste is not reported.		
GRI 307: Environmental compliance 2016	307–1	Non-compliance with environmental laws and regulations	83			
Diversity and Inclusion						
GRI 103: Management Approach 2016	103–1	Explanation of the material topic and its Boundary	51–56, 77–78		5 GENDER EQUALITY Subtargets: 5.1 5.5 8 DECENT WORK AND ECONOMIC GROWTH Subtargets: 8.5 8.8	**Principle 6, Labor:** Businesses should uphold the elimination of discrimination in respect of employment and occupation.
	103–2	The management approach and its components	40–41, 51–56, 77–78, 80			
	103–3	Evaluation of the management approach	41, 66, 77–78			
GRI 405: Diversity and Equal Opportunity 2016	405–1	Diversity of governance bodies and employees	35–36, 77–78, 84	The age groups are not reported.		
GRI 406: Non-discrimination 2016	406–1	Incidents of discrimination and corrective actions taken	39, 65, 77	The number and type of actions not reported.		

GRI Standard		Disclosure	Page	Ommission/ Comments	SDG	UN Global Compact
Sustainable industry						
GRI 103: Management Approach 2016	103–1	Explanation of the material topic and its Boundary	4, 51–56, 70		Subtargets: 9.1 9.4 Subtargets: 11.1 11.2 11.3 11.6 11.7	
	103–2	The management approach and its components	4, 38–41, 51–56, 70			
	103–3	Evaluation of the management approach	4, 41, 70			
Skanskas Own Disclosure	SoD-1	Value of certifed commercial buildings	4, 70			

Quarterly information

In accordance with IFRS	2020				2019			
SEK M	**Q4**	**Q3**	**Q2**	**Q1**	**Q4**	**Q3**	**Q2**	**Q1**
Order bookings	**39,840**	**31,781**	**36,907**	**41,274**	**49,028**	**34,903**	**34,621**	**27,266**
Profit/loss								
Revenue	42,625	36,678	40,701	40,340	50,691	42,466	42,574	37,115
Cost of sales	–37,659	–33,215	–35,802	–36,781	–44,780	–39,069	–38,563	–34,128
Gross income	**4,966**	**3,463**	**4,899**	**3,559**	**5,911**	**3,397**	**4,011**	**2,987**
Selling and administrative expenses	–2,414	–1,824	–1,895	–2,136	–3,206	–1,924	–2,183	–2,156
Income from joint ventures and associated companies	3,851	71	34	59	62	138	138	253
Operating income	**6,403**	**1,710**	**3,038**	**1,482**	**2,767**	**1,611**	**1,966**	**1,084**
Interest income	11	19	24	64	32	44	44	32
Interest expense	–70	–86	–79	–69	–77	–40	–74	–67
Change in fair value	1	–1	–2	–1	6	1	–3	
Other financial items	3	6	–8	–41	–1	27	0	–12
Financial items	**–55**	**–62**	**–65**	**–47**	**–40**	**32**	**–33**	**–47**
Income after financial items	**6,348**	**1,648**	**2,973**	**1,435**	**2,727**	**1,643**	**1,933**	**1,037**
Taxes	–1,413	–344	–514	–236	–525	–298	–290	–173
Profit for the year	**4,935**	**1,304**	**2,459**	**1,199**	**2,202**	**1,345**	**1,643**	**864**
Profit for the period attributable to								
Equity holders	4,932	1,296	2,450	1,197	2,195	1,338	1,634	864
Non-controlling interests	3	8	9	2	7	7	9	0
Other comprehensive income								
Items that will not be reclassified to profit or loss								
Remeasurement of defined-benefit pension plans	549	–1,681	250	–121	1,360	–1,480	–344	–431
Tax on items that will not be reclassified to profit or loss for the period	–120	337	–58	52	–305	314	87	70
	429	**–1,344**	**192**	**–69**	**1,055**	**–1,166**	**–257**	**–361**
Items that have been or will be reclassified to profit or loss for the period								
Translation differences attributable to equity holders	–1,036	–395	–1,339	650	–739	588	138	685
Translation differences attributable to non-controlling interests	–2	0	–4	–1	–2	0	3	2
Hedging of exchange rate risk in foreign operations	–38	–13	–53	85	–43	36	–7	18
Effect of cash flow hedges	164	–63	31	–97	79	–78	32	–2
Share of other comprehensive income of joint ventures and associated companies	–136	25	0	–65	116	–58	–53	–46
Tax on items that have been or will be reclassified to profit for the period	–2	9	17	–3	–13	13	–6	–4
	–1,050	**–437**	**–1,348**	**569**	**–602**	**501**	**107**	**653**
Other comprehensive income after tax for the period	**–621**	**–1,781**	**–1,156**	**500**	**453**	**–665**	**–150**	**292**
Comprehensive income for the period	**4,314**	**–477**	**1,303**	**1,699**	**2,655**	**680**	**1,493**	**1,156**
Comprehensive income for the period attributable to								
Equity holders	4,313	–485	1,298	1,698	2,650	673	1,481	1,154
Non-controlling interests	1	8	5	1	5	7	12	2
Order backlog[1]	178,924	182,905	188,969	199,020	185,370	183,709	183,978	190,133
Capital employed	61,129	59,627	59,657	58,823	55,938	55,554	53,200	52,849
Interest-bearing net receivables/net liabilities	7,280	–1,329	–1,376	–3,244	–4,917	–14,446	–11,315	–7,151
Debt/equity ratio	–0.2	0.0	0.0	0.0	0.1	0.5	0.4	0.3
Return on capital employed, %	21.5	15.8	16.0	14.6	14.3	15.6	14.9	14.4
Cash flow								
Cash flow from operating activities	4,786	2,038	2,231	2,229	8,729	–1,603	–768	–320
Cash flow from investing activities	1,796	832	–820	–237	–1,102	156	323	–591
Cash flow from financing activities	–1,195	–1,186	–87	–1,284	–2,019	288	–3,553	–1,614
Cash flow for the period	**5,387**	**1,684**	**1,324**	**3,276**	**5,608**	**–1,159**	**–3,998**	**–2,525**

1 Refers to Construction.

Quarterly information, continued

Business streams

In accordance with IFRS	2020				2019			
SEK M	**Q4**	**Q3**	**Q2**	**Q1**	**Q4**	**Q3**	**Q2**	**Q1**
Order bookings								
Construction	39,840	31,781	36,907	41,274	49,028	34,903	34,621	27,266
Total	**39,840**	**31,781**	**36,907**	**41,274**	**49,028**	**34,903**	**34,621**	**27,266**
Revenue								
Construction	34,188	34,442	35,914	35,939	42,411	40,969	40,866	35,333
Residential Development	3,555	2,436	3,744	1,926	3,489	1,901	3,063	3,416
Commercial Property Development	7,320	1,979	3,506	5,333	8,069	2,369	2,329	1,499
Central and eliminations	–2,438	–2,179	–2,463	–2,858	–3,278	–2,773	–3,684	–3,133
Total	**42,625**	**36,678**	**40,701**	**40,340**	**50,691**	**42,466**	**42,574**	**37,115**
Operating income								
Construction	1,112	1,050	777	589	1,092	1,127	1,182	371
Residential Development	486	266	675	87	192	239	529	475
Commercial Property Development	1,534	494	1,634	1,016	1,712	380	179	406
Central	3,170	–98	–121	–121	–247	–81	88	–148
of which PPP sales	3,741	1	–3	–5	–29	19	9	25
Eliminations	101	–2	73	–89	18	–54	–12	–20
Total	**6,403**	**1,710**	**3,038**	**1,482**	**2,767**	**1,611**	**1,966**	**1,084**

According to Segment Reporting	2020				2019			
SEK M	**Q4**	**Q3**	**Q2**	**Q1**	**Q4**	**Q3**	**Q2**	**Q1**
Order bookings								
Construction	39,840	31,781	36,907	41,274	49,028	34,903	34,621	27,266
Total	**39,840**	**31,781**	**36,907**	**41,274**	**49,028**	**34,903**	**34,621**	**27,266**
Revenue								
Construction	34,188	34,442	35,914	35,939	42,411	40,969	40,866	35,333
Residential Development	3,506	4,763	1,401	3,400	5,292	2,384	2,666	2,141
Commercial Property Development	8,746	901	577	4,759	7,063	3,886	6,017	884
Central and eliminations	–2,440	–2,157	–2,401	–2,932	–3,369	–2,725	–3,780	–3,256
Total	**44,000**	**37,949**	**35,491**	**41,166**	**51,397**	**44,514**	**45,769**	**35,102**
Operating income								
Construction	1,112	1,050	777	589	1,092	1,127	1,182	371
Residential Development	475	480	194	394	377	224	396	198
Commercial Property Development	1,693	101	–9	2,112	1,267	865	1,071	84
Central	3,170	–98	–121	–121	–247	–81	88	–148
of which PPP sales	3,741	1	–3	–5	–29	19	9	25
Eliminations	138	–7	4	–73	–36	15	0	–17
Total	**6,588**	**1,526**	**845**	**2,901**	**2,453**	**2,150**	**2,737**	**488**

Annual General Meeting

The Annual General Meeting (the "Meeting") of Skanska AB (publ) (the "Company") will be held on March 30, 2021.

In light of the risk of the spread of Covid-19 and the authorities' regulations and advice about avoiding gatherings, the Board of Directors (the "Board") has decided pursuant to temporary legislation that the Meeting will be conducted without physical presence, by shareholders exercising their voting rights only by postal voting.

Information about the decisions made by the Meeting will be published on March 30, 2021, as soon as the outcome of the postal voting has been compiled.

Preconditions for participation

A person who wishes to participate in the Meeting, through postal voting, must:

- be listed as a shareholder in the presentation of the share register prepared by Euroclear Sweden AB regarding the conditions on Monday March 22, 2021; and
- give notice of intent to participate to the Company no later than on Monday March 29, 2021, by submitting a postal voting form in accordance with the instructions under the heading Postal voting below, so that the postal voting form is received by Euroclear Sweden AB no later than that day at 11.59 pm CET.

In order to be entitled to participate in the Meeting, a shareholder whose shares are registered in the name of a nominee must, in addition to giving notice of participation in the Meeting by submitting its postal vote, register its shares in its own name so that the shareholder is listed in the presentation of the share register as of Monday March 22, 2021. Such re-registration may be temporary (so-called voting rights registration), and request for such voting rights registration shall be made to the nominee, in accordance with the nominee's routines, at such a time in advance as decided by the nominee. Voting rights registrations that have been made by the nominee no later than Wednesday March 24, 2021, will be taken into account in the presentation of the share register.

Postal voting

Shareholders exercise their voting rights at the Meeting only by voting in advance using postal voting in accordance with Section 22 of the Act (2020:198) on temporary exceptions to facilitate the execution of general meetings in companies and other associations. A special form must be used for postal voting, available at the Company's website group.skanska.com/, under the heading "Corporate Governance/AGM 2021", and at the Company's offices, Warfvinges väg 25, SE-112 74 Stockholm, Sweden. No separate registration is required; a completed and signed postal voting form is valid as notice to participate in the Meeting.

The completed voting form must be received by Euroclear Sweden AB no later than Monday March 29, 2021, at 11.59 pm CET.

Shareholders who are natural persons may sign the form electronically by verifying with BankID via Euroclear Sweden AB's website, anmalan.vpc.se/euroclearproxy. The completed form may also be sent by e-mail to the Company via GeneralMeetingServices@euroclear.com or be posted to the Company via address to Skanska AB (publ), "Årsstämman", c/o Euroclear Sweden AB, Box 191, SE-101 23 Stockholm, Sweden. If the shareholder votes by post through a proxy, a power of attorney must be enclosed with the form (see below). If the shareholder is a legal entity, proof of registration or other authorization document must be enclosed with the form.

Shareholders may not assign instructions or conditions to the postal vote. Voting forms will be deemed to be invalid if this happens.

Additional instructions are provided in the postal voting form.

Voting by proxy

Shareholders who vote by post through a proxy must issue a written and dated power of attorney for the proxy signed by the shareholder. Proxy forms can be found on the Company's website group.skanska.com/ under the heading "Corporate Governance/AGM 2021". If the postal vote takes place with the support of a power of attorney, the power of attorney must be attached to the postal voting form. If the shareholder is a legal entity, a registration certificate or equivalent authorization documents must also be attached to the postal voting form.

The power of attorney is valid for a maximum of one year from the date of issue, unless the power of attorney states a longer period of validity, however, for a maximum of five years from the time of issue.

Dividend

The Board proposes a dividend for 2020 of SEK 9.50 (3.25) per share, of which SEK 6.50 (3.25) per share as ordinary dividend and SEK 3.00 (0.00) per share as extra dividend. The Board proposes Thursday April 1, 2021, as the record date for receiving dividend. If the Meeting resolves in accordance with the Board's proposal, the dividend is expected to be distributed by Euroclear Sweden AB on Thursday April 8, 2021. The proposed dividend totals SEK 3,917 M (1,340). No dividend is paid for the Parent Company's holding of Series B treasury shares. The total dividend amount may change up to the time of the record date, depending on the repurchase of own Series B shares and transfer of Series B shares to participants in the Company's long-term share saving programs.

Investors

Calendar

The Skanska Group's interim reports will be published on the following dates:

Three Month Report	April 29, 2021
Six Month Report	July 23, 2021
Nine Month Report	October 29, 2021
Year-end Report	February 3, 2022

Distribution and other information

The interim reports and the Annual Report can be read or downloaded from Skanska's website group.skanska.com/investors.

Those wishing to order the printed Annual Report can easily use the order form found on the above website, or contact Skanska AB, Investor Relations.

The website also contains an archive of interim reports and Annual Reports.

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