

Honored shareholders!

2016

2016 was a year of very strong earnings growth for Skanska. Revenue declined somewhat compared with the preceding year, but we ended 2016 with a record order backlog, which augurs well for the coming years. Our strong financial position also gives us favorable conditions.

For 2016, the Skanska Group recorded a profit after tax of SEK 6.5 billion, an increase of 32 percent compared with the preceding year.

I am seeing increasingly larger and clearer synergies emerging between our business streams and geographies, both operationally and financially. We are now focusing even more intently on expanding the occurrence of such cooperation, in order to take on more large, complex projects as “One Skanska”.

To give some figures: about 15 percent of our order backlog is now comprised of contracts in which more than one of our units is involved and, of our revenue from construction, 12 percent was generated by our project development streams in 2016. As we combine our expertise, this also gives us the possibility to offer our customers a larger and more complex range of products and services – which undoubtedly strengthens our competitiveness.

As an example of a major project in which several of our units are cooperating, I want to highlight LaGuardia in New York, where our infrastructure development and our two construction units in the U.S. are working together on the airport. In Europe, we also have several large One Skanska assignments; for example, Skanska UK is working with Skanska Sweden on both the ESS in Lund and NKS in Solna.

I am proud of the healthy returns generated by our project development operations in 2016, but despite this earnings growth, we cannot sit back and be satisfied. In construction, we still have some units that have not entirely reached their targets and our highest priority is to ensure that all of the units deliver to their potential. We are focusing on increasing earnings in construction and creating the highest possible value in project development.

Financial targets

In our business plan for 2016-2020, we have planned for project development to grow and achieve as much value creation as construction. I am satisfied with the result one year into the strategy period. We have increased investments and our development gains, and our three development operations accounted for more than 60 percent of operating income last year.

In 2016, we achieved our financial targets with one exception. We increased our return on equity to 28 percent for the Group and the return on capital employed in project development to 18 percent, which exceeded our targets, while at the same time, our financial strength is excellent. On the other hand, the construction margin of 2.6 percent is something we are not at all satisfied with. To achieve or exceed the target of at least 3.5 percent is a high priority. I will return to this subject.

2016 in brief

- In Commercial Property Development, activity was high in all three geographies, the Nordic countries, Central Europe and the U.S., and a new record was set for the gains on sales. Among other activities, we sold 101 Seaport in Boston for about SEK 3.8 billion.
- Residential Development is continuing to improve, operating income reached its highest level ever and the operations exceeded our established profitability targets.
- In our third development stream, Infrastructure Development, we sold the M25 motorway, which runs around London, for a very good price just before the end of the year. We also secured the PPP contract for LaGuardia in New York. This brought us our largest ever construction contract, valued at about SEK 23 billion.
- Among our construction units, Sweden and USA Building stood out as positive in 2016, while Poland and USA Civil underperformed for various reasons.

Financial capacity

Skanska's equity rose to SEK 27.5 billion and its equity/assets ratio rose to 25.8 percent in 2016. Unutilized lines of credit totaling SEK 5.7 billion, in combination with our operating net financial assets of SEK 10.6 billion (including the central debt), ensure a satisfactory financial capacity for the Group.

Dividend

As was known, ahead of this Meeting, the Board proposed a 10-percent increase in the ordinary dividend per share to SEK 8.25. This corresponds to a payout ratio of 52 percent, a level that is in the range we have as a dividend policy.

The Board's proposal is based on the financial position and the outlook and investment opportunities for the current year. It is important to note that the proposed dividend will not jeopardize any necessary investments. As long as the Meeting approves, this will mean that Skanska has increased or paid an unchanged ordinary dividend for 13 consecutive years.

In conjunction with the year-end report, I was asked why we don't pay an even larger dividend, and whether there may even be scope for an extraordinary dividend. Then as now, my response is that we foresee investment opportunities and are of the opinion that we can use the money better in our operations. A return on equity of 28 percent is confirmation that our business model works and delivers value!

Performance from a macro perspective, GDP in the home markets

This diagram illustrates the general economic development from a Skanska perspective and shows the weighted real GDP trend in Skanska's home markets, where the weighting is based on our sales in each market. We can see that we had positive economic growth of 2.0 percent in 2016 and that the forecast for the current year indicates a somewhat increasing rate of growth at 2.5 percent.

GDP/Construction investment

If we look at construction investments, which has been combined in the same way, we had average growth of 2.7 percent in 2016, down from 5.0 percent in the preceding year.

The declining rate of growth in construction investment in 2016 is attributable to 1) lower growth in the U.S. in conjunction with the presidential election, when both public and private investment decisions were delayed, and there were tough comparative figures following extremely high construction activity in the oil industry in the preceding year, 2) the UK market, which contracted for the first time since the financial crisis as a result of the uncertainty over Brexit, and 3) the market in Central Europe being very weak, partly due to a disruption to the flow of EU funding to the region and also due to shortcomings in the ability of local authorities to approve new projects.

This year, the rate of growth in the construction sector is expected to remain stable at 2.6 percent, but we anticipate a redistribution among our various markets. In the Nordic countries, which were very strong in 2016, we expect to see a somewhat lower rate of growth. On the other hand, we expect to see some recovery in Central Europe as EU money starts to flow into the region again, while in the U.S., activity should increase somewhat, given the investments promised by President Trump.

I will return to the market outlooks for 2017 in a bit more detail when I talk about our various business streams.

Project development

I am very proud of our Residential Development stream, which has implemented a fantastic turnaround in recent years and continues to report improved profitability. Support has been derived from a strong housing market, but we can also see increasingly efficient execution of our projects. The business is now performing well above the 10/10 target that we established for operating margin and return on capital employed for Residential Development. BoKlok, our housing concept with IKEA, also made a strong contribution with its operational efficiency and high returns.

In Sweden, demand for homes exceeds supply, but we can see that the amortization requirement has had a balancing effect. As a result of this, the number of speculative buyers has declined. The markets in Norway and Finland are stable and we are focusing on the most rapidly growing areas.

In our Commercial Property Development, we have sold properties with capital gains of about SEK 3.1 billion in our three geographies of the Nordic countries, Central Europe and the U.S. At year-end, we had 47 projects in progress and in the beginning of 2017 we have invested in new projects.

During last year, we sold an infrastructure project, the investment in the M25 motorway in London, in the UK, for slightly more than SEK 3 billion, but the sale of our Polish A1 motorway was postponed until the first quarter of 2017. Infrastructure Development also signed its third public-private partnership contract for LaGuardia Terminal B in New York.

I place great importance on us taking on large projects, increasing synergies and working as One Skanska. In our business model, capital is generated in our construction

operations, which is then invested in our development operations, which in their turn generate construction projects and future development gains, in a loop. This is a model that has delivered in 2016!

Utilizing the unrestricted working capital generated by the construction operations and investing it in our own project development gives us a significantly better return than having the money in the bank, while it also creates many new construction projects for our construction units.

Demand is strong in all three project development streams. In 2017, we plan to start several more projects to gain even stronger growth in this area of our operations.

Residential Development

Targets and outcome in 2016

Our Residential Development stream had a very good year last year. We sold a total of approximately 4,600 homes and started slightly more than 4,800, which is a significant increase compared with the year before, and at the end of 2016, we had more than 7,400 homes under construction.

Revenue rose by 8 percent to SEK 13 billion and operating income rose 37 percent to SEK 1.6 billion. This gave an overall operating margin of 12 percent and a return on capital employed with a fine figure of 17 percent, substantially more than the profitability target for the operation that we call 10/10.

In this context, I want to take the opportunity to highlight BoKlok, our affordable housing concept that we developed in cooperation with IKEA, which, as a result of its high operational efficiency, is able to combine a value-for-money product for our customers with a high rate of return.

Market/outlook

The housing market remains very strong in Sweden and in the current market, we see opportunities to increase volumes somewhat. We have also seen that the amortization requirement has contributed to a more balanced market, which is positive. The market in Norway is stable, but low oil prices have had a negative impact on the regions that are dependent on the energy sector. The Finnish market is showing signs of improvement and we are present in favorable micro locations in the market. In Central Europe, the market is good, with high transaction volumes and stable sales prices. A common factor in all of our markets, excluding Finland, is the challenge to buy and develop lands as a result of rising prices and long planning processes.

Commercial Property Development

Revenue and capital gains

Our modern properties with long leases are in high demand from investors, which entails attractive valuations for these properties. In the Nordic countries, primarily Sweden, the U.S. and Central Europe, there is large interest from investors in newly developed properties.

We sold properties for nearly SEK 10 billion in our Commercial Property Development stream last year, with a capital gain of more than SEK 3 billion, and these are new record figures for Skanska. We have achieved a new normal level with higher volumes in different

geographies and will continue to increase our investments and sell properties at a steadier pace in future.

At the same time, the operation's profit was charged as we impaired two projects in the energy corridor in Houston in the U.S. by approximately SEK 200 M in the wake of the decline in the oil price.

The foundation of our successful sales can be found in intense leasing activity. During 2016, we leased a full 379,000 square meters of new office space, which generates great values.

In 2016, we started a total of 26 projects in the U.S., Central Europe and the Nordic countries, and at the end of the year, we had 47 projects in progress, with an anticipated investment volume of slightly more than SEK 20 billion. Given our continued investments and our diversified portfolio, we foresee favorable opportunities to continue to attract investors for our objects in the prevailing low-interest environment.

Market/outlook

The vacancy rate for office premises in the Nordic countries and Central Europe is generally stable and, above all, low in Sweden. Demand for office space in Central Europe is primarily strong in Poland. In the U.S., demand continues to increase from tenants in Washington D.C. and remains favorable in Boston and Seattle, while demand in Houston is weaker as a result of the oil price.

In Sweden, the transaction market had a record year in 2016, with a volume of SEK 200 billion. We are sensing continued strong demand and substantial interest in our office projects, but since the market has achieved historic volumes, it may be reasonable to expect somewhat lower activity in Sweden in general in the time to come.

In the U.S., we recently announced our largest ever office investment, which is in Seattle and amounts to about SEK 3.5 billion. We are also continuing to evaluate new cities for office development in the U.S. and intend to enter a new submarket as part of the current business plan.

With our geographic spread, we will grow the business and be net investors. Our Project Development should grow more rapidly than construction and we already saw the result of this in 2016.

Infrastructure Development

Revenue and capital gains

Activity was high in Infrastructure Development. In June, we signed a financing agreement for the LaGuardia airport project in New York, our third PPP project in the U.S., which also resulted in Skanska's largest ever construction contract. The contract is the result of our focus on increasing the pressure on our business model, where capital generated in construction is invested in development projects, which in turn generate construction assignments for ourselves and future development gains. Both of our U.S. construction units are on site at LaGuardia.

Before the end of the year, we also managed to sell one of our PPP projects – the M25 motorway in London. We sold our investment for SEK 3.1 billion and this is another perfect

example of synergies within Skanska. Our initial investment not only brought us a large and profitable construction contract, but also a very attractive development gain.

Overall, our operating income in Infrastructure Development increased to SEK 1.8 billion and the return on capital employed to slightly more than 40 percent.

Project portfolio

At the end of 2016, we had 11 projects in the portfolio, four of which were in operation and seven under development. After the end of the year, we also sold our Polish motorway A1.

Unrealized value

We continuously create value in the portfolio through ongoing projects approaching their time of completion. However, the present value of our project portfolio declined to SEK 4.3 billion in 2016. The decline is attributable to the sale of our investment in the M25 motorway in the UK, investments in existing projects and impairments of about SEK 300 M in our wind power projects due to low energy prices. At the end of the year, the unrealized development gain amounted to approximately SEK 1.4 billion.

Some of our major ongoing projects:

LaGuardia Terminal B, New York City, in the U.S. Skanska's total investment commitment amounts to SEK 0.6 billion and the construction contract we were awarded corresponds to SEK 23 billion. The new terminal will be in operation in 2024.

I-4 Ultimate, Orlando, in the U.S., is the expansion of a 34-kilometer stretch of motorway. The construction contract is valued at SEK 7 billion and our investment totals SEK 0.6 billion. The project will be completed in 2021.

Midtown Tunnel in the Elizabeth River Tunnels project in the U.S. Our investment was SEK 0.9 billion and the contract was valued at SEK 4.4 billion. Traffic began using the tunnel in 2016.

New Karolinska Solna received its first patients at the end of 2016. The construction contract amounts to SEK 14.5 billion and Skanska's investment to SEK 0.6 billion.

Market/outlook

We will continue to submit tenders for and invest in PPP projects. As far as the market is concerned, it is strongest in the U.S. In our other markets, the outlook for new PPP projects is more limited. Norway is an exception, with an upcoming pipeline of road projects, and in Sweden, we recently received a positive signal from the government's committee in this area. It recommended both trials with private invested capital in infrastructure and that at least three PPP projects should be implemented in an evaluation, something we welcome!

Construction

In Construction, revenue declined 2 percent to SEK 138 billion. Operating income decreased 8 percent to SEK 3.5 billion and the construction margin from 2.8 percent to 2.6 percent. I am not at all satisfied with this level and we are keenly focused on achieving at least 3.5 percent, which is the target for the construction margin in our business plan.

The majority of our units recorded stable profitability in 2016, with particular strength in Sweden and USA Building, our largest units in terms of sales.

At home in Sweden, the civil market is ticking along at very high levels in Stockholm and Gothenburg and for our development units, the housing and office markets are both very strong in the locations where we are active. It has been a long time since we were at the prevailing high level of activity in Sweden, regardless of whether we are talking about infrastructure or residential construction.

On the negative side of last year, Poland and USA Civil stand out. Profitability in Poland was adversely affected by delays in the allocation of EU funding, but also by reduced profitability in some projects. This led to a restructuring, in which we made large reductions in personnel. Following losses in the business in 2016, I hope that we will soon be in the black again.

The operating margin in USA Civil continued to be affected by reduced revenue, higher overheads and prolonged discussions with customers regarding design changes. The discussions with customers regarding additional costs are proceeding in the right direction, but the projects continue at the longest through 2019, so long lead times remain.

In the constant improvement effort regarding risk management, a subject I will return to, a crucial piece of the puzzle for the success of a project, in our opinion, is to have the right team in place already at the time of the tender – in other words, ensuring that we have allocated the right resources.

To sum up the situation, over time, I can see an enormous potential for improvement through continued enhancement measures in the units that are not performing to their full potential. It is our top priority to ensure that these units generate better results.

Order bookings

Our order bookings increased 40 percent and totaled SEK 170 billion. This is the result of a structured tender process in a strong but competitive market. Order bookings were particularly strong in the U.S., Sweden and the UK. In our U.S. operations, support was garnered from our major project at LaGuardia Airport.

The book-to-build key ratio reached 123 percent, meaning that order bookings in SEK were 23 percent higher than revenue in 2016. This can be compared with the preceding year, when order bookings were 13 percent lower than revenues and it is a signal of future growth.

Our order backlog amounted to SEK 196 billion at the end of the year. This corresponds to approximately 17 months' production and more than half of the backlog is in the U.S.

Examples of major order bookings 2016. We..

- ..signed contracts for LaGuardia Airport, NY, in the U.S., for about SEK 23 billion
- ..are remodeling of a section of the E16, Norway, for about SEK 730 M
- ..are constructing a women and children's health building in Delaware, in the U.S., for about SEK 1.5 billion
- ..are extending the D1 motorway in Slovakia for about SEK 1.8 billion
- ..are constructing the new Pensacola Bay Bridge in Florida, in the U.S., for about SEK 3.3 billion

- ..are constructing the Hisingsbron bridge in Gothenburg for about SEK 1.4 billion.
- ..are constructing a tramway in San Diego, in the U.S., for about SEK 2.6 billion.
- ..are improving the A14 motorway in the UK for about SEK 3.4 billion
- ..signed a seven-year maintenance contract for roads in the UK for about SEK 2.9 billion
- ..are constructing the third phase of the ESS in Lund for SEK 2.5 billion

Market outlook

The outlook for the construction in markets where Skanska has operations remains positive.

The market for building construction and infrastructure projects is very strong in Sweden, and in conjunction with our year-end report, we made an upward adjustment of our view of the market to very strong for the next 12 months. The market for residential construction also remains strong. At the same time, we must also remember that competition in the market is intense!

In Norway, the market for infrastructure projects remains favorable, but there is increased competition for new tenders. Increased public investments benefit the market for building construction, while the residential construction market is stable apart from in certain oil-dependent regions. The overall market in Finland is relatively weak, but there are signs of an improvement in residential construction.

In the UK, private investments are being negatively impacted by the uncertainty of measures relating to Brexit, but the UK is trying to counteract this using stimulus in the form of infrastructure investments. However, it is difficult to gain an overview of the consequences of the UK's departure from the European Union and we are continuing to analyze the impact on Skanska.

In Poland and the Czech Republic, the market for infrastructure projects is still affected by the delays in allocating EU funds.

The U.S. market is strong and the new government is expected to further increase infrastructure investments over time. The market for major, complex infrastructure projects remains favorable although competition is intense. In building construction, the markets for airports, education, data centers, hospitals and life science are strong.

Strategic key areas

Our current business plan will take Skanska to the next level. Our ambition is to increase shareholder value and, at the same time, work to achieve a more sustainable future for our employees, customers and society at large. This is how Skanska creates Profit with Value.

To continue achieving the goals we have set in the future, we need to recruit and retain the best employees, find new and better ways to help our customers and maintain high efficiency, both operationally as well as in our support functions.

To achieve our goals, we need to increase our operational efficiency, our productivity. We have several prioritized areas, including training in best practice, innovation and

digitalization. Smart design and industrial production are also key elements for increasing productivity.

In Construction, we foresee controlled growth, while we are investing more in and growing our project development operations. At the same time, we are increasing earnings in the construction units and creating the greatest possible value in project development. Our ambition is that value creation from our two business areas will be equally large.

Risk management

Risk management is high on our agenda. In a project-oriented business, it is the results from the individual projects that are decisive for the Group's profitability. On average, we have had a margin fade of nearly 1 percent in our construction projects. The potential from working on all of the deviations in our projects is thus, as you understand, great.

To raise the margins in all construction units, improved management of risks and opportunities is one of the most important instruments. We have optimized the process for tender analyses and have also introduced a system to improve the follow-up of major projects, at the same time as we continuously strengthen the financial control of our projects.

Another significant measure is that we have streamlined our tender strategy for that we ensure that we have the right team in place before we make a bid on a project. We are also strengthening our employees' competence through further training in their areas of responsibility.

Profit with Purpose

We want Skanska's strong values to provide guidance in everything we do. I am convinced that our values make us a more profitable and successful company. This is also crucial for our ability to create social benefit. Increasing numbers are seeking out companies that have a clear set of values. I can see that our values are an increasingly important factor when our customers and partners choose Skanska. Doing the right thing contributes to our profitability and shareholder value, at the same time as we are building for a better society.

We have five focus areas within sustainability: Safety, Ethics, Green, Corporate Community Investments, and Diversity and Inclusion. This is where we see the greatest opportunity to exert influence and we endeavor to be a leading player in the industry in these areas.

- **Safety**

Our work-related accidents with absence as a result declined in 2016 and we are continuing to improve our health and safety procedures. All units are implementing a strategic action plan for a safe work environment that has been developed within our business plan. This work must continue to reduce the injury figures in the future.

- **Ethics**

Ethical breaches have been identified as one of our greatest risks and in 2016, we undertook measures to strengthen our ethical corporate culture. Two highlights were the launch of our new, distinct Code of Conduct and Skanska's very first

code of conduct for suppliers. Our Code of Conduct applies to all employees, regardless of whether they are employed on a temporary basis, are part-time or permanent, or under contract.

- **Green**

We strive to develop and construct green buildings and green infrastructure, that is to say, with the lowest possible environmental impact during construction and use. We have defined criteria for energy use, carbon dioxide emissions, choice of materials and water consumption – those environmental aspects that our operations impact most.

- **Corporate Community Investments**

We want to actively demonstrate how societal investments create added value in projects and social development. We want to become industry leaders in this approach and demonstrate how construction and project development can contribute to a better society.

- **Diversity and Inclusion**

For several years, we have had a vision for diversity and inclusion this vision continues to guide us. In accordance with this, in 2020 we will be the leader in diversity and inclusion in all of our home markets and the diversity of society is to be reflected at all levels. To us, diversity and inclusion are a distinct competitive advantage.

Employees

The number of employees declined from slightly more than 48,000 on average to slightly less than 43,000, of whom just over 10,000 remained the average number in Sweden. This sharp decline is a result of cutbacks and the divestment of our Latin American operation. Under the current business plan, the Group's recruitment requirement is large and we have a strong focus on attracting, recruiting and bringing in new employees to the organization.

In this context, I want to thank all of our employees at Skanska for their excellent work in 2016 and I also want to take this opportunity to thank the members of the Skanska Board of Directors for their valuable support during the year.

New external audit

I also want to remind you that, as of the report for the first quarter of 2017, we will be changing our external reporting structure in our quarterly and annual reports.

Our ambition for the new structure is to provide a more accurate picture of Skanska's operations in general and, in particular, a more accurate division between our construction operations and our project development. This means that we will no longer report our construction units in as much detail as previously, but will focus on the Nordics (whereof Sweden), Europe and the U.S., as we do in our Commercial Property- and Residential Development. In our outlook, we will, as before, describe the trends in the various countries in which we are active.

Outlook 2017

The favorable outlook for all of our markets and business streams means that we are regarding 2017 with a large amount of confidence. However, 2017 may also be a year of upheaval. The UK's exit from the EU is proceeding and Donald Trump has become the new U.S. President. This brings uncertainty to two of our most important home markets and they are events that will impact our business environment. So far, the consequences are unclear, but both the UK government and President Trump have given indications of increased infrastructure investments and whatever the future, we are convinced that we will be able to adapt without compromising our values. During our 130-year history, we have successfully adapted to many changes in society.

Skanska's achievements in 2016 indicate that we will once again achieve our targets in the Profit with Purpose business plan, as we now enter its second year. I am also proud of our value growth of a total of 36 percent, which we delivered to our shareholders in 2016.

I am entirely sure that we will continue to deliver on our promise in 2017. This means that we will continue to create value, while continuing to build for a better society! Finally, I want to express my warm thanks for the confidence that you as shareholders have shown in me and my colleagues.

Thank you for your attention!