



Skanska Sustainability Report 2004

skanska 2004

Cover photo

Skanska UK's Mark Townley discusses construction at Bexleyheath School with Site Scaffolding Supervisor Lee Bland. When completed, the 2,100-student secondary school will be one of the largest in London. It also forms part of the Skanska/Mill Group consortium's GBP 36 million Private Finance Initiative (PFI) contract to expand and refurbish two schools for the London Borough of Bexley. The project is scheduled for completion late in 2005. The consortium also has a contract to maintain the schools for 25 years following the construction project.

Photo right: Kvarnsveden

Skanska has been contracted for earth works and building construction work for Stora Enso's new paper machine at Kvarnsveden, Sweden. The machine hall will be the largest of its type in the world and great emphasis has been placed on health and safety aspects.



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Highlights of 2004



In the marketplace

Net sales of the Skanska Group in 2004 were SEK 121 billion. Sales in Europe have been stable, with Poland and the Czech Republic showing particularly good results, while the U.S. market is still weak. The business unit in Latin America is increasing its sales and developing new markets. Skanska continued to focus more on its home markets and to divest non-core operations.

Strengthening the organization

During 2004 Skanska strengthened its operations by establishing a Nordic business unit for residential development. With 4,500 residential units under construction in 2004, Skanska Project Development Residential Nordic (PDR Nordic) is one of the largest housing developers in the region. In addition, Skanska established a central purchasing unit and a project support unit to provide knowledge and experience in large, complex civil engineering projects.

Recognizing sustainable performance

Skanska was again rated as one of the world's leading construction companies in terms of its commitment to sustainable development, by being listed among some 300 international companies in the Dow Jones Sustainability Indexes that meet high standards of environmental, economic and social performance. In addition, Skanska was listed on the FTSE4Good social responsibility index of the London Stock Exchange. Storebrand, a major Norwegian insurance company and investor, selected Skanska as "best-in-class" in the construction sector when assessing sustainability practices for 2004.



The headquarters of the U.K. Ministry of Defence in Whitehall, central London, was renovated to improve working conditions and indoor environment. The three-year project was completed in 2004 and was one of the country's largest Private Finance Initiative (PFI) projects to date.

- Skanska launched its revised and strengthened safety strategy in August 2004. During the year, the number of accidents in the Group fell by 15 percent compared to 2003.
- Skanska's Safety Day, October 20 – part of the EU's European Week for Health and Safety at Work – was entirely free of accidents resulting in lost working days.
- When the national Discrimination Ombudsman scrutinized the diversity policies and practices of major companies in Sweden, Skanska was one of the companies receiving the highest marks.
- As part of a group of international companies in the mining, energy, construction and engineering sectors, Skanska adopted a set of principles for countering bribery and corruption.
- In the U.S. and Europe, customers show increasing interest in environmental issues related to construction. Using specially developed tools, Skanska is among the leaders in analyzing construction projects in order to minimize the use of energy and hazardous substances and to safeguard the quality of the indoor environment.

Skanska's four business streams

Skanska develops, builds and maintains the physical environment in which we live, work and travel. It is among the largest global construction companies and operates primarily in nine home markets. In 2004, Skanska's net sales amounted to SEK 121 billion and the company had an average of 54,000 employees worldwide.



Construction

Construction is Skanska's largest business stream. It works with building construction (both residential and commercial) and civil construction. Civil construction includes infrastructure projects such as roads, tunnels and bridges.



Residential Project Development

Skanska is one of the largest housing developers in the Nordic countries. The Residential Project Development business stream operates in selected markets where Skanska has a well-established presence, primarily in the major urban areas of Sweden, Norway, Finland and the Czech Republic. Skanska is also active in residential project development in St. Petersburg, Russia.



Commercial Project Development

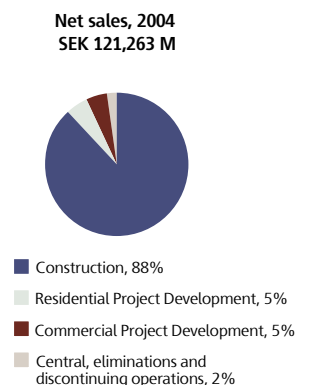
This business stream initiates, develops, leases and divests commercial property projects. Project development operations focus on office buildings, shopping centers and logistics properties. Within this business stream, Skanska takes on the overall responsibilities of project development including land acquisition, permit applications, design, leasing, construction and management. This also includes identifying the needs and wishes of prospective tenants and investors.



BOT (Build Own/Operate Transfer)

BOT specializes in identifying, developing and investing in privately financed infrastructure projects such as roads, hospitals and power generation plants, which are increasingly built and operated as public-private partnerships. BOT projects are often large, capital-intensive, complex projects where Skanska's involvement can stretch over periods of more than 20 years.

Skanska's operations focus on nine home markets: Sweden, Norway, Finland, Denmark, the United Kingdom, the United States, Latin America, Poland and the Czech Republic.



Introduction

This Sustainability Report, Skanska's third, is a presentation of the economic, social and environmental performance of the Skanska Group. The report highlights our performance today, tracks our progress over time and provides an outlook of the work ahead.



ECONOMIC PERFORMANCE

Skanska's economic performance includes financial results for 2004, ownership issues, risk management and corporate governance.



SOCIAL PERFORMANCE

The chapters related to Skanska's social performance include the Group's broader role in society and responsibilities as an employer, including health and safety issues.



ENVIRONMENTAL PERFORMANCE

The environmental performance chapters include Skanska's approach to environmental management, including the implementation of management systems and the integration of environmental aspects in our overall operations.

Sustainability is a process of change

What does sustainability mean?

Although the concept of sustainable development has existed for some time, it became a popular notion with the publication of the report of the World Commission on Environment and Development, Our Common Future, in 1987. The report defines sustainable development as development that meets the needs of the present without compromising the ability of future generations to meet their own needs.

To us this means that we incorporate social and environmental aspects in our decision-making processes and work practices. An optimal balance of social, environmental and economic elements helps us to design and build better and safeguard the long-term prosperity of the company. It also means that we work hard to continually improve the integration of for example human and labor rights, business ethics and stakeholder relations. At the same time we aim to achieve a safety culture with zero accidents.

Why is sustainability important for Skanska?

Skanska has incorporated the notion of sustainability into its business for three key reasons: strengthening our brand, risk management and for our current and future employees.

Sustainability is an important element of our brand. Many of Skanska's key customers are actively committed to these issues and expect nothing less from their contractor. It helps us to achieve our vision to be the customer's first choice. Managing risks is just plain good business, it helps us to save costs and enhance profitability. Being aware and dealing with risks is a key responsibility we have towards our shareholders. Our commitment to sustainable development is also a key element in our objective to be an attractive employer. Employees want to work for a company that they are proud of, and where they can identify themselves with the values of the company. Because Skanska wants to be competitive in the global marketplace for many years to come, we must continue to recruit and keep the best employees.

Why this sustainability report?

The intention of this report is not only to illustrate how we perform in general but also in implementing the United Nations Global Compact principles. The Global Reporting Initiative's guidelines for sustainability reporting are the basis for preparing the report. We find that increasingly our stakeholders want to see how we work on economic, environmental and social issues, and check our actual performance against our commitments.

Sustainability is a long-term journey, in which we improve our data collection and analysis on a continual basis. Skanska's business units report their general progress and safety data on a quarterly basis, while environmental data is reported on an annual basis. Accidents and incidents are reported immediately.

CEO Statement



Our vision is for Skanska to outperform all the time, in every respect – in profitability as well as in sustainability

With our third Sustainability Report in front of me, I reflect on the journey we have made over the past years. Developments have certainly been fast-paced. In 2000 all business units were certified according to the ISO 14001 environmental standard and in early 2002 we introduced the Skanska Code of Conduct. This document became an incentive to revitalize our environmental and social performance. We sharpened our safety vision. We clarified our stand on business ethics and we strengthened environmental efforts where needed. At this point in time, just three years later, we can see the effects of the implementation of our code around the world. We have less risk exposure. More importantly, there is a strong increase in awareness of sustainability issues at all levels within the company and among our customers. And now our goals are zero safety accidents, zero environmental incidents and zero ethical breaches. This in combination with the target of zero loss-making projects will safeguard the profitable future of Skanska for many years to come.

The fact that these conditions go hand in hand is more and more evident. We see, for example, that in BOT project

development we can impact construction and operating conditions more forcefully. With the early integration of environmental, social and safety aspects in our PFI projects in the U.K., we have seen significant benefits in terms of project profits and in areas such as energy use, waste management, safety performance and relationships with the local communities.

Business developments

During 2004 we continued the streamlining of Skanska worldwide. Our strategy of focusing on our home markets has resulted in the divestment of operations in Hong Kong, India, South Africa, Latvia and Lithuania. We aim to be a market leader in the markets we operate in and this was just not the case in these parts of the world. In addition, we are concentrating our expertise in construction and project development and this resulted in the divestment of our facilities management operations.

We focus extremely hard on profitability. If we aim to be a market leader in our nine home markets, we must be the

most profitable company in those markets. Being profitable also means being the customer's first choice, and this in turn means that our relationship with the customer is absolutely key to our success. This relationship, highlighted by examples in this report, is characterized by our ambition to exceed expectations in terms of quality and performance related to safety and environment. Part of this effort is the upgrading of our risk management practices. During 2004 we implemented better risk assessment tools. We pursue those customers and projects where we feel we can add value and make an appropriate return on the risks we take on.

Skanska people

No matter how many business strategies, codes of conduct and management systems one develops, their effectiveness still comes down to the people who implement them. Our success and leadership role in the construction industry is dependent on each Skanska employee. We need to be good at developing people and encouraging people to work to their full potential. Achieving a high level of profitability, zero accidents, zero environmental incidents and zero ethical breaches is only possible with colleagues who clearly outperform the competition.

Safety, safety, safety

In 2003 external benchmarking revealed that our safety performance was only average for the industry, and that was far away from outperforming. Beginning in 2004 we have moved safety to the top of the list of job site priorities. All Skanska employees are responsible for safety – their own and that of their fellow workers. Our strategy is to have a safety culture aimed at zero lost time accidents in Skanska. This culture is reinforced with state-of-the-art procedures, protective equipment, inspection and reporting. But it is the result that counts, and we are determined to have a mindset in all Skanska employees that one accident is too many. Some examples of this mindset are described in the section on health and safety in this report.

Environmental performance

A key element in our relationship with the customer is our environmental performance. With increased expertise and knowledge, we can offer better solutions both during construction and through the life of the structure. This is appreciated more and more by the market, where we see an increased interest in environmentally sound construction, efficient resource use and an improved indoor environment.

Business ethics

Skanska has taken a leadership role on business ethics in the construction industry. It is unfortunate but well known that our sector is perceived as being a poor performer in business ethics. We are aiming to change this and we have a clear stand on bribery and corruption: zero ethical breaches.

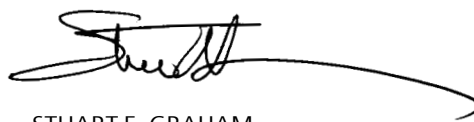
In 2004, at the World Economic Forum in Davos, Skanska joined 18 other international engineering and construction firms and signed an initiative to fight corruption in our industry. The companies have agreed on a zero tolerance policy on bribery and on the development of a program of internal systems and controls to prevent corruption. We have now expanded this initiative and joined forces with the energy and mining industry in the same endeavor. In early 2005, a total of 62 companies have joined and signed up.

Furthermore, we continue supporting the United Nations Global Compact. In June 2004 Skanska was present when the Global Compact adopted a tenth principle on corruption and bribery. This principle is being added to the existing nine principles covering human rights, environment and labor standards. The international business ethics discussion is one where Skanska has decided to have a clear presence and play a leadership role. Fair and transparent competition is a precondition for sound economic, social and democratic development in the markets where we operate.

A commitment to continue the journey

Two years ago, I wrote in this statement that it was time for consolidation and reflection. Now we have come a long way in focusing on our home markets, core business and profitability. Even better, we have defined the preconditions for our further development and identified the key ingredients for our long-term prosperity. Our performance related to sustainability is about managing risks, strengthening our customer relationship, adding value to our brand and making sure we have the best people. As I stated in 2002, I am committed to this journey and feel heartened by the results we have achieved so far, but it is a long journey where we need to continually improve our performance.

Stockholm, Sweden, March 2005



STUART E. GRAHAM
President and CEO

Skanska in brief

- We develop, build and service the physical environment for living, working and traveling.
- Skanska's 2004 sales were SEK 121 billion.
- Operations take place in nine home markets.
- Skanska had 54,000 employees in 2004.

An internationally leading company

Skanska is one of the world's leading construction companies. After rapid external growth during the 1990s, Skanska became one of the most internationally diversified groups of its sector. Skanska now operates in nine home markets. Each year, Skanska is active at over 12,000 project sites around the world, and 54,000 people were employed by Skanska in 2004. The company was founded in 1887 in Sweden. Today the U.S., with 34 percent of 2004 sales, is the Group's largest market.

Our business strategy is to focus on our home markets. In these markets, we aim to be the customer's first choice in construction-related services and project development. We are consolidating our operations and strengthening opportunities in our home markets. During 2004, for example, Skanska divested its mining construction operations in Canada and South Africa and interests in the Baltic countries, Hong Kong and India.

Today the Skanska group is organized around four main business streams: Con-

struction, Residential and Commercial Project Development and BOT (Build Own/Operate Transfer).

Different focus in different regions

The types of services, or core competencies, vary among the business units. In Europe, Skanska's business units offer the entire chain of construction-related services from feasibility studies and design to actual construction and maintenance services. The focus of Skanska's U.S.-based business units is more on construction management and civil construction. While the Nordic business units devote a significant part of their workload to residential and commercial buildings, the Skanska business unit in Latin America has specialized in energy infrastructure and power generation projects.

Accountability and responsibility

All business unit Presidents report to the Skanska Group's Senior Executive Team. In addition to the Chief Executive Officer and the Chief Financial Officer, the Senior Executive Team consists of four Executive

Vice Presidents, each with responsibility for several business units and a staff function, plus the Senior Vice President Human Resources. The most important task of the Senior Executive Team is to coordinate the operations of the Group, allocate capital resources and ensure that its collective competence is utilized optimally, that synergies are achieved and knowledge transfer occurs. The Senior Executive Team also oversees the operations of the business units in order to ensure stringent implementation of the Skanska Code of Conduct and other guidelines related to environmental and social performance. The Group's Senior Vice President for Sustainability – who reports to the Senior Executive Team – has an overall role in coordinating and developing Skanska's sustainability work.



Skanska's 14 business units, depicted above, are active in four different business streams.

The largest global construction companies¹ Total sales, 2003

Company	Country	USD bn
Vinci	France	20.5
Bouygues	France	17.2
Skanska AB	Sweden	14.1
Bechtel	United States	13.2
Grupo ACS	Spain	12.2
Hochtief AG	Germany	12.0
Centex Dallas	United States	9.0
Royal BAM Groep	Netherlands	8.6

¹ Excluding Japanese construction companies. Skanska is ranked third among the global construction companies but is ranked first as the largest international global contractor, based on construction contracting export revenue generated from projects outside each firm's respective home country.

Source: Engineering News Record

1887

AB Skånska Cementgjuteriet founded



1897

First foreign order



1940

Growing with customers



1965

Skanska stock listed



Skanska Code of Conduct

A mainstay in our continually improving performance is our Code of Conduct, highlighting employee relations, safety, business ethics, human rights, the environment and stakeholder relations.



Employees working at Skanska Poland.

General Principles

It is our key responsibility to develop and maintain an economically sound and prosperous business. Skanska as a business with a long history and future assumes its responsibilities. These include our responsibilities toward the countries, communities and environments in which we operate, toward our employees and business partners and toward society in general. Therefore we have defined some key underpinnings for our performance:

- We comply with legal requirements that apply in the countries where we do business.
- We respect the United Nations Universal Declaration of Human Rights and recognize our responsibility to observe those rights that apply to our performance toward our employees and the communities we work and live in.
- We are committed to do our business with a high standard of integrity and ethics.
- We are open-minded in dialogue with those who are affected by our operations. We respond to inquiries from external parties and communicate with affected parties in a timely and effective manner.

Within the sphere of our influence we will endeavor to ensure that our suppliers and subcontractors abide by the principles in our Code of Conduct.

Employee Relations

A strong and consistent relationship to all employees, built on mutual respect and dignity, is of vital concern to Skanska. Employment conditions offered to the employees will meet the minimum requirements of national legislation and relevant ILO conventions.

- We do not use forced labor, slave labor or other forms of involuntary labor at our work sites. We do not allow any practice that would restrict free movement of employees.
- We do not employ any person below the age of 15 and where local standards are higher, no person under the legal minimum age will be employed.
- We provide equal opportunities to people without regard to race, color, gender, nationality, religion, ethnic affiliation or other distinguishing characteristics. We do not allow discrimination or harassment.
- We provide a safe and healthy working environment and are committed to continual improvement. Written health and safety instructions are available and implemented on all work sites.
- We recognize employees' rights to form or join trade unions in accordance with each country's laws and principles.

Business Ethics

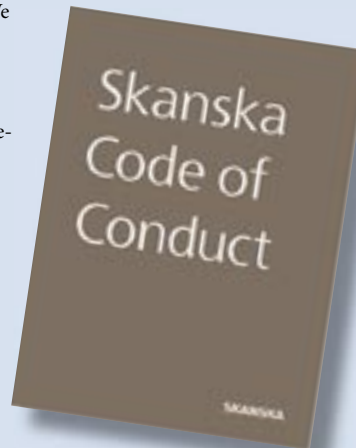
Corruption, bribery and unfair anti-competitive actions distort markets and hamper economic, social and democratic development. Skanska is committed to avoiding such practices.

- We shall not act contrary to applicable competition laws.
- We shall not offer or give any undue payment or other consideration to any person or entity for the purpose of inducing such person or entity to act contrary to prescribed duties, in order to obtain or retain business for Skanska.
- We shall not solicit or accept any undue payment or other consideration that is given for the purpose of inducing us to act contrary to our prescribed duties.

Environment

Caring about the environment permeates all of our work. Compliance with relevant legal and other environmental requirements, especially from our clients, provides the foundation for our environmental ambition. We are committed to preventing and continually minimizing adverse environmental impact and to conserving resources.

- We think ahead to determine how our work will affect the environment and base our decisions on available relevant facts.
- We avoid materials and methods with environmental risks when there are suitable alternatives available. We strive to recommend that clients use environmentally better alternatives whenever the circumstances permit.
- We do not engage in activities that have unacceptable environmental and social risks. We aim to identify such risks as early as possible to facilitate timely and adequate actions and decisions.



1971

First commission in the U.S.



2000

Skanska builds the Öresund Bridge linking Sweden and Denmark



2002

Code of Conduct



Relations in construction

Through our activities, we impact society in many ways. It is very important for Skanska to be in touch with our stakeholders, in order to do our business more effectively and successfully.

The relationships we value

As a construction company, Skanska operates in a broader context, where it is one of the actors involved in shaping the physical environment. As a corporation engaged in society, Skanska needs employees who can communicate and listen to people outside the company and outside the construction sector. Skanska must be able to consider the wishes and concerns of those who are impacted by our work and projects.

An environmental incident at Hallandsåsen, Sweden in the late 1990s was a clear wake-up call related to environmental risks. Skanska was also well aware of the rising concern about the construction of large dams in developing countries. As a consequence of this, and as a response to growing awareness in society, Skanska developed and implemented a Code of Conduct and identified environmental and social responsibility as well as business ethics as key elements of our worldwide brand.

Code of Conduct and Compliance Guideline

The objective of the Code and the related Compliance Guideline is to support our business units in improving overall environmental, social and ethical performance. Many of the issues are related to the relationships we have with our stakeholders. The Compliance Guideline is designed to facilitate implementation of the Code of Conduct by providing additional information and clarifying responsibilities. In particular, employees find support in the added information on ethics in business practices, labor rights and requirements when dealing with suppliers and subcontractors.

Skanska established two new units at headquarters during 2004. Central Purchasing and Project Support. In cooperation with stakeholders such as suppliers, Skanska will use these units to support the



Senior Vice President Sustainability Axel Wenblad in a dialogue with Dr. Jorge Calbucura from the Mid Sweden University in Östersund.

implementation of our Code of Conduct throughout our supply chain and when managing large, complex projects.

Stakeholder evaluation in 2004

In 2004 we asked some of our key stakeholders – representing shareholders, customers, suppliers and NGO's – about our sustainability efforts. In particular, we asked them to comment on our 2003 Sustainability Report. The evaluation highlighted a number of areas where we can strengthen cooperation and where we can improve our reporting. Clear examples were the need to strengthen

our reporting on economic contributions to society, human resource data and illustrating the problems we encounter and how we have dealt with them. Using this feedback, we have redirected our data collection and aim to report in 2005 taking these viewpoints into account.

We will continue this dialogue with key stakeholders in order to make sure we are on track and alert to their expectations. We will also continue to strengthen the long-standing relationships we have with all those we affect and those affecting our work.

SKANSKA KEY STAKEHOLDERS

Customers

Our customers are diverse and include large multinational corporations; national, regional and local governments; small and medium-sized enterprises; families and individuals. In short, all those that have chosen us as a construction manager, builder, operator, landlord or housing provider.

Employees

In 2004, our employees were 54,000 individuals around the world who define our performance and represent our brand (see also page 9).

Shareholders

Our shareholders and owners are people and organisations, such as pension funds, that have chosen Skanska for a profitable and long-term investment of their money (see also page 8).

Suppliers and subcontractors

Skanska has a wide variety of suppliers, varying from manufacturers of heavy earth-moving equipment to purveyors of glass or granite. Although the largest category of subcontractors is those who work in construction, Skanska also collaborates with architects, designers, security specialists, cleaners and other service providers.

National, regional and local governments

Public agencies are important in our work as customers and partners in development projects and as the providers of permits, licenses and certificates.

Non-governmental organizations

Increasingly, non-governmental organizations help us to assess our performance and provide feedback on areas for improvement. In 2004, for example, such NGO's included Transparency International, Amnesty Business Group, WWF and several others.

Neighbors

When we are building, we affect the neighbors of our construction site with noise, dust and traffic. We aim for minimal impact, but this also requires us to listen carefully to these neighbors and respect their concerns.

The media and general public

The media monitors and assesses our performance and communicates this to the general public. Media contacts and contacts with the general public are important in articulating what we stand for and the kind of company we are.

In focus: Skanska Latin America

There are some good reasons for Skanska Latin America to be our business unit of the year. Skanska Latin America has made a major turnaround. Currently most of its business is outside Argentina, with operations spread between Mexico to the north and Tierra del Fuego to the south.

Skanska Latin America's main business is construction, operation and maintenance services for the oil, gas and broader energy sectors. The business unit has developed expertise in "upstream" and "midstream" operations for the oil industry. This is the above-ground process from pump to pipeline to refinery. About 40 percent of sales are related to maintenance and service contracts for the oil, gas and energy industries. The company is currently also involved in constructing a 152 kilometer (94 mile) pipeline supplying drinking water to serve a number of cities in La Pampa province, Argentina.

Code of Conduct

Key customers increasingly appreciate the clear stand Skanska Latin America takes in terms of ethics, safety and environment. The business unit is a market leader in the management of these issues and is living up to the performance expectations of

major international corporations. "The Skanska Code of Conduct helps us to win contracts. The Code and our actual performance give customers the confidence and trust they need to engage us as a contractor," says Mario Piantoni, CEO of Skanska Latin America.

Toward zero accidents

In 2004 Skanska Latin America recorded 6 accidents per one million man-hours. This is a significant improvement from 23 in 1997, 11 in 2001 and 7 in 2003. This accident rate is only about 14 percent of the industry average in Argentina. In recent years, much attention has been paid to training on safety, and the business unit's performance illustrates continuous improvement toward the goal of zero accidents. "We are active in many different environments from the jungle to the pampas to urban settings and the open ocean. We have a force of about

100 safety inspectors across the continent whose main task is to raise awareness, provide training and prevent accidents," says Alfredo Andrade, Skanska Latin America's safety manager.

Environmental concerns

Here too, Skanska is aiming for zero incidents. An environmental policy and ISO 14001 certification have streamlined the environmental aspects of operations. Many of the environments in which Skanska operates in Latin America are sensitive to environmental impacts. "We are developing solutions with the environment in mind, for example when building pipelines with minimal risks for leakage and spills. We are using environmental and social impact assessments when operating in sensitive environments, in order to understand the risks related to our projects," says Mr. Piantoni.

Mario Piantoni, President, Skanska Latin America.

Hector Hofstetter and Juan Carlos Corso working at the Mega Cooler Plant, Patagonia, Argentina.



Facts and figures

Employees: 7,200

Part of Skanska since: 1999

Net sales, 2004: 379 USD M

Key clients: Petrobras, Repsol YPF, Chevron, Pan American, Pluspetrol, PDVSA

Headquarters: Buenos Aires, Argentina



Balancing costs and benefits

Skanska's economic performance includes its wider economic impact on society, and the challenge is to strike the right balance between economic growth and environmental and social considerations.

Net sales, 2004
SEK 121,263 M



- Construction, 88%
- Residential Project Development, 5%
- Commercial Project Development, 5%
- Central, eliminations and discontinuing operations, 2%



Skanska has an economic impact on society through its construction of infrastructure, commercial and public buildings and housing. Skanska works with customers to devise better solutions regarding environmental performance and social conditions. These can, for example, include conducting social impact assessments, establishing relationships with the local community and using a local workforce. Our economic balance sheet in society also includes the impact we have on local employment generation, taxes paid and knowledge transfer. These effects are difficult to quantify at Group level, however with well over 12,000 projects in operation every year around the world, the impact at the local level can be significant. For example, taxes paid at Group level were SEK 1,030 million for 2004.

Ownership

Current ownership is listed in the table on the right. Increased interest in our sustainability-related performance is clearly indicated by the level of interest shown by specialized financial analysts. The socially responsible investment (SRI) community includes Skanska in a number of key listings and eligible registers. Skanska is, for example, again listed on the Dow Jones Sustainability Index for 2005. In addition, Skanska is included in the FTSE4Good and ranked "best in class" in an assessment by the Storebrand insurance company in

Norway. Swedish-based investment funds including Robur and Banco have also classified Skanska as being among their socially responsible investments.

Financial performance

Skanska's net sales fell from SEK 133 billion in 2003 to SEK 121 billion in 2004. Much of this decrease is due to the changes in exchange rates. Operating income totaled SEK 3.8 billion, compared to SEK 4.5 billion in 2003. In 2004, net profit per share was positive (SEK 6.33). For the Skanska Group as a whole, the target is a return on equity of 18 percent. In 2004, return on capital employed in the Construction business stream amounted to 20.1 percent. In Residential Project Development, the return was 21.5 percent. The Commercial Project Development business stream achieved an 11.0 percent return. During 2004, BOT achieved a return of 10.9 percent.

A key trend for Skanska is the increasing interest in public-private partnerships. Skanska is involved in a number of such initiatives in countries around the world, including the United Kingdom, Finland, Russia, Brazil and Chile. In the U.K., the Private Finance Initiative (PFI) program is successfully transferring part of the risks of constructing and operating hospitals, schools, prisons and other infrastructure projects to the private sector.

Risk management

Skanska's operational risk assessment (ORA), established in 2001, underwent a revision and upgrade in 2004. The purpose of the upgrade is to support risk identification at the earliest stage and to avoid loss-making projects. Business units are using these tools to assess risks at the tendering stage and to map their own strengths and weaknesses. In addition, they can draw on the expertise and experience of the newly established Project Support Svenska Handelsbanken unit, a particularly useful resource for large, complex civil engineering projects.

The largest shareholders in Skanska AB, holdings on December 31, 2004	% of capital stock	% of voting power
Industrivärden (investment company)	7.8	27.9
AMF Pension (retirement insurance)	6.0	3.7
Robur mutual funds	2.6	1.6
SHB/SPP mutual funds	2.2	1.4
Zenit Fund	2.0	1.2
State of New Jersey Pension	1.9	1.2
Didner & Gerge Mutual Fund	1.6	1.0
Svenska Handelsbanken (SHB)	1.5	3.6
Second National Swedish Pension Fund	1.5	0.9
First National Swedish Pension Fund	1.4	0.9
10 largest shareholders	28.5	43.4
Other shareholders in Sweden	56.4	47.4
Other shareholders abroad	15.1	9.2
Total	100	100

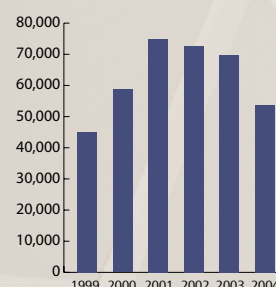
Sources: VPC AB, SIS Ägarservice AB

Our employees – our future

For our continued prosperity as one of the top global construction corporations, we must ensure that we are able to recruit and keep the best employees.



Average number of employees



Total employees

In 2004 Skanska employed an average of 54,000 people worldwide. The actual figure fluctuates somewhat, due to the jobs created by the start of new projects and the loss of employment opportunities when projects are completed. Furthermore, the total number of employees has changed over the past years. The chart at the top right illustrates that the number of employees increased significantly during the 1990s, a period of expansion and large international projects. Since 2002 Skanska has consolidated its operations, focusing on its home markets and divesting non-core businesses. This explains the decrease in the total number of employees in the Skanska Group.

The diversity of Skanska

Skanska is a multinational company and its workforce reflects this in its diversity. Diversity is an asset for Skanska, ensuring a richer variety of talents, skills, backgrounds and perspectives. In 2004, when Sweden's national Discrimination Ombudsman evaluated a number of large Swedish companies on diversity and discrimination practices, Skanska Sweden was one of the few companies that received the agency's stamp of approval. The construction sector is traditionally male-dominated. Currently around 11 percent of the Skanska workforce is female. Most women employees work in

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So far, the Group has only six percent women in management positions. In Sweden, an initiative aimed at women applicants enabled Skanska to employ and train more women in its asphalt operations. In both Sweden and Norway, more women have been appointed as regional managers.

Less absence due to illness

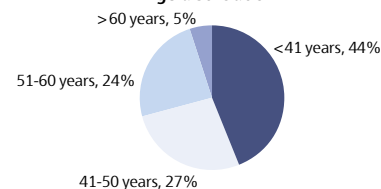
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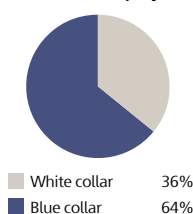
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Age distribution¹



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White collar/
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Female employees ¹ % by job category	2004	2003
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Moisture and mold

Moisture-induced damage to buildings is not a new problem, nor is it unique to Skanska – it is a construction industry problem in certain regions of the world where

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Most important for the project were the identification of the three overall objectives:

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This new approach requires a basis of trust, flexibility and a willingness to accept that not all future conditions can be predicted. “When renovating a large building such as a hospital that needs to be in operation at the same time, we could not foresee all steps in advance. We had to be creative and flexible,” says Karl-Arne Lersten, project manager for Skanska. “We could change plans during con-

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The approach chosen and the overall targets set for the project created a much better working environment than the usual fixed price contract conditions. Mr. Lersten is convinced that the results of the project are largely due to the approach developed in the partnership, creating an atmosphere where workers helped each other when needed, problems are solved constructively and shared responsibility stimulated a willingness to work on improved safety and environmental conditions. For example the project showed low energy use during operation. One reason for this was more committed employees, working with more effective methods as customer and contractor shared mutual incentives. New ideas that benefited the environment were also generated as the construction and operating perspective merged. The results speak for themselves. In principle, the number of emergency

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Skanska's business units are responsible for the implementation of the strategy at the local level, and the Senior Executive Team is responsible for setting guidelines and continually evaluating performance in relation to these requirements. A key element in the strategy is to undertake safety risk assessments during the early tendering phase of a project. The assessment should bring to light particular safety-related risks that can significantly impact the success of a project.

The new safety strategy is an important step in achieving an injury-free workplace, making sure that every individual working on a Skanska site gets home safely at the end of each day.

Management focus

The Skanska safety strategy outlines practical steps to improve performance and highlights reporting and accountability. The business units are identifying targets for

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The management visibility, "keep your boots dirty" program is an important element in improving safety performance, by making sure that managers are familiar with the situation on site and can initiate measures to improve performance and maintain a high level of awareness.

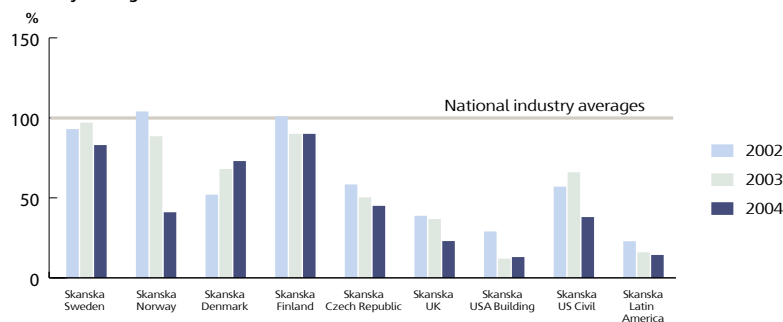
All Skanska business units implemented a safety management system before January 1, 2005. Such a management system includes policy, objectives, targets and action plans. In addition, the management system specifies responsibilities, risk assessments, training programs, monitoring, audits and management reviews. The business units

in the U.K., Latin America, Denmark, the Czech Republic and Finland, as well as part of Polish operations, part of USA Civil and operations in Russia have chosen to certify/register their management systems according to OHSAS 18001 criteria. This means that 53 percent of employees are covered by a certified/registered health and safety management system.

Performance follow-up

At the business unit level, Skanska monitors accident rates according to each market's national requirements, benchmarking against the national construction industry average (see the chart below). Each business unit is responsible for ensuring that improvement measures are in place that are effective for them and comply with national requirements. The result is a wide range of differing reporting metrics, and this is

Skanska employee accident rate performance in 2002–2004 compared to local industry averages. Industry averages from 2003 have been used where information from 2004 is not available.





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Unfortunately Skanska had 2 fatalities and 16 subcontractor fatalities during 2004. The majority of these fatalities were related to falls from heights and traffic accidents. In addition to the investigations by the authorities, we conduct our own inquiries and the results are reported to the CEO and the Senior Executive Team. It is apparent that we need to strengthen our efforts to improve the safety performance of our subcontractors. This is not only a question of training and improvement of procedures, but also of ensuring that the selection of subcontractors takes into account their safety record. There is no target other than zero fatalities and we are further strengthening our efforts to get there.

Site-specific procedures

A number of site-specific measures were implemented when the new safety strategy became operational. For example, the requirements include site-specific safety

hazard assessments to identify risks and minimum personal protection equipment (PPE). These PPE requirements and safety procedures are posted on site, and safety instructions are provided to all personnel. As an example, Skanska made it a requirement to wear high visibility vests when working outdoors.

Safety training

Performance starts with awareness and knowledge, and our employees receive regular health and safety training and information. In addition, Skanska provided specialist training to over 5,800 employees. This training is aimed at measures for the prevention of accidents, inspections and regulations related to health and safety performance. We also have a responsibility for the subcontractors working at our sites, and during 2004 we provided basic health and safety information to more than 42,900 subcontractor employees (30,800 in 2003).

Working toward zero accidents

Several projects around the world illustrate and underline our ambition to achieve zero accidents at Skanska workplaces.

- Skanska USA Building entered into a partnership with the Occupational Safety and Health Administration (OSHA) regarding the Skirkanich Hall project at the University of Pennsylvania. The partnership aims to achieve optimum safety at the site.



The new Abbot Labs in Barceloneta, Puerto Rico, built by Skanska USA Building.

Safety in Puerto Rico

After the customer voiced concern about initial safety performance, Skanska management turned performance around. A special program was designed for the 1,200 workers (average age 23). Safety meetings and checks were held and incentive programs developed. After initiation of the program, results showed clear improvements. Upon completion, Skanska received USD 750,000 in incentive bonuses due to its excellent safety performance during construction.

- Skanska in Finland piloted a mobile "BookIT Activity Tracker" solution as an element of its ongoing safety monitoring. The mobile solution instantly sends notification on safety to field personnel and allows registration of completed tasks by pressing a single button.
- During 2004 Skanska UK reduced its accident and incident rates by 40 percent. The Coventry Hospital team at Skanska UK achieved a remarkable one and a half million working hours without a reportable accident.
- Within the framework of the agreement between Skanska and the International Federation of Building and Wood Workers (IFBWW), cooperation on the implementation of the Skanska safety strategy has been developed.
- Safety@Skanska is the name of the UK campaign whereby MENCAP, a charity for children and adults with learning disabilities, gets £ 1 for every near-miss or hazard reported, and £ 500 for every eliminated accident (compared to 2003 statistics).

Skanska in society

As a global construction company, we influence the lives of many people. This is a privilege and a responsibility.



Skanska is supporting the establishment of a new children's village in Sri Lanka.



UN Secretary General Kofi Annan addresses the Global Compact Leaders Summit at UN Headquarters on June 24, 2004.

Pushing the international agenda

Skanska actively supports the United Nations Global Compact. This is a partnership between the United Nations and the business community aiming at the further implementation of nine UN principles covering environmental management, human rights and labor conditions. In June 2004, the Global Compact Leaders Summit adopted a tenth principle, adding prevention of corruption and bribery to the sustainability agenda. Kofi Annan, Secretary General of the UN, opened the meeting by stressing the need for commitment and action by the business community. Skanska participated and actively supported the adoption of the tenth principle.

During 2004, Skanska made further efforts to implement and assess the principles of the Global Compact via the implementation of the Skanska Code of Conduct. New initiatives included serving as a founding member Transparency International Sweden, a national chapter of this international organization fighting bribery and corruption. In addition Skanska, together with other international companies in the engineering and construction sector, joined forces with the mining and energy sectors at the World Economic Forum signing a commitment to further support a no-tolerance policy on bribery and implement a company compliance program.

Progress through cooperation

Skanska participates in the World Business Council for Sustainable Development (WBCSD), a coalition of 160 international companies committed to sustainable development. Skanska is also an active participant in the Millennium Ecosystem Assessment. This is an international program to assess the consequences of ecosystem changes on human well-being and options for responding to those changes.

International commitments

The tsunami catastrophe in the Indian Ocean caused great sorrow and reminded us about the ruthless forces of nature. It also reminded us that often the poorest and weakest in society suffer the most. Among the victims are a great number of children who have lost their parents and family. SOS-Children's Villages is currently the world's largest organization providing care for orphaned and abandoned children. Skanska donated USD 500,000 to a new children's village to be built in the tsunami-impacted area of Sri Lanka. With Skanska as the main sponsor of the new children's village, employees of the company will also be offered the opportunity to personally support the village in a variety of ways. "It feels natural to help children in Sri Lanka, since

Skanska has been active through the years in a number of projects in this country," says CEO Stuart Graham.

Good citizenship

The spread and impact of the Skanska good citizenship program is increasingly creating awareness and interest throughout Skanska and among stakeholders. During 2004, a number of interesting projects were initiated:

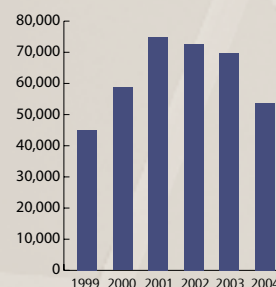
- The Skanska UK team at the site of the Isle of Grain worked 500,000 man-hours without a lost-time accident and decided to celebrate this with a donation of £ 5,000 to the Kent Air Ambulance.
- At a charity gala, Skanska Norway supported initiatives to help the homeless by contributing NOK 500,000, under the motto that "everyone is entitled to a home."
- In Poland, Skanska sponsored the Krakow recycling festival, and the company is currently involved in a traffic safety campaign, "Slow down. Life is precious."
- Skanska in Finland organized an event for students from two schools located near a rock excavation site to highlight safety and traffic arrangements. The event included a blasting show and rock music.

Our employees – our future

For our continued prosperity as one of the top global construction corporations, we must ensure that we are able to recruit and keep the best employees.



Average number of employees



Total employees

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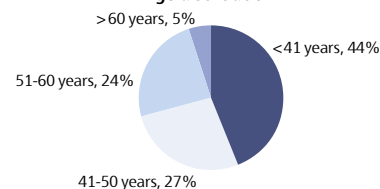
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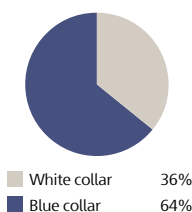
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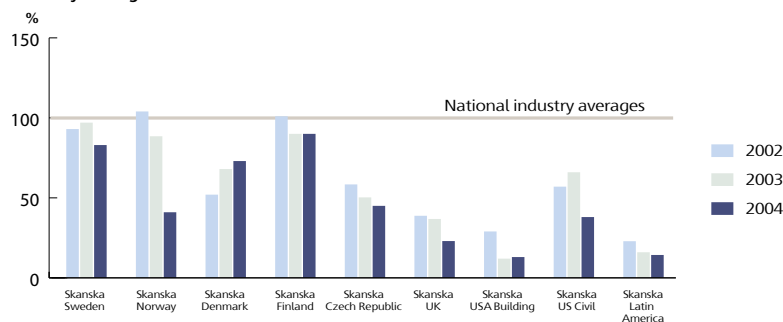
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hazard assessments to identify risks and minimum personal protection equipment (PPE). These PPE requirements and safety procedures are posted on site, and safety instructions are provided to all personnel. As an example, Skanska made it a requirement to wear high visibility vests when working outdoors.

Safety training

Performance starts with awareness and knowledge, and our employees receive regular health and safety training and information. In addition, Skanska provided specialist training to over 5,800 employees. This training is aimed at measures for the prevention of accidents, inspections and regulations related to health and safety performance. We also have a responsibility for the subcontractors working at our sites, and during 2004 we provided basic health and safety information to more than 42,900 subcontractor employees (30,800 in 2003).

Working toward zero accidents

Several projects around the world illustrate and underline our ambition to achieve zero accidents at Skanska workplaces.

- Skanska USA Building entered into a partnership with the Occupational Safety and Health Administration (OSHA) regarding the Skirkanich Hall project at the University of Pennsylvania. The partnership aims to achieve optimum safety at the site.



The new Abbot Labs in Barceloneta, Puerto Rico, built by Skanska USA Building.

Safety in Puerto Rico

After the customer voiced concern about initial safety performance, Skanska management turned performance around. A special program was designed for the 1,200 workers (average age 23). Safety meetings and checks were held and incentive programs developed. After initiation of the program, results showed clear improvements. Upon completion, Skanska received USD 750,000 in incentive bonuses due to its excellent safety performance during construction.

- Skanska in Finland piloted a mobile "BookIT Activity Tracker" solution as an element of its ongoing safety monitoring. The mobile solution instantly sends notification on safety to field personnel and allows registration of completed tasks by pressing a single button.
- During 2004 Skanska UK reduced its accident and incident rates by 40 percent. The Coventry Hospital team at Skanska UK achieved a remarkable one and a half million working hours without a reportable accident.
- Within the framework of the agreement between Skanska and the International Federation of Building and Wood Workers (IFBWW), cooperation on the implementation of the Skanska safety strategy has been developed.
- Safety@Skanska is the name of the UK campaign whereby MENCAP, a charity for children and adults with learning disabilities, gets £ 1 for every near-miss or hazard reported, and £ 500 for every eliminated accident (compared to 2003 statistics).

Skanska in society

As a global construction company, we influence the lives of many people. This is a privilege and a responsibility.



Skanska is supporting the establishment of a new children's village in Sri Lanka.



UN Secretary General Kofi Annan addresses the Global Compact Leaders Summit at UN Headquarters on June 24, 2004.

Pushing the international agenda

Skanska actively supports the United Nations Global Compact. This is a partnership between the United Nations and the business community aiming at the further implementation of nine UN principles covering environmental management, human rights and labor conditions. In June 2004, the Global Compact Leaders Summit adopted a tenth principle, adding prevention of corruption and bribery to the sustainability agenda. Kofi Annan, Secretary General of the UN, opened the meeting by stressing the need for commitment and action by the business community. Skanska participated and actively supported the adoption of the tenth principle.

During 2004, Skanska made further efforts to implement and assess the principles of the Global Compact via the implementation of the Skanska Code of Conduct. New initiatives included serving as a founding member Transparency International Sweden, a national chapter of this international organization fighting bribery and corruption. In addition Skanska, together with other international companies in the engineering and construction sector, joined forces with the mining and energy sectors at the World Economic Forum signing a commitment to further support a no-tolerance policy on bribery and implement a company compliance program.

Progress through cooperation

Skanska participates in the World Business Council for Sustainable Development (WBCSD), a coalition of 160 international companies committed to sustainable development. Skanska is also an active participant in the Millennium Ecosystem Assessment. This is an international program to assess the consequences of ecosystem changes on human well-being and options for responding to those changes.

International commitments

The tsunami catastrophe in the Indian Ocean caused great sorrow and reminded us about the ruthless forces of nature. It also reminded us that often the poorest and weakest in society suffer the most. Among the victims are a great number of children who have lost their parents and family. SOS-Children's Villages is currently the world's largest organization providing care for orphaned and abandoned children. Skanska donated USD 500,000 to a new children's village to be built in the tsunami-impacted area of Sri Lanka. With Skanska as the main sponsor of the new children's village, employees of the company will also be offered the opportunity to personally support the village in a variety of ways. "It feels natural to help children in Sri Lanka, since

Skanska has been active through the years in a number of projects in this country," says CEO Stuart Graham.

Good citizenship

The spread and impact of the Skanska good citizenship program is increasingly creating awareness and interest throughout Skanska and among stakeholders. During 2004, a number of interesting projects were initiated:

- The Skanska UK team at the site of the Isle of Grain worked 500,000 man-hours without a lost-time accident and decided to celebrate this with a donation of £ 5,000 to the Kent Air Ambulance.
- At a charity gala, Skanska Norway supported initiatives to help the homeless by contributing NOK 500,000, under the motto that "everyone is entitled to a home."
- In Poland, Skanska sponsored the Krakow recycling festival, and the company is currently involved in a traffic safety campaign, "Slow down. Life is precious."
- Skanska in Finland organized an event for students from two schools located near a rock excavation site to highlight safety and traffic arrangements. The event included a blasting show and rock music.

More power in smart solutions –Tyin, Norway

The era of building large hydropower stations in pristine areas is past. Instead existing power stations are being upgraded and made more efficient. The approach is thus to have a minimum impact on communities and the environment, while getting more power out of each drop of water.

In December 2004, Arild Ingar Læg Reid, Chairman of Årdal Municipality, and Tore Torvund, Executive Vice President Oil and Energy at Hydro, pressed the start button of the New Tyin power station. "Tyin is the largest hydropower expansion project in Norway over the past 10 years. It has been a pleasure working on this project where minimum environmental impact and maximum effect were well balanced" says Mr. Torvund.

Expertise and innovation

Skanska was commissioned to upgrade the more than 50 year old power station. The upgrade will boost annual production by 15 percent. This increase alone covers the electricity demands of more than 10,000 households. Skanska built a new tunnel system and a power station inside a mountain (see illustration). Skanska expertise assured innova-

tive solutions in the design and construction of the tunnel system. Skanska also had the overall responsibility for project planning and management.

Safety performance

Both Hydro and Skanska have put safety and environmental performance high on their agendas. Even at the earliest stage in the project, targets were identified and a bonus system was designed to reward or sanction performance. Skanska implemented a rigorous safety management system and procedures based on those developed by the oil industry.

Actual performance was better than the targets that were set, and Skanska received the full bonus for its performance in 2004. Project evaluations continue to assess further achievements. "Skanska's performance has strengthened its relationship with the customer

and is certainly a plus for repeat business"; according to Pia Farstad, Communications Director, Skanska Norway. She adds "Our current engagement in Ormen Lange is a clear example." Ormen Lange, a gas field exploration project on the continental shelf off western Norway, is currently one of the largest construction projects in Europe.

Facts and figures

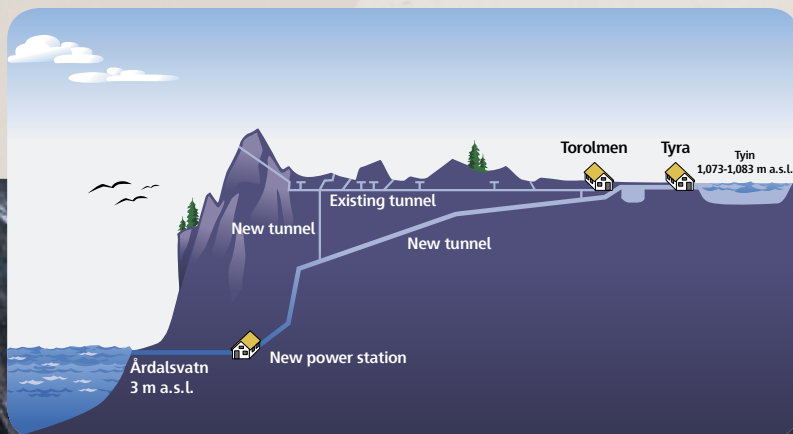
Start of construction: September 2001

Start of power production: October 2004

Annual power generation: 1,400 GWh

Maximum 40m³ of water per second

Safety record: lost-time injuries 1.5 vs. target <3 per million working hours.

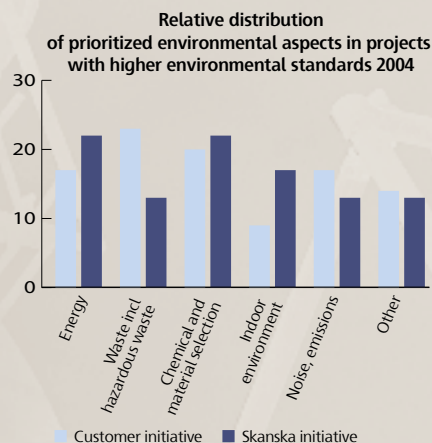


Over 1.5 million m³ of rock was removed to produce more than 17 km (11 mi.) of new tunnels and a central power station deep inside the mountain. The station area is 60 m (197 ft.) long, 17m wide and 38 m high. The rock was transported, often by boat, to be used as construction filling for roads, parking and a nearby coastal protection zone.



Environmental concerns and opportunities

Improving environmental performance in construction is a cooperative effort with the customer.



Order value of projects with higher environmental standards

USDMM	Order value of projects			
	2004	2003	2002	2001
Customer initiative	3,928	4,699	2,701	1,843
Skanska initiative	3,699	3,636	3,549	5,320
Total	7,627	8,335	6,250	7,163

Skanska USA Civil was project manager for the reclamation of the Kayenta coal mine, located in the Navajo reservation in Arizona.

Environmental management

Working with the same fundamental requirements and guidelines is a prerequisite for achieving credibility, both internally and externally. The clearest example of this approach is that all business units and the Skanska Group's headquarters have had the same time frame for certification and registration of their own environmental management systems according to the requirements in ISO14001, the international environmental management system standard. By the end of 2004, 99 percent of Skanska net sales were covered by certified environmental management systems. The remaining 1 percent is due to some recently acquired units where implementation of environmental management systems are underway and will be completed within the two year time limit after acquisition that has been set. So far, Skanska is the only global construction company that has implemented certified environmental management systems throughout its organization.

Project-based implementation

Skanska is working closely with customers to continually improve environmental performance and find innovative solutions.

Skanska implements many projects with environmental standards beyond legal requirements. A yearly analysis of all major construction projects worth more than USD 1 million indicates that both customers and Skanska are gradually raising the standard of environmental performance. Skanska's analysis of order bookings in 2004 shows that a total of 323 large construction projects were being implemented with higher environmental standards than required by law. The order value of these projects has been high during the last four years and their share of order bookings has been around 50 percent. The projects address all types of environmental aspects. Customers tend to concentrate on construction processes such as waste management, while Skanska focuses more on energy performance in buildings and on indoor environment. In certain markets such as the U.S., the U.K. and the Nordic region, Skanska's special expertise in environmentally sound construction is creating project opportunities and stimulates the interest of new customers.

From design to delivery

Increasingly, tools are being developed

to include environmental factors during design and construction. One such example is the LEED rating system administered by the United States Green Building Council (USGBC). The performance levels are used for assessing buildings and meeting ambitious goals in the areas of water savings, energy efficiency, materials selection and indoor environmental quality. Skanska USA has several accredited LEED professionals and 10 projects have been completed or were in progress during 2004. In the United Kingdom, the use of the BREEAM tool has a similar function. Skanska UK used BREEAM in six projects during 2004. In Finland, Skanska has used ecodesign tools in more than 50 projects.

Key environmental issues

Energy efficiency

One of the biggest threats to the global environment is climate change due to greenhouse gases in the atmosphere. This is a key issue for the construction sector, because a sizeable percentage of energy use is related to buildings and their utilization. There is much to be gained by making more efficient use of energy in buildings. Skanska Project Development Sweden tracks energy

The Fleischer Brygge residential project in Moss, Norway includes 63 apartments in a variety of sizes. The three housing blocks are configured in a U shape to create water views from all the apartments.

Energy use in Skanska Project Development Sweden properties

	2004	2003	2002	2001
kWh/m ²	100	118	131	143
Kg CO ₂ /m ²	10.4	11.8	12.9	14.6

Number of materials evaluated

	2004	2003	2002	2001
Chemical products	10,299	8,693	7,588	4,749
Construction materials	1,543	1,783	1,402	



use in buildings. The table above shows total energy use for heating, air conditioning and electricity in existing commercial properties and the related emissions of carbon dioxide. The results show that there is great potential in energy efficiency and in reduction of related emissions. In the residential sector there is also great potential, as illustrated by the example from Glumslöv, Sweden on page 10. In the EU, Skanska is now preparing for the Directive on Energy Performance of Buildings, which will enter into force in January 2006. By sharing best practices among its business units, Skanska will be prepared to offer customers cost-effective energy solutions.

Hazardous substances

Handling hazardous substances is often regulated in detail by national legislation, which means that the procedures developed must be nationally adapted. Several Skanska business units have developed and implemented phase-out programs for hazardous substances. In all, more than 10,200 chemical products and 1,500 construction materials have been evaluated by Skanska. The evaluation criteria are compared to the information provided in the material

safety data sheets, and the products are used accordingly. At Skanska Sweden, a state-of-the-art database makes chemical product evaluations available to construction sites. During 2005 the evaluation criteria were further refined and strengthened, based on the properties of substances instead of a list of selected substances. Today some 3,100 chemical products are online together with their material safety data sheets: 2 percent of the products are classified as environmental choices, 44 percent are approved, 51 percent are approved but under surveillance, 3 percent are undergoing phase-out and 0.4 percent are restricted.

Noise, dust and local emissions

The environmental effects of construction are often very local. Mitigating dust and noise are prerequisites for maintaining good relations with the local neighborhood. Skanska UK is participating in the Considerate Contractors program, which aims at minimizing the local impact from construction sites and interacting with the neighborhood in a responsible way. Noise and dust are very local emissions, and the types of environments where Skanska works also determine the measures needed to manage

these emissions. For example, for much of Skanska USA Civil's work, erosion control is a pre-requisite for successful projects.

Biodiversity and forest products

Although most of our projects are located in urban areas, there are occasions when operations affect local biodiversity. The indirect effects on biodiversity through use of forest products is an even bigger challenge. Skanska UK, Skanska Norway and Skanska Sweden have been especially active in addressing illegal logging and promoting eco-labeled wood. A policy on sustainable wood products has been drafted in order to further clarify our ambition to avoid illegally logged timber and use eco-labeled products. Through close cooperation with customers it is also possible to enhance the value of the complete building, for example by certifying it for the Forest Stewardship Council (FSC) label. This is currently being investigated in a number of large projects in Sweden.



Green construction is increasing in the United States, and the special expertise at Skanska USA is key in this demanding market. For example, Skanska has been awarded the construction management contract for the McGuire Center for Lepidoptera Research at the University of Florida. The Center will be home to the second largest collection of butterflies and the largest animal chromosome research sample group in the world.

Environmental audits

Type of audits	2004	2003	2002	2001
Internal	1,282	1,568	1,753	1,431
External	241	143	204	185

Environmental training at Skanska, number of employees

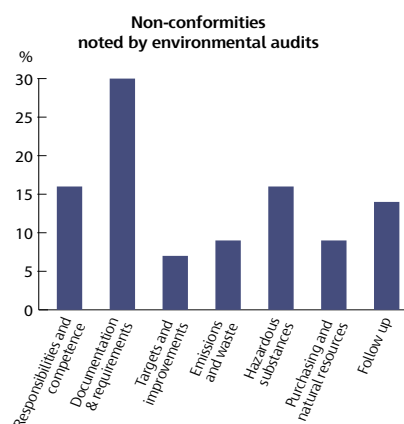
Type of training	2004	2003	2002	2001
Specialist training	2,936	2,689	2,730	1,254
Auditor training	122	261	318	393

Monitoring and reporting

Environmental management systems guide the integration of environmental aspects into all Skanska operations. Follow-up of environmental work in projects is done by each business unit, supplemented by a reporting system that focuses on a set of parameters that are monitored at Group level. This reporting system supplies the documentation on which the environmental performance chapter in this Sustainability Report is based.

As a key element in implementing our ISO 14001 environmental management systems, and to achieve continual improvements, Skanska performs a large number of internal and external audits. At the project level, compliance and continual improvements are assessed by using, among other things, internal environmental audits. The audit results are regularly followed up within each business unit, for example as part of the management review of environmental management systems. In addition there are a number of external audits undertaken by ISO-accredited auditors. The types of non-conformities from internal and external audits are illustrated in the table below. Two major non-conformities were reported for

2004. These were related to an oil spill in Sweden and a local legislation issue in Latin America.



In addition to the non-conformities reported by audits one major environmental incident was reported. In Brazil, a state agency announced its intention to fine Skanska and its joint venture partners. The alleged offense is neglecting to allow a minimum flow in a river when filling a hydropower dam. Legal procedures are underway.

Knowledge and best practices

Skanska business units provide basic environmental training to employees. Each year Skanska also provides specialized training to employees who need increased knowledge about the environmental aspects of their jobs. Training courses include environmental auditing, environmental legislation, environmental design, environmental aspects of construction materials and the handling of hazardous waste. Skanska also organizes and provides training for suppliers and subcontractors, especially in markets where most construction work is subcontracted, such as in the U.S. In 2004, we trained more than 25,500 people working for suppliers and subcontractors.

In 2001 Skanska initiated a number of working groups to identify and strengthen best practices in construction. During 2004 the groups focused their work on eco-design, eco-labeled wood and energy performance in buildings. The best practice groups have been instrumental in supporting the dissemination of knowledge about the effective and efficient use of tools and instruments.

Moving to a better environment

– Met Office Relocation, Exeter, United Kingdom

The new headquarters of the U.K. Meteorological Office (Met Office) in Exeter officially opened and became fully operational in early 2004. The move, probably the largest involving an operational computer complex in Europe, was carried out on time and within planned costs.

The Met Office's new headquarters building is modern and environmentally friendly. It offers 13,000 square meters (nearly 140,000 sq. ft.) of office space. The entire 31,400 sq. m site also includes large information technology (IT) halls, an innovation center, a training college, a library, conference facilities, a restaurant, a gym and much more. The building was specially designed to support advanced technology and IT infrastructure. The services of the Met Office are dependent on computer-generated information, and backup options were included in the planning and design from day one. The site has two power grids, two IT halls and two supercomputers, safeguarding access to better service 24 hours a day, every day. The Met Office is one of the world's leading providers of environmental and weather services, with about 1,150 employees.

Skanska, as part of a consortium, aimed from the outset to design and construct a building that was on the leading edge of ecologically sustainable construction in the U.K. Advanced environmental solutions were included in the design. Final assessment of the

project against the BREEAM eco-design tool gave an "excellent" rating. Many environmental aspects were considered before, during and after construction.

Energy efficiency

A combined heat and power plant (CHP) provides energy for running the IT halls in an efficient and pollution-free manner, saving about 10,500 MWh of energy per year. The excess heat generated by the CHP also drives absorption chillers cooling the Met Office super computers. The TermoDeck ventilation system passively improves the energy performance of the building, reducing greenhouse gas emissions by an estimated 53 percent.

Water efficiency

Recognizing the need to conserve this valuable natural resource, a special urban draining system was introduced to capture and store rainwater, which is fed into two ponds. It is used in the buildings and for gardening purposes.

Planning for green travel

To reduce reliance on cars and resource consumption, plans for green travel

were incorporated to access the Met Office. Bus and bicycle routes are provided to complement rail and air links located close to the site. Favored parking spaces are offered to those who participate in car sharing. All these measures have enabled the Met Office to develop a Business Travel Plan which resulted in half of the staff abandoning the use of cars for their regular commute to work.

Strengthening customer relations

Throughout the design and construction process, the project team worked very closely with the customer to ensure that its objectives and requirements were being met. This collaborative effort and the fact that the project was delivered on time and under budget resulted in a strong customer relationship. In light of these factors and the project's exemplary efforts to foster good relations with the whole surrounding community, it won a 2004 national Gold Award in the U.K. Considerate Constructors competition.

Facts and figures

Client: Met Office, U.K. Ministry of Defence

Consortium: Costain, Skanska and Group 4

Construction start: October 2001

Completion: December 2003

Total site: 31,400 sq. m (338,000 sq. ft.)

Contract value: 82 GBP M



The new Met Office in Exeter, Devon, United Kingdom

Outlook for 2005

Our performance related to sustainability is about managing risks and strengthening customer relationships. We also have to maintain our focus on implementing the Code of Conduct. This outlook for 2005 highlights some of the steps we will take.

Code of Conduct implementation

Skanska's efforts to implement the Code of Conduct will continue during 2005. The results of reports on Code implementation from the Group's business units during 2004 highlight some issues that will need further attention in 2005. They include training programs, since this is an ongoing activity, but also the strengthening of systems to enable employees to more easily report possible breaches of the Code.

The Operational Risk Assessment (ORA) tool is used in all business units, and a number of valuable examples of best practices have been identified. These will be introduced into ORA at the same time as the new tender approval procedure is implemented.

The newly established Group-level purchasing unit and project support unit will also integrate the Code of Conduct into their practices.

Adoption of the business principles for countering bribery in the engineering and construction industries by additional companies in these sectors will remain a priority, as well as the development of timely and effective monitoring programs.

Our employees

Skanska is convinced that a multicultural and varied workforce adds value to the company. There will thus be a continued focus on promoting diversity among Skanska employees. At the business unit level, and backed up by the human resources unit at the Group level, managers are being encouraged to stimulate the further professional development of female employees as well as employees representing minority groups. Several such programs are in place and are being implemented.

Health and safety

The vision of zero accidents will continue to guide our safety activities in 2005. The Skanska Safety Day in the EU during 2004, a day without lost-time accidents, will be followed up by a Skanska global safety week in October 2005. Further efforts will include training of our own employees and



the employees working at Skanska sites via suppliers and subcontractors. Occupational health aspects are addressed by the business units in their health and safety programs. Through exchanges of best practices, these programs can be further strengthened.

Environment

The first environmental management systems were certified/registered in 1999, and by the end of 2000 all units had such systems. It is now time to revisit and, as appropriate, revise the environmental strategies that have guided our work so far. Controlling environmental impacts at work sites is of course a key aspect of our activities, but other aspects such as hazardous substances are becoming increasingly important. Skanska aims to continue using operational tools such as LEED in the U.S., BREEAM in the U.K. and PromisE in Finland in order to incorporate environmental aspects into the design, construction and maintenance of buildings. In this way, we can build strong customer relationships based on our experience. Skanska will continue to push the

agenda of improved energy efficiency in buildings.

This is not primarily a matter of developing new technologies, but of using existing technologies in a cost-effective way and also of making energy costs visible in a longer perspective. One such promising tool is the use of Life Cycle Cost (LCC) calculations, which document the total cost of a building or its parts throughout its life cycle.

Engaging in dialogues

Skanska will participate in international networks, organizations and gatherings where we can contribute effectively. In particular, our commitment to the United Nations Global Compact will continue, as well as our participation in the World Business Council for Sustainable Development (WBCSD). Skanska will also seek an active dialogue with relevant non-governmental organizations both at local and global level to identify mutual interests in promoting the sustainability agenda.

More information about Skanska

Skanska's Annual Report and Skanska's Annual Review

The Annual Report and Skanska's Annual Review 2004 can be ordered from: Strömberg Distribution
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Sweden

Phone: +46 8 449 88 16

Fax: +46 8 449 88 10

E-mail: skanska@strd.se

It is also possible to download the Reports from Skanska's website: www.skanska.com.



Worldwide

The Skanska Group publishes the magazine *Worldwide*, containing features and news items from the Group's operations around the world.

The magazine appears in English four times per year. A subscription is free of charge and can be ordered at the following address:

Skanska Worldwide

c/o Strömberg Distribution, SE-120 88 Stockholm, Sweden

Telephone +46 8 449 88 00, Fax +46 8 449 88 10

E-mail: worldwide@strd.se



TheHub

The Hub is a news service that offers personalized news about Skanska, its competitors and its industry. The Hub provides brief, fast news items, often linked to additional information on the Internet. You can subscribe to receive them via e-mail, mobile phone (SMS) or fax. All items are available in English and Swedish. You can subscribe via The Hub's website at www.skanska.com/thehub

E-mail: thehub@skanska.com



The Skanska Senior Executive Team (from left to right):

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Johan Karlström, Executive Vice President

Stuart E. Graham, President and CEO

Thomas Alm, Executive Vice President

Hans Björck, Executive Vice President and Chief Financial Officer

Petter Eiken, Executive Vice President

Johan Bergman, Executive Vice President

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Skanska awards and recognition



Coventry Hospital, Coventry, U.K.



Ekoviikki residential development, Helsinki, Finland



Karlstad Central Hospital, Karlstad, Sweden

Skanska Environment, Health & Safety Awards

The internal Skanska award for Environment was initiated in 2000 and aims to recognize good performance. The Health & Safety award was new in 2004 and included projects for 2003. Twenty-seven projects were submitted for the Environment category and nine projects for Health & Safety. The competition is open to all projects and activities at Skanska. The winners for 2004 illustrate how innovative solutions, leadership and knowledge can contribute to a more sustainable construction sector.

Winner, Safety Award: Skanska UK, Integrated Projects, Coventry Hospital

The project team reduced the accident rate by more than half during the construction of the Coventry Hospital. At the early stage of the construction project, management decided to strengthen safety practices and aim for the zero accidents vision. The Board of Directors of the business unit increased its visibility by touring the site and show its commitment to safety efforts. In addition a full-time health & safety instructor was hired and provided training for all employees. This and other activities are creating a new safety culture and the difference is illustrated by the facts: During 2003 the accident-incident rate decreased by 56 percent, and 46 percent of the unit's projects were 100% free from reportable accidents.

Winner, Environment Award: Skanska Finland, Ekoviikki, Helsinki

Ekoviikki is a newly built residential area just ten kilometers (6 miles) outside Helsinki. The buildings employ some of the most advanced environmental techniques and materials, including solar panels, heat recovery and specially designed ventilation systems that significantly reduce the water and energy consumption of households. The construction project is an example of best practices, and the techniques and materials used are already being adopted in other projects in Finland and internationally.

Winner, Environment Award: Skanska Sweden, Karlstad Central Hospital

What characterized this project was the ability of Skanska and the customer to look beyond the construction phase and consider long-term needs and impacts when operating the renovated Karlstad Central Hospital. In a collaborative effort, environmental innovations were implemented and more environmentally sound materials used. In addition, Skanska issued a 10-year warranty on the indoor climate system. Skanska Sweden was able to do this on the condition that the hand-over phase would include a training plan for hospital and facility management staff and that it would carry out preventive maintenance and establish an operations strategy. As a result of regular visits and a continued dialogue with the customer,

performance is better than expected, both in terms of environmental benefits and cost savings.

Other awards for Skanska

Skanska's performance is recognized in different ways. Below are some examples from 2004:

- In the U.S., Skanska is among the top five contractors in the office, healthcare, retail, general building, education, transportation and mass transit sectors.
- Finnforest Corporation, Skanska Finland and the City of Espoo were joint recipients of the 2004 Wood Award for the Aurinkorinne building project.
- The Science Park in Budapest, Hungary, built by Skanska, received recognition as Hungary's best development project and received a national prize from the Hungarian International Real Estate Association.
- The Swiss Re building at 30 St Mary Axe in London, a Skanska UK project, was awarded the 2004 Stirling Prize, the U.K.'s most prestigious architectural award.
- Six Skanska Poland projects were recognized in the 14th edition of the annual contest organized by the Polish Association of Construction Engineers and Technicians.

Abbreviations and glossary

ASL – Above Sea Level

BOT – Build Own/Operate Transfer

BREEAM – Building Research Establishment Environmental Assessment Method (<http://products.bre.co.uk/breeam/>)

CEO – Chief Executive Officer

FSC – Forest Stewardship Council (www.fsc.org)

GBP – Great Britain Pound

GDP – Gross Domestic Product

IFBWW – International Federation of Building and Wood Workers (www.ifbww.org)

ILO – International Labor Organization (www.ilo.org)

ISO – International Organization for Standardization (www.iso.org)

kWh – Kilowatt hour

LCC – Life Cycle Cost

LEED – Leadership in Energy and Environment Design (www.usgbc.org)

NOK – Norwegian crowns (currency)

ORA – Operational risk assessment

OSHA – Occupational Safety and Health Administration (USA)

PFI – Private Finance Initiative

PPE – Personal Protection Equipment

SEK – Swedish kronor or crowns (currency)

SET – Senior Executive Team

SRI – Socially Responsible Investment

UN – United Nations (www.un.org)

USD M – Million United States dollars

USGBC – United States Green Building Council

WBCSD – World Business Council for Sustainable Development (www.wbcd.org)

WWF – World Wide Fund for Nature, known as the World Wildlife Fund in some countries (www.wwf.org)

Certification / Registration

An independent examination of an operation and a confirmation that it meets a specification, for example the ISO 14001 international environmental management standard.

Code of Conduct

A set of principles used by a company or organization to set a standard of performance for employees, subcontractors and suppliers regarding labor practices, human rights, business ethics, environment, product safety and more.

Dow Jones Sustainability Indexes (DJSI)

The first global index, developed by Dow Jones Index and the Swiss Sustainability Asset Management Group, for tracking and assessing companies that are leaders in their respective sectors in terms of economic, environmental and social performance. (www.sustainability-index.com).

Environmental audit

A systematic, objective review of an organization's environmental work aimed at examining whether its operations are run in accordance with the specified requirements.

Environmental management system

Part of an organization's management system used to develop and implement its environmental policy and manage its interactions with the environment.

ISO 14001

An international standard for environmental management systems.

Ombudsman

A person who acts as independent referee between individual citizens and a government, administration, organization or private company.

OHSAS 18001

An international specification for health and safety management systems.

Stakeholders

Individuals, a group of individuals or organizations affected by or affecting the behavior of another company or an organization.

Sustainable development

Defined in the 1987 report from the World Commission on Environment and Development as development that meets the needs of the present without compromising the ability of future generations to meet their own needs.

Transparency International

An international organization devoted to curbing bribery and corruption, with a mission to build coalitions of civil society, governments and the private sector. (www.transparency.org).

UN Global Compact

A United Nations platform for encouraging and promoting good corporate practices and learning experiences in the areas of human rights, labor rights and the environment. (www.unglobalcompact.org).

Average exchange rates for currencies used

SEK, per unit	2004
U.S. dollar	7.35
British pound	13.45
Euro	9.13



Outperforming pays

After the successful completion of the Tyin project (see page 15 of this report), where our performance related to environmental management and safety played a key role, Skanska Norway received another assignment from Hydro. Skanska was contracted for building and civil construction projects at the onshore terminal of the Ormen Lange gas field, which is located beneath the Norwegian Sea. Ormen Lange is currently one of Europe's largest construction sites. A total of about NOK 65 billion is being invested. Skanska's portion of the project is scheduled for completion in September 2006.