SKANSKA

Review of 2008
USD version

About Skanska

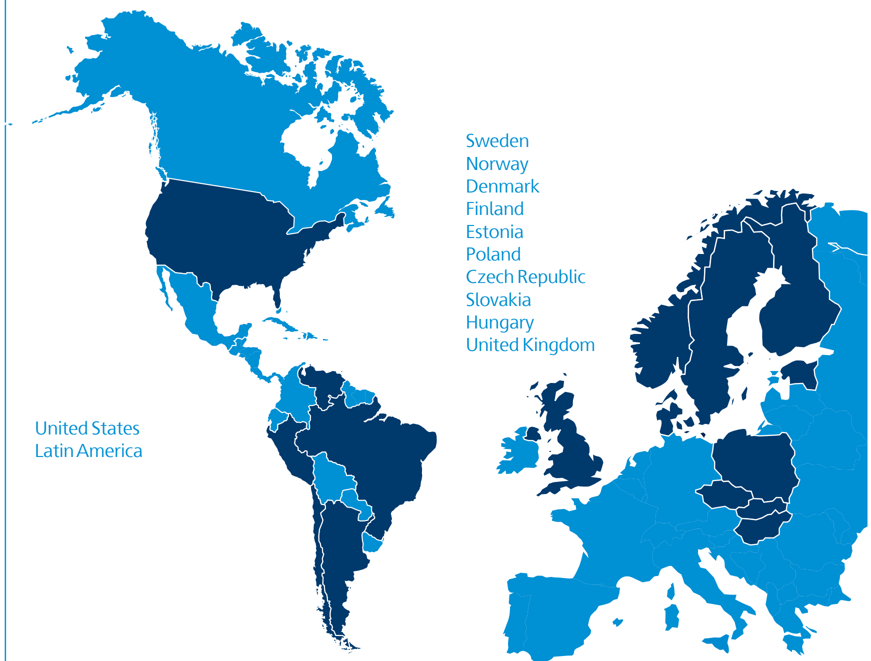
Skanska is one of the world's largest construction companies, with a leading position in a number of home markets in Europe, the United States and Latin America.

Skanska also carries out project development in selected geographic markets in the residential and commercial property fields, as well as in infrastructure by means of public-private partnerships.

By combining international expertise with a local presence, Skanska acts as a local company with global strength.

The Skanska Group has 58,000 employees, and in 2008 its revenue totaled USD 21.8 billion.

Home markets



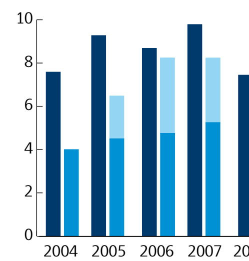
Key ratios

	USD M	EUR M	SEK M
Revenue	21,802[3]	14,924[3]	143,674
Operating income	620[3]	424[3]	4,086
Income after financial items	669[3]	458[3]	4,410
Earnings for the period per share, USD/SEK/EUR[1]	1.13[3]	0.77[3]	7.44
Return on equity, %	15.5	16.0	15.9
Return on capital employed, %	17.8	18.4	18.3
Order bookings[2]	19,199[3]	13,143[3]	126,524
Order backlog[2]	18,440[4]	13,012[4]	142,402

1 Earnings for the period attributable to equity holders divided by the average number of shares outstanding after repurchases.
2 Refers to Construction operations.
3 Average 2008 exchange rates: EUR 1 = SEK 9.63, USD 1 = SEK 6.59.
4 Exchange rates on 2008 balance sheet date: EUR 1 = SEK 10,94, USD 1 = SEK 7.72

Earnings and dividend per share

SEK

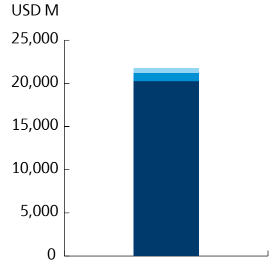


- Earnings per share
- Dividend per share
- Extra dividend per share

1 Proposed by the Board of Directors.

Revenue by business stream

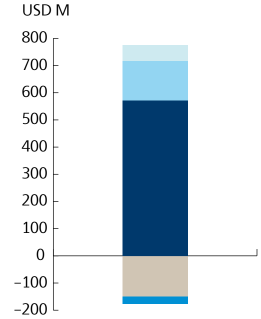
USD M



- Construction, 93%
- Residential Development, 4%
- Commercial Development, 3%
- Infrastructure Development, 0%

Operating income by business stream

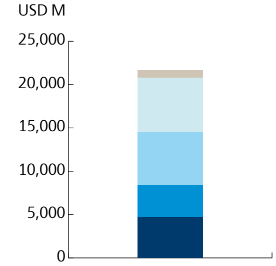
USD M



- Construction, 73%
- Residential Development, negative
- Commercial Development, 19%
- Infrastructure Development, 8%
- Centralt & elimineringar, negative

Revenue by geographic area

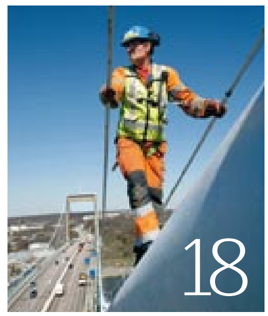
USD M



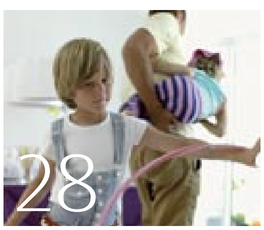
- Sweden, 22%
- Other Nordic countries, 17%
- Other European countries, 28%
- United States, 29%
- Other markets, 4%

Contents

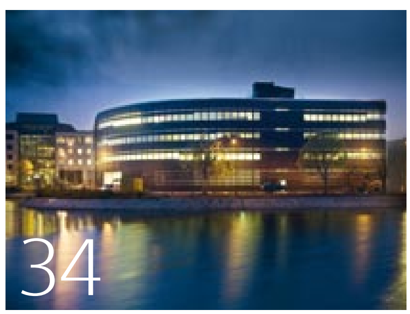
President and CEO
"Our ambition is to be the leading green project developer and contractor in our markets. This is important, and it is the right thing to do, from a business standpoint and in a societal perspective."



Construction
Skanska's largest business stream achieved an operating margin of 2.7 percent during 2008.

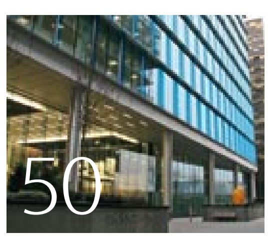


Residential Development
The economic downturn brought major changes to the Nordic housing market – 2008 began strongly but the summer was followed by sharp deceleration.



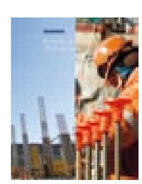
Commercial Development
Well-consolidated projects and properties with a surplus value of about USD 0.26 billion despite the economic downturn.

Infrastructure Development
Despite higher yield requirements when appraising assets, the project portfolio contains surplus values of about USD 0.78 billion.



Sustainable development
Skanska is living up to its commitment to create living and working environments for future generations that follow sustainable development principles.

The financial statements presented in this Review have been prepared in USD (United States dollars) as the presentation currency. As the functional currency of the Parent Company is SEK (Swedish kronor), Skanska's statutory Annual Report including the consolidated financial statements and the financial statements of the Parent Company has been prepared using Swedish kronor (SEK) as the presentation currency. For currency exchange rates, see page 80.



Water is one of the basic necessities. Upon completion in 2012, the Croton Water Treatment Plant in the Bronx will provide a billion liters, 290 million gallons, of fresh drinking water per day – about ten percent of the New York City's needs.

The Skanska Group

Senior Executive Team

Skanska Financial Services

Group Staff Units

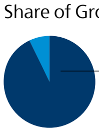
Construction

- Skanska Sweden
- Skanska Norway
- Skanska Finland
- Skanska Poland
- Skanska Czech Republic
- Skanska UK
- Skanska USA Building
- Skanska USA Civil
- Skanska Latin America

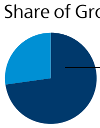
Construction refers to building construction (both non-residential and residential) and civil construction. It is Skanska's largest business stream.

The Construction business stream operates through nine business units in selected home markets – Sweden, Norway, Finland and Estonia, Poland, the Czech Republic and Slovakia, the United Kingdom, the United States and Latin America.

Revenue	USD 21,168 M
	EUR 14,490 M
	SEK 139,498 M
Share of Group	93%



Operating income	USD 571 M
	EUR 391 M
	SEK 3,761 M
Share of Group	73%



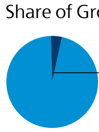
Residential Development

- Skanska Residential Development Nordic

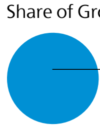
The Residential Development business stream initiates and develops residential projects for sale. Housing units are adapted to selected customer categories. Skanska, one of the leading residential developers in the Nordic countries, also has a sizeable presence in the Czech Republic and Slovakia.

It operates through its own Nordic business unit and as part of Construction in the Czech Republic.

Revenue	USD 979 M
	EUR 670 M
	SEK 6,450 M
Share of Group	4%



Operating income	USD –27 M
	EUR –18 M
	SEK –177 M
Share of Group, negative	



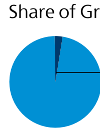
Commercial Development

- Skanska Commercial Development Nordic
- Skanska Commercial Development Europe

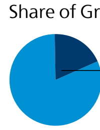
Commercial Development initiates, develops, leases and divests commercial property projects, with a focus on office buildings, shopping malls and logistics properties.

The business stream works through two business units: Skanska Commercial Development Nordic and Skanska Commercial Development Europe.

Revenue	USD 601 M
	EUR 411 M
	SEK 3,961 M
Share of Group	3%



Operating income	USD 145 M
	EUR 99 M
	SEK 953 M
Share of Group	19%



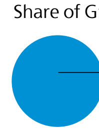
Infrastructure Development

- Skanska Infrastructure Development

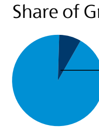
Infrastructure Development develops, manages and divests privately financed infrastructure projects such as roads, hospitals, schools and power generating plants.

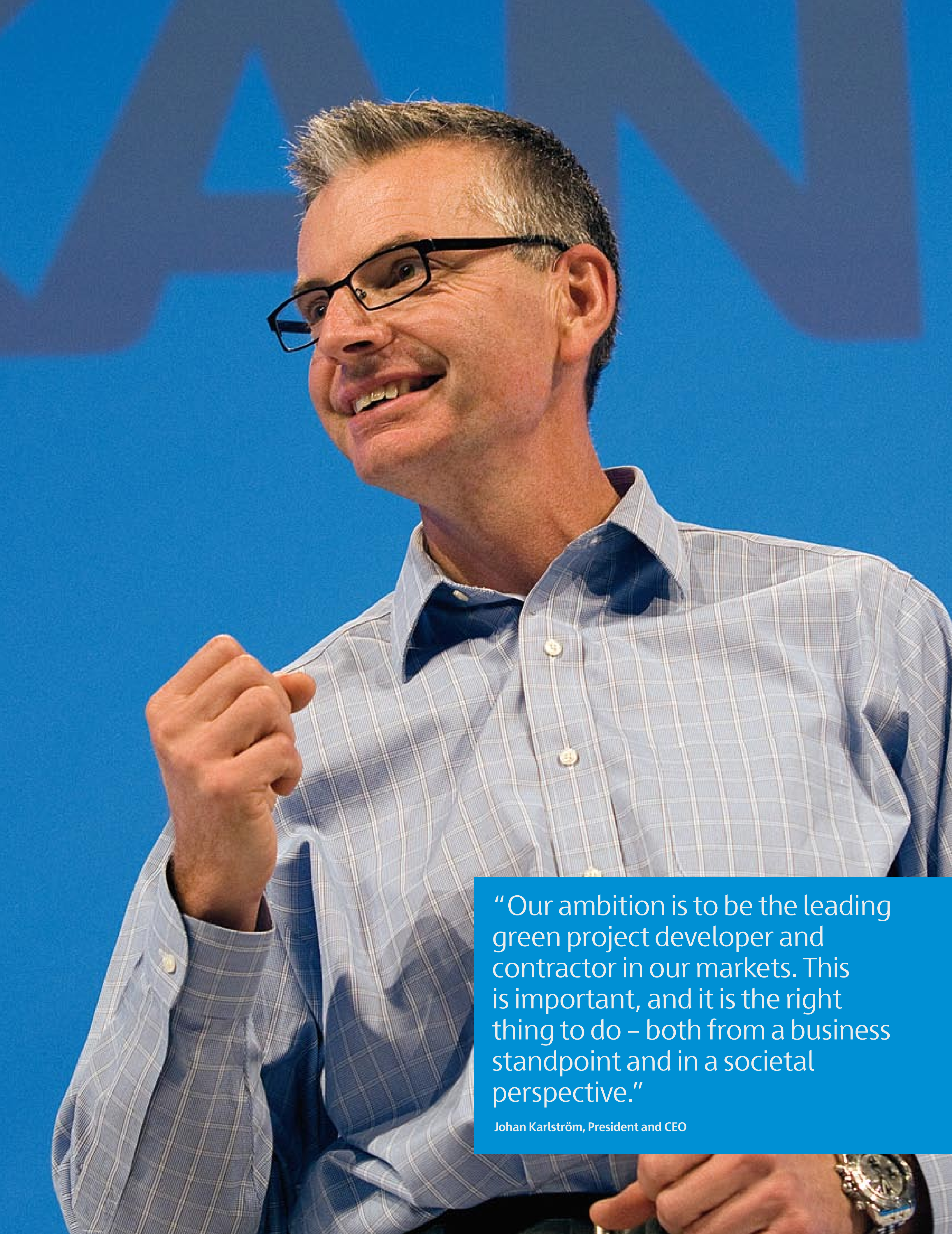
The business stream focuses on creating new potential for projects in markets where Skanska has construction business units. It works through the Skanska Infrastructure Development business unit.

Revenue	USD 8 M
	EUR 6 M
	SEK 55 M
Share of Group	0%



Operating income	USD 60 M
	EUR 41 M
	SEK 396 M
Share of Group	8%





"Our ambition is to be the leading green project developer and contractor in our markets. This is important, and it is the right thing to do – both from a business standpoint and in a societal perspective."

Johan Karlström, President and CEO

Comments by the President and CEO

From the peak of an economic boom to a financial crisis and a cyclical downturn – in no time flat. Despite turbulent surroundings, as a whole 2008 was still a good year for many of our units, and Skanska remains stable as we face the future.

We have an eventful year behind us. Economic developments were dramatic during my first year as President and CEO. When I took over last April, economic worries were like ripples on a calm surface compared to what would happen later.

In April most of our markets were still moving ahead at full steam. There was intensive activity both in construction markets and among property investors. Of course, we had noted the first signs of an approaching slowdown. This was especially clear in the Nordic residential market. But no one could have imagined the collapse that would hit the financial systems.

We pick up market signals early through our local presence and continuous contact with customers. A focus on cash flow and risk management is always a top priority at Skanska, and protecting the Company is extra important in troubled times. We watch our receivables and monitor the performance of our customers, suppliers and business partners. We continuously review our investments.

The Company's balance sheet remains one of the strongest in the industry. Solid finances, a strong brand and dedicated employees are the foundation that will enable us to take advantage of new opportunities and emerge stronger from the recession.

A strong year – in spite of everything

Yet most of 2008 was really strong for us, though this has been overshadowed by all the crisis reports. The first three quarters, indeed even the whole year, were good in several of our geographic markets and business streams.

The decline in our order bookings does not mean that we are doing a bad job. The market is weakening – not Skanska. Our performance was outstanding in many respects throughout 2008. In the United States, Sweden, Poland and Latin America as well as in Commercial Development, we achieved very good earnings – the best ever in some cases.

Activity was high and forward-looking. We developed and built thousands of projects while working intensively to generate new business, develop new projects, enhance the impact of our green know-how, improve the safety of our job sites and recruit and professionally develop the leaders and employees of tomorrow.

Frozen financial market

But the abrupt freeze in financial markets radically changed the market picture – especially in the Nordic residential sector. Home buyers became uncertain and had difficulty borrowing, as did investors in property and infrastructure projects.

Even our corporate customers became more restrained when the demand for their products and services weakened. And declining tax revenue affected public sector investments in some markets.

Unfortunately the market situation also made it necessary for a number of employees to leave our Company, but fewer assignments lead unfailingly to fewer jobs and thus lower personnel needs. One small consolation is knowing that the employees who must leave the Company are highly qualified and will be attractive in the labor market.

The financial crisis dominated the media – but there is also another picture. Despite its shaky surroundings, Skanska remains stable. The stability of the Group is not based only on financial strength. We also remain stable thanks to our diverse operations, which give us a broad base. We are not dependent on any single sector or geographic market. We have a broad product mix – we construct buildings and infrastructure for both commercial and public sector customers, as well as energy and environmental facilities. We develop our own residential, commercial and infrastructure projects. And we are geographically dispersed in a way that is unique in our industry, with a strong presence in the United States and the Nordic countries as well as in the United Kingdom and Central Europe.

We operate in a global economy, but there are still local variations. When the market weakens in the Nordic countries, the downturn is not as noticeable in Central Europe. When the office sector stagnates in the U.S., that country still needs schools and hospitals. While some

customer segments are shaky, energy companies in Latin America are implementing large portions of their extensive investment plans – albeit at a slower pace. Even though the residential market is down, there may be good potential to continue achieve good earnings in commercial development.

Strong balance sheet

We also have one of the strongest balance sheets in our industry – even in an international perspective. And at least equally important are our working methods for oversight, financial control and risk management, which we have built up in recent years and are now further improving. Our aim is to create even better preconditions for boosting profitability and controlling risks.

Tools for new business

Our strong balance sheet is reassuring, but its primary purpose is not to get us through bad times. Instead it is primarily a tool that we will use to develop the Company further.

First and foremost, this will be a matter of investing in our project development operations. Our strength enables us to use a long-term approach and take advantage of the opportunities that exist even during economic downturns. I am convinced that we can grow in our three project development business streams.

We also have the potential to expand geographically. Within our existing home markets, there are still many large cities and growing regional growth markets where we have little or no presence. We do not intend to rush into large, adventurous investments. But we are open and ready when the right opportunities appear.

Enterprising employees

Another very important success factor is that our employees are committed, loyal, knowledgeable and ambitious within their specialties. I am proud of the entrepreneurial spirit demonstrated by our employees.

While adjusting the organization to a shrinking market, we must plan for our supply of future leaders. For some years, we have been working intensively with the professional development of hundreds of key individuals, who are now continuing their growth by taking on increasingly challenging positions in our operations.

Another important field is occupational health and safety. We are working intensively at all levels to improve safety at our many job sites. It is unacceptable that our industry suffers so many accidents. Safety work is an important element of project planning.

Green progress

The issue of climate change dominated many media until it was overshadowed by the economic downturn. But it is not forgotten. On the contrary, the environment and improving the living conditions on our planet are an obvious priority for us. We notice clearly how important our green expertise is to our most demanding customers. In some U.S. cities and states, builders are already required to meet strict environmental standards.

When the market rebounds, the demand for energy-efficient solutions will be further accentuated. We will continue to build up our environmental know-how and will be prepared for the upturn.

Our ambition is to be the leading green project developer and contractor in our markets. This is important, and it is the right thing to do – both from a business standpoint and in a societal perspective.

Thanks to our international experience, which we have gathered into a green toolbox, we can make a difference to the environment at a global level. Our green construction projects span numerous geographic markets. Environmental problems recognize no boundaries, and our local efforts have a global impact.

Skanska's strong environmental profile gives us an advantage and a unique position among our customers. It also makes our current employees proud and increases our attractiveness to future employees.

Bright spots despite lower volume

During 2009, construction volume will decline in most markets. The boom years are past, this time around. The market is shrinking, competition for projects is getting tougher and funding opportunities are becoming harder to find. At the same time, competitors with weak finances will be vulnerable to the increased pressure.

Yet among all the warning signals, we still see some bright spots. The prices of materials and land, which climbed rapidly for years, have begun to fall. And the stimulus packages that the governments of many countries have introduced will have an impact late in 2009 and in the following years. This will hopefully both help boost investments in public sector amenities and stabilize the credit market, so that it will be possible for our customers to finance their projects.

But it is still too early to declare an end to the emergency. We learned from 2008 that both rapid and surprising changes do happen. This is why we need to continue to protect the Company and safeguard our margins, staying focused on cash flow and responding quickly to every change in the market.

We will have a tough year in 2009. But we are staking our future on our dedicated employees, financial strength and strong brand. Together, all this gives us a strong position that will bear fruit.

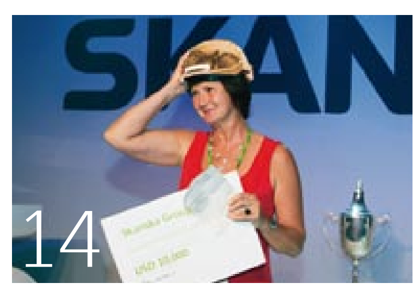
Solna, March 2009

Johan Karlström,
President and CEO

In the "Group overview" section

Efficiency and profitability
Construction and project development are complex businesses. Most projects are unique and local, as are the players who are involved.

Green construction is booming
Greener products and services as well as sharply reduced greenhouse gas emissions are cornerstones of Skanska's initiative to become the globally leading green company in project development and construction.



Human resource development a high priority
Good managers are a crucial factor behind both earnings and performance as well as for professional development of employees.

Efficiency and profitability

Construction and project development are complex businesses. Most projects are unique and local, as are the players who are involved. Market conditions also vary between countries and regions.

Skanska's organization is based on local units in a global network. The overall goal is that every project shall be profitable and be implemented in keeping with Skanska's values, as expressed in five qualitative targets (the Five Zeros): Zero loss-making projects, zero work site accidents, zero environmental incidents, zero ethical breaches and zero defects.

Skanska's core businesses

Skanska operates in four business streams.

Construction

This business includes construction of non-residential and residential buildings as well as civil construction projects. It is Skanska's largest business stream, performing construction assignments for external customers (91 percent) as well as for Skanska's development business streams (9 percent). Operations are conducted in selected home markets – Sweden, Norway, Finland and Estonia, Poland, the Czech Republic and Slovakia, the United Kingdom, the United States and Latin America. Skanska attaches special importance to metropolitan regions, which often demonstrate higher growth than their respective country as a whole. Skanska offers many of the products and services that are needed in growing cities – workplaces, schools, hospitals, sports and leisure facilities, as well as housing and infrastructure for transportation, energy, water and more. In individual markets, Skanska operates today in certain segments, but by taking advantage of its collective expertise, the Group can enhance its opportunities for growth and higher earnings in these markets.

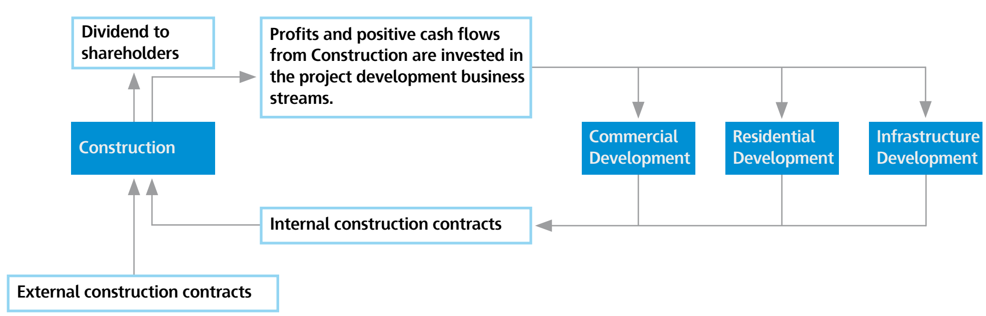
Residential Development

Skanska initiates and develops residential projects for sale primarily to consumers. It operates in selected markets where Skanska has a permanent presence – Sweden, Norway, Denmark, Finland and Estonia as well as the Czech Republic and Slovakia. Skanska is one of the leading residential developers in the Nordic region. Operations focus primarily on small and medium-sized residential units in attractive locations. Nordic operations are gathered in one business unit, Residential Development Nordic. In the Czech Republic and Slovakia, the local construction business unit carries out residential development through a specialized division.

Commercial Development

Skanska initiates, develops, invests in, leases and divests commercial real estate projects, with a focus on office space, shopping malls and logistics properties in Sweden, Denmark, Finland, Poland, the Czech Republic and Hungary, with a focus on major cities. These selected markets are expected to offer a continuous flow of tenants and investors, the latter as buyers of completed projects.

Synergies at Skanska
Skanska's four business streams create operational and financial synergies. How the financial synergy works: Cash generated by profits and positive cash flow in our Construction business stream is invested in our development business streams. The development streams then generate additional profits and new work for Skanska's Construction stream. This creates increased value for our shareholders.



Mission

Skanska's mission is to develop, build and maintain the physical environment for living, traveling and working.

Vision

Skanska shall be a leader in its home markets – the customer's first choice – in construction and project development.

Goals

Skanska's overall goal is to generate customer and shareholder value. Projects are the core of Group operations, and value is generated in well-implemented and profitable projects.

Skanska will strive to be a leader, in terms of size and profitability, within its segments in the home markets of its construction business units, focusing on "Outperform" margins and cash flow.

Skanska shall be a leading project developer in local markets and in selected product areas such as residential, office, retail and selected types of infrastructure development projects.

The Group's financial targets are described on page 10.

Infrastructure Development

Skanska develops, invests in, manages and divests privately financed infrastructure projects, for example roads, hospitals, schools and power generating plants in the Group's home markets.

Collaboration creates leverage

Business units of the Skanska Group specialize in project develop or construction but often collaborate in specific projects. This strengthens the Group's customer focus and creates the prerequisites for sharing of best practices, while ensuring efficient utilization of the Group's collective competence and financial resources. To take further advantage of synergies and bring together the Company's expertise, a number of support services are available to all units.

These include the Skanska Knowledge Center, which gathers information on the Group's intranet about approved processes for certain types of projects, other recommended methods and various collaboration networks.

Meanwhile specialization reduces risks in the project development process, yielding a positive impact on project quality and profitability as well. Specialization and collaboration thus leverage both earnings potential and the ability of the Group to satisfy the needs of its customers.

Size provides competitive advantages

Being a market leader positions Skanska well with the most demanding customers. Its position also provides access to the best suppliers, which can live up to Skanska's promises to customers regarding timely project delivery and quality as well as safety and ethics. Skanska's size gives it an advantage in the most complex assignments, where it uses its collective experience and know-how to meet the demands of customers. Only a few companies can compete for the type of projects where, aside from price, comprehensive solutions and life-cycle costs are of crucial importance. The Group's size and international profile are also attractive qualities in the recruitment of new employees.

Nordic coordination

There is great potential for improving the productivity of construction projects. Skanska has taken various initiatives to standardize products and execution as well as improve planning. Skanska Xchange is a pan-Nordic project aimed at improving efficiency through a higher degree of standardization and prefabrication in residential construction.

The Group is coordinating factory production of building elements in a unit called Skanska Industrial Production Nordic in order to increase economies of scale. Starting in 2009, Building Information Modeling (BIM) – a computer-based method for detailed planning, coordination and more efficient execution – shall be used in Skanska's "design-build"

Skanska's strategy for achieving its operational and financial targets is:

- to focus on its core businesses in construction and project development
- to be an international company, with a leading position in selected home markets
- to execute all projects with zero defects according to the customer's expectations
- to recruit, develop and retain competent employees and to take steps to achieve increase diversity
- to identify and systematically manage risks
- to be a leader in the development and construction of green projects
- to be an industry leader in sustainability, particularly in occupational safety and health, ethics and the environment
- to capitalize on urbanization trends and take advantage of the Group's know-how and experience as a city builder
- to take advantage of the existing potential to coordinate the Group's purchasing
- to take advantage of the efficiency gains that can be achieved through greater industrialization of the construction process

One Kingdom Street at Paddington-Central in London utilizes both geothermal heat and solar panels to reduce its climate impact.

projects, in which Skanska is responsible for both design and construction. Greater standardization is also improving Skanska's potential for utilizing the savings potential of its corporate-level purchasing efforts.

Both a local and a global player

The Group's operations are based on local business units, which have good knowledge of their respective markets, customers and suppliers. These local units are backed by Skanska's brand, financial strength and Groupwide expertise. Skanska is thereby both a local construction company with global strength and an international builder and project developer with strong local roots. The organization works in a decentralized but integrated way, based on common goals and values. The Group's extensive network enables it to offer its global know-how to customers at the local level.

Skanska's strengths

Employees

Skanska's skilled, dedicated employees combine expertise with the Group's overall focus on sustainable development in order to successfully deliver projects to customers. The Group's ability to transfer knowledge between different geographic markets also contributes to its strength.

Brand

Skanska's brand has been built up during more than 120 years of working in many different countries. One element of the brand is the Group's Code of Conduct, which includes policies on employee relations, health and safety, the environment and business ethics.

Financial strength

Financial strength is an important factor in maintaining the confidence of customers and capital markets in Skanska. It also enables the Group to invest in project development and assume responsibility for and invest in major privately financed infrastructure projects.

Talent management vital

A good reputation is an important factor in attracting the best employees. To achieve its long-term goals, Skanska must ensure the supply of future managers both for its projects and for other parts of the organization.

Identifying and developing the leaders of tomorrow is a core activity for both local units and the Group. For this reason, Skanska continuously measures and assesses the performance of employees with leadership potential. A substantial proportion of executive time and resources is devoted to management development (see page 14).

To increase Skanska's attractiveness and create a closer affinity between employees and the Company, effective in 2008 it introduced a new long-term shareholding program, the Skanska Employee Ownership Program (SEOP), for all permanent employees. The program is continuing, and new and former employees can gradually join SEOP. Meanwhile Skanska is broadening its recruitment base by attaching greater importance to increasing the diversity of its workforce in terms of gender, ethnicity and educational background.

Risk management procedures

Construction work involves technical, legal, financial, employee, safety and environmental risks. The ability to identify and manage these risks is crucial to the Group's success and thus an important prerequisite for achieving its strategic goals. Unforeseen risks may have a substantial adverse impact on earnings. This is why the Group's risk management system is of key importance (see page 11).

Laying the groundwork for profitability

Skanska's earnings are achieved through well-implemented, profitable projects. The right market, the right projects and the right project managers are fundamental to success. The groundwork is laid by the Group's strategic planning, which identifies selected markets and

Improved safety and health are high priorities. Safety efforts should begin in the planning stage of every project. Recurring job site visits with a special focus on safety and health are part of the duties of all managers. In the photo, Skanska's President and CEO Johan Karlström (center) visits kvarteret Snöflingan (the Snowflake block), a residential and hotel project near downtown Stockholm.

Skanska's key stakeholders

- Customers
- Employees
- Shareholders
- Media and general public
- Suppliers and subcontractors
- National, regional and local government agencies
- Local residents
- Voluntary organizations

All construction projects in a community have an impact on people and environments. As a responsible company, Skanska contributes to social development, generates value and satisfies the interests of different groups.

segments. Skanska continuously builds up knowledge of its customers through a permanent presence in these markets. It ensures a highly skilled project organization by means of local and Groupwide talent management programs. Planning and execution of new projects are based on the Group's extensive knowledge and experience bank, which has been accrued from projects around the world.

Profitability, safety, ethics and the environment

Skanska must act in ways that are sustainable and responsible in the long term and meet the demands of shareholders, customers and employees, as well as society at large. Skanska's aim is to ensure that all projects will be profitable and will also be implemented without environmental incidents, work site accidents, ethical breaches or defects. Skanska's success in achieving them will be measured by a Customer Satisfaction Index.

The market- and customer-specific expertise of local units, combined with Skanska's corporate business and control systems, the Group's Code of Conduct and common risk management system, provide support for achieving both financial and qualitative targets.

Green construction

Skanska works actively to minimize climate change and intends to become a leader in environmentally responsible and energy-efficient construction. The goal of the "green construction" initiative is to develop economically attractive green solutions for Skanska's customers. The Group's expertise and know-how in green construction have been gathered and made available in The Green Toolbox, which was developed during 2008. The demand for green solutions is increasing, and the initiative will give Skanska's local units competitive advantages.

The ambition, internally as well as externally, is to develop processes and products that increase energy efficiency and reduce greenhouse gas emissions, without being more expensive.

New initiatives in 2008

Skanska took new initiatives aimed at strengthening its competitiveness by improving productivity, quality, the environment and employee recruitment and by taking steps to increase Nordic coordination.

Green products and services are being developed and marketed. Customers in all markets can benefit from Skanska's global green expertise and its Green Toolbox.

Building Information Modeling (BIM) is being used in all design-build projects to streamline the entire construction process, from design and planning to purchasing and execution.

"Zero defects" is being introduced as one of Skanska's qualitative targets, with the aim of strengthening profitability as well as customer focus and customer satisfaction. A Customer Satisfaction Index is becoming a Groupwide measurement instrument.

Skanska Industrial Production Nordic is a pan-Nordic unit for creating greater efficiency and economies of scale by bringing together factory production of building elements.

Risk management is being strengthened with the help of an internal panel of experts that reports to the Senior Executive Team. Its task is to examine and evaluate new potential projects as well as analyze technical risks, in addition to the other analyses that precede a project tender.

In its second round, the Global Trainee Program has been expanded to 22 participants. The program is designed to attract and recruit employees with different educational backgrounds, gender and ethnicity.

A pan-Nordic information technology unit is being created to increase synergies by standardizing, centralizing and customizing systems and tools in the Nordic countries.

Purchasing work is being gathered in a new pan-Nordic unit that also includes Group purchasing activities. The aim is achieve greater leverage in purchasing by coordinating this work at the Nordic and Group levels.

Skanska Xchange – a pan-Nordic development project aimed at reducing the costs of residential construction – is launching a number of pilot projects in the Nordic countries.

The new headquarters of the international engineering consultancy ÅF in Solna, near Stockholm. The building is so energy-efficient that it is one of the first in Sweden to achieve the European Union's GreenBuilding classification.

Financial and qualitative targets

Skanska's financial targets exceed industry norms in its respective geographic markets and specific segments. "Outperform" targets at each business unit provide the basis for incentive systems in the organization.

Operating margin in Construction
Rolling 12 months

Operating margin

The operating margin is an important yardstick of performance in the Construction and Residential Development business streams. Margins are dependent on what type of business is being carried out, and they may also vary between different geographic markets. The "Outperform" targets for individual markets are weighed together into one target for an entire business stream.

Working capital

The Construction business stream has a target of operating with negative working capital, with the target defined as average working capital in the latest five quarters divided by rolling twelve month revenue.

Return on capital and equity

Commercial Development, Residential Development and Infrastructure Development – where Skanska invests in project development – have targets for return on capital employed. The target for adjusted return on capital employed in Commercial Development and Infrastructure Development includes changes in market value but excludes currency rate effects. Commercial Development also has a long-term target based on value creation: accrued unrealized development gains after subtracting the costs of the development organization. For the Group, there is a target for return on equity.

Qualitative targets – the 5 zeros vision

In addition to financial targets, Skanska has also adopted qualitative targets. Some of these stipulate specific levels to be achieved in a given year, while others have absolutely zero tolerance – for example, "zero ethical breaches." The targets are based on the vision that operations shall take place with:

- zero loss-making projects – by avoiding loss-making projects and unacceptable financial risks and selecting projects carefully
- zero work site accidents – by guaranteeing safety at and around job sites for employees as well as subcontractors, suppliers and the general public
- zero environmental incidents – by carrying out projects in ways that minimize environmental impact
- zero ethical breaches – by zero tolerance toward all anti-competitive activities
- zero defects – leading to better final results and greater customer satisfaction

In addition to the five zeros vision, there are also management development targets.

Remuneration connected to financial and qualitative targets

At Skanska many employees are covered by some form of flexible salary elements or bonus. Total remuneration can be divided into fixed salary, flexible cash remuneration and the Group's long-term incentive program, based on shares. (See Note 37, page 127.) The allocation from the latter two components is based on how well Skanska's financial targets have been met. The requirements in the Group's financial target plan have been broken down in such a way that every project, district, region etc. has targets that support Skanska's overall ambitions. If qualitative targets are not met, any flexible remuneration based on financial targets may be reduced. In all, such remuneration may be reduced by up to 50 percent if none of the qualitative targets is achieved.

Capital structure

Capital requirements vary between business operations. Skanska's construction projects are mainly funded by customers. This enables the Company to operate with negative working capital in its Construction business stream. However, the equity requirement for a construction company is substantial. This requirement is related to its large business volume and to the risks inherent in the various types of assignments it carries out. Skanska must also take into account the financing of goodwill and the performance guarantees required in publicly procured projects in the U.S. market.

The ambition is to invest net cash surplus in the Group's development business streams – Residential, Commercial and Infrastructure Development. Liquid assets not being utilized are invested in such cash equivalents as government bonds, bank or corporate bonds with no lower than a BBB rating.

Financial "Outperform" targets, 2008 (excluding currency rate effects)

	Group[1]
Return on equity, target, %	21.0
Return on equity, outcome, %	17.3

	Construction[1]	Residential Development[1]	Commercial Development[2]	Infrastructure Development[3]
Operating margin, target, %	3.5	10.4		
Operating margin, outcome, %	2.8	–2.9		
Working capital, target, USD bn	–1,59			
Working capital, outcome, USD bn	–1,89			
Return on capital employed, target, %		15.5	11.7	18.0
Return on capital employed, outcome, %		–3.1	12.6	16.2
Value creation, target, USD M			90.6	
Value creation, outcome, USD M			122.5	
Investments, target, USD M				90.6
Investments, outcome, USD M				116.0

1 Outcome is calculated excluding currency rate effects. The figures shown are calculated using outcome in local currency with exchange rates on September 30, 2007, which were used in calculating targets.
2 Including unrealized development gains and changes in market value.
3 Including unrealized development gains and changes in market value but excluding currency rate effects.

Long-term financial "Outperform" targets

	Group
Return on equity, %	20.0

	Construction	Residential Development	Commercial Development	Infrastructure Development
Operating margin, %	4.0	12.0		
Return on capital employed, target, %		18.0		16.0[1]
Value creation, SEK M per annum			500–700[2]	
Corresponding to value creation, USD M per annum			65–90[2]	

1 Including unrealized investment gains and changes in market value, excluding currency rate effects.
2 Accrued development gain minus expenses in the development organization, based on annual gross investments of SEK 4–5 billion (corresponding to USD 520–650 M).

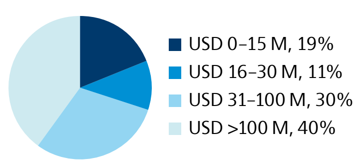
Risk management procedures

Risk management is one of the cornerstones of Skanska's success. The Senior Executive Team (SET) is responsible for managing strategic risks, for example of a political, social or macroeconomic nature.

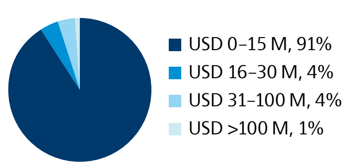
By focusing on selected home markets, Skanska's local business units become thoroughly familiar with each market and can analyze them continuously. These analyses are an integral element of the SET's work. Construction investments in a country normally follow the trend of GDP, with a time lag of one to three quarters. The amplitude of these fluctuations varies between different markets but is generally larger for construction investments than for GDP. On average, changes in construction investments in Skanska's markets are estimated at 2.5 times the change in GDP. Economic cycles are not the same in all markets and segments. Some are more volatile than others. Skanska works in many markets and in many segments for both public sector and private customers, which reduces the risk to its overall business.

Order backlog USD 18.4 bn

Project size



Number of projects



Operational risks

The construction business is largely about risk management. Practically every project is unique. Size, shape, environment – everything varies for each new assignment. The construction industry differs in this way from a typical manufacturing company that operates in permanent facilities and with long production runs.

Projects are Skanska's primary source of revenue. The Group's profitability is dependent on the earnings of individual projects. Unforeseen risks can cause losses. One characteristic of the construction business is that risks and opportunities are not symmetrical. A well-executed project can mean that the margin in the project may increase by one or more percentage points. A large loss-making project, however, may have a considerably larger adverse impact on earnings.

In the construction business, operational risks are substantially higher than financial risks. The Company's ability to foresee and manage business risks is crucial in achieving good earnings. Projects are accounted for using the percentage of completion method. This means that earnings are recognized as costs are accrued. Each project is evaluated on a quarterly basis, with adjustments in the percentage of completion being made for any changes in the estimated project completion cost.

Estimated losses in ongoing projects are recognized in their entirety on the date the estimate is made. A loss-making project that previously reported a profit must expense all previously recognized profit. The entire estimated loss must also be recognized on the same occasion. If no further changes occur, the project will then recognize zero gross income during the remainder of the construction period.

Uniform risk management procedures

Well-implemented identification and management of risks and opportunities during tender preparation lay the groundwork for successful projects. Skanska uses a Groupwide system for identifying and managing potential risks, the Skanska Tender Approval Procedure (STAP) and the Operational Risk Assessment (ORA). It evaluates construction projects during tender preparation with regard to technical, legal and financial risks. It also analyzes a number of general "public exposure" issues – among them ethical, social and environmental aspects. During the execution period, it monitors and updates these issues as the project progresses.

Analyses of earlier loss-making projects indicate that such factors as improper

Skanska Tender Approval Procedure (STAP)

Activity	**Pre-ORA* evaluation** ▪ Within Skanska's core competency? ▪ Are there project resources? ▪ Right customer? ▪ Special risks to manage? *ORA – Operational Risk Assessment	**Draft of tender (ORA)** ▪ Risk management ▪ Calculations ▪ Human resources	**Final tender** ▪ Preparation ▪ Submission	**Execution according to contract** **Monitoring and control** ▪ Financial outcome and forecasts ▪ Technical issues ▪ Timetable ▪ Feedback to ORA
Responsible	Business unit	Business unit	Business unit	
Decision	**Go further? Abstain?**	**Submit tender? Abstain?**	**Contract negotiations**	
Responsible	Business unit/ Senior Executive Team	Business unit/Senior Executive Team/Board of Directors	Business unit	Business unit/Senior Executive Team/Board of Directors

choices related to staffing and geographic location are often behind poor outcomes. Experience also shows that initial profitability problems tend to worsen rather than diminish over time.

The ORA process means that the preparation of tenders is systematized. Possible new projects are analyzed in light of the core strengths of business operations, in terms of expertise, geographic market, contract types and contract size as well as available project resources. This core competence has been mapped for each local unit. Potential projects must match the established expertise profile of a unit.

The business unit carries out a risk assessment and identifies specific measures for limiting risks. Then the unit, in some cases after approval by the Senior Executive Team, decides whether a tender should be submitted. To further improve the quality of tender evaluation, in 2008 Skanska created a group of experts, the SET Risk Team (SRT), whose main task is to prepare and evaluate the proposals submitted to the Senior Executive Team for decisions.

The Skanska Financial Service, a support unit, is also used for evaluating financial risks related to credit risks, payment flows, customers, subcontractors and joint venture partners. Skanska's risk management system does not imply avoidance of all risks, but instead aims at identifying, managing and pricing them.

In all types of major projects that continue over a long period, Skanska conducts regular follow-up of its risk assessment. The SET carries out quarterly reviews of a number of projects, which altogether are equivalent to about one third of total construction volume, and performs similar monitoring of loss-making projects and those projects deemed to involve special risks.

Risks related to material prices

In Skanska's operations there are many different types of contractual mechanisms. The degree of risk associated with the prices of goods and services varies greatly, depending on the contract type. In cases where Skanska works on a cost-plus basis, any price increases are passed directly to the customer. In assignments for public sector customers, Skanska often has fixed-price contracts. Certain contracts contain indexing clauses that allow an upward revision of the contract value, equivalent to price increases.

Financial risks

Foreign exchange risks

Project revenue and costs are normally denominated in the same currency, and transaction risks from exchanges between different currencies are thus limited. Known and budgeted financial flows are hedged. The foreign exchange risk that arises because portions of the Group's equity are invested long-term in foreign subsidiaries is normally not fully hedged, but to some extent, Skanska hedges its equity in markets/currencies where it has a relatively large proportion of its equity invested.

At the end of 2008, about 30 percent of the equity in Skanska's American, Norwegian, Polish and Czech subsidiaries was currency hedged. Investments in development business streams are hedged, since the intention is to sell these assets over time.

Interest rate risks

Interest rate risk is the impact on earnings arising from a change in interest rate. Interest-bearing assets currently exceed interest-bearing liabilities. This means that net financial items are adversely affected by an interest rate cut.

At year-end 2008, the average interest refixing period for interest-bearing assets, USD 1.96 billion, was 0.1 (0.1) years and on interest-bearing liabilities excluding pension liabilities, USD 0.36 billion, it was 0.6 (0.5) years. The size of Skanska's interest-bearing pension liability, USD 0.40 (0.17) billion, is largely connected to the interest rate on long-term central government debt. An increase or decrease in long-term interest rates leads to a decrease or increase in pension liability. Such changes are recognized directly in the equity of the Group (see Note 28, page 114).

Refinancing risks and liquidity

Refinancing risk is the risk caused by lack of liquidity or by difficulty in obtaining or rolling over external loans. At year-end 2008, the Group's unutilized credit facilities totaled USD 1.15 billion (1.14) and the average maturity of the borrowing portfolio, including the maturity of unutilized credits, was 5.5 (6.5) years.

Risks related to financial turmoil

Due to the turmoil in the world's financial markets, during the autumn of 2008 all of Skanska's business units carried out a special review of the potential risks that may arise due to the financial problems of customers, suppliers or other partners. The review did not result in the identification of any unknown risks, but it is clear that there is a heightened general risk that certain customers, suppliers or other partners will be unable to fulfill their contractual obligations to Skanska.

Impact on the Group of a change in USD against all currencies

USD bn	+/–10%
Revenue	+/–1.54
Operating income	+/–0.05
Equity	+/–0.20

The above sensitivity analysis shows in USD the Group's sensitivity to a 10 percent unilateral change in USD against all currencies.

Interest-bearing liabilities and assets

USD bn	Dec 31, 2008	Dec 31, 2007
Interest-bearing gross liabilities	–0.8	–0.7
Cash and cash equivalents and interest-bearing receivables	2.0	3.0
Interest-bearing net receivables	1.2	2.3

Sensitivity of pension obligation to change in discount rate

USD M	Sweden	Norway	U.K.	Total
Pension obligation, December 31, 2008	615	311	542	1 468
Discount rate increase/ decrease of 0.25 percent[1]	+/–25	+/–15	+/–25	+/–65

1 Estimated change in pension obligation/pension liability if the discount rate changes. If pension liability increases, the Group's equity is reduced by about 75 percent of the increase in pension liability, after taking into account deferred tax and social insurance contributions.

Green construction is booming

Greener products and services as well as sharply reduced greenhouse gas emissions are cornerstones of Skanska's initiative to become the globally leading green company in project development and construction.

The demand for green construction is increasing in many of Skanska's markets. In the United States, for example, about 40 percent of the population already lives in cities that have introduced specific environmental requirements for new buildings. And all customers in the healthcare and higher education sectors, as well as various real estate developers, only want green projects.

Being a green builder gives Skanska a clear advantage in winning contracts. It also has a positive effect on recruiting and human resource development. Employees are proud of green projects and of being able to contribute to an enhanced environment on our planet.

Skanska's goal is to become the world leader in green project development and construction. The aim is to develop economically attractive green solutions for Skanska's customers. Since its green construction initiative began in late 2007, the Company has catalogued its green expertise in all business units. It is marketing green solutions and developing new green products and services for customers.

Tools for suitable solutions

The extensive green expertise that Skanska has put together is now documented and easily accessible in the Green Toolbox, which was launched on the Company's intranet at the beginning of 2009. The Green Toolbox is a knowledge bank that presents more environmentally advantageous solutions in many areas that can be used successfully in Skanska's projects. In this way, customers in all markets can benefit from Skanska's global expertise.

Skanska offers green products as well as services and processes that enable it to deliver green projects. It is also intent on collaborating more closely with customers at an earlier stage in order to better understand and be able to satisfy their needs. In this way, Skanska can help customers achieve their goals, which may include improving energy efficiency, reducing emissions and obtaining green certification. In many cases, these solutions will also result in cost savings for customers – either through alternatives that directly lower the cost or through solutions that are cost-effective in the long term. The latter may apply, for example, to energy-efficient solutions that sometimes entail a somewhat higher initial cost.

The Green Toolbox is a Group-wide tool, a green knowledge bank, but obviously the work is performed at Skanska's business units. During 2009, these units will join with the Green Construction team in drafting and implementing green construction plans for local markets. Another focus will be on developing eco-design tools and building up expertise internally. There is increasing exchange of knowledge between Skanska's various units. By sharing its green expertise across boundaries, the Group can meet the needs of customers in all markets.

While renovating the St. Lars Bridge in Linköping, Sweden, Skanska made a number of changes that improved the project's environmental profile. This included developing a slimmer concrete design, re-using local stone and manufacturing off-site pre-cast bridge units. Skanska's proposal also lowered the cost of project completion.

Human resource development a high priority

Good managers are a crucial factor for both earnings and performance as well as for the professional development of employees.

Financial market turmoil and economic downturn have led to declining volume, especially in the Nordic residential sector. Late in 2008, Skanska was thus forced to announce employee cutbacks to adjust the organization to expected lower volume. The extent of this will depend on future developments in local markets.

For the Company's future, however, the need to recruit, develop and retain employees will remain a high-priority task for both Group executives and local business units. During 2008, Skanska further refined its human resource processes and methods.

Human resources issues are always on the agenda and are among variables measured and used for assessing senior managers. The Group's profitability is dependent on the earnings of its thousands of projects, and their success is in turn dependent on employee performance.

As part of Skanska's business plan for 2008–2010, each business unit plans its recruitment needs and sets targets for employee turnover and total recruitment, as well as greater diversity and professional development activities for its personnel. This process also includes establishing guidelines on which target groups and schools to prioritize in recruitment efforts.

During 2008, Skanska launched a new Skanska Employee Ownership Program (SEOP) aimed at all permanent employees, for the purpose of strengthening their identification with the Company. During the first year of the program, 16 percent of Company employees joined SEOP. It is also possible for both new and former full-time employees to choose to join SEOP later.

Good managers a crucial factor

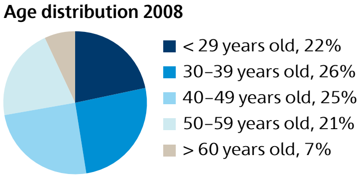
To provide a better picture of its management capacity, every year the Group conducts its Talent Review, a major evaluation of managers and a number of other key individuals in each business unit. The aim is to create a basis for continued professional development and succession planning. The survey is carried out with the help of outside experts. This review enables the Company to examine and take steps to address both individual development needs and whether a given employee is in the right position.

As part of its Great Boss concept, Skanska conducted its second annual Great Boss Index survey. This is an instrument for diagnosing organizational issues, working climate and how well units operate. Good managers are a crucial factor for both earnings and performance, as well as for the professional development of employees.

Measuring job satisfaction

For many years, all local business units have carried out employee surveys aimed at measuring job satisfaction and the need for human resource development, as well as how many people are hired and how many leave the Company, respectively. A Groupwide measurement standard has been developed to provide comparable data. The surveys have also been broadened to cover all white collar employees and certain skilled workers. The purpose is to better understand employee needs, demands and wishes and to enable Skanska to increase employee motivation to remain in the Company.

Age distribution 2008



Female employees at Skanska

%	2008	2007
Skilled workers	3	2
White collar employees	24	24
Skanska AB Board[1]	13	11
Senior executives	11	10
Total	**11**	11

1 Refers to members elected by the Annual Meeting. If employee representatives are included, women account for 21 (21) percent.

Trainee program leads to advanced positions

The second round of the Skanska Global Trainee Program has begun. The 22 new participants were selected from about 4,000 applicants from all over the world. Nearly half of those who were accepted are women or have a non-technical educational background.

To facilitate recruitment work, a Group-wide network has been created for everyone who works with these issues. This is in addition to such existing aids as the Skanska Recruitment Toolbox on the Group's intranet, where employee recruiters at business units can exchange experience and share successful strategies for increasing the influx of job applicants.

Management training

For many years, a number of employees from throughout the Group have attended the Skanska Top Executive Program (STEP), provided in collaboration with the business school IMD in Switzerland. During 2008–2009 about 50 employees are undergoing this program, which aims at developing participants' strategic thinking while helping to strengthen their affinity with Skanska and build networks between individuals and units. In addition, numerous employees with leadership potential attend advanced human resource development programs at local business units.

Greater exchanges of experience

To provide professional development and stimulation mainly for younger employees who have worked at the Company for some years, the Skanska Unlimited exchange program was launched during 2008. In this program, selected employees exchange job assignments and units for six months.

Skanska Unlimited is open to those who have built up a few years of experience in the Company. Its purpose is to stimulate both personal and professional development. While providing challenges and encouragement to selected employees, it also contributes to greater exchanges of experience between units.

Increased diversity

For many years, male engineers have been the dominant employee category at Skanska. To harmonize with society at large and with its own customer profile, Skanska needs to increase the diversity of its workforce in terms of educational or occupational background, gender and ethnicity. This enriches the Company by adding experience from other industries, academic disciplines and cultures, while increasing its recruitment base for future managers. This is why Skanska is also seeking future employees outside the traditional ranks of male engineers.

This also means that the Group will be less dependent on recruiting new engineering graduates, who will be a shrinking resource in the future relative to the overall needs of the business sector. Skanska also attaches great importance to recruitment and professional development of employees with ethnic backgrounds other than the majority group in each respective market.

Diversity in management positions

To meet its requirements and achieve a more even gender balance, Skanska needs more women at all levels, especially in line positions. A number of women are working at project manager level, but the proportion of women in management positions is still very low. To provide encouragement, support and professional development for women, Skanska is creating a new mentor program that will start during the spring of 2009. Business units will identify a number of women who will join the program.

Skanska USA has established a special council to stimulate greater diversity – laying the groundwork for increased cultural diversity as well as developing, counseling and supporting both managers and other employees in this field.

International trainee program

The first such program concluded during 2008, and its 13 participants now hold advanced positions at Skanska units in their respective home countries.

During 2008, Skanska recruited participants for the second round of its Global Trainee Program, and 22 new trainees began the program.

About 4,000 people applied for this year's Skanska Global Trainee Program. Of the 22 who were accepted, 41 percent are women and 41 percent have an educational background other than graduate engineering.

Each year some of Skanska's top-performing employees are honored with the Golden Hard Hat Award, established in 2005. They are individuals who not only meet but surpass "Outperform" targets. The 2008 winners were Ulrika Dolietis, Skanska Sweden (pictured); Ulf Jonsson, Skanska Sweden; Tom Schmidt, Skanska ID; Reijo Möttönen, Skanska Finland; and Curt Burks, Skanska USA Building.

Employee turnover

A certain degree of employee turnover is not only unavoidable but also desirable. Many companies compete for both new university-level graduates and experienced employees. One challenge is to achieve a good balance in age distribution. Today numerous Skanska employees are over 50 years old. If the share of employees in the 30–40 age range is too small, this may limit the supply of candidates for the next generation of managers.

Employee retention efforts

Due to the Company's age structure, many employees will reach retirement age in the next several years. One major challenge is to bridge the generation gap and ensure transfer of knowledge between experienced employees approaching retirement and younger employees who will assume leadership roles.

In Skanska's Norwegian operations, a number of employees above age 60 with at least five years working in the Company have been offered individual solutions that enable them to keep working. The aim is to utilize their experience, for example by letting them mentor younger employees.

Keeping the expertise in projects

It is vital both to Skanska's operations and to individual employees that there are opportunities to pursue a career at the same time as expertise can be kept in projects.

In Sweden, for example, managers of large projects enjoy the same status as senior managers in terms of salary, title and level in the organization.

In the Czech Republic, Skanska also applies a system that enables project managers to pursue a career while remaining in production.

Share data

The overall market capitalization of Skanska amounted to USD 4.17 billion at the end of 2008.

Skanska's Series B shares are quoted on the NASDAQ OMX Stockholm and traded under the SKA B symbol in round lots of 200 shares. Current price information is available at www.skanska.com/investors, in the Reuters system under the SKAb. ST symbol and in the Bloomberg system under the SKAB SS symbol. At the end of 2008, a total of 423.1 million shares were outstanding, with a quota value of SEK 3 per share (corresponding to USD 0.39 per share). Of shares outstanding, 22.5 million were Series A shares with 10 votes apiece, 396.1 million Series B shares with one vote apiece and 4.5 million Series D shares with one vote apiece. Series D shares are held by Skanska, which may not exercise its voting right. Of outstanding Series B shares, Skanska repurchased 2.8 million shares (see also Note 26, page 111). Of shares in circulation, Series B shares accounted for 93.6 percent of share capital and 63.4 percent of voting power.

During 2008, Skanska shares traded on the Exchange totaled 732.7 (654.9) million, at a value of USD 10.3 (13.6) billion. Average volume per trading day was 2.9 million shares, up 12 percent from an average of 2.6 million in 2007. Trading volume during 2008 was equivalent to 173 (165) percent of the total number of Series B shares at the end of the year.

Share performance

During 2008 the market price decreased by 36.5 percent to SEK 77.50 per share (corresponding to USD 10.04 per share) as the final price paid. Skanska's overall market capitalization thus decreased during 2008 to USD 4.17 billion. The highest price paid for a Skanska share was SEK 125.50 on April 2 (corresponding to USD 16.25). The lowest price paid was SEK 53.25 on November 21 (corresponding to USD 6.90). The Stockholm all share index, or OMX Stockholm_PI (OMXSPI), fell by 42.0 percent during 2008. The Dow Jones Titans Construction Index, which includes Skanska, fell by 47.4 percent. Skanska's Series B shares are also included in the Dow Jones Stoxx 600, Dow Jones Stoxx30 Nordic, S&P Global 1200 and S&P Europe 350.

Ownership changes

At the close of 2008, the number of shareholders totaled 75, 957 (75,815). The proportion of share capital owned by Swedish shareholders increased during the year from 73.6 percent to 74.5 percent, and their share of voting power from 78.7 to 82.7 percent. Of foreign shareholders, non-Nordic European residents made up the largest group, with about 61 million shares representing more than 14 percent of share capital. At year-end, Swedish institutional owners accounted for 45 percent of shares, while 16 percent were owned by Swedish private individuals. AMF (AMF pensionsförsäkring AB and AMF pension funds) has the largest proportion of share capital, 7.8 percent, and 5.3 percent of total voting power. Industrivärden has the largest proportion of voting power, 26.8 percent, and 7.3 percent of total share capital. The "free float" in Skanska's shares is regarded as making up 100 percent of the number of Series B shares outstanding.

Dividend policy

The Board's assessment is that Skanska AB has the capacity to pay out 50–80 percent of profit for the year as dividends to the shareholders, provided that the Company's overall financial situation is stable and satisfactory.

Dividend

The Board proposes a regular dividend for the 2008 financial year of SEK 5.25 (5.25) per share (corresponding to USD 0.68 [0.80] per share). The previous year, Skanska also paid an extra dividend of SEK 3.00 per share (corresponding to USD 0.46). The dividend for 2008 totals an estimated SEK 2,183 M (3,453) (corresponding to USD 282.7 M [524.0]). No dividend is paid for the Parent Company's holding of its own Series B shares. The total dividend amount may change by the record date, depending on repurchases of shares and transfers of shares to participants in Skanska's long-term Share Award Plan for 2005.

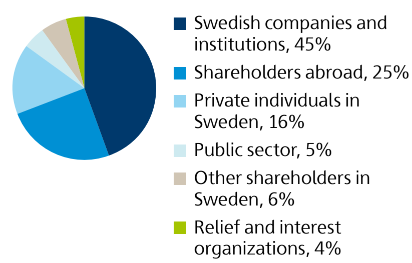
Total return

The total return of a share is calculated as the change in share price, together with the value of reinvested dividends. During 2008, total return on a Skanska share amounted to –31.9 percent, The Exchange's SIX Return Index fell by 39.0 percent during 2008. During the five-year period January 1, 2004 to December 31, 2008, total return on a Skanska share amounted to 59 percent. During the same period, the SIX Return Index rose by 25 percent.

Share ownership program

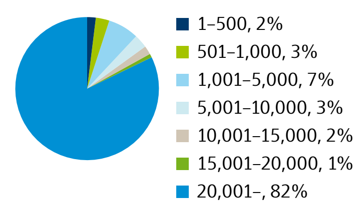
The Skanska Employee Ownership Program (SEOP), intended for all permanent employees, was introduced in 2008. The program runs for three years, 2008–2010. It gives employees the opportunity to invest in Skanska shares while receiving incentives in the form of possible allocation of additional shares. This allocation is predominantly performance-based.

Share capital by shareholder category



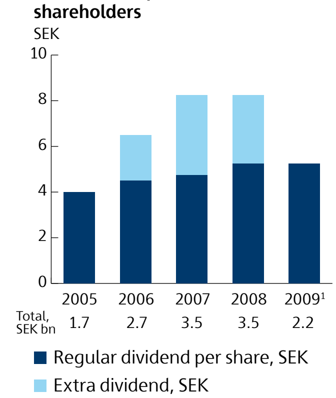
Source: Euroclear Sweden AB

Share capital by size of holdings



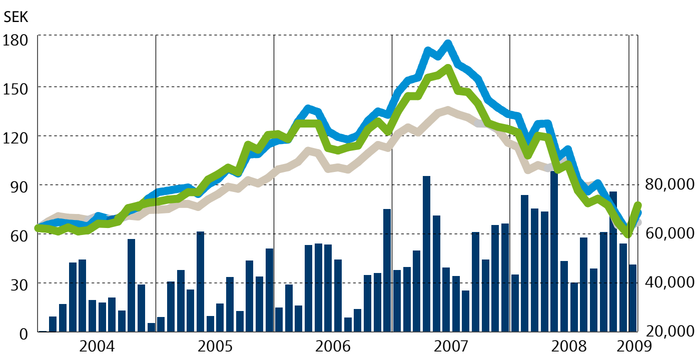
Source: Euroclear Sweden AB

Transfer of capital to Skanska's shareholders



1 Proposed by the Board of Directors.

Skanska share price movement, January 1, 2004–January 31, 2009



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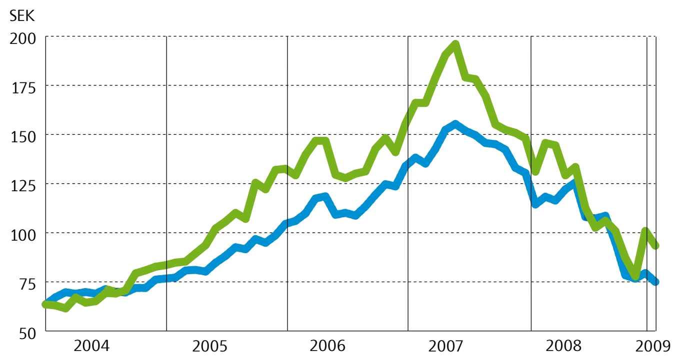
Total return of Skanska shares compared to the SIX Return Index, January 1, 2004–January 31, 2009



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Equity and adjusted equity

USD bn	2008	2007	2006
Equity attributable to equity holders	**2.5**	3.2	2.8
Unrealized surplus land value in Residential Development	**0.1**		
Unrealized Commercial Development gains[1]	**0.2**	0.5	0.3
Unrealized Infrastructure Development gains[1]	**0.7**	0.9	0.5
Adjusted equity[1]	**3.5**	4.6	3.5
Equity per share, USD	**5.95**	7.63	6.68
Adjusted equity per share, USD	**8.14**	10.90[2]	8.45[2]

1 Less 10 percent standard corporate tax.
2 Excluding surplus value of land in Residential Development.

Skanska share history

	2008	2007	2006	2005	2004
Year-end market price, SEK	**77.50**	122.00	135.00	121.00	79.75
Corresponding to year-end market price, USD	**10.04**	18.98	19.68	15.24	12.05
Year-end market capitalization, SEK bn	**32.2**	51.1	56.5	50.6	33.4
Corresponding to year-end market capitalization, USD bn	**4.2**	8.0	8.2	6.4	5.0
Average number of shares for the year, million[1]	**415.8**	418.6	418.6	418.6	418.6
Highest share price during the year, SEK	**125.50**	165.50	136.50	125.50	83.75
Corresponding to highest share price during the year, USD	**16.25**	25.75	19.90	15.81	12.65
Lowest share price during the year, SEK	**53.25**	110.25	98.50	79.00	57.50
Corresponding to lowest share price during the year, USD	**6.90**	17.15	14.36	9.95	8.69
Yield, percent[2]	**10.6**	6.8	6.1	5.4	5.0
Regular dividend per share, SEK	**5.25[3]**	5.25	4.75	4.50	4.00
Extra dividend per share, SEK	**–**	3.00	3.50	2.00	–

1 Number of shares outstanding after repurchases.
2 Dividend as a percentage of respective year-end share price.
3 Based on the dividend proposed by the Board of Directors.

Shares by category on December 31, 2008

Category	No. of shares	% of capital	% of votes
A	22,463,663	5.3	35.9
B	396,089,409	93.6	63.4
D[1]	4,500,000	1.1	0.7
Total	**423,053,072**	**100.0**	**100.0**

1 Skanska's holding.

Change in shares outstanding (millions) and share capital

Year and event	Reduc-tion	Stock dividend	New share issue	Shares out-standing	Par value of share capital, USD M
2001 cancellation of repurchased shares	–9.2	–	–	104.7	173.1
2001 split 4:1	–	314.0	–	418.6	173.1
2006 new share issue, Series D shares	–	–	4.5	423.1	174.8

The largest shareholders in Skanska AB, ranked by voting power, Dec. 31, 2008[1]

Shareholders, excluding Skanska's own holdings	Series A shares	Series B shares	% of votes	% of capital
Industrivärden	15,010,700	15,314,800	26.8	7.3
AMF Pension and AMF Pension Funds	0	32,593,317	5.3	7.8
Alecta	0	28,500,000	4.6	6.9
SHB Pension Foundation	1,600,000	2,800,000	3.0	1.1
Swedbank Robur Funds	0	16,670,796	2.7	4.0
SEB	1,466,000	50,000	2.4	0.4
SEB Funds	0	10,028,126	1.6	2.4
SHB	1,000,000	0	1.6	0.2
SHB Pension Fund	1,000,000	0	1.6	0.2
AFA Insurance	0	8,793,195	1.4	2.1
10 largest shareholders in Sweden	**20,076,700**	**114,750,234**	**51.1**	**32.4**
Other shareholders in Sweden	2,297,161	172,626,966	31.6	42.1
Total shareholders in Sweden	**22,373,861**	**287,377,200**	**82.7**	**74.5**
Shareholders abroad	**89,802**	**105,919,047**	**17.3**	**25.5**
Total	**22,463,663**	**393,296,247**	**100.0**	**100.0**

1 Not counting Series D shares (4,500,000) plus Series B shares (2,793,162) in Skanska's own custody.
Sources: Euroclear Sweden AB and SIS Ägarservice.

Major listed construction companies

	Absolute return 2008, %	Total return 2008, %	Total return 2004–2008, %	Market capitalization, USD bn[1]	Revenue, USD bn[2]	Income after financial items, USD bn[2]	Return on equity, %[2]	Return on capital employed, %[2]
ACS (Spain)	–21	–18	146	14.4	30.4	3,152	21.7	8.0
Balfour Beatty Plc. (United Kingdom)	–34	–31	51	2.6	13.4	359	31.3	26.4
Bilfinger & Berger (Germany)	–31	–28	32	2.1	12.3	318	10.9	18.7
Bouygues SA (France)	–47	–45	9	16.9	42.2	2,806	22.8	14.4
FCC (Spain)	–55	–53	–20	6.3	19.8	1,809	27.5	9.3
Ferrovial (Spain)	–59	–58	–30	7.0	20.8	949	18.8	14.0
Fluor Corp. (United States)	–38	–38	126	15.8	16.3	633	27.7	25.0
Hochtief (Germany)	–61	–60	55	3.7	23.4	714	11.4	1.4
NCC (Sweden)	–64	–59	–10	1.2	8.6	386	34.0	28.0
Skanska (Sweden)	–36	–32	59	5.2	20.5	839	21.1	25.0
Vinci (France)	–42	–40	86	23.7	43.4	3,316	18.7	8.7

1 Market capitalization on September 30, 2008.
2 Refers to 2007.
Sources: Annual and interim reports for each company, Skanska Financial Services, Datastream, Bureau of Economics.

Construction

Strong markets in Sweden, Poland, the U.S. and Latin America

New railroad hub in Prague, Czech Republic

A billion liters of drinking water per day

New technology for more efficient stadium construction

Construction, which is Skanska's largest business stream, achieved an operating margin of 2.7 percent during 2008. Earnings were affected by both negative and positive events, with the negative ones consisting of expenses for personnel cut-backs and large project-related impairment losses in a number of markets. In several markets, however, operating income improved because projects were completed with better margins than previously reported.

Skanska's construction order bookings were very good early in 2008 but ended with a clear negative trend. A focus on minimizing risks and adapting the organization to the prevailing market conditions are key issues. Skanska's strategic emphasis on boosting profitability in construction operations remains in place, and strict risk management is of vital importance for the future. The Group is thus stepping up the implementation of efforts to analyze, quantify and price risks in its operations. Greater productivity will also enable the business stream to improve profitability. One example of an efficiency-raising project is Skanska Xchange, which aims at increasing standardization in design and selection of methods and materials, thereby lowering construction cost. These efforts are aimed primarily at residential construction.

Improved planning is another element of efficiency. Computer-aided systems such as Building Information Modeling (BIM) have begun to be used in order to streamline the entire construction process, from design and planning to purchasing and execution.

The mission of the Construction business stream is to offer services in non-residential building and civil construction as well as in residential construction. The business stream also performs assignments of a service nature: construction-related service, repairs and the like as well as operation and maintenance of industrial and transportation facilities. Operations focus on serving corporate and institutional customers as well as public agencies. By virtue of its size and leading position, Skanska can undertake the largest, most complex assignments for the most demanding customers.

Construction business units also perform contracting assignments for Skanska's other business streams, which develop commercial space, residential projects and infrastructure. This collaboration generates both large construction assignments and synergies.

Order backlog, totaling USD 18.4 billion at the end of 2008, is divided among several thousand projects. Non-residential building construction accounts for 51 percent, civil construction 42 percent and residential construction 3 percent of order backlog for the business stream. The remaining 4 percent consists of services. At year-end, the part of backlog that Skanska plans to execute in 2009 corresponded to 64 percent of 2008 revenue.

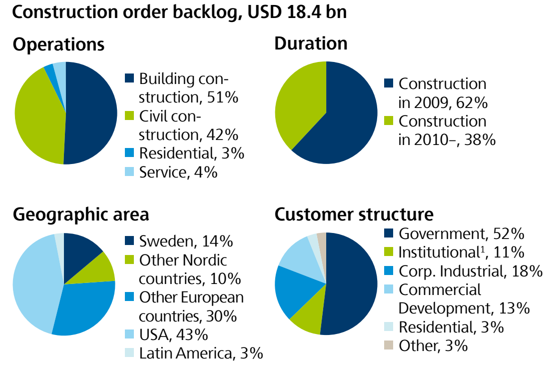
A leading builder in selected markets

The Construction business stream operates in a number of selected home markets – Sweden, Norway, Finland and Estonia, Poland, the Czech Republic and Slovakia, the U.K., the U.S. and Latin America.

In its selected markets, the Skanska Group is regarded as one of the leaders or as having the potential to

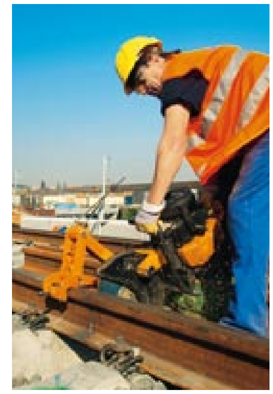
USD M	2008	2007
Revenue	**21,168**	19,127
Operating income	**571**	657
Operating margin %	**2.7**	3.4
Capital employed	**1.3**	115.6
Operating cash flow	**898**	1,299
Order bookings	**19,199**	21,216
Order backlog	**18,439**	22,712
Number of employees	**56,482**	56,482

Construction order backlog, USD 18.4 bn



1 Mainly private healthcare and educational institutions.

Every day, some 70,000 vehicles cross the Älvsborg Bridge in Gothenburg, Sweden. Built in 1966, it now has brand-new suspension cables. They are located between the two large catenary wires and continue down underneath the bridge. During 2007 and 2008, Skanska replaced 3,700 meters (over 12,000 feet) of suspension cables.



For several years, Skanska has been expanding the rail network in Prague, Czech Republic. A new hub links several lines and stations with Prague's central station. Meanwhile local transit lines are now also tied into the national network. The project, completed in 2009, encompasses 27 km (17 mi.) of track construction, including 12 bridges totaling 1.29 km (0.8 mi.) and 2.4 km (1.5 mi.) of tunnels.

become a leader in terms of size and profitability. Skanska also endeavors to be a leader in its industry in sustainable development as well as ethics, health and safety. The Group's primarily goal is to increase its profitability. Growth in its business units is prioritized only when financial targets are achieved.

Local conditions

Conditions vary between home markets, and the operations of Skanska's local business units thus differ. Some specialize in selected market segments, while others operate in a broader spectrum. The earnings of Skanska's construction units must be evaluated in light of local market conditions, the segments in which these units operate and varying contractual mechanisms.

Non-residential, civil and residential construction

Non-residential and residential building construction is generally characterized by high capital turnover, limited capital employed and low margins.

Civil construction projects are usually underway for longer periods, have a higher risk profile and are more capital-intensive. They consequently have a somewhat higher margin.

The Company's risk management processes are aimed at identifying and managing operational risks and thereby helping to ensure higher profitability. Risk analysis is carried out before deciding on a tender or commitment and then continuously during the implementation phase. This is both a matter of avoiding risks that may generate costs and of ensuring that the Company is compensated for the risks that it chooses to assume (see page 11). During 2008, Skanska's Construction units performed USD 0.48 billion worth of work for projects in the Residential Development business stream. The corresponding figure for projects in Commercial Development was USD 0.48 billion. For projects in Infrastructure Development in which Skanska is a co-owner, Construction units performed assignments worth USD 0.88 billion.

The top Nordic contractors, sales, June 30, 2008[1]

Company	Country	USD bn
Skanska	Sweden	22.7
NCC	Sweden	9.3
PEAB	Sweden	5.4
YIT	Finland	4.3
Veidekke	Norway	3.8
Lemminkäinen	Finland	3.5
MT Højgaard	Denmark	2.2

1 Rolling 12 months.
Source: Half-year reports of each respective company 2007/08.

The top global contractors[1], sales. June 30, 2008[2, 3]

Company	Country	USD bn
Bouygues	France	48.1
VINCI	France	46.8
Skanska AB	Sweden	33.5
Hochtief AG	Germany	26.1
Grupo ACS	Spain	22.7
Fluor Corporation	USA	19.4

1 Excluding Asian construction companies.
2 Rolling 12 months.
3 Including non-construction-related operations.
Sources: Half-year report 2007–2008 of each respective company.

Skanska's home markets

	GDP per capita USD thousand	Construction per capita	Construction as % of GDP
Sweden	49,011	3,554	7.7
Norway	62,052	9,794	11.9
Denmark	56,623	7,686	13.5
Finland	46,197	7,197	15.6
Poland	11,156	1,419	12.8
Czech Republic	16,618	2,659	15.9
United Kingdom	45,636	4,747	10.4
United States	45,160	4,895	7.8
Argentina	6,636	378	5.7

All figures refer to 2007. Sources: Euroconstruct, Datastream.

Project opportunities are also created by taking advantage of the Group's financial expertise. Skanska Financial Services often helps arrange financing solutions for certain types of projects.

Size provides competitive advantages

Skanska's size enables it to compete for large, complex projects for international customers with strict standards of quality and execution. In the very largest projects, which require high-level performance guarantees, few competitors can measure up to Skanska in expertise and strength. This leads to increased opportunity for higher profit margins.

Customers that operate in more than one market, such as the pharmaceutical company Pfizer and the oil and gas company StatoilHydro, can be offered the same service in all of the Group's home markets via Skanska's network of local business units.

Due to a selective approach when choosing possible projects, especially when it comes to lump-sum bidding, the Company is increasingly distancing itself from projects with low margins or projects where high risk is not offset by higher compensation. Skanska's ambition is to enlarge its share of its projects which are negotiated contracts, where customers value service as well as price. The Company's clear emphasis on its five qualitative targets, the Five Zeros, is a distinguishing factor.

Greater efficiency

One important factor in the Company's profitability is improving construction efficiency and boosting productivity. By increasing the degree of industrialization in the construction process, an ever-larger proportion of each project will be built using standardized components that have been prefabricated. This effort will take time, but success in this area will have a bearing on many parameters in the construction process. The time spent on-site will decrease, which means reduced costs. In addition, quality increases and workplace health and safety improve when more and more items can be manufactured in a factory setting instead of at the job site.

Pan-Nordic purchasing aims at economies of scale

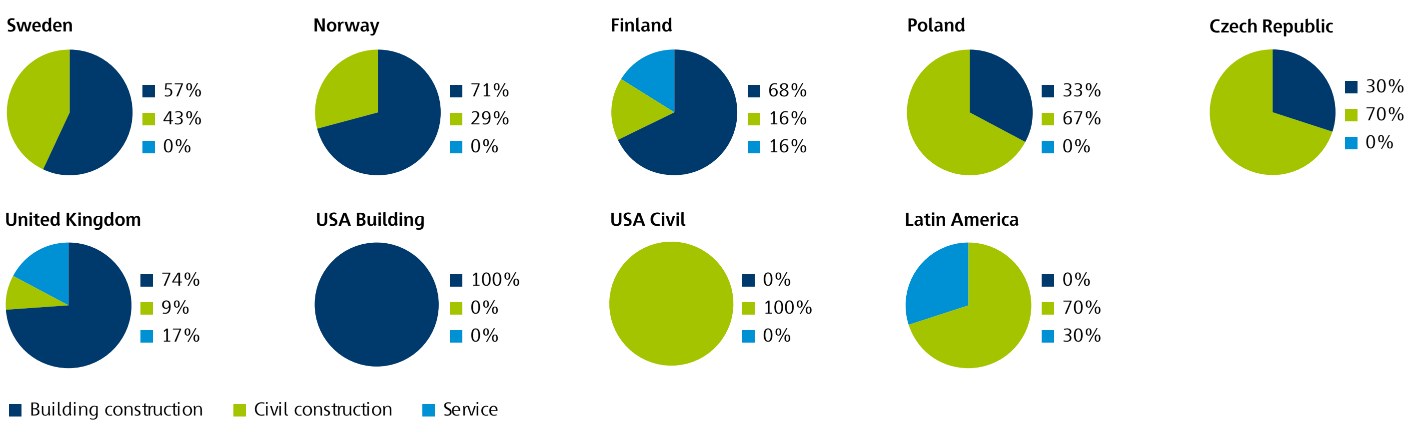
To reduce costs and take better advantages of its large size, Skanska is coordinating its purchasing work in a pan-Nordic organization. The Group's purchasing unit as well as Skanska Xchange and the purchasing organizations of the Nordic business units are part of the new Nordic purchasing organization. Purchasing work plays a key role in boosting productivity and efficiency in construction.

This effort to streamline purchasing by means of pan-Nordic coordination is expected to yield major benefits. Aside from the geographic aspect, there are various synergies in the Nordic countries, where

Business units, Construction

USD M	Revenue 2008	Revenue 2007	Operating income 2008	Operating income 2007	Operating margin, % 2008	Operating margin, % 2007	Order bookings 2008	Order bookings 2007	Order bookings/ revenue, % 2008	Order bookings/ revenue, % 2007	Order backlog 2008	Order backlog 2007
Sweden	**4,592**	4,053	**242.2**	190.0	**5.3**	4.7	**4,136**	4,336	**90**	107	**2,500**	3,430
Norway	**2,025**	1,887	**62.1**	82.0	**3.1**	4.3	**1,620**	1,963	**80**	104	**1,040**	1,734
Finland and Estonia	**1,427**	1,443	**3.5**	58.6	**0.2**	4.1	**1,014**	1,447	**71**	100	**747**	1,178
Poland	**1,156**	1,169	**62.4**	54.5	**5.4**	4.7	**1,421**	796	**123**	68	**727**	604
Czech Republic and Slovakia	**2,044**	1,688	**57.1**	70.9	**2.8**	4.2	**2,146**	1,383	**105**	82	**1,885**	1,859
United Kingdom	**2,717**	2,618	**–79.4**	45.4	**neg**	1.7	**1,984**	2,690	**73**	103	**2,894**	4,792
USA Building	**4,600**	4,022	**67.1**	43.7	**1.5**	1.1	**3,953**	5,120	**86**	127	**4,257**	4,905
USA Civil	**1,752**	1,603	**111.8**	80.3	**6.4**	5.0	**2,076**	2,616	**118**	163	**3,824**	3,500
Latin America	**853**	644	**44.0**	32.1	**5.2**	5.0	**849**	865	**100**	134	**565**	709
Total	**21,168**	19,127	**570.7**	657.4	**2.7**	3.4	**19,199**	21,216	**91**	111	**18,439**	22,712

Breakdown of order backlog, USD 18.4 bn



Skanska has a high degree of common standards and also utilizes the same materials and suppliers. The new organization also makes it easier to transfer knowledge and experience.

Percentage of completion method

Projects are accounted for using the percentage of completion method. This means that earnings are recognized as costs are accrued. Each project is evaluated on a quarterly basis, with adjustments in the percentage of completion being made for any changes in the estimated project completion cost.

By virtue of its size and leading position, Skanska can undertake the largest, most complex assignments for the most demanding customers.

Dashwood House reaches new heights

Skanska UK has completed Dashwood House near Old Broad Street in the City of London. The building underwent a total renovation, and four new stories were added. Skanska was in charge of the whole project: demolition, renovation and expansion, as well as some of the external work. Dashwood House now offers over 21,000 sq. m (226,000 sq. ft.) of prime office space and nearly 700 sq. m (7,500 sq. ft.) of retail space.

Markets

The Nordic countries

Skanska's operations in the Nordic markets – Sweden, Norway and Finland including Estonia – encompass a broad spectrum of construction services. The largest product segments in the Nordic countries consist of new construction of office buildings, industrial facilities, retail centers, hotels, homes and infrastructure facilities – mainly for the transportation sector – as well as various types of renovations and construction services.

The market for construction of commercial space, such as office buildings and shopping malls, was good in Sweden, Norway and Finland during 2008, although a slowdown occurred toward the end of the year. All Nordic construction units achieved good earnings in non-residential construction, but earnings were pulled down by one project in Norway. Several large office projects were started for Skanska Commercial Development Nordic.

The civil construction market was also good, with high public sector investments. Execution was successful except for a few projects in Norway and Finland.

The year began with a good volume of housing construction in Sweden and Finland, but during the autumn there was a significant decline in buyer interest. In Norway and Estonia, the housing markets were weak throughout the year.

Skanska's Nordic construction units carry out thousands of projects each year. Many projects are small or medium-sized, but a number of large contracts were signed during 2008. In Sweden these included the Partihall interchange in Gothenburg as well as a major expansion of the Bromma Center shopping mall in Stockholm and a new detention facility in nearby Sollentuna. An agreement on completion of the railway tunnel through the Hallandsås (Halland Ridge) in southern Sweden was signed.

Strong earnings in Sweden

Skanska Sweden exceeded its "Outperform" targets, but turbulence in the financial system and a general economic downturn led to weakening markets toward the end of 2008. The business unit thus announced that employee cutbacks will be necessary.

In Norway, the largest new contracts were for expansion of the Lambertseter shopping center and construction of the new Fornebu residential area in Oslo (the latter for the Fornebu Boligspar residential development company) and construction of new student housing in Trondheim.

In Finland, Skanska continued to build shopping centers. The latest contract was for construction of a Kesko hypermarket in Vantaa, near Helsinki. During the year, Skanska also built the Lintulahti office property in Helsinki, its first commercial development project for its own account in Finland.

Construction market developments in Estonia were hampered by the country's economic problems.

Public sector crucial in 2009

The overall Nordic construction market is expected to shrink during 2009, but the downturn can be moderated if the Nordic governments invest in upgrading public infrastructure facilities, accelerate planned projects or enact various stimulus packages. Because private investments are projected to decline during 2009, Nordic construction market developments will depend largely on public investments. Civil construction is expected to remain at a high level. In Sweden, several major projects will be tendered, for example the Citybanan commuter Stockholm and fur-

Water is one of the basic necessities. Upon completion in 2012, the Croton Water Treatment Plant in the Bronx will provide a billion liters, 290 million gallons, of fresh drinking water – per day. That's about ten percent of New York City's need of drinking water. The contract is valued at USD 1.3 billion and is Skanska's largest order to date in North America. The customer is the New York City Department of Environmental Protection.

ther phases in the Norra Länken (Northern Link) highway in Stockholm.

In Norway, non-residential construction will be weak but there is growing interest in green construction among private investors. Public sector customers see great advantages in using information technology-based support systems such as Building Information Modeling (BIM) when executing projects. Both of these trends will give Skanska competitive advantages.

The Finnish civil construction market is shifting toward a larger share of design-build contracts. In the residential sector, there is a great need for rental apartments, but the market is not expected to grow until the government introduces possible stimulus measures.

In Estonia, both private and public sector investments are likely to be at a low level.

To date, the expansion in the market for public-private partnership (PPP) projects has been slow in the Nordic countries. In Sweden, there are now hopes that the major expansion of Karolinska Hospital in Solna will occur under private auspices.

Skanska's main competitors in the Nordic markets are NCC, Peab, JM, Veidekke, YIT as well as Germany's Bilfinger Berger.

Central Europe – strong civil construction market

In Central European markets where Skanska operates – Poland, the Czech Republic and Slovakia – the Group's construction units specialize in public sector and commercial premises and infrastructure, and in the Czech Republic and Slovakia also housing.

Skanska Poland showed very good earnings in 2008, exceeding its "Outperform" targets. In Czech operations, civil construction was very strong while both the market and earnings in non-residential building construction deteriorated.

A successful year in Poland

Skanska's Polish construction operations were successful in 2008. The business unit benefited from a very good market, while the organization has been adapted and refined. The market for non-residential building construction, such as office space, warehouse premises and retail centers built for private sector customers, was especially strong during the first three quarters. Toward the end of the year, however, a clear slowdown began.

The civil construction market was somewhat weaker, due to delays in planned projects, but Skanska was awarded large highway contracts in Kraków and Wrocław. The first phase of the A1 highway, which is being constructed as a public-private partnership, was completed three months ahead of schedule. Skanska has been contracted as the preferred bidder for the second phase of the A1. Financial close is expected to lead to a large construction contract during 2009.

The slowdown in non-residential building construction for private investors is expected to continue in 2009. The civil construction market will presumably improve during the year. Delayed projects are expected to be implemented, both to enable Poland to utilize EU financial aid and because upgrading of infrastructure is necessary in preparation for the European football (soccer) championships to be co-hosted by Poland in 2012. In addition, the above-mentioned A1 project will go forward.

In Poland, Skanska competes with Budimex (with Ferrovial as the main owner), Hochtief and Strabag.

Roosevelt Island, located in New York City's East River, is reachable by car only via a lift span bridge constructed in 1955. The bridge – linking the borough of Queens with the island – has now been totally refurbished by Skanska, which received the assignment on the basis of its bridge expertise, not its price. The project was completed two months ahead of schedule.

Skanska Poland showed very good earnings in 2008, exceeding its "Outperform" targets.

Stable market in the Czech Republic

The Czech construction market was stable early in 2008. Toward the end of the year, non-residential building investments were adversely affected by financial turmoil, but the civil construction market performed well throughout the year, both in terms of earnings and growth. The housing market was good, although record-high 2007 residential sales – driven by an impending change in value-added tax (VAT) rates – were not repeated.

The good market for civil construction projects is expected to continue during 2009, while the non-residential building sector will face declining volume. The Czech Republic has decided to carry out certain infrastructure projects as public-private partnerships, with the first one coming in 2009.

The Slovakian construction market was weak during 2008. This will affect both non-residential building and civil construction in 2009 as well. The housing market shrank during the fourth quarter, and the downturn is likely to continue during 2009. Slovakia will take its first steps toward public-private partnerships. During 2009 public agencies will assign private market players responsibility for financing, designing, executing and operating several large projects.

In the Czech Republic, Skanska's main competitors are Metrostav and SSZ (subsidiary of Vinci). In Slovakia, Doprastav and Zipp (subsidiary of Strabag) are the largest competitors.

The U.K. – divided picture

During 2008, the operations of Skanska UK were characterized by good earnings in foundation and infrastructure construction as well as office building projects for private investors. Overall earnings were lowered, however, by large impairment losses (writedowns) in a few hospital projects being carried out as public-private partnerships. This does not, however, apply to the two largest hospitals that Skanska is currently working on: the Barts and the London Hospital, both in the British capital.

During the economic boom, Skanska has been successful in the office project sector, and several major projects are under construction. Private investor interest in office projects declined, however, due to financial market turmoil late in the year.

In 2008 Skanska adapted its "Moderna Hus" concept to fit the British equivalent of Sweden's municipal housing companies. This concept, which is aimed at making apartments more affordable, was developed by Skanska Sweden.

New ring road around London

In 2009 the office building market is expected to remain weak, and the general economic downturn is also likely to affect public sector investments to some extent.

The market for PPP projects, known in the United Kingdom as the Private Finance Initiative (PFI) program, remains relatively good. Skanska was appointed preferred bidder for the development of the M25 highway around London. Financial close is expected during 2009 and will result in a large construction contract. Other potential projects are also expected to come into the market, for example related to street lighting, waste management and energy.

Skanska UK, which is a market leader in its segments, competes with such companies as Balfour Beatty, Bovis, Amec and Carillion.

The United States

The American construction market is the world's largest and Skanska is one of the leading companies in nonresidential building construction and civil construction in this market.

Strong market for water and wastewater treatment plants

Civil construction, which is mainly tax-financed, was affected to an increasing degree by declining tax revenue. To some extent, state and local government bodies are trying to offset this by raising fees, for example on shippers, and by introducing new or higher road tolls.

During 2008 the market for expansion water and wastewater treatment facilities was strong. Because of both demographic trends and environmental standards, water-related projects will probably remain in great demand during the coming years. Skanska has the know-how and experience to implement new projects in this field.

Due to financial market turmoil, there is increasing interest in public-private partnership (PPP) solutions. Meanwhile this sector has naturally been adversely affected by the difficulty of obtaining financing. There are numerous possible projects, but only a few states already have the legal structure required to enable privately financed infrastructure to go forward.

Major new civil contracts awarded to Skanska during 2008 included water treatment projects in Westchester County, New York, and Miami, Florida as well as a third contract for Newtown Creek in Brooklyn, New York. Others were two highway contracts in California and a bridge project over the Indian River in Delaware.

Gas pipeline in Amazonas

In 2009, gas will begin flowing to Manaus and other cities in Amazonas, northern Brazil. Skanska has built a 180 km (112 mi.) long stretch of the new gas pipeline between the Urucu gas field and Manaus. To minimize its impact on the sensitive environment and protect plant and animal life, Skanska took extra precautions during construction. The project was also inspected and monitored very closely by both national and state environmental agencies.

Skanska USA Civil competes with a few large national players, among them Kiewit, Fluor, Bechtel and Granite, as well as with numerous players in local geographic markets.

Hospitals, schools and office buildings

As for building construction, during the first half of 2008 activity was intensive in product segments important to Skanska USA Building – hospitals, educational facilities and office buildings – while the second half was characterized by a slowdown.

The business unit received large hospital contracts in California, Ohio, Michigan, Tennessee, Virginia and Washington State.

Skanska's concept for energy-efficient data centers resulted in a green construction assignment for one of the largest companies in Internet trading.

At the national level, Skanska USA Building competes mainly with companies like Turner (a subsidiary of Germany's Hochtief) and Bovis Lend Lease, as well as with numerous local players in their respective geographic markets.

Upgrading of infrastructure

Developments during 2009 will depend greatly on whether the credit market will start functioning again, so that private customers can obtain loans for their projects. This is crucial if new building construction projects are to start up. The new U.S. president and Congress will allocate federal funds for expansion and upgrading of infrastructure. Projects which have been on hold due to a lack of financing may get off the ground, and necessary upgrades of roads, bridges, railroads and other infrastructure may be accelerated. Among major projects that are ready for a quick start-up are new phases of the Second Avenue Subway project in New York City, which Skanska is currently involved in building, as well as the extension of the No. 7 Subway Line. Construction of a third tunnel under the Hudson River can also begin once financing is resolved.

Latin America – Brazil the biggest market

Skanska's Latin American operations are dominated by assignments in oil, gas and other energy sectors. The market was strong during 2008, and Skanska Latin America reported its highest sales to date. The business unit achieved its "Outperform" targets for the year.

Brazil is now the biggest single market at Skanska Latin America. One of Skanska's most important customers there is the state-owned energy company Petrobras.

The company's assignments mainly concern expansions of refineries in order to boost their efficiency and capacity as well as improve their environmental performance. Even though competition for construction contracts is expected to increase in Brazil, Skanska will be able to benefit from having been selected as a supplier to the government-owned energy company Petrobras.

One attractive segment is the initial construction of facilities for alternative energy production. In Chile, for example, Skanska has signed new contracts to build wind farms.

The Latin American economies have been affected by financial market turmoil, which is also expected to persist during 2009, but Skanska's business related to operating and maintaining oil and gas production facilities is expected to remain strong. In a longer perspective, however, low world market prices for oil may decelerate the rate of development of new oilfields and related facilities in Latin America.

New technology for more efficient stadium construction

The new Meadowlands Stadium is one of the biggest contracts Skanska has ever landed in the U.S. The complex one billion dollar project requires both new technology and more efficient methods. Skanska has responded by gathering these from different parts of the Group.

The new 82,000-seat stadium will be the home field of two American football teams, the New York Jets and the New York Giants. Despite the size of the project, the building site in New Jersey has limited space, so logistics is a key factor in successful execution of the project.

Fewer errors along the way

By furnishing each 3,200 precast concrete elements with a radio frequency identification (RFID) tag – a kind of digital ID badge – Skanska has been able to ensure that the right element is put in the right place at the right time. The technology was taken from Skanska Finland, which has used and refined such RFID tagging in a number of projects.

The tag, which is packed full of information, is made at the factory for each separate element. A portable scanner using Bluetooth technology records the element's path from the factory, during its journey and during installation. This significantly reduces the risk of errors.

The project also uses Building Information Modeling (BIM) – a technological aid that brings construction into the digital era – to raise efficiency. Detailed, updated 3D models are continuously available. Powerful handheld construction computers ensure that the information is accessible everywhere, including at the building site.

Improved collaboration

BIM technology is tried and tested. It is also being used, for example, at two of Skanska's major British hospital projects, Barts and The London Hospital. Skanska Sweden's design team in India helped produce the drawings. Planning, execution, exchanges of information and collaboration with all project stakeholders – including customers, public agencies and suppliers – is made easier by BIM.

And the results are obvious even halfway through the Meadowlands project. Construction time has been shortened, quality has been raised and reductions in the quantity of waste will contribute to the project's environmental success.

Starting in 2009, Skanska will use BIM technology in all of its design-build projects. More and more information is gradually being incorporated into BIM. Time planning is there already, while data on material prices, environment and health and safety matters will be added in the next generation.

Residential Development

Intensified sales and customer activities

A sedate, small-scale neighborhood in Prague

Apartments with city and lake views in Jyväskylä

Ulltorps Gårdar attracting families with children

The economic downturn led to major changes in the Nordic housing markets, which began 2008 strongly but were affected after the summer by a sharp deceleration.

The new market situation has resulted in intensified sales efforts and a stronger consumer orientation in products and services. Meanwhile Skanska is continuing its work aimed at lowering construction costs and adjusting its organization to lower volume.

As a consequence of the downturn in Nordic housing markets, Skanska accelerated its previously initiated integration of residential project development units. Focusing on sales and consumer orientation, it has created specialized, pan-Nordic sales and marketing organizations.

Sales work is concentrating on selling the remaining unsold units in ongoing and completed projects. To stimulate sales and make the process easier for customers in the current economic climate, a number of special solutions have been devised.

In Sweden, during the autumn Skanska introduced the TryggAffär™ ("SecureDeal") concept, aimed at helping home buyers avoid unreasonable personal financial consequences when purchasing a residential unit. The offer entitles buyers to cancel their contracts and never risk being liable for more than five percent of the price.

In Finland, Skanska is offering a limited number of buyers a commitment to take over their old home when they sign a contract for a new, more expensive Skanska home. In Norway, the market situation has led to a market adjustment of prices. In both Sweden and Finland, Skanska is examining opportunities to develop whole residential projects for municipal housing companies. As part of long-term efforts to strengthen its brand in the housing market, Skanska carried out an advertising campaign that boosted both the number of showings at residential units and visits to the Skanska website.

Meanwhile a focused effort is underway to lower construction costs. Skanska Xchange, a pan-Nordic development project, is aimed at boosting productivity and cost-effectiveness by means of standardized solutions and greater repetition. The first pilot projects based on two product platforms show major cost savings. Xchange development work is also linked to intensified customer orientation. Customer perferences and requests must be reflected in attractive design and technical solutions.

The current market situation, with reduced demand and longer selling periods, is leading to greater caution in starting new projects. A higher percentage of the units in residential projects must be sold before groundbreaking.

During the autumn, Skanska began the task of adjusting its workforce to lower volume.

Responsible for the entire development chain

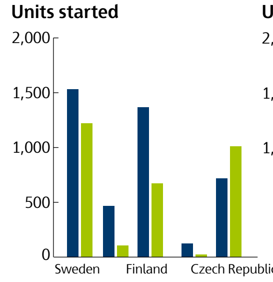
Skanska is one of the leading residential developers in the Nordic countries. The Nordic housing markets have great similarities and are thus combined in one business unit – Skanska Residential Development Nordic.

Skanska's Finnish operations perform residential development in Estonia. Residential Development is one of Skanska's investment businesses but does not perform any construction work of its own. In the Nordic countries, it buys contracting services primarily from Skanska's construction units in each respective market. In addition to the Nordic countries, Skanska carries out res-

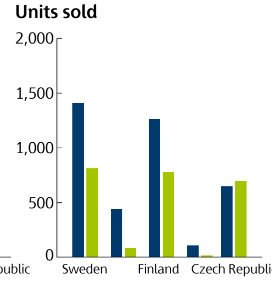
USD M	2008	2007
Revenue	**979**	1,136
Operating income	**–27**	107
Operating margin, %	**neg**	9.4
Investments	**–653**	–739
Divestments	**551**	801
Operating cash flow from business operations[1]	**–264**	57
Capital employed	**816**	690
Return on capital employed, %	**neg**	14.9
Number of employees	**676**	565

1 Before taxes, financing operations and dividends

Units started



Units sold



2007 2008

Room to play and spend time together. Skanska creates modern homes with sensible solutions for both everyday living and special occasions.

idential development in the Czech Republic and Slovakia as part of its construction operations there.

The value enhancement process

Development of residential projects is a continuous process – land acquisition, planning, product definition, marketing, construction and sales – in which the developer has full responsibility in all phase. Development operations are capital-intensive, especially during the start-up of new projects. Value enhancement occurs continuously in the various phases. In order to reduce tied-up capital, a rapid pace of sales is sought.

A supply of land suitable for development is a precondition for a continuous flow of projects. Due to lengthy planning and permit processes, ample lead time is required to ensure a supply of building rights (a “land bank”) so construction will meet demand. Market surveys and analysis of population trends – as well as macroeconomic factors such as employment, inflation and interest rate trends that influence demand for housing – are crucial to decisions on investments in new projects.

Focusing on sales and consumer orientation, Skanska has created specialized, pan-Nordic sales and marketing organizations.

A sedate, small-scale neighborhood in Prague

The new Romance neighborhood in Prague is an example of Skanska’s residential development in the Czech Republic. To preserve the area’s sedate, small-scale character, the buildings are limited to three stories. There are 237 apartments as well as 31 detached single-family homes.

Increasing the value of building rights

The value of land and buildings varies with the demand for housing, i.e. changes in prices and rents. Value also depends on location. As development risks diminish, value increases. A major step in value enhancement occurs when a parcel of undeveloped land is transformed into a building right. The process leading to an approved local development plan may take up to five years. Skanska plays a proactive role, working closely with local government bodies in planning processes for land use and neighborhood development.

Value is further enhanced in the next phase, when the building right is turned into a completed project that can be sold at the prevailing market price. Of fundamental importance for successful residential development is Skanska’s ability to correctly assess demand and customer preferences in such a way that its development work results in attractive housing of the expected quality in the right place, at the right time and at the right price. Customer surveys provide data on the preferences of potential customers in terms of location, design and price level.

Projects are accounted for using the percentage of completion method. This means that earnings are recognized as costs are accrued. When applying the percentage of completion method, Residential Development also takes into account the percentage of a project that has been pre-sold. The percentage of completion is multiplied by the pre-sales percentage and the result is the percentage of earnings than can be recognized.

Risk management

There are risks in all stages of operations. Such external factors as interest rates and customer demand are of crucial importance to all decisions in the process. Housing units are built to be sold individually. To minimize risks, the goal is to completely develop and sell the units in a given project during a single economic cycle, when variations in market conditions are small or predictable. New projects are started after a certain percentage of units is sold or pre-booked.Sales and pre-bookings are followed up monthly or more frequently. Projects are usually divided up in phases. To avoid building up an inventory of unsold units, sale of units in a new phase begins only when the preceding one is nearly sold out or pre-booked. Increased standardization, with shorter lead times, boosts efficiency while reducing tied-up capital and exposure to market fluctuations. It also leads to lower and more predictable construction costs.

Ownership mechanisms vary in different markets

In Sweden and Finland, sales occur largely in the form of cooperative housing associations or ownership rights in the respective housing corporation. Skanska acquires land, which is then sold, usually to a cooperative housing association formed by Skanska. Construction does not normally begin before contracts have been signed for about half the units in a project phase. The cooperative housing association buys the building right and construction services from Skanska, which then invoices the customer – the cooperative housing association or housing cooperative – regularly as the phases are completed.

In the Czech Republic and Norway (and in Denmark, where Skanska is phasing out residential development), development occurs mainly for Skanska’s own account. The units are sold individually as ownership units. Here, too, Skanska requires a certain percentage of pre-booked sales before making a decision to start construction.

Product platforms

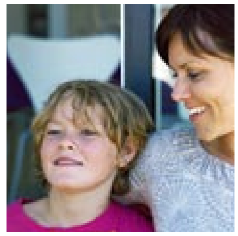
In residential construction, as in nearly all construction, there is great potential for increasing the degree of industrialization. Skanska is continuing development work to create more industrialized and standardized residential construction. The aim is to create product platforms that can be used as the basis for many projects, thus taking advantage of repetition effects within the product types – apartment buildings, single-family homes and low-cost BoKlok (LiveSmart) units.

Great freedom of choice

Unique design and specific customer wishes are satisfied through various choices, for example different types of façades, windows, parquet floors, wet rooms and kitchen modules. A uniform technical platform enables Skanska to simplify processes and shorten lead times.

Standardization and greater industrialization are essential for residential construction with lower costs, higher quality and shorter development and construction times. They also increase Skanska's competitiveness.

As part of its sustainability efforts, Skanska can offer Sweden's first Swan-labeled residential buildings. The Uniqhus concept for sustainable housing has been granted a Swan-labeling license. Using environmentally friendly materials and construction methods, combined with low energy consumption, Uniqhus has a low life-cycle cost. The energy requirements of the residential units developed in-house by Skanska generally average ten percent lower than the standards set by the Swedish National Board of Housing, Building and Planning.



A home is not only a family's natural meeting place but in most cases also its biggest investment. In the important ask of choosing a home, Skanska's task is to serve as a partner in ensuring worry-free living.

Markets

During 2008 Skanska started construction of 3,018 residential units, about 28 percent fewer than in 2007. A total of 2,388 units were sold. In the Nordic countries, the number of residential units started was 2,009, while in the Czech Republic and Slovakia they totaled 1,009 units. The overall number of completed unsold units was 675.

Nordics – sharp downturn despite big needs

The housing market in the Nordic countries was dominated by the sharp decline in demand that occurred late in the year. Financial market turmoil led to sagging demand as overall economic conditions were affected. Customers are finding it more difficult to finance their purchases, while optimism is weakening, unemployment is rising and interest rates on mortgage loans are not falling as fast as central bank key rates. The overall effect is to lengthen sales periods, increase housing supply and lower prices for both new and existing homes.

In response to the weaker market, Skanska has taken steps to stimulate sales and is continuously adjusting the organization to declining volume.

In Sweden and Finland, sales declined by about 40 percent, while the downturn in Norway and Denmark totaled a full 80 percent. Project start-ups were also fewer than in 2007, but the underlying need for housing remains large throughout the Nordic countries, driven by such factors as continued urbanization.

In Sweden, the supply of homes in the market increased significantly. Developers offered customers special incentives on optional features. They also introduced such measures as discounted monthly fees and more generous cancellation rights in an effort to stimulate

Residential Development

USD M	Revenue 2008	Revenue 2007	Operating income 2008	Operating income 2007	Operating margin, % 2008	Operating margin, % 2007	Capital employed 2008	Capital employed 2007	Return on capital employed,% 2008	Return on capital employed,% 2007
Sweden	**486**	508	**33.2**	63.5	**6.8**	12.5	**190**	121	**20.4**	42.5
Norway	**142**	257	**–4.4**	14.6	**neg.**	5.7	**194**	220	**neg.**	6.6
Denmark	**41**	90	**–37.8**	–3.7	**neg.**	–4.1	**117**	147	**neg.**	
Finland including Estonia	**131**	185	**–43.1**	18.6	**neg.**	10.1	**205**	203	**neg.**	11.9
Nordic countries	**801**	1,039	**–52.0**	93.1	**neg.**	9.0	**707**	468	**neg.**	13.7
Czech Republic including Slovakia	**178**	97	**25.2**	14.1	**14.1**	14.5	**110**	2	**33.8**	32.2
Total	**979**	1,136	**–26.9**	107.1	**neg.**	9.4	**817**	690	**neg.**	14.9

Number of unutilized building rights in Skanska

Market	Master plan	Local plan underway	Local plan approved	Building permit stage	Total building rights[1]	Other rights[2]
Sweden	3,300	2,900	2,300	1,400	9,900	2,400
Norway	600	200	2,600	0	3,400	900
Finland including Estonia	0	800	5,100	500	6,400	4,600
Denmark	0	100	600	0	700	200
Nordic countries	**3,900**	**4,000**	**10,600**	**1,900**	**20,400**	**8,100**
Czech Republic including Slovakia	200	800	1,200	700	2,900	400
Total	**4,100**	**4,800**	**11,800**	**2,600**	**23,300**	**8,500**

1 Including building rights in associated companies.
2 Entitlements to acquire building rights under certain conditions.

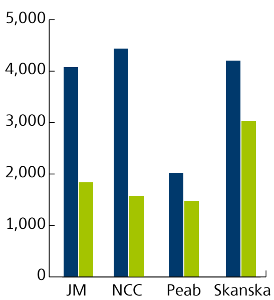
Residential Development, number of units

Market	Units started	Under construction	Pre-sold, %	Total units sold, 2008	Completed, unsold
Sweden	1,216	2,408	62	811	46
Norway	103	177	34	83	39
Finland including Estonia	671	756	40	777	529
Denmark	19	76	97	18	52
Nordic countries	**2,009**	**3,417**	**57**	**1,689**	**666**
Czech Republic including Slovakia	1,009	1,532	67	699	9
Total	**3,018**	**4,949**	**60**	**2,388**	**675**

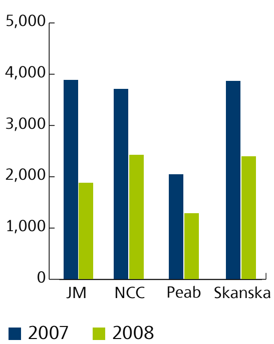
Since 1998, Skanska has been developing the Lutakko neighborhood of Jyväskylä, Finland. The latest addition is the 15-story Horisontti tower, whose 65 apartments have views of both the city and Lake Jyväsjärvi.

Comparison of Nordic residential developers

Units started[1]



Units sold[1]



1 Group total.

Source: Year-end report of each respective company.

sales. In 2009, Skanska expects a certain demand for good residential units in good locations to persist, especially in Stockholm, but expects the rate of sales to be slower and to depend on developments in the financial and labor markets. Lower interest rates and less restrictive bank lending policies are crucial in persuading customers to buy homes.

Slowdown in Norway and Finland

In Norway, the slowdown that began in 2007 continued, resulting in historically high levels of supply. The number of units sold, as well as the number of project start-ups, declined by 80 percent. Market prices fell by about 10 percent. The number of new project started in the Norwegian residential market is expected to fall further in 2009, compared to 2008.

In Finland, the slowdown that began in 2007 continued during 2008. The number of units sold fell by 40 percent, and project start-ups declined by about 50 percent compared to the preceding year. The outlook for 2009 is characterized by a wait-and-see approach among buyers and a low rate of sales, with few project start-ups. The Estonian economy deteriorated dramatically, leading to a greatly weakened housing market. Demand for housing is expected to remain very weak during 2009.

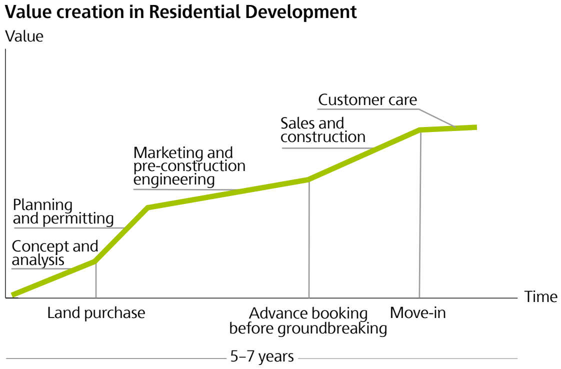
Czech Republic – good demand in Prague

Residential development in the Czech Republic and Slovakia takes place within Skanska Czech Republic, which both develops and sells residential units directly to private individuals. Its residential development is primarily concentrated in Prague, Czech Republic, and Bratislava, Slovakia, which are the main growth centers in the two countries.

In 2008 there was good demand in the Czech Republic, but a deceleration occurred toward year-end. Skanska sold 699 housing units, or about 8 percent more than the preceding year. During 2008, construction began on 1,009 units. Among the factors driving demand in the Czech Republic are good growth, higher purchasing power, urbanization and underlying needs due to the low standards in the existing housing stock.

Due to the global economic downturn, the deceleration will probably persist in the Czech Republic during 2009. In Slovakia, a sharp deceleration was noted toward the end of 2008 and is expected to continue during 2009.

Value creation in Residential Development



Generating value, step by step

In residential development, macroeconomic and demographic trends are fundamental in generating value. Before making land purchases, Skanska also analyzes local conditions in detail.

Maximum customer value is achieved in stages. During initial planning, Skanska establishes a framework in close collaboration with local government. Based on the potential offered by the surroundings, it then creates a neighborhood with clear character. The design and marketing of an attractive product is also based on the wishes of well-defined customer categories.

The Skanska project team leading this task includes business and project developers, architects, salespeople and builders. When purchasing their homes, individual customers will also contribute to the process with their specific requirements and requests.

Ullstorps Gårdar attracting families with children

The new neighborhood in Ullstorps Gårdar (Ullstorp Farms), just south of Kungälv, Sweden, is attracting a lot of families with children. This was also one reason why Anders and Åsa Isaksson Aurelius chose it as their new home address.

"Just about everyone on our street is around the same age. That's an advantage," says Anders Isaksson.

The couple moved out of Gothenburg to a much calmer, more secure living situation. Skanska's residential project at Ullstorps Gårdar has become popular among families with small children. Sitting with their daughter Amilia in their spacious living room, Anders explains the advantages of country living.

"Both Åsa and I grew up in the countryside. It's a great feeling to be able to sit on your porch or stroll around on your lawn. Then I like to go out jogging in the evenings, and it's wonderful that there's so little traffic."

Close to nature and the city

The detached two-story homes in Ullstorps Yttergård (Ullstorp Outer Farm) are surrounded by natural scenery, yet it takes a mere five minutes to drive to downtown Kungälv and 20 minutes to Gothenburg. Both Anders and Åsa work in Gothenburg – he at a telecom company, she at a bank. When they started hunting for a new home, they wanted it to be newly constructed and not too far from Gothenburg.

"When we saw the drawings for this new neighborhood, we made our decision rather quickly. We haven't regretted a thing."

The family lives at the far end of a street in the Sunnangård block of Ullstorps Yttergård, one of Skanska's four Ullstorp neighborhoods. The homes reflect traditional western Swedish style and are available in different sizes. They feature district heating and are equipped with broadband.

The family's well-planned 122 sq. m (1,313 sq. ft.) home has three rooms, a large corridor and a bathroom upstairs. The downstairs level is dominated by large open spaces.

"If we have problems with anything in the house, we just phone the maintenance man. He arranges everything quickly, without any extra cost to us. That service will run for the first two years," Åsa explains.

Ullstorp is a newly developed residential area, close to both countryside and city – five minutes from downtown Kungälv and 25 km (16 mi.) north of Gothenburg. It has both a preschool and a compulsory school (grades 1–9). Skanska has developed and built 80 detached 105–149 sq. m (1,130–1,604 sq. ft.) homes with their own lots. There are 13 unsold homes left.

In collaboration with IKEA, the home furnishings chain, Skanska is also building a low-cost BoKlok (LiveSmart) area consisting of 32 cooperative apartments, of which 19 have been pre-sold. There are also 58 new built BoKlok apartments that are rented out by the municipal housing company Kungälvsbostäder.

Commercial Development

Good leasing business and many new projects

First LEED building in the Nordic countries

Terraces and distinctive architecture in Prague

The Skanska street in Warsaw is growing

Despite the economic downturn, Skanska Commercial Development is entering 2009 with well-consolidated projects and properties with a surplus value of about USD 0.26 billion.

The strong market of previous years continued well into 2008, while the end of the year was dominated by financial turmoil and economic downturn. For the year as a whole, the business stream achieved good results both in terms of leasing and project divestments.
During 2008, nine new projects were started, all of them in the Nordic countries. Of these nine projects, six were office space. Leasing work resulted in the signing of leases for about 195,000 sq. m (2.1 million sq. ft.). Skanska divested completed and ongoing projects for a total of USD 0.54 billion, with a capital gain of USD 0.19 billion. During 2008, the business stream invested a total of USD 0.84 billion in projects and building rights.

Opportunities even during downturns

The general economic downturn and financial turmoil will dominate the market in 2009, both in terms of leasing and divestments, but there are also positive signals. More and more companies want modern, environmentally friendly and energy-efficient office space. In a stagnating economy there is also an even stronger ambition to consolidate scattered office space and improve efficiency.

Even during periods of downturn, project development opportunities thus become available. The task of land purchasing, leasing and divestments continues. Skanska's financial strengthen enables the Group to act independently in making investments, which is an advantage amid the prevailing financial uncertainty. Risk management and measurement of risk levels occur continuously.

Decades of large divestments

During the past 20 years, Skanska's development of commercial projects has generated yearly capital gains averaging about USD 130 M. The annual value creation – the difference between accrued development gains and the cost of the internal organization – during the period 1999 to 2008 amounted to about USD 58 M.

The strategic focus on core business that began in 2002 implies that Skanska primarily concentrates its property operations on developing, leasing and divesting new projects. Skanska aims at a high turnover rate for completed properties. In recent years, major divestments have taken place. Today Skanska's portfolio thus has relatively few completed properties for sale. During 2008, operations concentrated on investing in ongoing projects and working actively to ensure that they have a high occupancy level upon completion.

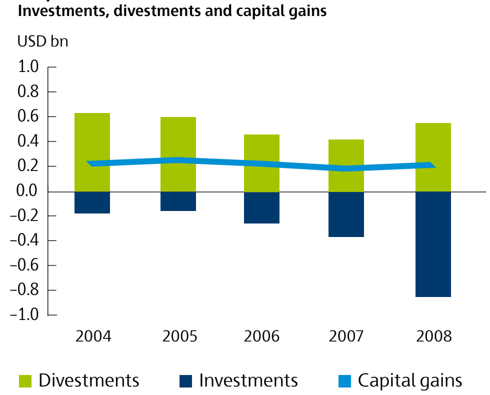
In Commercial Development, Skanska takes overall responsibility for the whole project development cycle – land purchase, the planning and permitting process, pre-construction engineering, design, leasing, construction, property management and divestment. Commercial

The Flundran (Flounder) block on the isle of Universitetsholmen in Malmö, Sweden is an example of Skanska's long-term development of commercial properties. The site, acquired around the turn of the millennium, now features a new building with striking architecture. It houses specially tailored premises for the Skåne and Blekinge Court of Appeal, the National Courts Administration, the Swedish Government Offices and the Regional Rent Tribunal. At the top are a library, a cafeteria and a roof terrace.

USD M	2008	2007
Revenue	**601**	463
Operating income	**145**	135
of which gain from divestments of properties[1]	**180**	156
of which operating net, completed properties[2]	**17**	17
Investment obligations, projects started during the year	**309**	823
Investments	**–843**	–361
Divestments	**542**	415
Operating cash flow from business operations[3]	**–353**	44
Capital employed	**1,494**	1,133
Return on capital employed, %	**10.2**	14.2
Number of employees	**176**	141
1 Additional gain included in eliminations was	8	4

2 After selling and administrative expenses.
3 Before taxes, financial activities and dividends.

Properties
Investments, divestments and capital gains



Development is one of Skanska's investment operations. It creates value both by developing new projects and by upgrading and improving completed properties. It also generates building assignments for the Group's construction units.

Selected markets

Skanska performs commercial project development in selected markets in Scandinavia and Central Europe. This development work focuses on three types of projects – office space, retail centers and logistics properties or distribution centers. Development work in the office space product segment focuses on Stockholm and Gothenburg (Sweden); the Öresund region (Malmö and Lund, Sweden/Copenhagen, Denmark); Helsinki (Finland); Warsaw and Wrocław (Poland); Prague and Ostrava (Czech Republic) and Budapest (Hungary). In the other product segments, Skanska operates in a broader geographic market in the above-mentioned home markets.

Local presence

A local presence in the various markets is necessary in order to identify both tenants and investors, the latter as future owners of projects. Operations take place in two business units: Skanska Commercial Development Nordic and Skanska Commercial Development Europe. About 70 percent of capital employed is attributable to project development in the Nordic countries and 30 percent in Central Europe.

The allocation between product segments varies with economic cycles and demand for each respective type of product.

Pilsåker is a retail park outside Lund, Sweden. Skanska's portion totals about 17,000 sq. m (183,000 sq. ft.) and tenants include garden, kitchen, home furnishings, electronics and other stores.

Tenants and investors – two customer categories

Commercial property operations target two different customer categories with the same product. The primary customer is the tenant, who has many expectations and requirements regarding the premises. The second customer is the investor, who buys the property in order to own and manage it long-term, with a certain targeted return. This dual customer relationship means that the product, as well as the services that go with it, must be adapted to be attractive to both customer categories. In some cases, the tenant is also the buyer of the property.

Focus on value creation

Skanska starts new projects at the pace the market situation allows and when the risk-return ratio is deemed to fulfill the requirements established for these operations. Commercial project development is a continuous process in which the developer has full responsibility in all phases.

Land and building rights are the basis for commercial development operations. A supply of land suitable for development is essential for a continuous flow of projects. Due to lengthy planning and permitting processes, ample lead time is required to ensure a supply of building rights (a "land bank") that will meet demand. The average development cycle – from planning to divestment of the fully developed project – is 18 to 36 months. In order to reduce tied-up capital and enable the development of new projects, a rapid pace of sales is sought.

Value increases

The value of land and building rights varies with demand, i.e. leasing trends and the returns demanded by

First LEED building in Nordic countries

Skanska Commercial Development Nordic has completed its first project in Helsinki. The Lintulahti property's 10,700 sq. m (115,000 sq. ft.) of office space accommodates the Finnish tax authority and the shipping company Aspo. It is the first building in the Nordic countries to be precertified by LEED, an international environmental classification system.

Attractive shopping mall

The new Stora Bernstorp shopping center northeast of Malmö, Sweden comprises about 35,000 sq. m (377,000 sq. ft.) of retail space, including 7,000 sq. m (75,000 sq. ft.) of grocery space.

property investors. Land value also increases as permitting risks diminish. A major step in value enhancement occurs when a parcel of undeveloped land is transformed into a building right. The process leading up to an approved commercial development plan may take several years. Skanska plays a proactive role, working closely with local government bodies in planning processes for land use, zoning and commercial development.

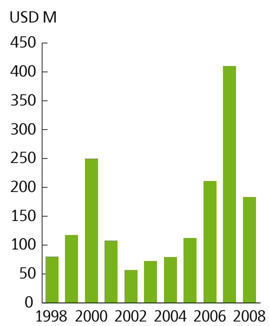
Large-scale leasing sharply increases the value of the project. Leasing activity begins at an early stage. In many cases, long-term leases are signed with major tenants as early as the planning stage, or within a short time after construction work begins. By the completion date, the goal is to have leased most premises.

Value increases further when the building right is turned into a completed project that generates rental income. In some cases, projects that have been fully leased are divested even before completion.

Close collaboration

To ensure that the development process results in appropriate and efficient commercial space, Skanska collaborates closely in its design and planning work with tenants and potential buyers. Carrying out commercial development successfully on a long-term basis is also facilitated by a limited portfolio of completed projects. Managing these properties provides daily contact with the leasing market. This, in turn, offers insights about changes in customer preferences and also generates new projects. Owning a portfolio of completed properties also lends flexibility to the divestment process, because it enables Skanska to time the divestment of these properties based on market conditions.

Capital at risk in ongoing projectS 1998–2008



Energy-efficient solutions

Buildings are estimated to account for more than 30 percent of carbon dioxide emissions in the EU. Skanska's sustainability efforts are positive for our climate and lead to added value for both users and investors. For some years, Skanska has worked to develop energy-efficient solutions. By using such techniques as improved insulation and heat recycling, Skanska can thus lower energy consumption by 20–30 percent in renovation projects and at least 30 percent in new construction, compared to Nordic standards. Through its green initiative, the Group is beginning efforts to make its products even more competitive from an environmental standpoint (see page 13).

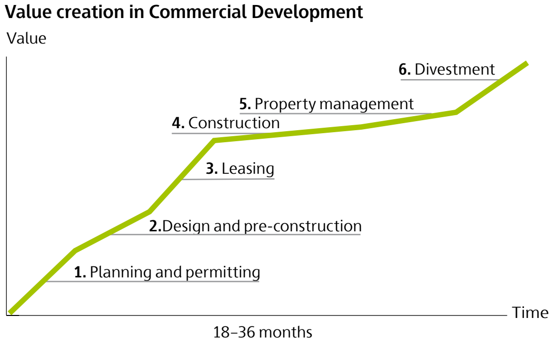
Risk management

There are risks in all stages of operations. Such external factors as interest rates, customers' commercial space needs and the willingness of investors to buy commercial properties are of crucial importance to all decisions in the process. By means of frequent customer contacts, Skanska tracks the space requirements of customers continuously. The occupancy level in completed projects and the preleasing level in ongoing projects are carefully monitored.

Capital at risk

Risks are limited because the business stream has an established ceiling on capital exposure in projects that have not been pre-leased. Capital at risk is measured as the sum of carrying amount in completed projects and estimated completion cost for ongoing projects, multiplied by the economic vacancy rate for each respective project. Capital at risk is limited to a maximum amount approved by the Board of Directors.

Value creation in Commercial Development



The development of commercial projects is a continuous process with several clearly defined phases – planning and permitting, design and pre-construction engineering, leasing, construction, property management and divestment. The average development cycle is 18–36 months.

Generating value, step by step

1. Macroeconomic and market analyses precede a land purchase, which is the foundation of the value-generating process. A major step in value enhancement occurs when undeveloped land is transformed into a building right.
2. Suitable premises are designed, in close collaboration with tenants and prospective buyers.
3. Successful leasing work is a precondition for breaking ground. Larger tenants are contracted at an early stage.
4. The project developer orders construction services, as a rule from Skanska's own construction units.
5. Active management and customer relations can add further value to the property.
6. New projects are developed with an eye to future divestment. Sometimes a project can be sold while still in the construction phase.

Ongoing projects – unsold

	Type of project	City	Leasable area 000 sq.m	Completion year	Economic occupancy rate, %
Nordic					
Norra Bantorget	Office	Stockholm	15	2009	72
Sturegatan 1	Office	Sundbyberg	15	2009	95
Gångaren 11	Office	Stockholm	32	2009	93
Gångaren 16, hus 17	Office	Stockholm	18	2009	75
Bylingen	Office	Stockholm	16	2009	97
Backa 23:9	Logistic	Gothenburg	2	2009	100
Backa 30:3	Logistic	Gothenburg	20	2009	100
Gårda	Office	Gothenburg	16	2010	0
Ljungby Berghem	Retail	Ljungby	10	2009	82
Lintolahti	Office	Helsinki	12	2009	84
Scylla 3:1	Office	Malmö	11	2009	92
Scylla 3:2	Office	Malmö	6	2009	88
Forskaren E 1	Office	Lund	11	2009	100
Vevaxeln	Office	Malmö	16	2010	100
Tobaksvej	Office	Copenhagen	4	2010	100
Europe					
Grunwaldzki Ctr, phase 1	Office	Wrocław, Poland	16	2009	90
Grunwaldzki Ctr, phase 2	Office	Wrocław, Poland	21	2009	48
Nordic Center	Office	Ostrava, Czech Rp.	15	2009	0
Total			**256**		**78**

In 2008 Skanska started 9 commercial projects, all of them in the Nordic countries, and signed new leases for 195,000 sq. m (2.1 million sq. ft.).

Interest in environmentally friendly and energy-efficient premises is rapidly increasing and Skanska is a leader in developing them. For the past several years, Skanska's newly developed projects have demonstrated reductions in energy usage.

Markets

Nordic countries

Skanska Commercial Development Nordic initiates and develops real estate projects, mainly office, logistics and retail buildings. Office building operations focus on the Stockholm, Gothenburg and Malmö regions in Sweden; the Copenhagen region in Denmark; and Helsinki, Finland. The business unit pursues the development of logistics and high-volume retail properties at strategic locations in Sweden, Denmark and Finland.

Good leasing business

Demand for modern, purpose-built premises was good. Despite a deceleration toward the end of the year, the business unit achieved its "Outperform" targets for 2008.

The Nordic business unit signed new leases for 160,000 sq. m (1.72 million sq. ft.) of space. This large volume was based on efforts in recent years to acquire land in good locations and develop modern, energy-efficient premises.

The biggest new contracts were with the Swedish Competition Authority, the Equality Ombudsman, the state utility Svenska Kraftnät, the Swedish Rail Administration, the Police and the cell phone company Sony Ericsson.

There was great investor interest early in 2008, but fewer buyers and transactions toward the end of the year. Skanska sold four completed properties during 2008 – St Jörgen and Väktaren in Malmö, Gångaren 18 at Lindhagensterrassen in Stockholm and Chalmers Science Park in Gothenburg.

During 2008 the business unit had a total of 30 ongoing projects, of which 12 have been sold. Of these ongoing projects, 19 were scheduled for completion in 2009 or later. A decision to start a project in Malmö was re-considered due to the uncertain economic situation.

Green premises

Interest in environmentally friendly and energy-efficient commercial premises is rapidly increasing, and Skanska is a leader in developing them. For the past several years, Skanska's newly developed projects have demonstrated reductions in energy usage. Today the European Union's GreenBuilding classification creates the opportunity to receive acknowledgement of this effort. The standard for achieving the EU's GreenBuilding classification is 25 percent less energy use and climate impact than the standard for new properties established by the Swedish National Board of Housing, Building and Planning.

Skanska is also applying to become an EU GreenBuilding Partner at the corporate level, which means that at least 75 percent of the new buildings it develops will meet EU GreenBuilding standards.

In the Stockholm suburb of Solna, Skanska completed Hagaporten III, where the engineering consultancy Ångpanneföreningen (ÅF) has its new headquarters. This was Skanska's first commercial development project to achieve GreenBuilding status.

During 2008 Skanska built its first commercial project in Finland, which is leased to the shipping company Aspo and the Helsinki tax authority. The project, which will be ready for occupancy during 2009, is the first in the Nordic countries to be precertified according to the U.S. standard known as Leadership in Energy and Environmental Design (LEED). The building as also been approved according to the EU GreenBuilding classification. Skanska is designing four more Swedish office building projects to meet the EU GreenBuilding standard: Sturegatan in Sundbyberg, Gårda in Gothenburg and Citykajen and Österport in Malmö. The Skanska-built Havneholm Tower in Copenhagen, Denmark will also apply for EU GreenBuilding classification.

The outlook for 2009 is cautious. Vacancy rates are expected to rise, which may lead to lower rent levels. In the investor market, interest is expected to center primarily on purchasing modern green properties in good locations with creditworthy tenants.

Europe

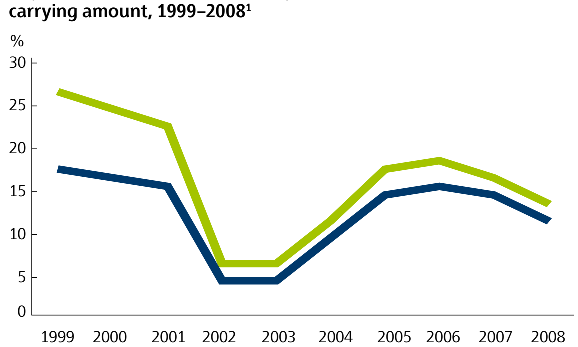
Skanska Commercial Development Europe initiates and develops real estate projects, with a focus on office and logistics buildings. Its operations are concentrated in major cities in Poland, Hungary and the Czech Republic.

The Central European markets were generally strong in 2008, except for Hungary. The business unit achieved its "Outperform" targets for the year.

Poland – strongest in Central Europe

Activity was intensive in both the Polish and Czech leasing markets. Skanska signed leases for 35,000 sq. m (377,000 sq. ft.) of commercial space.

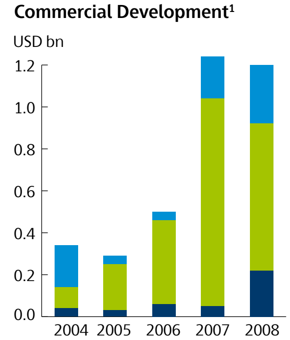
Adjusted return on capital employed at market value and carrying amount, 1999–2008[1]



■ Return on capital employed, carrying amount
■ Return on capital employed, market value

1 Including operating net, accrued unrealized development gains as well as changes in market value.

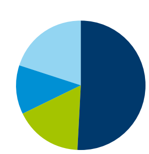
Volume of Commercial Development[1]



■ Projects sold
■ Ongoing projects
■ Projects completed during the year

1 Refers to carrying amount of completed projects and projected book value of ongoing real estate projects upon completion.

Completed properties, carrying amount, January 1, 2009



■ Stockholm, 51%
■ Gothenburg, 17%
■ Malmö/Copenhagen, 12%
■ Central Europe, 20%

In Poland, vacancies fell to 2 percent in downtown locations. There was also strong interest from investors until the global financial turmoil began. In Warsaw, Skanska sold the ongoing Atrium City project, which is being completed early in 2009. The property, totaling 20,000 sq. m (215,000 sq. ft.) houses Deloitte's new Polish headquarters as well as the King Sturge consultancy and Deutsche Bank. Skanska also developed and built Marynarska Point in Warsaw. The project, encompassing some 27,000 sq. m (291,000 sq. ft.), was completed in 2008 and is fully leased to such tenants as the Norwegian-based bank DnB Nor and Italian-based insurance group Generali.

In the Czech Republic, Skanska is completing its first project in Ostrava early in 2009. Nordica Ostrava will not only be the most modern office building in this regional metropolis but also one of the country's first to meet the tougher new standards for EU GreenBuilding classification. In the capital, Prague, Skanska is also completing the Vyšehrad Victoria office project, which is 70 percent pre-leased and is expected to be fully occupied in 2009.

Because of the difficult economic situation in Hungary, both the leasing and investor markets have come to a virtual halt. The ongoing Nepliget office building project in Budapest was sold in 2007. Skanska is working with leasing of space there on behalf of the buyer.

The outlook for 2009 remains relatively good for leasing operations in Poland and the Czech Republic, which are both expected to experience positive growth. Interest in investment projects has come to a halt due to uncertainty in the financial sector, and investor activity is expected to remain low well into 2009. Skanska's energy-efficient modern premises in good locations are, however, likely to be considered attractive by international investors once the market rebounds. In Budapest, activity is expected to remain weak during 2009.

Vyšehrad Victoria is Skanska's latest commercial development project in Prague, Czech Republic. An architecturally distinctive project with 4,750 sq. m (51,000 sq ft.) of office space. It offers green walk-on terraces as an extra amenity for tenants.

Commercial Development – projects 2008

	Commercial Development Nordic	Commercial Development Europe	Total
Number of projects started	**9**	**0**	**9**
Total investment, USD M	309	0	309
Number of ongoing projects	**15**	**3**	**18**
Leasable space, sq.m.	204	52	256
Economic occupancy rate, %	83	50	78
Ongoing projects sold	**4**	**1**	**5**
Leasable space, sq.m	46	27	73

Commercial Development – financial results

USD M	Revenue 2008	Revenue 2007	Operating income 2008	Operating income 2007	Of which gain from divestments of properties 2008	Of which gain from divestments of properties 2007	Capital employed 2008	Capital employed 2007	Return on capital employed, %[1] 2008	Return on capital employed, %[1] 2007
Nordic	**434**	420	**105.6**	132.4	**113.1**	137.3	**1,038**	877	**13.3**	16.9
Europe	**167**	44	**39.0**	2.2	**66.5**	18.2	**456**	256	**10.7**	11.6

1 Calculated in accordance with the definition of financial targets.

Commercial Development – Carrying amounts and market values

USD M	Carrying amount, Dec 31. 2008	Carrying amount upon completion	Market value, Dec 31. 2008	Surplus value	Leasable space, 000 sq m	Economic occupancy level, %	Operating net, USD M	Yield on carrying amount, %	Yield on market value, %	Projected rental value fully leased, USD M	Average lease, years
Completed projects	275	275	370	95	227	94	20.6[3]	6.4	4.8	41.7[5]	5.0
Completed projects in 2008	218	218	292	73	111	88	20.8[4]	8.1	6.1	20.6[5]	10.1
Ongoing projects	430	703	497[2]	67	256	78	63.4[4]	7.7	6.5	60.1[6]	11.2
Totalt	**923**	**1,196**	**1,159**	**236**	**594**		**104.9**				
Development properties[1]	318	318	349	31							
Total	**1,242**	**1,515**	**1,508**	**266**							

1 "Development properties" refers to land with building rights for commercial use, totaling about 1,060,000 sq.m. (11.44 million sq.ft.).
2 Internal appraisal on each respective completion date. Accrued market value at year-end totaled USD 833 M.
3 Estimated operating net before corporate and business area overhead in 2008 on annual basis assuming current occupancy rate.
4 Estimated operating net before corporate and business area overhead fully leased in year 1 when the properties are completed.
5 Total of contracted rents and estimated rent for unoccupied space.
6 Estimated rental value fully leased in year 1 when the property is completed.

"Skanska street" growing in Warsaw

Jana Pawla II Avenue is located in central Warsaw. Named for Pope John Paul II, it is sometimes also called the "Skanska street" because the company has developed and built numerous projects there. Skanska arrived in Warsaw soon after the fall of the Berlin Wall. The Polish capital now has a new business district with about 100,000 square meters (over a million square feet) of modern office space that attracts international corporations, both as tenants and investors.

The most recent example is Atrium City, completed late in 2008. Early in 2009, the auditing and financial consultant group Deloitte is moving into its new Polish headquarters there. Occupying 14,500 sq. m (156,000 sq. ft.) of space, it can now gather its forces in Poland. The 20,000 sq. m property will also house the King Sturge consultancy and Deutsche Bank.

The premises are modern and functional, of course. They also incorporate Skanska solutions that reduce energy consumption – a strong argument for both users and investors. To make comparisons possible, Skanska has helped develop a Polish standard for measuring energy consumption in buildings.

Most of the properties Skanska has created along Jana Pawla II in the past 15 years have been sold. This is also true of Atrium City, which was acquired by German-based investment fund DEKA. The project was sold even before completion, which illustrates the trust that investors have in Skanska's products, as well as the rapid pace of its project development.

Develop – build – lease – divest. That is the cycle, with Skanska maximizing its project development gains by selling fully leased properties. It then invests the gain in new projects. Both investors and tenants can thus expect more new commercial space featuring Skanska quality in the future. Along Jana Pawla II, Skanska has additional building rights for 60,000 sq. m (646,000 sq. ft.), which will be developed when market conditions are right.

In Warsaw, Skanska also developed and built Marynarska Point. This office project, encompassing some 27,000 sq. m (291,000 sq. ft.), was completed in the second quarter of 2008. It is fully leased, among other to the DnB Nor bank and the Generali insurance group.

In Poland, Skanska also focuses on such regional growth centers as Wrocław, Katowice, Kraków, Łódź, Poznań and the three Baltic Sea cities of Gdańsk, Gdynia and Sopot.

Poland has shown very strong growth in recent years. Vacancies have fallen from 17 percent to 2. Monthly rents in good locations like Jana Pawla II are about EUR 30 per square meter. Skanska's Polish operations have doubled in four years and are now larger than its other markets in Skanska Commercial Development Europe – the Czech Republic and Hungary – combined.

Warsaw projects along the "Skanska Street" (Jana Pawla II)
Atrium International Business Center, completed in 1993, sold
Atrium Tower, 1997, sold
Atrium Plaza, 1998, sold
Atrium Centrum, 2001, sold
Westin Plaza Hotel, 2003, completed
Atrium City, completed in 2009, sold in 2008
Atrium South, future building rights, 60,000 sq. m

In Warsaw also Marynarska Point, fully leased, 2008


WESTIN

Infrastructure Development

Continued interest and large surplus value

Stimulating school environment in Bristol

More than 1,100 beds at Derby City General Hospital

A much-anticipated highway in Poland

Despite higher yield requirements when appraising assets, the project portfolio in the Infrastructure Development business stream contains surplus value of about USD 0.8 billion.

During 2008 the estimated unrealized development gain in Skanska's Infrastructure Development portfolio fell by USD 193 M to USD 0.75 (0.95) billion. This decline was due to the divestment of the Ponte de Pedra hydropower plant in Brazil, the increase in the discount rate, adjusted assumptions about reduced traffic flows on the Autopista Central toll highway in Chile as well as positive effects related to time value and investments.

During 2008, the divestment of Skanska's stake in Ponte de Pedra was recognized as income. In conjunction with this, development gains totaling USD 104 M were realized. Earnings were also reduced by a net impairment loss related to the Breitener power plant in Brazil amounting to USD 9 M.

Public-private partnerships

Public-private partnerships mean that private market players provide facilities and buildings to public agencies. This often implies a number of macroeconomic advantages for customers, taxpayers, users and builders. The model makes more room for investments in public facilities by spreading the cost of large public works investments over longer time periods. It lowers life-cycle costs and also increases the benefit to users because the service or facility becomes available earlier than would be the case with traditional procurement and financing.

Public-private partnership projects create value-added for Skanska by generating large construction assignments as well as continuous revenue and cash flows during the lengthy operation phase. In addition to construction assignments, in many cases Skanska is also responsible for long-term service and maintenance contracts. From an investor perspective, Skanska Infrastructure Development (Skanska) creates assets characterized by reliable cash flows over a service life lasting many years, once the operation phase begins.

The development process

In public-private partnership projects, Skanska is involved in the entire development chain from design and financing to construction, operation and maintenance. By assuming an overall responsibility, Skanska optimizes both construction and operating costs. Skanska-led consortia are awarded these projects not only because of price but, above all, on the basis of how well the product they offer meets the needs of the customer today and in the future.

During the development process, which is led by Skanska, the customer, owners (Skanska and its partners), Skanska's construction units and suppliers of operating and maintenance services are integrated into the task from the start, which reduces the overall risks to Skanska.

Risk management – generating value-added

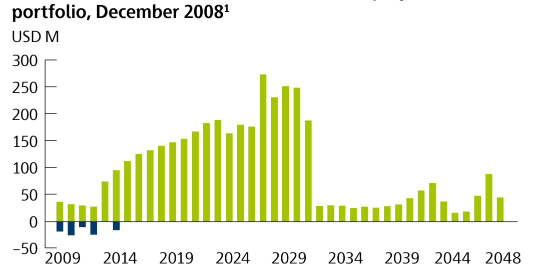
The investment, which is Skanska's part of the value chain, must meet ordinary commercial financial return targets. In order to create commercially attractive long-term assets, Skanska must efficiently manage risks and opportunities during the development process, that is,

The London Hospital is one of two large hospitals included in The Barts and The London Hospitals, Skanska's largest public-private partnership contract. The project includes many elements that will be completed successively over several years. The first large new building at The London Hospital has a floor area of 142,000 sq. m (1.53 million sq ft.).

USD M	2008	2007
Revenue	**8**	17
Operating income	**60**	–16
Investments	**–60**	–11
Divestments	**195**	26
Operating cash flow from business operations[1]	**114**	–2
Capital employed	**235**	393
Gross present value, project portfolio	**1,083**	1,457
Return on capital employed, %[2]	**16.2**	58.0
Employees	**133**	121

1 Before taxes, financing operations and dividends
2 Calculated in accordance with the definition of financial targets

Estimated annual cash flow in Skanska ID's project portfolio, December 2008[1]



Inflow: USD 3,934 M (interest, dividends and repayments)
Outflow: USD –94 M (contracted future investments)

1 Cash flows have been translated into USD at the exchange rates prevailing on December 31, 2008.

before and after financial close. Substantial value-added is generated during this process.

Thorough selection process

The selection process is crucial to Skanska. First and foremost, projects must be in product and geographic areas matching Skanska's competencies. The investment must also meet the yield requirements (or return targets) Skanska has established for each respective product segment and market. Skanska performs a thorough examination of risks and opportunities, in close collaboration with the Group's construction units. Since public-private partnership projects largely undergo final planning during the bidding phase, the bidding costs are substantially higher than for traditionally procured construction contracts. The bidding period is usually also longer. By means of a very thorough internal selection process, Skanska's total bidding costs can be kept down and the prospects of being selected can increase.

Together with one or more suitable partners, Skanska forms a bidding consortium. In collaboration between the bidding consortium, Skanska's local construction units and other suppliers, Skanska develops a bid.

After the consortium has been selected as the preferred bidder, final negotiations with the customer and potential financiers begin. Only when financial close has been achieved are assignments included in the order books of the construction unit and in Skanska's market appraisal.

Integrated model

As a rule, Skanska's local construction company carries out most of the construction project as a design-build contract with a fixed price and completion date. The margin potential in these projects can, if risks are managed, be higher than is the case in traditionally procured projects. This is primarily because Skanska is involved in the entire process and can thus influence planning and design from the very beginning. The local construction company is often also contracted to operate and maintain the completed facility. The greatest risk from an investor perspective is that the asset cannot go into service on schedule and that quality standards are not met. When Skanska participates in the construction assignment, this risk is regarded as substantially lower. Once the construction phase ends, the ramp-up phase begins, that is, the time it takes for the project to achieve the expected utilization levels and degrees of functionality. Its length varies depending on the type of project and the payment model.

Two different compensation models

The project company, in which Skanska is a part owner, receives compensation mainly according to one of two different models.

The availability model

In the availability model, compensation is based on providing a given amenity and agreed services at a predetermined price. Compensation, which is adjusted for

Phases in the development process

Terminology	Meaning	Financial implications for Skanska	Market appraisal
Bidder	Tries actively to be awarded the project.	Costs are recognized continuously in the income statement.	No
Preferred bidder	A consortium is selected and pursues final negotiations to sign a contract with exclusive rights.	The project is highly likely to be implemented. Bidding costs are capitalized in the balance sheet.	No
Financial close	All contracts are signed. Debt funding is raised, often in the form of a syndicated bank loan or bonds. The first disbursement is made to the project company.	Construction and service contracts are reported among order bookings. An initial risk premium is added to Skanska's discount rate.	Yes
Completion of construction phase	Construction is completed, entirely or partly (in stages), and the asset is in operation.	The initial operating phase has begun. The initial risk premium has gradually been reduced, but a certain risk premium is retained through the ramp-up phase.	Yes
Ramp-up	The initial operating phase. The duration varies, depending on the type of project and payment.	The ramp-up risk premium is gradually reduced.	Yes
Steady state	The project is in full operation and has achieved long-term revenue and cost levels.	The long-term discount rate is applied.	Yes

Appraisal methodology

Category	Steady state methodology	Steady-state discount rate, %	Risk premium during development phase	ID projects
U.K. hospitals, availability	Secondary market yields where a deep market exists.	8.5	Add 1–2 percentage point when financial close has been reached. This premium is reduced on a linear basis including the first year of steady state. Barts hospital project includes a 2 percentage point premium due to the long ramp-up until the asset is in full operation.	Barts, Coventry, Derby, Mansfield and Walsall
Other U.K. projects, availability	As above.	8.5	As above.	Bexley, Bristol and Midlothian
Other European projects, availability	As above.	8.5	As above. The A1 project has a higher base rate due to some traffic risk plus 2 percentage points in risk premium during ramp-up due to some traffic volume risk.	A1, E18, E39 and Nelostie
Highways, market risk, Chile	Based on long-term government borrowing cost plus risk premium. Test against listed companies with highway holdings and completed divestments.	12.8	Add 3–4 percentage point when financial close has been reached. This is reduced on a linear basis until steady state is reached.	Autopista Central
Other projects, Latin America	Based on long-term government borrowing cost plus risk premium. Test against listed companies with similar holdings and completed divestments.	13.0	Add 2–4 percentage points at financial close. This is reduced on a linear basis until steady state is reached.	(Manaus) Breitener

inflation, is payable regardless of the extent to which the facility is utilized. The project company is exclusively responsible for keeping the services and facilities available, functioning smoothly and up to the agreed standard. Shortcomings may result in deductions from payments. Because the customer in availability model projects is usually a national or local government, the project company's credit and payment risk is low. In this model, an overwhelming proportion of Skanska's investment consists of subordinated debenture loans. The availability model is more common in Skanska's project portfolio and is the most prevalent model in Europe.

The market risk model

In the market risk model, compensation is based entirely on the volume of utilization and the fees paid by end-users, for example tolls collected from motorists on a stretch of road. In this case, the project company's credit and payment risks are higher, while it also has major potential for increasing the return on its investment by means of more efficient operation and higher utilization. In the market risk model, Skanska's investment consists largely of share capital. Payment streams thus consist mainly of dividends, which are determined by the profitability of the facility. The market risk model is more common in the U.S. and Latin America.

Financing of projects

The financing of a project or project company is allocated between Skanska and its partner(s), which invest in the project company in the form of equity and subordinated debenture loans. The rest of the financing –which in availability projects may total more than 90 percent and in market risk projects 60–70 percent – consists of bank or bond loans.

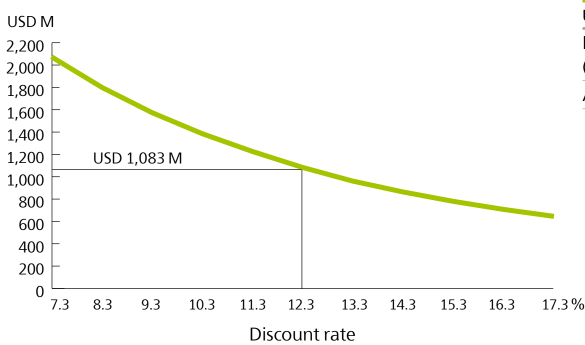
Cash flows from the project company to Skanska consist of interest and principal repayments on subordinated loans issued by Skanska and of dividends from the project company's profits and, finally, repayment of share capital. In today's project portfolio, Skanska's share of ownership in project companies never exceeds 50 percent, and Skanska thus does not exercise dominant ownership control.

Appraisal methodology

Skanska conducts an annual internal market appraisal of its portfolio. Estimated future cash flows are discounted at an interest rate equivalent to a yield requirement on equity. The level of this requirement is based on country risk, risk model and project phase for the various projects.

The yield requirement is also set on the basis of completed transactions involving comparable assets. The yield requirement that is selected is applied to all future cash flows starting on the appraisal date from an owner perspective. This means that cash flow is based on current borrowing for the project and its trend over time, that the project company pays taxes on its profits and that the project company observes the limitations usually imposed on dividends to shareholders. Dividends in the EU and the Nordic countries are generally not taxed, whereas there may be taxation by countries in

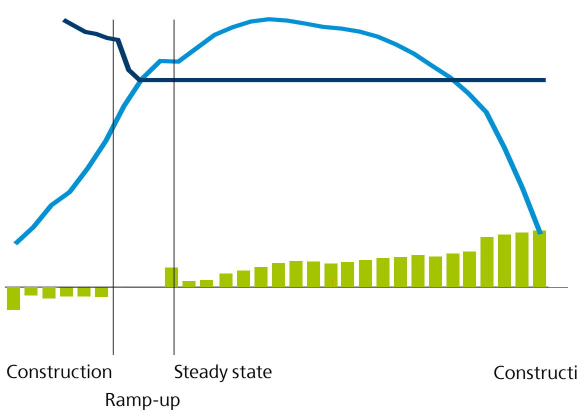
Gross present value of cash flow from projects – sensitivity analysis



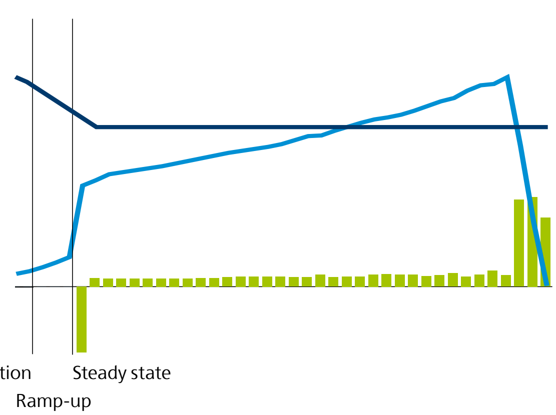
Sensitivity analysis

USD M	Change	
Discount rate (–/+ 1 percentage point)	129.5	–116.5
Autopista cash flow (+/–10%)	77.7	–77.7

Market risk concession, example



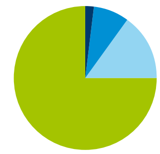
Availability project, example



■ Discount rate, % ■ Net Present Value ■ Cash Flow value, annually

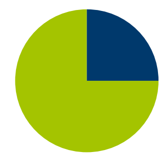
Estimated gross present value by

Category



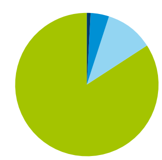
- Facility, 2%
- Highway, 8%
- Social infrastructure, 15%
- Highway Autopista Central, Chile, 75%

Payment type



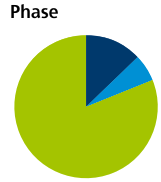
- Availability, 25%
- Market risk, 75%

Remaining concession



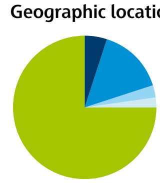
- < 10 years, 1%
- 10–20 years, 4%
- > 30 years, 11%
- 20–30 years, 84%

Phase



- Construction, 13%
- Steady state, 6%
- Ramp-up, 81%

Geographic location



- Nordics, 5%
- UK, 15%
- Other European countries, 3%
- Brazil, 2%
- Chile, 75%

Latin America. The appraisals have not taken any tax expenses into account.

The most recently updated financial model is used as a base. This financial model, which describes all cash flows in the project, has been examined and approved by banks, credit investment companies and rating companies. Data for the financial model is updated at least once a year.

A market value is assigned only to projects that have achieved financial close. The appraisal is performed from the perspective of Skanska. In other words, all flows to and from the project company are appraised.

Differences in the appraisal over time are due to changes in estimated future cash flow, in time value (the closer the cash flow is in time, the larger its value) and in the yield requirement used. Since all investments are denominated in currencies other than Swedish kronor, there is a currency translation effect in the change in market values.

The 2008 appraisal

At year-end 2008, the estimated gross present value of cash flows from projects totaled USD 1.08 billion (1.46). Estimated unrealized development gains in Skanska decreased during 2008 by USD 193 M and thus amounted to USD 0.75 billion (0.95). The reduction in value was due, among other things, to the divestment of the Ponte

In the autumn of 2008, 1,755 students began classes at the new Brislington Enterprise College (BEC), the third school that Skanska has recently completed in Bristol, U.K. It is divided into several "schools within a school," with all the modern tools for effective learning. Its stimulating environment has boosted both attendance and student grades. BEC is part of a large public-private partnership project in which Skanska is responsible for development, design, financing, construction and technical operation.

Public-private partnership projects create value-added for Skanska by generating large construction assignments as well as continuous revenue and cash flows during the lengthy operation phase.

de Pedra hydropower plant, the increase in the discount rate, adjusted assumptions about reduced traffic flows on the Autopista Central toll highway in Chile as well as positive effects related to time value and investments. In the same way as other projects in the portfolio are treated, the tax effect was completely excluded.

Interest in PPP projects as an asset class was affected by developments in financial markets, which are making it difficult to finance new projects. The weighted discount rate used in the appraisal was 12.3 (11.1) percent. The higher discount rate reflects the higher risk in the portfolio that is a consequence of the turbulence in financial markets. Negative currency translation effects decreased unrealized development gains by USD 128 M.

In the consolidated accounts, elimination of intra-Group profits totaled USD 28 M (59), which meant that unrealized development gains at Group level amounted to USD 0.78 billion (1.01) at year-end.

The appraisal carried out at the end of 2008 encompassed an update of financial models and a review of the yield requirements applied. The assessment of market values was made in cooperation with external appraisal expertise.

Valuation in 2008 by category, USD M

Category	Gross present value, Dec 2008	Discount rate, 2008, %	NPV, remaining investments[1]	Carrying amount, Dec 2008[2]	Unrealized development gain, 2008
Highways	85	9.2	0	35	49
Highway Autopista Central, Chile	813	13.1	0	165	648
Social infrastructure	163	9.3	59	48	55
Facilities	23	16.5	13	10	0
Total	**1,083**	**12.3**	**72**	**259**	**752[3]**
Accumulated development gain, 2007					945
Change, 2008					–193

1 Nominal value USD 93 M.
2 Invested capital plus accrued value of participations in project company income corresponding to Skanska's holding.
3 Eliminations at Group-level reduces the book value and hence increases the accumulated development profit with USD 28 M to USD 781 M.

Definitions, Skanska ID's appraisal model

Gross present value	The discounted present value of all flows from the project to Skanska.
Present value of remaining investments	The discounted present value of remaining investment commitments in ongoing projects. This is discounted at the same discount rate as the project.
Net present value (NPV)	The discounted present value of all flows to/from the project. The same as the sum of present value of cash flow from projects and present value of remaining investments.
Unrealized development gain	Net present value minus carrying amount of projects.
Change in unrealized development gain	Annual change in unrealized development gain.

Project portfolio, USD M

	Type	Category	Payment type	Country	Ownership, %	Invested capital, Dec 31, 2008	Total commitment	Year of operation/ full operation	Concession ends
In operation, fully or partially, December 2008									
Nelostie	Highway	Highway	Availability	Finland	50	4.1	4.1	1999	2012
E39	Highway	Highway	Availability	Norway	50	8.2	8.2	2005	2028
Autopista Central	Highway	Highway	Market risk	Chile	50	152.8	152.8	2004/2006	2031
Coventry	Hospitals	Social infrastructure	Availability	U.K.	25	12.6	12.6	2005/2007	2035
Bexley schools	Schools	Social infrastructure	Availability	U.K.	50	2.5	2.5	2005	2030
(Manaus) Breitener	Power plant	Facility	Availability	Brazil	35	18.9	31.6	2006	2025
Midlothian	Hospital	Social infrastructure	Availability	U.K.	50	2.2	2.2	2007/2008	2037
A1	Highway	Highway	Availability	Poland	30	12.5	12.5	2007/2010	2032
Mansfield	Hospital	Social infrastructure	Availability	U.K.	50	0.0	21.6	2006/2011	2043
Derby	Hospital	Social infrastructure	Availability	U.K.	25	14.2	14.2	2006/2008	2043
E18	Highway	Highway	Availability	Finland	41	12.9	12.9	2008/2009	2031
Bristol	Hospital	Social infrastructure	Availability	U.K.	50	6.2	6.2	2007/2008	2034
Under investment									
Barts and London	Hospital	Social infrastructure	Availability	U.K.	38	10.9	58.1	2006/2016	2048
Walsall	Hospital	Social infrastructure	Availability	U.K.	50	0.0	12.0	2007/2010	2041
Total, Skanska						**258.0**	**351.5**		
Accumulated share of earnings in J/V						0.6			
Carrying amount, Skanska						**258.7**			

Markets

Operations focus on three segments – highways, social infrastructure and other facilities. Skanska is involved in the entire value chain from project design to operation and maintenance, which reduces the risk level of projects. Its business model is based on investing in projects that increase in value upon being completed and thus attract investors who have lower return requirements.

At year-end 2008, the project portfolio consisted of a total of 14 projects in Europe and Latin America. The unrealized development gain in the project portfolio was USD 0.75 billion, equivalent to a decrease of USD 193 M compared to the 2007 appraisal.

Early in 2008 Skanska completed the sale of its stake in the Ponte de Pedra hydropower project in Brazil, with a capital gain of USD 104 M. Skanska's good earnings on this divestment are an indication of the market value found in fully developed, operational projects.

During the autumn, Skanska completed the first 90 km (56 mi.) of the A1 expressway in Poland, three months ahead of schedule. Phase 2 will be 62 km (39 mi.) long, and preparatory work has begun. A loan package of EUR 1.1 billion was signed, and disbursement preconditions are expected to be met during the first half of 2009. Skanska's ownership stake is 30 percent.

In 2008 Skanska, as 40 percent co-owner of a consortium, was selected to be responsible for constructing part of the M25 ring road around London. Financial close of this project is expected during the first half of 2009. In Finland, the new E18 highway between Turku and Helsinki was completed and opened up to traffic in stages during the winter. In the U.K., three more schools in Bristol's Building Schools for the Future (BSF) project opened.

Meanwhile a number of completed and operational projects are continue to generate a revenue stream. These include the Autopista Central highway in Santiago, Chile and the E39 highway near Trondheim, Norway, which have been in operation for several years. In the U.K., aside from Bristol, two schools are in operation in Bexley and eight PPP schools in the Midlothian district of Scotland. The project portfolio also includes the Coventry, Derby, Mansfield and Walsall hospitals as well as a major hospital project in London: The Barts and The London Hospitals.

Continued interest in PPP solutions

In the prevailing economic climate, with a general downturn in most markets, construction of infrastructure is a traditional employment-generating measure. There is heavy interest in public-private partnerships, but the current financial market turmoil has complicated and increased the cost of alternative financing solutions. This is not jeopardizing the projects for which Skanska has been selected, but in some cases it will delay the start of construction. Construction contracts are not included in the order books of Skanska's construction units until the financial close.

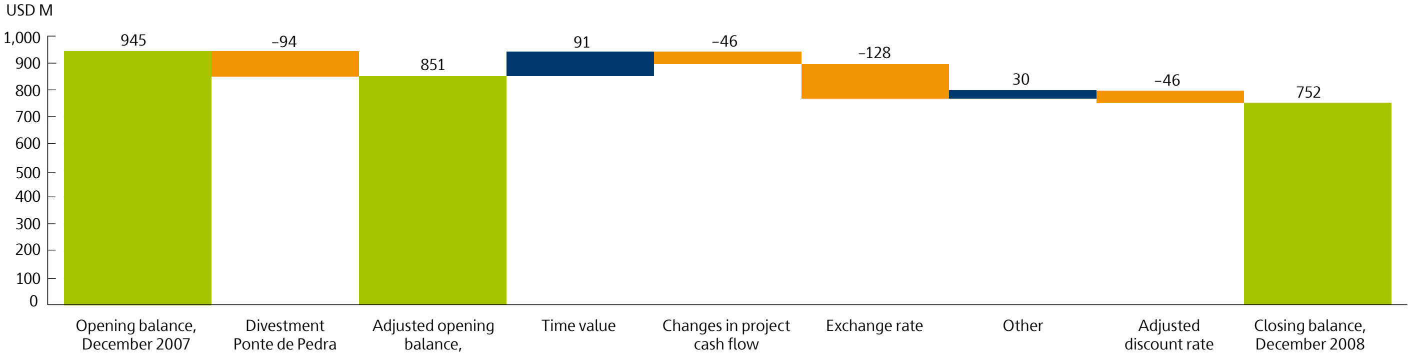
One clear sign that PPP solutions are gaining ground in Sweden is the development of the new Karolinska Hospital in Solna, near Stockholm, which will be carried out as a public-private partnership. Skanska is part of one consortium that will submit a tender. In the Czech Republic and Slovakia, too, PPP plans are beginning to coalesce. Skanska is currently marketing its services for a number of potential highway projects in these countries.

The U.K. remains the biggest market for PPP solutions. A continuous flow of new potential projects is expected, mainly for schools. Meanwhile the need for hospitals is slowing. New segments such as energy production in waste incineration plants and the operation and maintenance of street lighting systems are expected to utilize PPP solutions.

North America still has attractive expansion potential, but the market has not developed as expected and only a few PPP projects started during 2008. Skanska is participating in the bidding process for two large bridge and tunnel projects. In South America there is a large potential market, but opportunities there are limited by keen competition with very depressed prices. Skanska prioritizes projects with reasonable returns and does not intend to build up its PPP portfolio by under-pricing projects.

DerbyCity General Hospital is one of Skanska's seven PPP hospital projects in the United Kingdom. The hospital, with more than 1,100 beds and 35 operating rooms , underwent extensive renovation and expansion in phases. Construction was completed in 2008.

Changes in unrealized development gain, 2008



A much-anticipated highway opened

The new A1 expressway in northern Poland is wide, safe, fast and comfortable for motorists. The 90 km (56 mi.) long highway is also breathing new life into the region. Villages and cities no longer need to contend with thousands of heavy vehicles creeping along between schools and churches.

The economy is also being stimulated, as many companies are establishing operations along the new route. The regional transportation system has greatly improved, especially to and from the expansive tri-city area of Gdańsk, Gdynia and Sopot. Travel time has been cut nearly in half between Rusocin and Nowe Marzy south of Gdańsk.

It was a much-anticipated highway and was popular from Day 1. An average of 25,000 vehicles a day has used the A1 since the whole route opened in the autumn of 2008. One year earlier, the first 25 km (16 mi.) opened to traffic.

There is no doubt that the new highway is improving safety. The narrow, winding old Road 1 had a high rate of accidents, but the first stretch of the A1 to open experienced no accidents involving serious personal injuries during its first year.

The A1 is a public-private partnership project, in which the international consortium Gdansk Transport Company (GTC) invested about EUR 665 M. GTC is 30 percent owned by Skanska, 30 percent by Laing Roads, 25 percent by NDI and 15 percent by Intertoll.

In charge of project execution – from pre-construction engineering and purchasing to construction – was the Skanska-led consortium Skanska NDI. The construction contract totaled EUR 528 M, of which Skanska's share was 80 percent.

At the opening ceremony, Poland's Minister of Infrastructure Cezary Grabarczyk expressed his satisfaction with the execution of the highway project. He added that additional projects now being planned by the Polish government would be carried out in PPP form.

The Skanska-led owner consortium, GTC, is currently in the final stage of arranging the financing for the next phase. Financial close is expected during the first half of 2009. The investment will total about EUR 1.1 billion. The construction contract that will then be signed is expected to total about EUR 900 M, of which Skanska's share will be 80 percent.

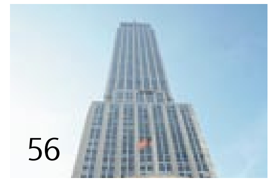
Phase II, which will consist of 62 km (39 mi.) of highway between Nowe Marzy and Toruń, is scheduled for completion by December 2011. The route will also include a 2 km (1.2 mi.) long bridge over the Vistula river.

Sustainable development

Proof of progress

Safety training and awareness

Proof of commitment – SOS Children's Village



Proof of performance – Empire State Building

Skanska is committed to providing sustainable living and working environments for future generations. During 2008 the Company made significant progress across all aspects of its sustainability agenda.

What a ratings agency says:

"In the recent oekom Corporate Rating for the construction industry, Skanska is one of only three companies to have reached oekom Prime Status, showing that it is among the leaders in the industry and that it meets industry-specific minimum criteria.

Skanska showed a strong performance in environmental aspects related to its products and services such as energy efficiency, water and resource efficiency as well as hazardous substances. It also performed well in the overall staff and supplier section.

The company still needs to tackle some issues, especially with regard to business ethics and the prevention of business malpractice. Skanska's reporting is comprehensive, and focuses strongly on case studies. From the point of view of a SRI rating agency, a more consolidated approach to reporting would be welcome."

oekom Research is one of the world's leading ratings agencies, specialising in sustainable investment.

The world economy is undergoing rapid change; with many countries experiencing recession for the first time in a generation. The economic downturn has been both swift and deep, having a profound effect on industry. Construction is one of the sectors that has been hardest hit by recent events in the financial markets. At the same time, it is the very sector that can contribute significantly to a more sustainable society. For example, it potentially has the most to offer in terms of reducing and managing the effects that climate change will have on the planet. A large proportion of the world's man-made greenhouse gas emissions originate in the built environment.

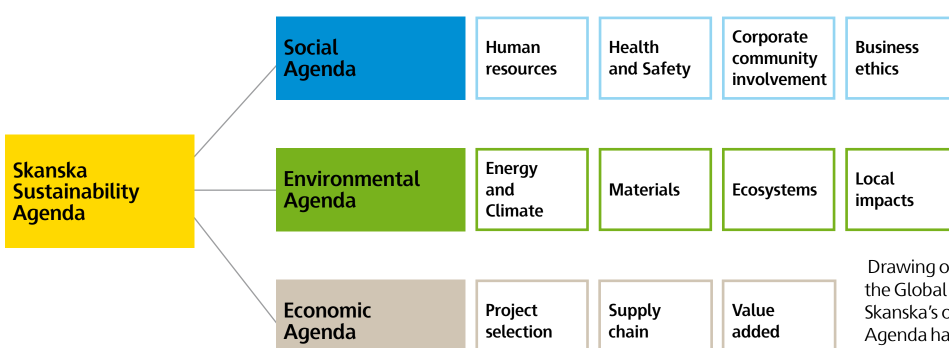
Through careful planning, the use of green construction techniques and thoughtful building management, the cradle-to-grave footprint of all structures can be reduced significantly. There is a big challenge that will be faced by Skanska and its customers during the next few years. That challenge is: does one continue to innovate and lead in terms of sustainable construction and green building techniques, during a time when many businesses will be focusing purely on riding the economic roller-coaster? The answer is a resounding "yes". There is a growing body of evidence, both from within Skanska and externally among environmental and social thought leaders, that companies that take sustainability seriously are actually in better shape during the difficult dips in economic cycles. This is a view shared by many socially responsible investors, as well as customers in the private and public sectors.

During 2008, Skanska's Sustainability Agenda was refined and improved. The challenges and opportunities for the business, in terms of sustainability, are now well defined; and have been addressed by a series of enhanced polices and strategies, all of which are now in place. These high level aspirations cover every aspect of the operation, from health and safety to human rights, energy efficiency to diversity. From an operational perspective, systems, procedures and processes are now being defined and implemented that will help to deliver Skanska's vision of contributing to a more sustainable world. The year represented a period of tremendous progress, particularly in terms of being able to deliver evidence of this commitment.

For example, the environmental policy and strategy published in 2008 set out new Key Performance Indicators (KPIs) that are now being measured. Skanska believes that these KPIs provide more relevant, robust and reliable reporting information, as well as more meaningful year-on-year comparisons. Since this is the first year of the company's long-term strategy, the KPI results will form the basis of future Sustainability Reviews. Old statistics that were previously reported have therefore not been included for comparison in this review, unless they continue to carry meaning and relevance. Meanwhile, the delivery of information internally and externally, particularly via the web, is generating interest and acknowledgement from expert bodies. In a recent Global Reporting Initiative publication on reporting practices, Skanska was one of only four European companies selected for review. Among the selection criteria were quality and the availability of a sustainability report.

Skanska is proud of its position in the construction sector. Sustainability is at the very heart of the organization, with transparency and leadership evident in many aspects of the projects that were delivered during 2008. Good examples of this commitment are illustrated throughout this review.

One Kingdom Street in PaddingtonCentral, London, U.K. incorporates many examples of Skanska's green construction techniques for minimizing energy and water consumption.



Drawing on the framework of the Global Reporting Initiative, Skanska's own Sustainability Agenda has been developed into 11 high priority areas.

Social Agenda
Safety

An estimated 40 percent of all workplace fatalities take place in the construction sector. Accident reduction is a key priority for Skanska. The company takes its responsibilities very seriously and continues to make strenuous efforts to achieve zero accidents. Progress in safety continued in 2008, with an overall reduction in employee Lost Time Accidents of 24 percent compared to 2005, when statistics began to be collected in their current format. Skanska continues to focus efforts on improved training and safety awareness for its workforce, whether employees or subcontractors. Recently completed projects have been recognized by independent bodies for the contributions made in this respect. One example is the Kings Mill Hospital in Nottinghamshire, U.K., which was honored with a Gold Award from the Royal Society for the Prevention of Accidents.

All accidents are avoidable. Whenever one occurs, lessons should be learned in order that similar incidents can be avoided in the future. Work undertaken during 2008 has identified the importance of site visits by senior managers in order to encourage safe practices and leadership at all levels in the organization. Planning Prevents Accidents was the theme for this year's Safety Week at Skanska, which saw more than 500 Executive Safety Site Visits (ESSV). All business units had prepared their own safety briefings and local intranet sites, designed to inform and educate staff. The ESSV will be used as a global indicator of safety activity in future years.

In spite of the significant progress made in reducing accidents, Skanska regretfully has to report that twelve workplace fatalities occurred on projects during 2008, of whom seven were subcontractors and one was a member of the public. The dominant cause was falling from height, which accounted for eight of these fatalities. This figure is completely unacceptable. Skanska is determined to achieve its Zero Accidents objective and has decided to take extreme measures – never before seen in the construction sector – to ensure that this happens. From 2009, the entire organization will observe a "stand down" each time a fatality occurs. As well as marking respect for a colleague, this will involve a number of actions, designed to bring safety to the forefront of every employee, supplier and subcontractor. Within 15 days of a fatal accident occurring, information on the cause of the incident and lessons learned will be made available to every business unit. During the global stand down, local managers will brief all personnel on the incident, emphasizing the question: "Could it happen to you and what actions can you take to avoid it?" It is expected that by applying Skanska's transparency and leadership to such a serious issue as workplace fatalities, the company will ultimately be able to achieve its goal of Zero Accidents.

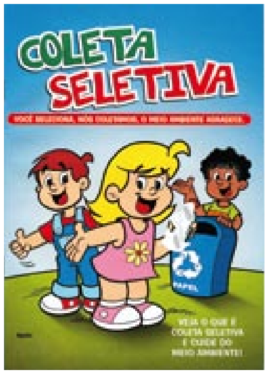
Employee involvement plays a big part in safety training and awareness. Employees at Skanska USA Civil's Cortez, Colorado office, which has not had a lost-time accident since 2002, were recognized for their efforts. Hands-on safety training on the Hazardous Waste Landfill project at Rocky Mountain Arsenal was acknowledged with an award from the program management contractor.

Intensive training and awareness-raising initiatives do make a difference to safety. At the recently completed Badedammen residential development in Stavanger, Norway, a total of four minor accidents resulted in a Lost Time Accident Rate of six per million hours. The project ran over four phases. A zero accident initiative was implemented in the fourth and final construction stage, which involved developing greater safety awareness among the workforce, and appointing safety ambassadors to monitor and assess working practices. No accidents were reported following the introduction of the zero accident initiative.

Looking Out for Safety

The booklet Looking Out for Safety, produced to support over 500 visits by senior Skanska managers during 2008 Safety Week.

Posters promoting training and awareness, such as this example from Poland, were used extensively during Safety Week.



As part of its environmental program Skanska helped local Brazilian agencies publish a children's waste awareness book.

Waste awareness and biodiversity protection are linked in Brazil on this free Skanska cotton bag.

Corporate community involvement

Wherever Skanska is located, employees are encouraged to make a positive contribution to the communities in which they work and live – through charitable donations, sponsorship, employee volunteering and other initiatives focused on three main areas: education, safety and disaster relief. At the Petrobras propylene plant, situated near the city of Curitiba in southern Brazil, an environmental management program encourages the workforce to recycle waste. Money generated from the sale of waste paper and metal is used to purchase cotton shopping bags, which in turn are exchanged for free when local employees hand in their waste plastic bags. Not only are the cotton bags reusable, they also carry awareness-raising slogans, alerting the local community to the dangers of plastic to sea turtles. The animals often eat discarded plastic, mistaking it as food, and frequently die as a result.

Business ethics

During 2008, the revised Skanska Code of Conduct was published and is now being implemented across all business units. Skanska has always provided an exemplary standard for the construction industry. As previously reported, the Company was instrumental in the development of the United Nations Principles for Countering Bribery in the Engineering and Construction Industry. The new Code, which provides enhancements to the original version published in 2002, is better aligned with relevant international frameworks, including the UN Global Compact and the World Economic Forum's Partnering Against Corruption Initiative (PACI). Among the updates is the explicit recognition of the rights of indigenous people and a more comprehensive approach to the reporting of breaches or suspected breaches of the Code, including upgrading of independent communication channels.

Proof of commitment

Immediately after the tsunami disaster in December 2004, Skanska committed USD 500,000 towards the construction of the SOS Children's Village in Phuket, Thailand. Opening in January 2009, the development includes twelve family houses accommodating a total of 120 children. The SOS Kindergarten with three classrooms for up to 75 children, serving the local community as well as Children's Village residents, forms an important part of the project.

Environmental Agenda

Strong management systems

Internationally recognized environmental management systems are used throughout Skanska to ensure consistency of reporting and transparency of results. The Company's environmental management system operates to the ISO14001 standard. All non-conformity incidents are reported and recorded. Accurate statistics, particularly relating to local impact, enable Skanska to regularly review and improve performance throughout its business units. Reporting major non-conformities is one of the KPIs within Skanska's annual reporting strategy, the results of which are provided here.

Although homes, offices and infrastructure projects are all designed and built to improve the lifestyle of communities, local disruption often occurs during construction. Skanska aims to reduce local impacts to a minimum, during the execution of a project as well as after completion. Working to ISO14001 helps to minimize any temporary adverse impact, as well as enabling Skanska to monitor and measure performance against a known benchmark.

Customer focus

Skanska is recognized as a leading player in all aspects of sustainable construction. Undertaking its activities within recognized standards, such as ISO14001, forms part of the Company's license to operate. However, there is much more that can be achieved in the delivery of true sustainability. During 2008, a major new initiative gathered momentum throughout Skanska. Green Construction is focused on offering our customers economically attractive products and services that provide a range of environmental benefits. One result is the Green Toolbox. It includes a wide range of innovative and imaginative environmental technologies and techniques being applied in projects across Skanska.

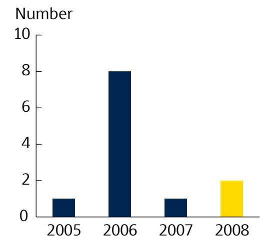
The green influence on the Company's business cannot be underestimated. From 2009, all new commercial development projects undertaken in the Nordic countries will be certified to the U.S. Leadership in Energy and Environment Design (LEED) standard. In Finland, the first building in the country to be both LEED precertified and EU GreenBuilding classified has now been completed in Helsinki while in Central Europe EU GreenBuilding status was awarded to the commercial projects Nordica Ostrava in the Czech Republic and the Nepliget Center in Budapest, Hungary. In order to cope with growing demand, more than 400 Skanska employees have been trained in eco-design techniques aligned to recognized international certification processes such as LEED and the U.K. BREEAM system.

Energy and climate

An estimated 40 percent of global man-made carbon dioxide emissions can be attributed to the construction sector, its supply chain and the built environment that the industry ultimately creates. No wonder then, that it is in the area of energy and climate that Skanska is focusing much of its attention. Using the globally accepted Greenhouse Gas (GHG) Protocol as a starting point, a comprehensive, and robust, carbon footprint methodology has been developed with the encouragement of the Carbon Disclosure Project (CDP). Skanska views this work as so important that competitor companies are being asked to become involved, with a view to producing a tool that can be used to accurately quantify the carbon content of all construction projects worldwide.

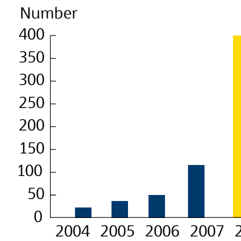
ISO14001 Major Non Conformance Citations

The frequency of MNCs in 2005–2008



Of the thirteen Business Units in Skanska, eight have received no MNC citations since January 2005 and two have had none since 1999 and 1995 respectively. Seven of the eight MNCs in 2006 relate to two BUs that were undergoing business restructuring at the time.

Eco design professionals



Since 2007 number of trained or accrediated professionals has almost tripled.

2008 Carbon footprint

This year, for the first time, the company can report that in 2008 its Scope 1 Absolute Carbon Dioxide emissions were 356,000 metric tons and Scope 2 Absolute Carbon Dioxide emissions were 88,000. To put this into perspective, Skanska's global total direct carbon dioxide emissions for 2008 are equivalent to that of just one medium-sized cement plant. In addition, Skanska can report that its Intensity Factor was 3.3 metric tons of carbon dioxide per USD 0.15 M of revenue.

It is widely acknowledged that the construction industry can make a big contribution to reducing energy consumption, particularly through the design and building of low or zero carbon homes, offices and public buildings. However, there is a general lack of consistency in the measurement and reporting of carbon consumption. Currently, less than half the companies reporting within the CDP use the GHG Protocol (originally developed by the World Resources Institute and the World Business Council for Sustainable Development (WBCSD)). There is significant opportunity for unintentional misrepresentation of emissions, particularly in Scope 3 reporting from the supply chain. Skanska aims to ensure that its carbon footprint methodology will be the most accurate and transparent in the construction sector.

Policy work

Skanska expects to lead in terms of both debate and action on carbon. The company continues to work closely with the EU Corporate Leaders Group on Climate Change to promote a proactive agenda in Europe, having contributed to important policy documents such as its Poznan Communiqué. The company is the only construction business and sole Scandinavian representative in this influential and important group. Continuing support is also provided for international studies, such as the UN Environment Program's Sustainable Building & Construction Initiative and the Energy Efficiency in Buildings Initiative of the WBCSD.

What a supplier says:
"As part of its Sustainability Agenda, Skanska shares it ideas and ambitions with certain companies in its supply chain. This open approach helps companies like Paroc to understand where one of its most important customers is going in terms of Sustainability and allows us time to find ways to align our R&D strategies for mutual long-term success."

Jan Gustafsson, Executive Vice President, Building Insulation Division, Paroc Oy AB, the largest producer of rock wool insulation in the Nordic countries and a major supplier to Skanska.

What a hazardous substances expert says:
"Skanska has taken a leadership role by publicly advocating for increased transparency and disclosure of the chemicals contained in construction materials. Skanska is, in its collaboration with ChemSec and the ChemSec Business Group, actively pushing the chemicals policy agenda. Skanska continues to highlight the challenges faced by downstream users of chemicals and their need to get adequate safety information about the products they use. ChemSec is pleased that Skanska is continuously updating its own voluntary chemical restrictions lists. This is an important precautionary measure towards limiting hazardous substance use in its projects."

Nardono Nimpuno, Senior Policy Advisor, International Chemical Secretariat (ChemSec), a non-profit organization working towards a toxic-free environment.

What a carbon reporting expert says:
"CDP welcomes Skanska's desire for greater standardization in GHG accounting in its sector and the development of robust Key Performance Indicators. We support Skanska's efforts in driving this forward. This initiative is an important step along the road of continuously improving the information available to investors and purchasers who wish to factor climate change into their decision making. We look forward to collaborating with Skanska on this issue."

Paul Dickenson, Chief Executive Officer, Carbon Disclosure Project, an independent non-profit organization which holds the largest database of corporate climate change information in the world.

Green solutions

The economic viability of passive housing – dwellings that consume significantly less energy for heating than conventional buildings – has been proven in several projects undertaken by Skanska, particularly in Sweden where new and renovated homes have benefited from this expertise. In the U.K., the imaginative development of One Kingdom Street, London, saw a pioneering study, conducted in collaboration with a carbon consultancy, to calculate the embodied carbon footprint of the building to the point of handover to the customer. Construction materials accounted for 85 percent of the total. The project also saw the inclusion of a pioneering geothermal heating system, built into the structural concrete piles of the building. Energy Piles™ are one example of the Green Solutions being applied as part of the company's Green Construction program. Another is the use of heat exchangers, including Europe's largest lake-based device, installed close to the Kings Mill Private Finance hospital, used to heat and cool areas including operating rooms. This focus on renewable energy will be central to Skanska's ability to provide buildings to society that mitigate and adapt to climate change.

Accurate measurement of energy consumption and embedded carbon dioxide is difficult to achieve; but must be done if carbon reduction initiatives are to have any real meaning. Several of the KPIs introduced throughout the organization during 2008 provide the measures required for mitigation and adaptation to climate change. These KPIs will be reported, and compared, annually. The impact of construction projects on energy and climate is also being reduced by the development of several renewable energy projects. In Knezice, Czech Republic, Skanska recently completed the construction of a biogas power plant. Situated 70 km (44 mi.) east of Prague, the plant produces renewable energy from biodegradable waste and has solved municipal waste management problems, promoted local energy self-sufficiency, reduced greenhouse gas emissions and provided residents with cheaper energy. In Chile, 23 windmills will soon be producing power as part of a joint venture between Skanska and Norwegian company SN Power. The challenge in this instance is, somewhat surprisingly, the wind: the location is known for strong gusts.

Materials selection and use

In order for society to function sustainably, the correct selection and use of materials is important. Sometimes it is necessary to invest more at the outset, in order to benefit from cost savings during the occupancy of a building. A good example is the Eko-Viikki ecological suburb of Helsinki, Finland. Its construction pioneered the voluntary Finnish M1 standards for low emissions and all indoor materials and substances exceeded the standards, which demand a total Volatile Organic Compound value of less than 200 $\mu g/m^2/hr$. The average building was approximately 5 percent more expensive to construct than a conventional residential building in Finland, due to efficiency features and the use of more sustainable materials. However, Skanska's Eko-Viikki buildings consume up to a third less energy and water than a typical new residential building in Finland, and residents consequently pay lower utility bills.

The concept behind eco-efficiency is simple: producing more, while using less raw materials and energy. Any improvements in the use of materials will undoubtedly have a significant impact on sustainability. It is estimated that the construction sector and its supply chain are responsible for up to 50 percent of all waste to landfill and half of the world's mineral resource extraction. A recent sector study in the U.K. found that materials worth up to 2 percent of revenue are misused in this way.

Ecosystems

Skanska's supply chain has an important role to play, across the entire sustainability agenda. The responsible selection and use of materials stems from an understanding that only those originating from sustainable sources should be used. Verification of origin and chain of custody have been important parts of the Company's procurement policy for several years. This philosophy is communicated to suppliers and subcontractors, through the social and environmental checks that are built in to Skanska's centralized purchasing system.

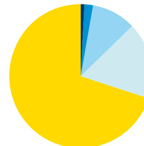
The protection of existing ecosystems, as well as enhancement of biodiversity, are always considered before and during any construction or infrastructure development project.

Skanska continues to lead on Climate by supporting the influential Poznan Communiqué.

Proof of performance

The Empire State Building in New York is an icon for early 20th century enterprise. In November 2008, Skanska took occupancy of the entire 32nd floor. As part of the refurbishment, best in class sustainable building practices were employed, resulting in the project being awarded the LEED-CI Platinum standard. To receive such an endorsement – considered an achievement even in new construction – for work completed on a building that is nearly 80 years old is proof of Skanska's commitment and ability.

Value-added to society



Economic Agenda

Project selection

Prior to submitting a quotation or tender, all projects are screened to assess their environmental, social and economic suitability as part of the Skanska Risk Management System. Proprietary assessment tools have been developed, including the Skanska Tender Approval Process (STAP) and Skanska's Operational Risk Assessment (ORA). Throughout the organization, standards are constantly being raised to ensure that sustainable building practices are promoted. One example is the Environment Policy's commitment to eliminate waste to landfill, with a target of less than 10 percent to landfill by the end of the current business plan in 2010 as the first milestone.

Supply chain

Skanska has about 58,000 employees and as many as 250,000 subcontractors. The Company manages 100,000 suppliers and delivers some 12,000 projects in a year. With numbers this large, maintaining and developing sustainability is challenging but can also provide big rewards. Suppliers play a key part in all aspects of delivering Skanska's Sustainability Agenda. Given the correct training, education and encouragement, they enable the business to deliver real improvements in materials selection and use, recycling and waste minimization. During 2008, Skanska continued to develop its coordinated purchasing and product selection. Currently, around 10 percent of the total expenditure on supplies is managed in this way, with the amount continuing to rise to as much as 50 percent by the end of 2010. Not only will this improve purchasing power, it will also provide much higher visibility and control of sustainability risks, such as unacceptable impacts on ecosystems, flora and fauna from illegal logging and inappropriate quarrying of stone. During 2008, purchasing staff members were trained and sustainability criteria were built into purchasing systems to assist in the correct selection of suppliers and materials. Products as varied as plastic pipes, elevators, bitumen and hand-held power tools have been assessed in this way.

Adding value to society

A large proportion of the Company's revenue finds its way into society via the supply chain, with suppliers representing 70 percent of annual expenditure for Skanska. The impact, positive or negative, of the Company's operations is therefore felt primarily through the supply chain. The most effective way to enable social improvements such as workers' rights, increased diversity and zero tolerance to bribery or child labor, is via suppliers.

As well as providing a platform for economic and social change, Skanska's operations result in the payment of direct and indirect taxes. In 2008, 87 percent of revenue was paid either to employees as salaries or to subcontractors and suppliers for the fulfillment of contracts. A significant proportion of this will have benefited society via further taxation at local and national level. Through careful application of policies and practices that have been developed to ensure sustainability, Skanska is able to share the benefits of its business success with a wider society – environmentally, socially and economically.

For more information:
www.skanska.com/en/About-Skanska/Sustainability/

Skanska Financials 2008

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

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

Financial review of 2008

For many units at Skanska, 2008 was a good year with high activity and good margins. In Construction, Skanska showed strong operating income in Sweden, Poland, USA Civil and USA Building. Through divestments of properties and projects, during the year the Group realized good development gains in Commercial Development and Infrastructure Development.

During the autumn, the economic downturn and turbulence in the financial market led to a gradual deterioration in business conditions, especially for residential development and building construction. The trend in the housing market remains negative, although a certain increase in customer interest occurred early in 2009 in Sweden and Norway. In civil construction, conditions are stable in most markets and positive in the U.S. Lower order bookings in Construction, however, indicate a decline in total business volume ahead.

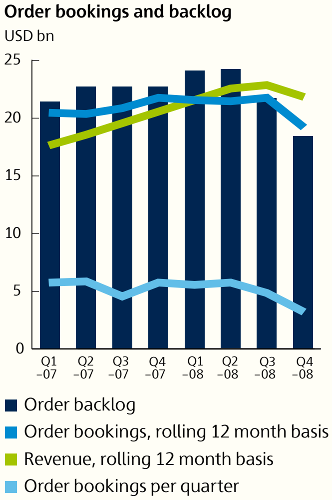
In response to expected sharply lower business volume in its Nordic construction operations, Skanska thus announced extensive personnel cutbacks. The costs of these and of impairment losses in the values of unsold residential units, land and projects in Skanska's project development operations were charged to earnings.

The costs of provisions for restructuring and impairment losses on assets lowered Skanska's earnings by a total of about USD 0.20 billion.

After having implemented adjustments to the expected lower volume, the Group stands well equipped in its markets. Skanska's financial position remains strong. These factors enable the Group to continue its efforts to focus on customers, profitability and risk management in Construction. In project development operations, the task of generating and realizing surplus values in properties and projects will continue.

Order bookings and backlog in Construction

Order bookings and backlog



Order bookings decreased by 10 percent and amounted to USD 19.2 (21.2) billion. Adjusted for currency rate effects, order bookings decreased by 12 percent. Order bookings were 9 (+11) percent lower than revenue during 2008.

Order bookings increased in Skanska Poland and Skanska Czech Republic, while other units saw a decline in order bookings.

Skanska signed a number of major contracts during the year

The Group received several major assignments related to healthcare. In this segment, which is one of Skanska's largest in the American building construction market, the Group signed various sizable contracts with large order amounts.

For example, Skanska USA Building was awarded the construction management contract for an addition to the Virginia Mason Medical Center in Seattle, Washington, U.S.A. for about USD 110.8 M. The same business unit also received two large hospital assignments, one in Tennessee worth about USD 69.8 M and one in Michigan for about USD 51.6 M.

In the United Kingdom as well, healthcare is an important segment for Skanska's construction operations. For example, Skanska UK was contracted to expand a hospital in Carstairs, Scotland, a contract worth about USD 124.4 M.

In the office and residential sectors, Skanska was awarded assignments with sizable contract amounts, but order bookings in Nordic residential construction were adversely affected by the prevailing financial market turmoil; the residential sector accounts for about one fourth of operations in these markets.

In the office sector, Skanska UK was assigned to construct the St. Botolphs office building in London for about USD 0.27 billion. One of Skanska's most prestigious projects is the renovation of United Nations headquarters in New York City, for which Skanska USA Building received several contracts with a total order amount of about USD 0.23 billion.

Skanska's civil construction operations secured various large assignments.

In Central Europe, civil construction in the road and rail sector is an important part of Skanska's Czech and Polish construction operations.

In the Czech Republic, Skanska received various assignments to build or renovate highways and stretches of railroad, with contract values totaling several billion Swedish kronor. For example, it was commissioned to rebuild a section of the railroad between Prague and the German border, with a contract amount of USD 126.7 M, and to build a new section of the R49 highway, which will connect the eastern parts of the Czech Republic with Slovakia, an order worth about USD 135.1 M.

Skanska Poland also secured orders totaling hundreds of millions of dollars; for example the business unit was awarded an assignment to build a stretch of highway in southwestern Poland. The contract amount totaled about USD 106.2 M. The same unit also secured two road projects in southwestern Poland totaling USD 145.7 M related to two bypass routes.

In the Nordic market, Skanska Sweden was contracted to build a new highway bridge in Gothenburg, worth USD 0.17 billion.

The Skanska-led consortium's contract to construct a dual-track rail tunnel through Hallandsås (Halland Ridge) in southern Sweden was increased. Skanska's share of the increased contract amounted to USD 91.0 M and its portion of the work is expected to be completed in 2014.

In U.S. civil construction, order bookings were stable and remained especially good in the New York City area. Skanska USA Civil was awarded contracts to construct two water treatment plants, one in Westchester County, New York, where Skanska's share of the contract amount was about USD 0.53 billion, and one related to upgrading the Newtown Creek Water Pollution Control Plant in Brooklyn, New York, where Skanska's share is worth USD 0.36 billion.

In Brazil, Skanska Latin America secured a contract to build a hydrodesulfurization unit at a refinery in Brazil, totaling more than USD 100 M.

Order bookings and backlog

	Order bookings		Order backlog	
USD M	2008	2007	2008	2007
Business unit				
Sweden	**4,136.3**	4,336.3	**2,500.1**	3,430.4
Norway	**1,620.5**	1,963.0	**1,039.6**	1,734.2
Finland	**1,013.8**	1,447.2	**746.9**	1,177.7
Poland	**1,420.8**	796.4	**726.8**	603.7
Czech Republic	**2,146.4**	1,382.7	**1,884.6**	1,859.3
United Kingdom	**1,983.6**	2,690.0	**2,893.8**	4,791.8
USA Building	**3,952.5**	5,120.2	**4,257.3**	4,905.2
USA Civil	**2,076.3**	2,615.6	**3,824.3**	3,500.4
Latin America	**849.2**	864.9	**565.3**	708.9
Total	**19,199.4**	21,216.2	**18,438.7**	22,711.7

Order backlog

Order backlog amounted to USD 18.4 (22.7) billion, a decrease of 19 percent. Adjusted for currency rate effects, order backlog declined by 9 percent.

American (North and Latin America), Nordic and other European operations accounted for 47 (40), 23 (28) and 30 (32) percent of order backlog, respectively.

Of order backlog, an estimated 62 (62) percent will be completed during 2009.

Revenue

Revenue by business stream

USD M	2008	2007
Construction	**21,168.1**	19,126.7
Residential Development	**978.8**	1,136.3
Commercial Development	**601.1**	463.2
Infrastructure Development	**8.3**	17.2
Central and eliminations	**–954.5**	–207.5
Skanska Group	**21,801.8**	20,535.8

Revenue rose to USD 21.8 (20.5) billion, an increase of 6 percent. Adjusted for currency rate effects, revenue increased by 4 percent.

In the Construction business stream, revenue rose by 11 percent. In local currencies the increase was 8 percent.

Income

Income

USD M	2008	2007
Revenue	**21,801.8**	20,535.8
Cost of sales	**–19,959.3**	–18,616.0
Gross income	**1,842.5**	1,919.8
Selling and administrative expenses	**–1,355.4**	–1,179.3
Income from joint ventures and associated companies	**132.9**	59.5
Operating income	**620.0**	799.9

Gross income amounted to USD 1,842.5 M (1,919.8). Gross income includes income from operating activities, including capital gains on divestments in Residential Development and Commercial Development. It also includes impairment losses in project development operations and loss provisions in ongoing projects, as well as certain restructuring expenses.

Selling and administrative expenses increased by 15 percent to USD 1,355.4 M (1,179.3). Among the reasons behind this increase in expenses were the costs of increased tendering, development and marketing activities as well as the costs of restructuring measures.

Income from joint ventures and associated companies mainly consisted of Skanska's share of Infrastructure Development operations, including capital gains on divestment of projects.

Operating income

Operating income

USD M	2008	2007
Construction	**570.7**	657.4
Residential Development	**–26.9**	107.1
Commercial Development	**144.6**	134.7
Infrastructure Development	**60.1**	–15.8
Central	**–125.5**	–82.6
Eliminations	**–3.0**	–0.9
Operating income	**620.0**	799.9

Operating income amounted to USD 620.0 M (799.9). Positive currency rate effects accounted for USD 35.4 M.

Earnings were lowered by a total of about USD 0.20 billion by the costs of provisions, mainly attributable to the Nordic markets, where a very sharp downturn in housing markets as well as an expected weakening in other building construction initiated an adjustment to the changed business volume.

Restructuring costs were mainly related to personnel cutbacks. Project impairment losses occurred in Residential Development operations.

Construction

The Construction business stream reported an operating income of USD 570.7 M (657.4). The operating margin decreased to 2.7 (3.4) percent.

Operating income improved in several markets. Skanska's operations in the United States, Sweden and Poland substantially improved their operating margins, as did Latin America, where operations benefited from high activity in the energy sector.

Poorer margins and operating income due to cost increases in certain projects adversely affected operations in the amount of about USD 0.18 billion during the year.

In the United Kingdom, Skanska recognized project impairment losses of about USD 101.7 M, mainly attributable to contracting work for public-private partnerships.

Earnings in Finland continued to be hurt by weak earnings in civil construction operations, which caused project impairment losses of about USD 45.5 M. In the Czech Republic, higher costs in some building construction projects adversely affected earnings by about USD 16.7 M. Project impairment losses of about USD 22.8 M were recognized in Norwegian contracting operations, mainly related to one large civil construction project.

The costs of provisions related to various restructuring measures lowered operating income by about USD 68.3 M.

Residential Development

The operating income in this business stream declined to USD –26.9 M (107.1).

Earnings were adversely affected by the slowdown in Nordic housing markets, combined with general uncertainty among home buyers. This resulted in lower business volume and fewer project start-ups. Combined with cost inflation, this adversely affected margins, especially in Denmark, Finland and Norway. In Sweden, the Czech Republic and Slovakia, the negative trend has not yet been as dramatic and business volume remained good during the year, while the margin worsened somewhat in Sweden and was stable in the Czech Republic and Slovakia. As a consequence of sharp deterioration in markets, restructuring measures were taken and operating income was lowered by the costs of personnel cutbacks, impairment losses on land, provisions for unsold residential units as well as impairment losses on completed properties totaling about USD 69.8 M.

Commercial Development

Operating income in the Commercial Development business stream totaled USD 144.6 M (134.7). Operating income in the business stream included capital gains from property divestments amounting to USD 179.5 M (155.5), with a total sale price of USD 536.7 M (413.7). Of these gains, USD 102.4 M (39.4) was attributable to ongoing projects that were divested ahead of completion. For these projects, Skanska applies the percentage of completion method.

Impairment losses on land in Hungary and Poland as well as for a completed project in Denmark and an impairment loss on shares in a partly owned company in Poland lowered earnings by about USD 19.7 M.

Divestments of properties were made at prices that averaged 16 percent above the estimated market values assigned at the end of 2007.

Infrastructure Development

Operating income in Infrastructure Development amounted to USD 60.1 M (–15.8). During the year, Skanska sold its stake in the Brazilian hydropower project Ponte de Pedra for about USD 0.17 billion, with a capital gain of USD 104.1 M. Skanska recognized an impairment loss of USD 11.2 M on another hydropower project in Brazil, and other restructuring measures lowered operating income by USD 3.0 M.

Central

Recognized central expenses increased to USD –125.5 M (–82.6). This item included the cost of Group headquarters, results from a number of central companies and central provisions. This also encompassed the International unit, including a number of businesses (Denmark, Russia and International Projects) that are being discontinued.

Central expenses for 2008 included provisions of about USD 18.2 M, among other things related to additional guarantee obligations of about USD 15.2 M in Danish construction operations that are being discontinued.

Eliminations of intra-Group profits and losses

Eliminations of intra-Group profits and losses amounted to USD –3.0 M (–0.9). This included eliminations of intra-Group profits and intra-Group losses in a net amount of USD 19.3 M related to Infrastructure Development, eliminations of intra-Group profits in a net amount of USD –16.5 M related to Commercial Development and miscellaneous items in a net amount of USD –5.8 M.

In the consolidated financial statements, Skanska eliminates such items as profits in Construction operations related to property and infrastructure projects equivalent to the Group's share of ownership of these projects. Intra-Group losses in Construction operations related to projects performed for the Infrastructure Development business stream are eliminated up to a maximum of 80 percent of the estimated market value of the project. These eliminations are reversed over the deprecia-tion/contract period or when the projects are divested.

Income after financial items

Income after financial items

USD M	2008	2007
Operating income	**620.0**	799.9
Interest income	**61.2**	79.2
Pension interest	**15.3**	13.6
Interest expenses	**–40.1**	–33.4
Capitalized interest expenses	**29.3**	9.0
Net interest income	**65.7**	68.4
Change in fair value	**2.3**	–15.4
Other financial items	**–18.8**	–14.4
Income after financial items	**669.2**	838.6
Taxes	**–190.1**	–228.8
Profit for the year	**479.1**	609.8

Net financial items totaled USD 49.2 M (38.6).

Net interest income declined to USD 65.7 M (68.4). Interest income declined to USD 61.2 M (79.2), among other things due to a lower volume of interest-bearing assets and falling interest rates during the second half of 2008.

Net interest on pensions increased to USD 15.3 M (13.6). This item consists of the estimated net amount on January 1 of interest on income and expenses related to plan assets and pension obligations. Interest expenses increased to USD –40.1 M (–33.4), which was explained among other things by significantly rising interest rates in foreign currencies, especially in Latin America where Skanska is a net borrower.

During 2008 Skanska capitalized interest expenses of USD 29.3 M (9.0) in ongoing projects for its own account.

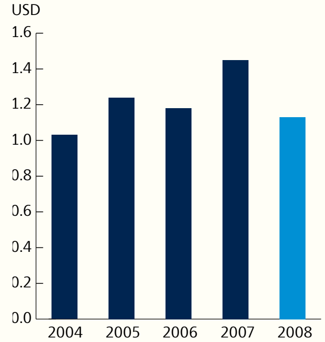
Change in fair value amounted to USD 2.3 M (–15.4). This was mainly related to positive interest rate differences in currency hedging of investments in Skanska's development operations as well as currency hedging of Skanska's equity denominated mainly in U.S. dollars and Czech korunas. Other financial items totaled USD –18.8 M (–14.4) and mainly consisted of currency rate differences plus various financial fees.

Profit for the year

USD M	2008	2007
Income after financial items	**669.2**	838.6
Taxes	**–190.1**	–228.8
Profit for the year	**479.1**	609.8
Profit for the year attributable to		
Equity holders	**470.7**	606.1
Minority interest	**8.3**	3.7
The year's earnings per share after repurchases, USD	**1.13**	1.45

Profit for the year attributable to equity holders amounted to USD 470.7 M (606.1). The year's tax expenses of USD –190.1 M (–228.8) were equivalent to a tax rate of 28 (27) percent. Earnings per share amounted to USD 1.13 (1.45).

Earnings per share



Residential, Commercial and Infrastructure Development

Breakdown of carrying amount, current-asset properties, Dec 31, 2008

USD M	Residential Development	Commercial Development	Construction	Total
Completed projects	98.5	275.3	13.7	387.5
Ongoing projects[1]	165.7	648.1	62.8	876.6
Undeveloped land and development properties	737.0	318.4	84.7	1,140.1
Total	**1,001.3**	**1,241.7**	**161.2**	**2,404.2**

1 The amount USD 648.1 M for Commercial Development includes projects completed in 2008 totaling USD 218.3 M.

Residential Development

At the end of 2008, the Group had 4,949 (5,593) residential units under construction. Of these, 60 (69) percent were sold. The number of completed unsold residential units totaled 675 (301), of which 529 (239) in Finland.

During the year, construction began on 3,018 (4,196) units. In the Nordic countries, the number of residential units started was 2,009 (3,480), while in the Czech Republic and Slovakia they totaled 1,009 (716) units. The number of residential units sold was 2,388 (3,858). In the Nordic countries, 1,689 (3,211) units were sold, while sales in the Czech Republic and Slovakia totaled 699 (647) units.

The carrying amount of current-asset properties in Residential Development totaled USD 1.00 (0.96) billion. Of this, undeveloped land and development properties (the "land bank") were reported at USD 0.74 (0.78) billion. This was equivalent to building rights for about 21,400 residential units. In addition, under certain circumstances Skanska has the right to acquire a further 8,200 building rights. There were also about 1,900 building rights in associated companies.

The estimated market value of undeveloped land and development properties was about USD 0.87 billion.

Commercial Development

Carrying amount and market value					
USD M	Carrying amount, Dec 31, 2008	Carrying amount upon completion	Market value, Dec 31, 2008	Occupancy rate, %	Degree of completion, %
Completed projects	275.3	275.3	370.3	94	100
Projects completed in 2008	218.3	218.3	291.7	88	100
Undeveloped land and development properties (land bank)	318.4	318.4	349.1		
Subtotal	**812.0**	**812.0**	**1,011.1**		
Ongoing projects[1]	429.8	702.7	497.1	78	63
Total	**1,241.7**	**1,514.7**	**1,508.2**		

1 Market value refers to accrued market value.

Commercial Development had 18 projects underway, 15 of them in the Nordic countries. Ongoing projects represented leasable space of about 256,000 sq. m (2.76 million sq. ft.), of which 78 percent was pre-leased. In addition, seven projects with leasable space of 90,000 sq. m (969,000 sq. ft.) were sold before completion.

The carrying amount for ongoing projects was USD 0.43 (0.33) billion. Their carrying amount upon completion is expected to total USD 0.70 billion, with an estimated market value of USD 0.83 billion, of which USD 0.49 billion was accrued at the end of 2008. The degree of completion in ongoing projects was about 63 percent.

Expected yield of ongoing projects, based on carrying amount, was estimated at about 8 percent.

Including properties that were recognized as completed in 2008, estimated total market value amounted to some USD 0.66 (0.56) billion, with a corresponding carrying amount of USD 0.49 (0.40) billion. The change in market value of the identical portfolio of completed properties, adjusted for investments, amounted to about USD –28.8 M, which was equivalent to a decrease of about 6 percent.

The carrying amount of undeveloped land and development properties (building rights) totaled about USD 0.32 (0.23) billion, with an estimated market value of USD 0.35 billion.

The assessment of market values was performed partly in collaboration with external appraisers.

Other commercial properties

"Other commercial properties" are primarily part of the Nordic units of the Construction business stream. The carrying amount was USD 161.2 M (116.4), and the gain on property divestments totaled USD 33.2 M (32.1).

Infrastructure Development

The Infrastructure Development business stream develops and invests in privately financed projects in collaboration with Skanska's construction units.

The unit is part owner of 14 projects, of which 12 are fully or partially in operation. At year-end 2008, the carrying amount of shares, participations, concessions and subordinated receivables in Infrastructure Development totaled about USD 0.26 (0.39) billion.

Remaining investment obligations related to ongoing projects nominally amount to about USD 0.09 (0.17) billion, with a present value of about USD 0.08 (0.12) billion. During 2008, two highway projects went into service, the A1 phase 1 in Poland and the E18 in Finland.

Skanska conducts an annual appraisal of the Infrastructure Development project portfolio. The appraisal that was carried out at year-end 2008 encompassed an update of the financial models and a review of the yield requirements applied. The assessment of market value was made in collaboration with external appraisal expertise. Market value consists of estimated present value of cash flow in the form of dividends and repayments of loans and equity from projects. On the appraisal date, this amounted to about USD 1.09 (1.46) billion.

The weighted average discount rate used in the appraisal was 12.3 (11.1) percent. The long-term discount rates were adjusted upward by 0.5 percentage points compared to the preceding year-end. The decrease in present value of cash flows was attributable, among other things, to the divestment of Ponte de Pedra, the increase in the discount rate, adjusted assumptions about reduced traffic flows on the Autopista Central toll highway in Chile as well as positive effects related to time value and investment, compared to the previous year's estimates.

Unrealized development gain, Infrastructure Development		
USD billion	Dec 31, 2008	Dec 31, 2007
Present value of cash flow from projects	**1.09**	1.46
Present value of remaining investments	**–0.08**	–0.13
Total present value	**1.01**	1.33
Carrying amount	**–0.26**	–0.38
Unrealized development gain, Skanska ID	**0.75**	0.94
Group eliminations	**0.03**	0.06
Unrealized development gain, Group	**0.78**	1.01

Surplus values in project development operations

To summarize, the surplus values in Skanska's project development operations were estimated at about USD 1.2 billion, consisting of USD 0.1 billion for land in Residential Development, USD 0.3 billion in Commercial Development and USD 0.8 billion in Infrastructure Development.

Investments

Investments/Divestments		
USD M	2008	2007
Operations – Investments		
Intangible assets	**–12.0**	–5.6
Property, plant and equipment	**–325.0**	–280.3
Assets in Infrastructure Development	**–60.1**	–10.8
Shares	**–1.1**	–5.9
Current-asset properties	**–1,601.4**	–1,136.9
of which Residential Development	**–657.5**	–737.3
of which Commercial Development	**–842.6**	–349.5
of which other commercial properties	**–101.2**	–50.0
Investments	**–1,999.5**	–1,439.5
Operations – Divestments		
Intangible assets	**0.2**	0.3
Property, plant and equipment	**96.7**	75.0
Assets in Infrastructure Development	**194.7**	26.3
Shares	**5.9**	9.2
Current-asset properties	**1,151.3**	1,311.6
of which Residential Development	**555.2**	798.0
of which Commercial Development	**536.7**	413.7
of which other commercial properties	**59.3**	99.9
Divestments	**1,448.7**	1,422.5
Net investments in operations	**–550.8**	–17.0
Strategic investments		
Acquisitions of businesses	**–0.8**	–10.9
Strategic investments	**–0.8**	–10.9
Strategic divestments		
Divestments of businesses	**0.3**	28.4
Strategic divestments	**0.3**	28.4
Net strategic investments[1]	**–0.5**	17.5
Total investments[1]	**–551.3**	0.4
Depreciation/amortization, non-current assets	**–209.9**	–190.4

1 (+) divestments, (–) investments.

The Group's investments totaled USD –2,000.3 M (–1,450.4) and its divestments totaled USD 1,449.0 M (1,450.9). On a net basis, Group investments totaled USD –551.3 M (0.4).

Investments in property, plant and equipment, which were related to continuous replacement investments in operations, increased to USD –325.0 M (–280.3). Amortization on intangible non-current assets and depreciation on property, plant and equipment totaled USD –209.9 M (–190.4).

Investments in the form of equity and subordinated loans in the Infrastructure Development business stream amounted to USD –60.1 M (–10.8). The business stream sold USD 194.7 M (26.3) in assets. Divestments consisted of the sale of Skanska's 50 percent stake in the Brazilian hydropower plant Ponte de Pedra and repayments of subordinated loans. Net divestments in Infrastructure Development totaled USD 134.6 M (15.5).

Skanska made net investments of USD –450.1 M (174.8) in current-asset properties. Projects were sold for USD 1,151.3 M (1,311.6), while investments amounted to USD –1,601.4 M (–1,136.9). This included projects carried out in the Residential Development and Commercial Development business streams and "Other commercial properties."

In Residential Development, net investments in current-asset properties totaled USD –102.3 M (60.7). Completed projects were sold for USD 555.2 M while USD 657.5 M was invested during the year. About USD 0.18 billion was related to acquisitions of land equivalent to about 3,200 building rights.

The Commercial Development business stream made net investments in current-asset properties totaling USD –305.9 M (64.2). Divestments in the form of sale of completed properties and ongoing projects increased to USD 536.7 M (413.7). Investments amounted to USD –842.6 M (–349.5).

Cash flow

The Group's operating cash flow

USD M	2008	2007
Cash flow from business operations before change in working capital	**478.9**	634.2
Change in working capital	**285.1**	655.8
Net investments in the business	**–550.8**	–17.0
Adjustments in payment dates of net investments	**3.0**	43.2
Taxes paid in business operations	**–271.3**	–166.9
Cash flow from business operations	**–55.1**	1,149.3
Net interest items and other financial items	**69.8**	25.5
Taxes paid in financing activities	**–20.9**	–7.7
Cash flow from financing activities	**48.9**	17.8
Cash flow from operations	**–6.2**	1,167.1
Net strategic investments	**–0.5**	17.5
Taxes paid on strategic divestments	**0.0**	–2.5
Cash flow from strategic investments	**–0.5**	14.9
Dividend etc[1]	**–571.6**	–511.7
Cash flow before change in interest-bearing receivables and liabilities	**–578.3**	670.3
Change in interest-bearing receivables and liabilities	**–474.8**	–232.5
Cash flow for the year	**–1,053.1**	437.9
Cash and cash equivalents, January 1	**2,210.8**	1,598.9
Reclassifications in cash and cash equivalents	**0**	59.2
Exchange rate differences in cash and cash equivalents	**–137.3**	114.9
Cash and cash equivalents, December 31	**1,020.5**	2,210.8

1 Of which, repurchases of shares **–41.1** –

Cash flow for the year amounted to USD –1,053.1 M (437.9).

Cash flow from business operations decreased to USD –55.1 M (1,149.3). The overall decrease is explained by lower operating income, lower reduction in working capital, higher net investments as well as higher amounts of taxes paid.

Lower earnings in Construction and Residential Development operations are the contributing reason for the reduction in cash flow before change in working capital to USD 478.9 M (634.2).

Reduced tied-up capital, especially in North American business units and in Skanska Sweden, was the primary reason why change in working capital still contributed a positive cash flow of USD 285.1 M (655.8).

Increased net investments in the business affected cash flow by USD –550.8 M (–17.0), of which net investments in property, plant and equipment intended for use in the business had an effect of USD –228.4 M.

Increased investments in ongoing projects in both Residential and Commercial Development had a net negative impact on cash flow, amounting to USD –450.1 M.

Taxes paid rose to USD –292.3 M (–177.1). The increase was mainly attributable to the payment of tax on the divestment of Skanska's share of the Ponte de Pedra hydropower plant in Brazil and higher tax payments in the United States.

Dividends, adjustments of minority interest and repurchases of shares totaled USD –571.6 M (–511.7). "Change in interest-bearing receivables and liabilities" amounted to USD –474.8 M (–232.5). This change is explained primarily by an increase in interest-bearing receivables and settlement of interest-bearing liabilities.

Financing and liquidity

At year-end 2008, the Group had interest-bearing net receivables of USD 1,195.1 M (2,268.7). The Group's unutilized credit facilities totaled USD 1,154.2 M (1,138.6) at year-end.

The proportion of interest-bearing net assets in currencies other than SEK, after taking derivatives into account, increased to 53 (45) percent. A large part of this increase was attributable to higher financial assets in euros and U.S. dollars.

Interest-bearing assets including cash equivalents declined to USD 1,959.7 M (3,020.8). Of these, receivables in currencies other than SEK accounted for 84 (72) percent. The average interest rate refixing period for all of the Group's interest-bearing assets was 0.1 (0.1) years, and the interest rate amounted to 1.77 (4.01) percent at year-end.

Change in interest-bearing assets and liabilities

USD M	2008	2007
Net receivables, January 1	**2,268.7**	1,512.5
Cash flow from business operations	**–55.1**	1,149.3
Cash flow from financing activities excluding changes in interest-bearing liabilities and receivables	**48.9**	17.8
Cash flow from strategic investments	**–0.5**	14.9
Dividend etc[1]	**–571.6**	–511.7
Acquired/divested interest-bearing liabilities	**5.9**	0.6
Exchange rate differences	**–126.7**	148.8
Change in pension liability	**–369.2**	16.7
Reclassifications	**0.0**	–58.9
Other changes	**–5.3**	–21.3
Net receivables, December 31	**1,195.1**	2,268.7

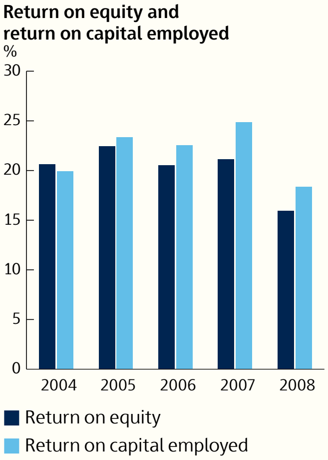
1 Of which, repurchases of shares –41.1 –

The Group's interest-bearing liabilities and provisions increased to USD 764.6 M (752.1), of which pension liabilities and provisions amounted to USD 415.1 M (196.8). The average interest rate refixing period for all Group interest-bearing liabilities, excluding pension liability, was 0.6 (0.5) years, and the average maturity amounted to 2.4 (2.3) years. An unutilized credit facility of USD 1.06 billion runs through 2014.

The interest rate for all Group interest-bearing liabilities, excluding pension liabilities, amounted to 4.06 (3.84) percent at year-end.

Skanska has an obligation to American guarantors to maintain a certain level of equity in its North American operations.

Return on equity and capital employed



At year-end 2008, the equity of the Group attributable to equity holders amounted to USD 2,467.7 M (3,194.9). Return on equity decreased to 15.5 (21.0) percent.

Aside from profit for the year, the change in equity is explained by disbursement of a dividend of USD –0.52 billion, by actuarial losses of USD –0.30 billion (after taxes) when reporting pensions, by negative currency translation differences of about USD 0.31 billion and by repurchases of shares totaling about USD 0.05 billion.

Return on capital employed decreased to 17.8 (25.0) percent. Capital employed amounted to USD 3,257.0 M (3,976.7).

Equity/assets and debt/equity ratio

The equity/assets ratio fell to 23.1 (26.3) percent. The net debt/equity ratio was –0.5 (–0.7).

Principal risks and uncertainties

The turmoil currently prevailing in financial markets may have adverse consequences, for example in cases where the Company's customers have difficulties in borrowing to finance their projects and must therefore postpone investments. Certain counterparties, such as customers, subcontractors or suppliers, may have difficulty living up to their contractual obligations, and Skanska carries out continuous assessments of counterparty risks in order to be prepared for this.

The construction business is largely about risk management. Practically every project is unique. Size, shape, environment – everything varies for each new assignment. The construction industry differs in this way from a typical manufacturing company that has permanent facilities and serial production.

In Skanska's operations there are many different types of contractual mechanisms. The degree of risk associated with the prices of goods and services varies greatly depending on the contract type.

Delays in the design phase or changes in design are circumstances that may adversely impact projects.

To ensure a systematic and uniform assessment of construction projects, Skanska uses a common model for identifying and managing risks throughout the Group. With the help of this model, Skanska evaluates construction projects continuously, from tender preparation to completion of the assignment, with regard to technical, legal and financial risks.

In Residential Development operations, there are risks in all stages from concept to completed project. Such external factors as interest rates and the willingness of customers to buy residential units are of crucial importance to all decisions in the process. Residential units are built to be sold individually. To minimize risks, the goal is to completely develop and sell the units in a given project during a single economic cycle, when variations in market conditions are small and predictable. New projects are started after a predetermined percentage of units is sold or prebooked.

Greater standardization, with shorter lead times, reduces the period of exposure and thus the risk of fluctuations in market demand.
Due to lengthy planning and permitting processes, ample lead time is required to ensure a supply of building rights (a "land bank") that will meet demand.

Commercial Development manages risks connected with external factors, customers' leasing needs and the willingness of investors to buy commercial projects. By means of frequent customer contacts, Skanska tracks the leasing requirements of customers continuously.

Risks are limited because the business stream has an established ceiling on how much capital may be tied up in projects that have not been pre-leased or sold.

Investments made in Infrastructure Development operations require efficient risk management during the development phase, that is, before and after financial close. During the construction phase, the greatest risk is that the asset cannot go into service on schedule and that quality standards are not met.
Depending on the type of asset, there are risks during the entire implementation phase, which may extend over decades. Examples of such risks are external factors – demographic, environmentally related and financial – that are managed during the service life of a project.

For a further account of principal risks and uncertainties, see the section on market outlook as well as Note 2, "Key estimates and judgments." Financial risks are described in Note 6, "Financial instruments. "

Ongoing litigation

Skanska and another company that are alleged to have participated in collusive anti-competitive practices in the asphalt sector have been sued by a number of Swedish municipalities that maintain that they have suffered damage in procurements alleged to have been the object of collusive cartels between the contractors. Skanska has been sued for a total of USD 7.4 M. Skanska denies the allegations. In keeping with the Group's accounting principles, no provision has been made for the damages suit.

In Finland, the Market Court issued a ruling in December 2007 in the Finnish Competition Authority's suit against a number of companies in the civil construction and asphalt sectors, among them Skanska, concerning alleged collusive anti-competitive activities. The Market Court ordered Skanska to pay the equivalent of USD 1.9 M in infringement fines. The Competition Authority had sued for about USD 12.9 M. Skanska decided to appeal the ruling after the Competition Authority had appealed the ruling.

In October 2006, Slovakia's Antitrust Office decided to fine six companies that had participated in tendering for a road project. Skanska was part of a joint venture led by a local Slovakian company. The fine in Skanska's case is the equivalent of USD 9.1 M and was charged to 2006 earnings. Skanska denies the Authority's allegations and requested that the decision be reviewed by a court of law. In December 2008 the court decided to annul the decision of the Antitrust Office and remit the case to the Office for a new procedure.

Changes in the Board of Directors and Senior Executive Team

At the Annual Shareholders' Meeting in April 2008, Board members Curt Källströmer, Anders Nyrén and Stuart Graham, also President and CEO, resigned. Johan Karlström, the new President and CEO, and Bengt Kjell were elected as new Board members. The Annual Meeting re-elected Sverker Martin-Löf as Chairman of the Board. Among the Board members appointed by employee organizations, Gunnar Larsson resigned in August and was replaced by Roger Karlström.

In November, Karin Lepasoon was appointed Executive Vice President in charge of Communications and Investor Relations. Since April she has been a member of the Senior Executive Team. In December, Michael McNally was appointed Executive Vice President and a member of the Senior Executive Team effective January 1, 2009, in charge of building and civil construction operations in the United States.

Sustainable development

Skanska's sustainability agenda is based on the international framework for sustainability reporting, the Global Reporting Initiative (GRI) and the Triple Bottom Line concept, which means a long-term balance between social, environmental and financial results.

During 2008, Skanska implemented and used a number of Key Performance Indicators for comparing and managing portions of the sustainability agenda in such important fields as human resources, health and safety and the environment. Skanska's decentralized organization, with project-based operations in various product and geographic markets, poses special challenges concerning the choice of key indicators.

Skanska participated actively in sustainability work at the international level by promoting best practices in a number of fields. Examples of these activities are Skanska's support for promotion of energy efficiency in buildings under the auspices of the New York Academy of Sciences. As a result of its commitment to the European Union's Corporate Leaders Group on Climate Change (EU CLG), Skanska contributed to its Poznan Communiqué, a strong expression of support for the EU's progressive climate change policy. Skanska also supports the EU directive REACH, which aims at gradually phasing out the use of especially hazardous substances. The Group continued its support of the United Nations Global Compact and the Global Compact Nordic Network during the year.

A safe working environment for all Skanska employees and subcontractors is a top priority. In 2008, 65 percent of the workforce was covered by an occupational safety and health management system certified under OHSAS 18000 standards. During 2008 Skanska introduced a new safety policy document, new safety guidelines and four new safety standards that strengthen and improve earlier procedures.

As previously, Skanska held its Safety Week in November, whose theme was "Looking Out for Safety" to ensure that good oversight and planning are always carried out before work begins.

During 2008 the number of accidents resulting in lost working time fell to 5.2 (5.9) per one million hours worked, down 24 percent compared to the base year 2005. Unfortunately the number of work-related fatalities rose to 12 (8), of whom 7 were employees of a subcontractor.

A revised Code of Conduct was approved by the Board of Directors in September 2008. The Code of Conduct reflects changes and best practice developments during the past five years – among other things the use of independent communication channels where Skanska employees and other stakeholders can report violations or suspected violations of the Code. It is also better coordinated with international frameworks that affect Skanska, among others the World Economic Forum's Partnering Against Corruption initiative, the tenth principle of the UN Global Compact and the Global Reporting Initiative for sustainable development. Skanska also continued to support Transparency International in its efforts to combat corruption.

Skanska is continuing to work on behalf of responsible environmental management and toward its goal of zero environmental incidents. During the year, 95 percent of Skanska's employees worked in accordance with environmental management systems certified as meeting ISO 14001 standards. No serious environmental incidents were reported by Skanska's business units.

During the year, many changes were introduced in local, regional and international environmental legislation. These are administered within the environmental management systems of the respective business units. The most important changes are presented in Skanska's Sustainability Report for 2008 together with the outcome of the global key figures included in Skanska's three-year environmental strategy (2008-2010).

Continuously ongoing developments in legislation, building codes and other regulatory instruments – among them emission trading systems – affect energy efficiency and climate change. For Skanska, such changes are generally positive. This gives Skanska an opportunity to adapt its products and services to the new markets that are emerging, while challenging the Group to reduce its environmental impact from travel, vehicles, heavy equipment and offices. During 2008, Skanska began working to establish its "carbon footprint" with the help of the internationally recognized Greenhouse Gas (GHG) Protocol. As part of Skanska's Green Construction initiative, several business units are actively studying various business opportunities related to energy efficiency.

As one element of the Group's efforts to reduce its energy needs and related climate change risks, Skanska has continued its commitment to two international initiatives – the United Nations Sustainable Building & Construction Initiative (SBCI) and World Business Council for Sustainable Development's Energy Efficiency in Buildings (EEB) initiative.

The demand for buildings with externally certified eco-design classifications, for example LEED (United States), the European Union's GreenBuilding certification and BREEAM (United Kingdom) continued to rise. Reflecting this new business opportunity, an increased number of Skanska employees are accredited to meet these growing demands from customers.

Human resources

The average number of employees during 2008 was 57,815 (60,435), including 11,490 (10,963) in Sweden. Employee turnover was at a normal level.

One way of retaining employees in the Group is the Skanska Employee Ownership Program (SEOP), which gives all permanent employees of Skanska the opportunity to become shareholders in the Company.

Skanska's first Global Trainee Program concluded in November after 18 months, and the participants have now gone on to new challenges within the Group. Another round of the program, with 22 participants, began during 2008. One purpose of the program is to increase awareness of Skanska as an attractive employer. Another is to expand the traditional recruitment base, but especially to recruit future key individuals and managers for the Group. The program gives participants a unique opportunity to experience practical training periods in different fields of operations. In addition to such periods, they undergo a total of eleven weeks of training in the fields of leadership, project management and professional and individual development.

The basis for succession planning of managers in the Company is the annual Talent Review process. Its purpose is to provide a picture of an individual's strengths, weaknesses, potential and development needs.

Developing and retaining Group employees includes working with annual employee surveys in order to obtain a picture of job satisfaction, morale and professional development needs. These variables are measured regularly at all Skanska units, and improvements have been made each year thanks to focused efforts to create motivated employees.

One of the most important elements of employee satisfaction is the degree of professional development that an employee experiences. This is why the Group places great emphasis on giving employees opportunities for new, growth-stimulating assignments and providing special training to hone their skills. There are also other management training programs at large business units, which enable employees at various levels to obtain relevant training.

To strengthen opportunities for an international career, during 2008 the Group initiated an international program called Skanska Unlimited aimed at making it easier for employees to receive short- or long-term assignments in another business unit. During the autumn, the first of 24 participants in all began their assignments, which last 3-6 months.

In order to increase diversity, each respective business unit has diversity targets related to gender, ethnicity and educational background.

The financial crisis, combined with an economic downturn, is leading to decreased project volume. Late in 2008 the task of adjusting the workforce to reduced volume was a top priority.

Remuneration to senior executives

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

The Board will present to the Annual Meeting in April 2009 the following proposal on guidelines for salary and other remuneration to senior executives, for approval by the Meeting.

The proposal of the Board on guidelines for salary and other remuneration to senior executives, for approval by the 2009 Annual Meeting

Remuneration to the CEO and other senior executives shall consist of fixed salary, flexible remuneration if any, other customary benefits and pension. The other senior executives are defined as the Chief Financial Officer and other Executive Vice Presidents. The combined remuneration for each senior executive shall be market-related and competitive in the labor market in which the executive is working, and outstanding performance shall be reflected in total remuneration.

Fixed salary and flexible remuneration shall be related to the responsibility and authority of the executive. The flexible remuneration shall be payable in cash and/or shares and it shall have a ceiling and be related to fixed salary. The allocation of shares shall require a three-year vesting period and shall be part of a long-term incentive program. Flexible remuneration shall be based on outcome in relation to established targets and must coincide with the interests of the shareholders.

To the extent that a Board member performs work on behalf of the Company in addition to his or her Board work, a consultant fee and other compensation for such work may be payable.

In case of termination or resignation, the normal notice period is 6–12 months, combined with severance pay equivalent to a maximum of 24 months of fixed salary or, alternatively, a notice period with a maximum of 24 months.

Pension benefits shall be either defined-benefit or defined-contribution, or a combination of these, and should entitle the executive to receive a pension from the age of 65. In individual case, however, the pension age may be as early as 60. To qualify for a full defined-benefit pension, employment is required to have existed during as long a period as is required according to the Company's general pension plan in each respective country. Flexible remuneration shall not be pensionable, except in cases where it follows from the rules in a general pension plan.

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

Matters related to the remuneration of senior executives are decided by the President and CEO after examination by the Compensation Committee of the Board of Directors. When it comes to the salary and other remuneration of the CEO, the decision is made by the Board of Directors.

Groupwide share incentive programs

Skanska has two Groupwide share incentive programs, the long-term Skanska Share Award Plan that was applicable during 2005–2007 and the Skanska Employee Ownership Program which runs during 2008–2010.

Long-term share incentive program, 2005–2007

The Skanska Share Award Plan applied during 2005–2007, with disbursement in the form of Skanska shares during 2009–2011. The Plan covers about 300 managers and could provide a maximum 30 percent addition to fixed salary.

A reconciliation of how financial and qualitative targets were achieved led to an average outcome in addition to fixed annual salary of about 15 percent for 2005, about 18 percent for 2006 and about 18 percent for 2007 in allocations to those managers included in the Plan. To receive share awards, those included in the Plan must be employees of the Skanska Group for three years after the end of the measurement period.

To ensure the delivery of Series B shares, Series D shares held by the Company will be converted into Series B shares at the end of each respective vesting period and will be delivered to those covered by the Plan.

Employee Ownership Program, 2008–2010

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

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

The program runs for three years, 2008–2010, with allotment of shares earned by the employees not taking place until after a three year vesting (or "lock-up") period, i.e. during the years 2011–2013. To be able to earn matching and performance shares, a person must be employed during the entire vesting period and have retained the shares purchased within the framework of the program.

At present, 16 percent of the Group's permanent employees are participating in the program.

The costs of the programs are presented in the following table.

Employee-related costs for the long-term Skanska share award plan (SAP) and the Skanska employee ownership program (SEOP)

Employee-related costs for share awards [1] USD M	SAP	SEOP[2]	Total programs
Total preliminary cost for the program	21.6	22.4	44.0
Expensed January 1	–12.1	0.0	–12.1
Cost for the year	–4.6	–5.2	–9.7
Total expensed December 31	–16.7	–5.2	–21.8
Remaining to be expensed	**4.9**	**17.2**	**22.1**
Of which expensed in			
2009	3.2	7.3	10.5
2010	1.7	7.1	8.8
2011	0.0	2.8	2.8
Total	**4.9**	**17.2**	**22.1**
Dilution through 2008, %	0.22	0.09	0.31
Share awards earned through 2008 Number of shares	910,649	357,129	1,267,778
Maximum dilution at end of program, %	0.32	0.45	0.77
Share awards earned at end of program Number of shares	1,352,361	1,876,951	3,229,312

1 In compliance with IFRS 2.
2 Refers to 2008 program, excluding social insurance contributions.

For further information, see Note 26, "Equity/Earnings per share," and Note 37, "Remuneration to executive officers and Board members."

Repurchases of shares

In order to ensure delivery of shares to the participants in Skanska's share incentive programs, the 2008 Annual Meeting gave the Board of Directors a mandate to repurchase Skanska's own shares. The decision means that the Company may buy a maximum of 4,500,000 of Skanska's own Series B shares.

Skanska has repurchased a total of 2,795,000 shares at an average price of SEK 96.97 (corresponding to USD 14.71).

Annual Meeting

The Annual Shareholders' Meeting will be held at 4:00 p.m. on April 6, 2009 at the Berwaldhallen concert hall in Stockholm, Sweden.

Proposed dividend

The Board of Directors proposes a regular dividend of SEK 5.25 (5.25) per share (corresponding to USD 0.68 [0.80] per share) for the 2008 financial year. Last year, Skanska also paid an extra dividend of SEK 3.00 per share (corresponding to USD 0.46 per share). The dividend for 2008 totals an estimated USD 282.7 M (524.0).

No dividend is paid for the Parent Company's holding of its own Series B shares. The total dividend amount may change by the record date, depending on repurchases of shares and transfers of shares to participants in Skanska's long-term Share Award Plan for 2005.

Market outlook

Construction

In all markets, the demand for building construction is weakening – in the Nordic countries primarily as a consequence of decreased residential construction. Building construction accounts for about 60 percent of Skanska's contracting operations. Requests for new projects from private customers represent a sharply declining proportion of the overall building construction market.

Civil construction markets, where the public sector represents a significantly higher proportion of total volume, have not been affected as obviously by the turmoil in financial markets. In addition, government stimulus packages in Europe and the United States are expected to contribute to stability in the civil construction market. Civil construction represents about 40 percent of Skanska's contracting operations.

Residential Development

In several markets, home prices have fallen. Due to uncertainty in the labor market and restrictive lending practices, fewer people are buying a new home. In Finland, the slowdown is more noticeable and the supply of newly constructed homes is larger than in Sweden and Norway. Sales in all Nordic markets remain weak, and there are very few project start-ups. The Czech Republic and Slovakia are also showing a slowdown.

Commercial Development

Vacancy rates in modern properties in the Nordic and Central European office markets are expected to increase. Demand for high-volume retail space is weaker. Property investors are increasing their yield requirements, and investors are expected to be more selective in choosing properties to invest in. Modern green properties in good locations with creditworthy tenants on long-term leases are expected to be the properties that investors are primarily interested in, but few property transactions are being implemented at present.

Infrastructure Development

The volume of public-private partnership (PPP) projects in the United Kingdom is still large. In Skanska's other European markets, the supply of projects is more limited, although interest in PPP solutions has increased in Skanska's Central European markets. The turbulence in financial markets is making it more difficult and more expensive to arrange financing for new projects.

Events after the end of the financial year

To ensure delivery of Series B shares pursuant to Skanska's 2005 long-term Share Award Plan, 560,000 Series D shares were converted to Series B shares.

Consolidated income statement

USD M	Note	2008	2007
Revenue	8, 9	**21,801.8**	20,535.8
Cost of sales	9	**–19,959.3**	–18,616.0
Gross income		**1,842.5**	1,919.8
Selling and administrative expenses	11	**–1,355.4**	–1,179.3
Income from joint ventures and associated companies	20	**132.9**	59.5
Operating income	10, 12, 13, 22, 36, 38, 40	**620.0**	799.9
Financial income		**81.3**	95.6
Financial expenses		**–32.2**	–57.0
Net financial items	14	**49.2**	38.6
Income after financial items	15	**669.2**	838.6
Taxes	16	**–190.1**	–228.8
Profit for the year		**479.1**	609.8
Profit for the year attributable to			
Equity holders		**470.7**	606.1
Minority interest		8.3	3.7
Earnings per share, SEK	26, 44		
after repurchases		**1.13**	1.45
after repurchases and dilution		1.13	1.45
Average number of shares outstanding	26, 55		
after repurchases		**416,985,073**	418,553,072
after repurchases and dilution		**417,781,483**	418,992,099

See also Notes 1, 2, 3, 4, 5, 6, 7, 34, 39, 41, 42, 43, 44.

Consolidated balance sheet

USD M	Note	2008	2007
ASSETS			
Non-current assets			
Property, plant and equipment	17, 40	**895.9**	929.4
Goodwill	18	**575.2**	713.2
Other intangible assets	19	**104.1**	102.4
Investments in joint ventures and associated companies	20	**195.8**	302.6
Financial non-current assets	21	**40.0**	113.3
Deferred tax assets	16	**255.1**	148.7
Total non-current assets		**2,066.0**	2,309.6
Current assets			
Current-asset properties	22	**2,404.2**	2,053.5
Inventories	23	**116.7**	119.7
Financial current assets	21	**943.3**	729.1
Tax assets	16	**105.1**	63.9
Gross amount due from customers for contract work	9	**788.2**	880.0
Trade and other receivables	24	**3,365.0**	3,916.0
Cash equivalents	25	**0.0**	81.1
Cash		**1,020.5**	2,129.8
Total current assets		**8,743.0**	9,973.1
Total assets	32	**10,809.0**	12,282.7
of which interest-bearing non-current assets	31	**31.7**	98.6
of which interest-bearing current assets	31	**1,928.0**	2,922.2
		1,959.7	3,020.8

See also Notes 1, 2, 3, 4, 5, 6, 7, 34, 39, 41, 42, 43, 44.

Consolidated balance sheet

USD M	Note	2008	2007
Equity	26		
Share capital		**174.8**	174.8
Paid-in capital		**43.5**	43.5
Reserves		**217.1**	554.5
Retained earnings		**2,032.2**	2,422.0
Equity attributable to equity holders		**2,467.7**	3,194.9
Minority interest		**24.8**	29.6
Total equity		**2,492.4**	3,224.5
Liabilities			
Non-current liabilities			
Financial non-current liabilities	27	**139.5**	148.6
Pensions	28	**401.4**	178.8
Deferred tax liabilities	16	**227.9**	321.9
Non-current provisions	29	**11.1**	14.9
Total non-current liabilities		**779.9**	664.2
Current liabilities			
Financial current liabilities	27	**269.5**	420.6
Tax liabilities	16	**111.9**	138.6
Current provisions	29	**635.5**	567.3
Gross amount due to customers for contract work	9	**2,207.7**	2,450.3
Trade and other payables	30	**4,312.2**	4,817.2
Total current liabilities		**7,536.7**	8,394.0
Total liabilities		**8,316.6**	9,058.2
Total equity and liabilities	32	**10,809.0**	12,282.7
of which interest-bearing financial liabilities	31	**349.5**	555.3
of which interest-bearing pensions and provisions	31	**415.1**	196.8
		764.6	752.1

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

Consolidated statement of recognized income and expenses

USD M	2008	2007
Translation differences for the year	**–379.5**	339.1
Hedging of exchange rate risk in operations outside Sweden	**77.0**	–41.0
Cash flow hedge		
Recognized directly in equity	**–27.2**	0.7
Transfer to income statement	**–6.4**	–11.8
Change in pension liability		
Actuarial gains and losses, pension obligations	**–119.6**	26.5
Difference between expected and actual return on plan assets	**–249.6**	–9.5
Social insurance contributions	**–47.0**	–1.3
Share-based payment	**8.5**	4.1
Other transfers of assets recognized directly in equity	**–9.9**	4.9
Tax attributable to items recognized directly in equity	**113.7**	–3.6
Changes in assets recognized directly in equity, excluding transactions with the Company's owners	**–640.0**	308.2
Profit for the year	**479.1**	609.8
Total changes in assets, excluding transactions with the Company's owners	**–160.9**	918.0
Attributable to:		
Equity holders	**–162.9**	907.8
Minority	**2.0**	10.2

See also Note 26.

Consolidated cash flow statement

USD M	2008	2007
Operating activities		
Operating income	**620.0**	799.9
Adjustments for items not included in cash flow	**–141.1**	–165.7
Income tax paid	**–232.9**	–161.6
Cash flow from operating activities before change in working capital	**246.0**	472.6
Cash flow from change in working capital		
Investments in current-asset properties	**–1,617.8**	–1,066.7
Divestments of current-asset properties	**1,170.7**	1,284.7
Changes in inventories and operating receivables	**48.0**	–341.4
Change in operating liabilities	**237.2**	997.2
Cash flow from change in working capital	**–161.9**	873.8
Cash flow from operating activities	**84.1**	1,346.4
Investing activities		
Acquisitions of businesses	**–0.8**	–10.9
Investments in intangible assets	**–12.0**	–5.6
Investments in property, plant and equipment	**–325.0**	–280.3
Investments in Infrastructure Development assets	**–60.1**	–10.8
Investments in shares	**–1.1**	–5.9
Increase in interest-bearing receivables, loans provided	**–470.1**	–473.7
Disposals of businesses	**0.3**	28.4
Divestments of intangible assets	**0.2**	0.3
Divestments of property, plant and equipment	**96.7**	75.0
Divestments of Infrastructure Development assets	**194.7**	26.3
Divestments of shares	**5.9**	9.2
Decrease in interest-bearing receivables, repayments of loans provided	**318.7**	293.9
Income tax paid	**–38.4**	–7.8
Cash flow from investing activities	**–291.0**	–361.9
Financing activities		
Net interest items	**50.2**	54.7
Other financial items	**19.6**	–29.3
Borrowings	**44.8**	88.0
Repayment of debt	**–368.1**	–140.7
Dividend paid	**–523.2**	–510.9
Shares repurchased	**–41.1**	0.0
Dividend to/Contribution from minority	**–7.3**	–0.7
Income tax paid	**–20.9**	–7.7
Cash flow from financing activities	**–846.1**	–546.6
Cash flow for the year	**–1,053.1**	437.9
Cash and cash equivalents, January 1	**2,210.8**	1,598.9
Reclassifications		59.2
Translation differences in cash and cash equivalents	**–137.3**	114.9
Cash and cash equivalents, December 31	**1,020.5**	2,210.8

Change in interest-bearing net receivables

USD M	2008	2007
Interest-bearing net receivables, January 1	**2,268.7**	1,512.5
Cash flow from operating activities	**84.1**	1,346.4
Cash flow from investing activities excluding change in interest-bearing receivables	**–139.6**	–182.2
Cash flow from financing activities excluding change in interest-bearing liabilities	**–522.8**	–493.9
Change in pension liability	**–369.2**	16.7
Reclassifications		–58.9
Net receivable/liability acquired/divested	**5.9**	0.6
Translation differences	**–126.7**	148.8
Other items	**–5.3**	–21.3
Interest-bearing net receivables, December 31	**1,195.1**	2,268.7

Consolidated operating cash flow statement

USD M	2008	2007
Cash flow from business operations before change in working capital and taxes paid	**478.9**	634.2
Change in working capital excluding current-asset properties	**285.1**	655.8
Net investments in operations	**–550.8**	–17.0
Cash flow adjustment, net investments [1]	**3.0**	43.2
Taxes paid in business operations	**–271.3**	–166.9
Cash flow from business operations	**–55.1**	1,149.3
Net interest items and other net financial items	**69.8**	25.5
Taxes paid in financing items	**–20.9**	–7.7
Cash flow from financing activities	**48.9**	17.8
Cash flow from operations	**–6.2**	1,167.1
Net strategic investments	**–0.5**	17.5
Taxes paid on net strategic divestments	**0.0**	–2.5
Cash flow from strategic investments	**–0.5**	14.9
Dividend etc. [2]	**–571.6**	–511.7
Cash flow before changes in interest-bearing receivables and liabilities	**–578.3**	670.3
Change in interest-bearing receivables and liabilities	**–474.8**	–232.5
Cash flow for the year	**–1,053.1**	437.9
1 Refers to payments made during the year in question related to investments/divestments in prior years, and unpaid investments/divestments related to the year in question.		
2 Of which, repurchases of shares	–41.1	

See also Note 35.

Notes including accounting and valuation principles

Amounts in millions of U.S. dollars unless otherwise specified. Income is reported in positive figures and expenses in negative figures. Both assets and liabilities are reported in positive figures. Interest-bearing net receivables/liabilities are reported in positive figures if they are receivables and negative figures if they are liabilities. Accumulated depreciation/amortization and accumulated impairment losses are reported in negative figures.

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Note 01 Consolidated accounting and valuation principles

Conformity with laws and standards

In compliance with the ordinance approved by the European Union (EU) on the application of international accounting standards, this financial report has been prepared in compliance with International Financial Reporting Standards (IFRSs) and International Accounting Standards (IASs), issued by the International Accounting Standards Board (IASB), as well as the interpretations by the International Financial Reporting Interpretations Committee (IFRIC) and its predecessor the Standing Interpretations Committee (SIC), to the extent these standards and interpretations have been approved by the EU. "

This financial report was approved for publication by the President and CEO on February 5, 2009. The Group's income statement and balance sheet were adopted by the Annual Meeting on April 6, 2009.

Conditions when preparing the Group's financial reports

The functional currency of the Parent Company is Swedish crowns or kronor (SEK). The Annual Report of the Parent Company and the Group is prepared with SEK as the presentation currency. These financial statements were prepared with U.S. dollars (USD) as the presentation currency. All amounts are rounded off to the nearest million with one decimal, unless otherwise stated.

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

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

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

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

New standards and interpretations

During 2008, IFRIC 11, IFRIC 14 and amendments to IAS 39 and IFRS 7 went into effect. Only these amendments have been of significance in preparing the 2008 financial statements.

The amendments to IAS 39 and to IFRS 7 made it possible to reclassify financial assets from one category to another. Information about the reclassifications that were carried out can be found in Note 6.

Application in advance of new or revised IFRSs and interpretations

New and amended IFRSs or interpretations have not been applied in advance.

New IFRSs, amendments of standards and interpretations that have not yet begun to be applied or been adopted by the EU

IFRS 8 states what an operating segment is and what information shall be disclosed about such segments in financial reports. The standard will be applied to financial years starting January 1, 2009 or later.

IAS 1 has been revised. The new version will be applied starting with the 2009 financial year. The change is mainly related to the format of financial reports.

Amendments to IAS 23 require capitalization of borrowing costs directly attributable to the acquisition, construction or production of assets that take a substantial period of time to complete. The amendments will be applied to financial years that begin on January 1, 2009 or later. Because Skanska already applies this principle, the amendment of the standard will mean nothing new for Skanska.

IFRIC 12 deals with the question of how the operator of a service concession agreement should account for the infrastructure as well as the rights they receive and the obligations they undertake under the agreement. The interpretation will presumably lead to more uniform earnings for each infrastructure project, viewed over the years. The interpretation has not yet been adopted by the EU.

IFRIC 15 deals with the timing of revenue recognition for the sale of real estate (IAS 18) and what can be included in the concept of "construction contract" and thus be recognized in compliance with IAS 11. For customary real estate sales, the consequence of the interpretation will be to postpone revenue recognition from the contract date to the date the buyer takes possession of the property. The effect of the interpretation on revenue recognition related to sales of residential units built at the Group's own initiative is being studied. The interpretation has not yet been adopted by the EU.

IFRIC 16 deals with issues related to the prerequisites for hedge accounting in case of holdings of hedging instruments. Among other things, it clarifies that hedge accounting may occur even if a Group company other than the parent company of the hedge operation is the holder of the hedging instrument. The interpretation has not yet been adopted by the EU.

IFRS 3 has been revised. One significant change is that acquisitions of property companies will also be included in the concept of business combinations. Acquisitions of property may thus give rise to recognition of goodwill in the consolidated accounts. The revision has not yet been adopted by the EU but is expected to be applicable starting in the 2010 financial year.

An amendment to IAS 27 will mean, among other things, that the sale of a portion of a Group company is recognized directly in equity as long as the company is a Group company. If control of the Group company ceases, any remaining holding shall be recognized at fair value. The amendment has not yet been adopted by the EU.

IAS 1, "Presentation of Financial Statements"

Income statement

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

Reported as cost of sales are, among others, direct and indirect manufacturing expenses, loss risk provisions, the carrying amounts of divested current-asset properties, bad debt losses and warranty expenses. Also included is depreciation on property, plant and equipment that is used for construction, manufacturing and property management.

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

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

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

Assets

Assets are allocated between current assets and non-current assets. An asset is regarded as a current asset if it is expected to be realized within twelve months from the balance sheet date or within the Company's operating cycle. Operating cycle refers to the period from the signing of a contract until the Company receives cash payment on the basis of a final inspection or deliveries of goods (including properties). Since the Group performs large contracting projects and project development, which as a rule are underway for more than twelve months, the operating cycle criterion means that many more assets are labeled as current assets than if the only criterion were "within twelve months."

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

Assets that meet the requirements in IFRS 5 are accounted for as a separate item among current assets.

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

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

Equity

The Group's equity is now allocated between "Share capital," "Paid-in capital," "Reserves," "Retained earnings" and "Minority interest."

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

Dividends are recognized as a liability, once the Annual Shareholders' Meeting has approved the dividend.

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

Liabilities

Liabilities are allocated between current liabilities and non-current liabilities. Recognized as current liabilities are liabilities that are either supposed to be paid within twelve months from the balance sheet date or, although only in the case of business-related liabilities, are expected to be paid within the operating cycle. Since the operating cycle is thus taken into account, no non-interest-bearing liabilities, for example trade accounts payable and accrued employee expenses, are recognized as non-current. Liabilities that are recognized as interest-bearing due to discounting are included among current liabilities, since they are paid within the operating cycle. Interest-bearing liabilities can be recognized as non-current even if they fall due for payment within twelve months from the balance sheet date, if the original maturity was longer than twelve months and the company has reached an agreement to refinance the obligation long-term before the annual accounts are submitted. Information on liabilities is provided in Notes 27 and 30. In Note 32, liabilities are allocated between amounts for liabilities to be paid within twelve months of the balance sheet date and liabilities to be paid after twelve months from the balance sheet date. Note 31 also provides information about the allocation between interest-bearing and non-interest-bearing liabilities.

IAS 27, "Consolidated and Separate Financial Statements"

The consolidated financial statements encompass the accounts of the Parent Company and those companies in which the Parent Company, directly or indirectly, has a controlling influence. "Controlling influence" implies a direct or indirect right to shape a company's financial and operating strategies for the purpose of obtaining financial benefits. This normally requires ownership of more than 50 percent of the voting power of all participations, but a controlling influence also exists when there is a right to appoint a majority of the Board of Directors. When judging whether a controlling influence exists, potential voting shares that can be utilized or converted without delay must be taken into account. If, on the acquisition date, a Group company meets the conditions to be classified as held for sale in compliance with IFRS 5, it must be reported according to that accounting standard.

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

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

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

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

IFRS 3, "Business Combinations"

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

Acquisitions of businesses, regardless of whether the acquisition concerns holdings in another company or a direct acquisition of assets and liabilities, are reported according to the purchase method of accounting. If the acquisition concerns holdings in a company, the method implies that the acquisition is regarded as a transaction through which the Group indirectly acquires the assets of a Group company and assumes its liabilities and contingent liabilities. Cost in the consolidated accounts is determined by means of an acquisition analysis in conjunction with the business combination. The analysis establishes both the cost of the holdings or the business and the fair value of acquired identifiable assets plus the liabilities and contingent liabilities assumed. The difference between the cost of holdings in a Group company and the fair value of acquired assets and liabilities and contingent liabilities assumed is goodwill on consolidation.

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

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

If a business combination occurs in several stages, revaluation of previous acquisitions occurs to the extent there has been a change in the fair value of assets and liabilities in the acquired business. This revaluation is recognized directly in equity.

IAS 21, "The Effects of Changes in Foreign Exchange Rates"

Foreign currency transactions

Foreign currency transactions are translated into an entity's functional currency at the exchange rate prevailing on the transaction date. Monetary assets and liabilities in foreign currency are translated to the functional currency at the exchange rate prevailing on the balance sheet date. Exchange rate differences that arise from translations are recognized in the income statement. Non-monetary assets and liabilities recognized at historic cost are translated at the exchange rate on the transaction date.

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

Financial reports of foreign operations

Assets and liabilities in foreign operations, including goodwill and other consolidated surpluses and deficits, are translated to U.S. dollars at the exchange rate prevailing on the balance sheet date. Revenue and expenses in a foreign operation are translated to U.S. dollars at the average exchange rate. If a foreign operation is located in a country with hyperinflation, revenue and expenses are to be translated in a special way. In the year's financial statements, it has not been necessary to do this. Translation differences that arise from currency translation of foreign operations are recognized directly in equity as a translation reserve.

Net investment in a foreign operation

Translation differences that arise in connection with translation to USD of an investment in another currency and accompanying effects of hedging of net investments are recognized directly in the translation reserve in equity. When divesting an operation with a functional currency other than USD, accumulated translation differences attributable to the operation are realized in the consolidated income statement after subtracting any currency hedging. As for accumulated translation differences attributable to the period before January 1, 2004, these are stated at zero upon transition to IFRS.

Foreign currency loans and currency derivatives for hedging of translation exposure (equity loans) are carried at the exchange rate on the balance sheet date. Exchange rate differences are recognized, taking into account the tax effect, in the equity of the Group. Hedging of translation exposure reduces the exchange rate effect when translating the financial statements of foreign operations to the functional currency of the respective unit. Any forward contract premium is accrued until maturity and is recognized as interest income or an interest expense.

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

A discontinued operation is a portion of a company's operations that represents a separate line of business or a major operation in a geographic area and is part of a single coordinated plan to dispose of a separate line of business or a major operation carried out in a geographic area, or is a Group company acquired exclusively with a view to resale. Classification as a discontinued operation occurs upon divestment, or at an earlier date when the operation meets the criteria to be classified as held for sale. A disposal group that is to be shut down can also qualify as a discontinued operation if it meets the above size criteria.

If a non-current asset or disposal group is to be classified as held for sale, the asset (disposal group) must be available for sale in its present condition. It must also be highly probable that the sale will occur. In order for a sale to be highly probable, a decision must have been made at management level, and active efforts to locate a buyer and complete the plan must have been initiated. The asset or disposal group must be actively marketed at a price that is reasonable in relation to its fair value, and it must be probable that the sale will occur within one year. Skanska also applies the principle that with regard to a single non-current asset, its value must exceed EUR 20 M (corresponding to USD 28.3 M) .

Note 01 Continued

Depreciation or amortization of a non-current asset is not made as long as it is classified as held for sale.
Non-current assets classified as held for sale as well as disposal groups and liabilities attributable to them must be presented separately in the balance sheet.

IAS 28, "Investments in Associates"

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

The equity method

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

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

Elimination of internal profits

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

The equity method is applied until the date when significant influence ceases.

Note 20 provides information about associated companies.

IAS 31, "Interests in Joint Ventures"

Companies operated jointly with other companies, and in which control is exercised jointly according to agreement, are reported as joint ventures.

The equity method, which is described in the section on associated companies, is applied when preparing the consolidated financial statements. The consolidated income statement recognizes the Group's share of the income in joint ventures before taxes, adjusted for any depreciation, amortization and impairment losses on acquired surpluses, among "Income from joint ventures and associated companies." The Group's share of the tax expense of a joint venture is included in "Taxes." Dividends received from a joint venture are subtracted from the carrying amount of the investment.In connection with infrastructure projects, the Group's investment may include either holdings in or subordinated loans to a joint venture. Both are treated in the accounts as holdings.

Elimination of internal profits

Internal profits that have arisen from transactions between the Group and a joint venture are eliminated based on the Group's share of ownership. If the carrying amount of the Group's holding in a joint venture is below the elimination of internal profit, the excess portion of the elimination is recognized among provisions. The elimination of the internal profit is adjusted in later financial statements based on how the asset is used or when it is divested. If a loss instead arises from a transaction between the Group and a joint venture, the loss is eliminated only if it does not correspond to an impairment loss on the asset.

When Skanska's Construction operations perform assignments for a joint venture in Infrastructure Development operations, a loss is eliminated only to the extent that the carrying amount of Skanska's holding in the joint venture does not exceed 80 percent of estimated market value. If a profit or loss has arisen in a joint venture, the elimination affects the income recognized under "Income from joint ventures and associated companies."

Note 20 provides information about joint ventures.

IAS 11, "Construction Contracts"

Project revenues are reported in compliance with IAS 11. This implies that the income from a construction project is reported successively as the project accrues. The degree of accrual is mainly determined on the basis of accumulated project expenses in relation to estimated accumulated project expenses upon completion. If the outcome cannot be estimated in a satisfactory way, revenue is reported as equivalent to accumulated expenses on the balance sheet date (zero recognition). Anticipated losses are immediately reported as expenses. If the construction project also includes liability to the customer for divestment of completed housing units, the number of unsold units is taken into account when recognizing the earnings of the construction project, by recognizing a profit that is proportional to both the degree of accrual and the degree of sales. This means that if the degree of accrual is 50 percent and the degree of sales likewise is 50 percent, 25 percent of forecasted final profit is reported (forecasted loss is reported immediately as an expense at 100 percent).

Recognized as project revenue are the originally agreed contract amount as well as additional work, claims for special compensation and incentive payments, but normally only to the extent that these have been approved by the customer. All services that are directly related to the construction project are covered by IAS 11. Other services are covered by IAS 18.

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

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

Tendering expenses are not capitalized but are charged against earnings on a continuous basis. Tendering expenses that arose during the same quarter that the order was received, and that are attributable to the project, may be treated as project expenditures. In the case of infrastructure projects, instead of the quarter when the order was received, this applies to the quarter when the Group receives the status of preferred bidder. Tendering expenses that were recognized in prior interim or annual financial statements may not be recognized as project expenses in later financial statements.

Unrealized gains and losses on forward contracts related to hedging of operating transaction exposure are included, to the degree of completion, in the reporting of the respective project. If hedge accounting is not applicable, the liquidity effect when extending a forward contract that will meet future cash flow shall be included among operating expenses. If the amount has a significant impact, it shall be excluded when determining degree of completion.

A construction consortium that has been organized to perform a single construction assignment is not an independent legal entity, since the participating co-owners are also directly liable for its obligations. Skanska's share of the construction assignment is thus recognized as an independent operation.

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

IAS 18, "Revenue"

Revenue other than project revenue is recognized in compliance with IAS 18. For lease income, this means that the revenue is divided evenly over the period of the lease. The total cost of benefits provided is recognized as a reduction in lease income on a straight-line basis over the lease period. Compensation for services performed that does not comprise project revenue is recognized as revenue based on the degree of completion on the balance sheet date, which is normally determined as services performed on the balance sheet date in proportion to the total to be performed. The difference that may then arise between services invoiced and services performed is recognized in the balance sheet among "Other operating receivables" (or "Other operating liabilities"). Deliveries of merchandise are reported as revenue when the essential risks and rewards associated with ownership of the merchandise have been transferred to the buyer. Divestment of completed current-asset properties belonging to Commercial Development is normally reported as a revenue item during the reporting period when a binding agreement on the sale is reached. However, if the property being divested is not yet completed and the buyer will occupy it only after completion, the gain is reported at the pace that the property is completed.

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

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

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

Revenue is carried at the fair value of what is received or will be received. This means that receivables arising at the time of divestments are regarded as having been acquired at fair value (discounted present value of future incoming payments) if the interest rate on the date of the purchase is below the market interest rate and the difference is significant. For example, discounting of a receivable may occur in connection with a property divestment if the purchase price receivable is not settled immediately. This takes into account that any operating net until the property is transferred is recognized as interest.

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

A divestment of a portion of a Group company to a minority interest is recognized directly in equity.

IAS 17, "Leases"

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

Finance leases

Finance lease assets are recognized as an asset in the consolidated balance sheet. The obligation to make future lease payments is recognized as a non-current or current liability. Leased assets are depreciated during their respective useful life. When making payments on a financial lease, the minimum lease payment is allocated between interest expense and retirement of the outstanding liability. Interest expense is allocated over the lease period in such a way that each reporting period is charged an amount equivalent to a fixed interest rate for the liability recognized during each respective period. Variable payments are recognized among expenses in the periods when they arise. Assets leased according to finance leases are not recognized as property, plant and equipment, since the risks incidental to ownership have been transferred to the lessee. Instead a financial receivable is recognized, related to future minimum lease payments.

Operating leases

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

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

IAS 16, "Property, Plant and Equipment"

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

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

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

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

Property, plant and equipment that consist of parts with different periods of service are treated as separate components of property, plant and equipment. Depreciation occurs on a straight-line basis during the estimated period of service, taking into account any residual value at the end of the period.

Office buildings are divided into foundation and frame, with a depreciation period of 50 years; installations, depreciation period 35 years; and non-weight-bearing parts, depreciation period 15 years. Generally speaking, industrial buildings are depreciated during a 20-year period without allocation into different parts. Stone crushing and asphalt plants as well as concrete mixing plants are depreciated over 10 to 25 years depending on their condition when acquired and without being divided into different parts. For other buildings and equipment, division into different components occurs only if major components with divergent useful lives can be identified. For other machinery and equipment, the depreciation period is normally between 5 and 10 years. Minor equipment is depreciated immediately. Gravel pits and stone quarries are depreciated as materials are removed. Land is not depreciated. Assessments of an asset's residual value and period of service are performed annually.

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

Provisions for the costs of restoring an asset are normally made in the course of utilization of the asset, because the prerequisites for an allocation at the time of acquisition rarely exist.

IAS 38, "Intangible Assets"

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

An intangible asset is an identifiable non-monetary asset without physical substance that is used for producing or supplying goods or services or for leasing and administration. To be recognized as an asset, it is necessary both that it be probable that future economic advantages that are attributable to the asset will benefit the company and that the cost can be reliably calculated. It is especially worth noting that expenditures recognized in prior annual or interim financial statements may not later be recognized as an asset. Research expenses are recognized in the income statement when they arise. Development expenses, which are expenses for designing new or improved materials, structures, products, processes, systems and services by applying research findings or other knowledge, are recognized as assets if it is probable that the asset will generate future revenue. Other development expenses are expensed directly. Expenses for regular maintenance and modifications of existing products, processes and systems are not recognized as development expenses. Nor is work performed on behalf of a customer and recognized in compliance with IAS 11 recognized as development expenses.

Note 01 Continued

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

Amortization is recognized in the income statement on a straight-line basis over the period of service of intangible assets, to the extent such a period can be determined. Consideration is given to any residual value at the end of the period. Concession fees are amortized on a straight-line basis over the part of the concession period that occurs after the building or facility has gone into service for its intended purpose. Purchased service agreements are depreciated over their remaining contractual period (in applicable cases 3-6 years). Purchased software (major computer systems) is amortized over a maximum of five years.

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

IAS 36, "Impairment of Assets"

Assets covered by IAS 36 must be tested on every balance sheet date for indications of impairment. The valuation of exempted assets, for example inventories (including current-asset properties), assets arising when construction contracts are carried out and financial assets included within the scope of IAS 39 is tested according to the respective accounting standard.

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

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

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

Goodwill impairment is not reversed. According to IFRIC 10, this also applies within the same financial year. A goodwill-related impairment loss recognized in a previous interim report may not be reversed in a later interim report.

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

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

IAS 23, "Borrowing Costs"

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

IAS 12, "Income Taxes"

Income taxes consist of current tax and deferred tax. Taxes are recognized in the income statement except when the underlying transaction is recognized directly in equity, in which case the accompanying tax effect is recognized in equity. Current tax is tax to be paid or received that is related to the year in question, applying the tax rates that have been decided or in practice have been decided as of the balance sheet date; this also includes adjustment of current tax that is attributable to earlier periods.

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

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

IAS 2, "Inventories"

Aside from customary inventories of goods, the Group's current-asset properties are also covered by this accounting standard. Both current-asset properties and inventories of goods are measured item by item at the lower of cost and net realizable value. Net realizable value is the estimated selling price in the ordinary course of business less the estimated costs for completion and the estimated costs necessary to make the sale.

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

Except for properties that are used in Skanska's own business, the Group's property holdings are reported as current assets, since these holdings are included in the Group's operating cycle. The operating cycle for current-asset properties amounts to about 3 to 5 years.

Acquisitions of properties are recognized in their entirety only when the conditions exist for completion of the purchase. If advance payments related to ongoing property acquisitions have been made, these are recognized under the balance sheet item for current-asset properties. Property acquisitions through purchases of property-owning companies are recognized when the shares have been taken over by Skanska.

Current-asset properties are allocated between Commercial Development, Other commercial properties and Residential Development. Note 22 provides information about these properties.

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

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

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

Provisions

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

Skanska makes provisions for future expenses due to warranty obligations according to construction contracts, which imply a liability for the contractor to remedy errors and omissions that are discovered within a certain period after the contractor has handed over the property to the customer. Such obligations may also exist according to law. More about the accounting principle applied can be found in the section on IAS 11 in this note. A provision is made for disputes related to completed projects if it is probable that a dispute will result in an outflow of resources from the Group. Disputes related to ongoing projects are taken into consideration in the valuation of the project and are thus not included in the balance sheet item "Reserve for legal disputes," which is reported in Note 29. Provisions for restoration expenses related to stone quarries and gravel pits do not normally occur until the period that materials are being removed.

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

Contingent liabilities

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

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

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

Note 33 presents information about contingent liabilities.

Contingent assets

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

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

IAS 19, "Employee benefits"

This accounting standard makes a distinction between defined-contribution and defined-benefit pension plans. Defined-contribution pension plans are defined as plans in which the company pays fixed contributions into a separate legal entity and has no obligation to pay further contributions even if the legal entity does not have sufficient assets to pay all employee benefits relating to their service until the balance sheet date. Other pension plans are defined-benefit. The calculation of defined-benefit pension plans uses a method that often differs from local rules in each respective country. Obligations and costs are to be calculated according to the "projected unit credit method." The purpose is to recognize expected future pension disbursements as expenses in a way that yields more uniform expenses over the employee's period of employment. Actuarial assumptions about wage or salary increases, inflation and return on plan assets are taken into account in the calculation. Pension obligations concerning post-employment benefits are discounted to present value. Discounting is calculated primarily using an interest rate based on the market return on high quality corporate bonds (United Kingdom), or government bonds (Norway and Sweden), with maturities matching the pension obligations, on the balance sheet date. The fair value of plan assets, for example in pension funds, is to be subtracted from the estimated value of the obligations. The pension expense and the return on plan assets recognized in the income statement refer to the pension expense and return estimated on January 1. Divergences from actual pension expense and return comprise actuarial gains and losses. These are recognized directly in equity and do not have any impact on earnings.

When there is a difference between how pension expense is determined in a legal entity and the Group, a provision or receivable is recognized concerning the difference for taxes and social insurance contributions based on the Company's pension expenses. The provision or receivable is not calculated at present value, since it is based on present-value figures. Social insurance contributions on actuarial gains and losses are recognized directly in equity. Obligations related to contributions to defined-contribution plans are recognized as expenses in the income statement as they arise.

The Group's net obligation related to other long-term employee benefits, aside from pensions, amounts to the value of future benefits that employees have earned as compensation for the services they have performed during the current and prior periods. The obligation is calculated using the projected unit credit method and is discounted at present value, and the fair value of any plan assets is subtracted. The discount rate is the interest rate on the balance sheet date for high quality corporate bonds, or government bonds, with a maturity matching the maturity of the obligations.

A provision is recognized in connection with termination of employees only if the Company is obligated to end employment before the normal retirement date, or when benefits are offered in order to encourage voluntary termination. In cases where the Company terminates employees, the provision is calculated on the basis of a detailed plan that at least includes the location, function and approximate number of employees affected as well as the benefits for each job classification or function and the time at which the plan will be implemented.

IFRS 2, "Share-based Payment"

The share incentive programs introduced during 2005 and 2008, respectively, are recognized as share-based payments that are settled with equity instruments, in compliance with IFRS 2. This means that fair value is calculated on the basis of estimated fulfillment of established income targets during the measurement period. This value is allocated over the respective vesting period. There is no reappraisal after fair value is established during the remainder of the vesting period except for changes in the number of shares because the condition of continued employment during the vesting period is no longer met.

IAS 7, "Cash Flow Statements"

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

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

IAS 33, "Earnings per Share"

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

For the share incentive programs introduced during 2005 and 2008, respectively, the dilution effect is calculated by dividing potential ordinary shares by the number of shares outstanding. The calculation of potential ordinary shares occurs in two stages. First there is an assessment of the number of shares that may be issued when established targets are fulfilled. The number of shares for the respective year covered by the programs is then determined the following year, provided that the condition of continued employment is met. In the next step, the number of potential ordinary shares is reduced by the value of the consideration that Skanska is expected to receive, divided by the average market price of a share during the period.

IAS 24, "Related Party Disclosure"

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

IAS 40, "Investment Property"

Skanska reports no investment properties. Properties that are used in the Group's own operations are reported in compliance with IAS 16. The Group's holdings of current-asset properties are covered by IAS 2 and thus fall outside the application of IAS 40.

IAS 14, "Segment Reporting"

A segment is a distinguishable portion of the Group that is either engaged in providing products or services (business streams) or goods and services within a particular economic environment (geographic area) that is subject to risks and returns that are different from other segments.

The division into business streams and markets reflects the internal organization of the Company and its reporting system.

Skanska's business streams are its primary segment reporting format. Skanska carries out its operations in four business streams: Construction, Commercial Development,

Note 01 Continued

Residential Development and Infrastructure Development. Skanska's geographic markets are its secondary segment reporting format. The markets are Sweden, the Nordic countries excluding Sweden, Europe excluding the Nordic countries, the United States and other markets. Infrastructure Development has consistently been reported as "Other markets."

The geographic division in the secondary segment reflects the division of Skanska's business into different home markets.

In transactions between business streams, pricing occurs on market terms.

IAS 10, "Events After the Balance Sheet Date"

Events after the balance sheet date may, in certain cases, confirm a situation that existed on the balance sheet date. According to the standard, such events shall be taken into account when financial reports are prepared. Information is provided about other events after the balance sheet date that occur before the signing of the financial report if its omission would affect the ability of a reader to make a correct assessment and a sound decision.

As stated earlier, divestment of a property is normally reported as income during the period when a binding agreement is signed, even if necessary regulatory approvals have not yet been received. Contractual terms that in some way are at the disposition of the counterparty may cause the reporting of income to be postponed while waiting for the terms to be fulfilled. In some cases this also applies to regulatory approvals.

Information about events after the balance sheet date is provided in Note 41.

IAS 32, "Financial Instruments: Presentation"

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

Prepaid income and expenses as well as accrued income and expenses that are related to the business are not financial instruments. Pension liabilities and receivables from or liabilities to employees are not financial instruments either. Nor are assets and liabilities not based on contracts, for example income taxes, financial instruments.

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

IAS 39, "Financial Instruments: Recognition and Measurement"

The accounting standard deals with measurement and recognition of financial instruments. Excepted from application in compliance with IAS 39 are, among others, holdings in Group companies, associated companies and joint ventures, leases, the rights under employment contracts, the Company's own shares and financial instruments to which IFRS 2, "Share-based Payments" applies.

All financial instruments covered by this standard, including all derivatives, are reported in the balance sheet.

A derivative is a financial instrument whose value changes in response to changes in an underlying variable, that requires no initial investment or one that is small and that is settled at a future date. An embedded derivative is a contract condition that causes the value of the contract to be affected in the same way as if the condition were an independent derivative. This is the case, for example, when a construction contract is expressed in a currency which is a foreign currency for both parties. If it is customary for the foreign currency to be used for this type of contract, the embedded derivative will not be separated. According to IFRIC 9, a reassessment of whether embedded derivatives shall be separated from the host contract is needed only if the host contract is changed.

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

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

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

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

Financial assets, including derivatives, are classified as "assets at fair value through profit or loss," "held-to-maturity investments," "loans and receivables" and "available-for-sale assets."

"Assets at fair value through profit or loss," and "assets available for sale" are measured at fair value in the balance sheet. Change in value of "assets at fair value through profit or loss" is recognized in the income statement, while change in value of "available-for-sale assets" is recognized directly in equity. When the latter assets are divested, accumulated gains or losses are transferred to the income statement. Also in the latter category are shares carried at cost. "Held-to-maturity investments" and "loans and receivables" are measured at accrued cost.

Financial liabilities including derivatives are classified as "liabilities at fair value through profit or loss" and "other financial liabilities."

"Liabilities at fair value through profit or loss" are measured at fair value in the balance sheet, with change of value recognized in the income statement. "Other financial liabilities" are measured at accrued cost.

In reporting both financial assets and financial liabilities in Note 6, Skanska has chosen to separately report "Hedged accounted derivatives," which are included in "assets (or liabilities) at fair value through profit or loss."

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

Unrealized gains and losses on currency derivatives related to hedging of operational transaction exposure are measured in market terms and recognized at fair value in the balance sheet. The entire change in value is recognized directly in operating income, except in those cases that hedge accounting is applied. In hedge accounting, unrealized gain or loss is recognized in operating income according to a project's degree of completion, while the remainder is recognized in equity. When the hedged transaction occurs and is recognized in operating income, accumulated changes in value are transferred from equity to operating income.

Unrealized gains and losses on embedded currency derivatives in commercial contracts are measured and recognized at fair value in the balance sheet. Changes in fair value are recognized in operating income.

Currency derivatives and foreign currency loans for hedging translation exposure are carried at fair value in the balance sheet. Because hedge accounting is applied, exchange rate differences after taking into account tax effect are recognized in consolidated equity. If an operation in a country that has a functional currency other than USD is divested, accumulated exchange rate differences attributable to that operation are transferred from equity to the income statement. The interest component and changes in the value of the interest component of currency derivatives are recognized as financial income or expenses.

Skanska uses interest rate derivatives to hedge against fluctuations in interest rates. Hedge accounting in compliance with IAS 39 is not applied, however.

Unrealized gains and losses on interest rate derivatives are recognized at fair value in the balance sheet. Changes in value excluding the current interest coupon portion, which is recognized as interest income or an interest expense, are recognized as financial income or expenses in the income statement.

IFRS 7, "Financial Instruments: Disclosures"

This standard supplements the principles for recognizing, measuring and classifying financial assets and liabilities in IAS 32 and IAS 39. According to this standard, the Company must provide disclosures that make it possible to evaluate the significance of financial instruments for its financial position and performance as well as provide disclosures that make it possible to evaluate the nature and extent of risks arising from financial instruments to which the Company is exposed on the balance sheet date.

Disclosures in compliance with this accounting standard are presented in Note 6. The note shows how financial instruments have been grouped into classes and includes a reconciliation with the income statement.

IAS 20, "Accounting for Government Grants and Disclosure of Government Assistance"

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

Government grants are recognized in the balance sheet as prepaid income or reduction in the investment when there is reasonable assurance that the grants will be received and that the Group will meet the conditions associated with the grant.

Order bookings and order backlog

In Construction assignments, an order booking refers to a written order confirmation or signed contract. This also includes orders from Residential Development and Commercial Development. For services related to fixed-price work, the order booking is recorded when the contract is signed, and for services related to cost-plus work, the order booking coincides with revenue. In Residential Development and Commercial Development, no order bookings are reported.

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

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

Market appraisal

Commercial Development

Note 22, "Current-asset properties/Project development" states estimated market values for Skanska's current-asset properties. For completed properties that include commercial space and for development properties, market values have been partly calculated in cooperation with external appraisers.

Residential Development

In appraising properties in Residential Development, estimates of market values have taken into account the value that can be obtained within the customary sales cycle.

Infrastructure Development

Skanska obtains an estimated market value for infrastructure projects by discounting estimated future cash flows in the form of dividends and repayment of loans and equity by a discount rate based on country, risk model and project phase for the various projects. The discount rate chosen is applied to all future cash flows starting on the appraisal date. The most recently updated financial model is used as a base. This financial model describes all cash flows in the project and serves as the ultimate basis for financing, which is carried out with full project risk and without guarantees from Skanska.

A market value is assigned only to projects that have reached financial close. All flows are appraised – investments in the project (equity and subordinated debenture loans), interest on repayments of subordinated loans as well as dividends to and from the project company. Today all investments are denominated in currencies other than Swedish kronor. This means there is also an exchange rate risk in market values.

Market values have been partly calculated in cooperation with external appraisers.

Exchange rates, U.S. dollar (USD) per currency unit

		Year-end exchange rate		Average exchange rate	
Currency	Country/zone	Dec 31 2008	Dec 31 2007	Jan-Dec 2008	Jan–Dec 2007
ARS	Argentina	0.291	0.318	0.316	0.321
BRL	Brazil	0.424	0.570	0.547	0.514
CLP	Chile	0.002	0.002	0.002	0.002
CZK	Czech Republic	0.053	0.055	0.059	0.049
DKK	Denmark	0.190	0.197	0.196	0.184
EUR	EU euro zone	1.417	1.470	1.461	1.369
GBP	U.K.	1.450	1.999	1.835	2.001
NOK	Norway	0.143	0.184	0.177	0.171
PLN	Poland	0.341	0.408	0.416	0.362
SEK	Sweden	0.129	0.156	0.152	0.148

Note 02 Key estimates and judgments

Key estimates and judgments

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

Certain important accounting-related estimates that have been made when applying the Group's accounting principles are described below.

Goodwill impairment testing

In calculating the recoverable amount of cash-generating units for assessing any goodwill impairment, a number of assumptions about future conditions and estimates of parameters have been made. A presentation of these can be found in Note 18, "Goodwill." As understood from the description in this note, major changes in the prerequisites for these assumptions and estimates might have a substantial effect on the value of goodwill.

Pension assumptions

Skanska recognizes defined-benefit pension obligations according to the alternative method in IAS 19, "Employee Benefits." In this method, actuarial gains and losses are recognized directly in equity and thus give rise to no effect on income. The consequence is that future changes in actuarial assumptions, both positive and negative, will have an immediate effect on recognized equity and on interest-bearing pension liability.

Note 28, "Pensions," describes the assumptions and prerequisites that provide the basis for recognition of pension liability, including a sensitivity analysis.

Percentage of completion

Skanska applies the percentage of completion method, i.e. using a forecast of final project results, income is recognized successively during the course of the project based on the degree of completion. This requires that the size of project revenue and project expenses can be reliably determined. The prerequisite for this is that the Group has efficient, coordinated systems for cost estimating, forecasting and revenue/expense reporting. The system also requires a consistent judgment (forecast) of the final outcome of the project, including analysis of divergences compared to earlier assessment dates. This critical judgment is performed at least once per quarter according to the "grandfather principle," i.e. the immediate superior examines the project in a number of reviews at successively higher levels of the organization.

Disputes

Management's best judgment has been taken into account in reporting disputed amounts, but the actual future outcome may diverge from this judgment. See Note 33, "Assets pledged, contingent liabilities and contingent assets," and Note 29, "Provisions."

Investments in Infrastructure Development

Estimated market values are based on discounting of expected cash flows for each respective investment. Estimated yield requirements on investments of this type have been used as discount rates. Changes in expected cash flows, which in a number of cases extend 20-30 years ahead in time, and/or changes in yield requirements, may materially affect both estimated market values and carrying amounts for each investment.

Current-asset properties

The stated total market value is estimated on the basis of prevailing price levels in the respective location of each property. Changes in the supply of similar properties as well as changes in demand due to changes in targeted return may materially affect both estimated fair values and carrying amounts for each property.

In Residential Development operations, the supply of capital and the price of capital for financing residential unit buyers' investments are critical factors.

Prices of goods and services

In the Skanska Group's operations, there are many different types of contractual mechanisms. The degree of risk associated with the prices of goods and services varies greatly, depending on the contract type.

Sharp increases in prices of materials may pose a risk, especially in long-term projects with fixed-price obligations. Delays in the design phase or changes in design are other circumstances that may adversely affect projects.

Note 03 Effects of changes in accounting principles

A. Reclassification of financial instruments

In compliance with the amendments to IAS 39 published on October 15, 2008, available-for-sale assets amounting to USD 30.5 M have been reclassified to receivables recognized at accrued cost. This reclassification was made because in the current situation in the financial market, fair value could not be reliably determined. See also Note 6, "Financial instruments."

B. Transfer of construction operations in Denmark from Construction to Central

During 2007, Skanska divested most of its construction operations in Denmark. As a result, Denmark is no longer reported as a separate market in Construction, but is instead included in the item Central. The effect on Construction and Central, which is reported in Note 4, can be seen in the following table.

	Reported in 2007	Adjustment, Denmark	Adjusted, 2007
Construction			
Revenue	19,605.7	–479.0	19,126.7
Operating income	657.7	–0.3	657.4
Selling and administrative costs	–921.7	35.7	–886.1
Cash flow	1,294.3	–5.8	1,288.5
Capital employed	51.3	64.3	115.6
Order backlog	22,740.6	–28.9	22,711.7
Order bookings	21,659.2	–443.0	21,216.2
Central and eliminations			
Revenue	–686.4	479.0	–207.5
Operating income	–83.8	0.3	–83.5

Note 04 Segment reporting

The division into business streams and markets reflects the Company's internal organization and reporting system.

Skanska's business streams are reported as primary segments. Skanska carries out its operations in four business streams: Construction, Residential Development, Commercial Development and Infrastructure Development. Geographic markets are reported as secondary segments. "Other markets" refers to Latin America and the markets where the Infrastructure Development business stream operates.

Intra-Group pricing between business streams occurs on market terms.

A. Primary segment – Business streams

Construction is the Group's largest business stream. Construction includes both building and civil construction.

Residential Development creates residential projects for immediate sale. Housing units are adapted to selected customer categories. The business units are responsible for planning and selling the projects. Construction assignments are performed by Skanska's construction units in each respective market.

Commercial Development initiates, develops, leases and divests commercial property projects. Project development in this business stream focuses on office buildings, shopping malls and logistics properties located in Stockholm, Gothenburg, the Öresund region of southern Sweden and eastern Denmark, Helsinki (Finland), Prague and Ostrava (Czech Republic), Budapest (Hungary); and Warsaw and a few selected regional centers in Poland. Construction assignments are performed in most markets by Skanska's construction units.

Infrastructure Development specializes in identifying, developing and investing in privately financed infrastructure projects, such as highways, hospitals and power generating plants. The business stream focuses on creating new potential projects in the markets where the Group has operations. Construction assignments are performed in most markets by Skanska's construction units.

"Central and eliminations" includes the cost of Group headquarters and earnings of central companies. The International unit, with a number of businesses that are being discontinued, is also part of this item. In the consolidated financial statements, profits in Construction related to property and infrastructure projects equivalent to the Group's ownership stake in the projects are eliminated. These eliminations are reversed as the depreciation/contract period progresses or when projects are divested. See "Accounting and valuation principles," Note 1.

Assets and liabilities by business stream

Each business stream has operating responsibility for its capital employed. The capital employed by each business stream consists of its total assets minus tax assets and intra-Group receivables invested in Skanska's treasury unit ("internal bank") less non-interest-bearing liabilities excluding tax liabilities. Acquisition goodwill has been reported in the business stream to which it belongs.

Revenue and expenses by business stream

Each business stream has operating responsibility for its income statement down to and including operating income. If its assets include interest-bearing receivables and cash and cash equivalents other than funds invested in the Group's treasury unit, the company is also responsible for the interest income that these assets earn. No interest expenses or taxes are included in the income statements of the respective business streams.

	Construction		Residential Development		Commercial Development		Infrastructure Development		Central and eliminations		Group total	
	2008	2007	2008	2007	2008	2007	2008	2007	2008	2007	2008	2007
Income statement												
External revenue	20,086.9	18,430.9	978.8	1,136.3	598.8	461.5	8.2	17.0	129.1	490.1	21,801.8	20,535.8
Intra-Group revenue[1]	1,081.2	695.8			2.3	1.6	0.2	0.1	–1,083.6	–697.5	0.0	0.0
Total revenue	**21,168.1**	**19,126.7**	**978.8**	**1,136.3**	**601.1**	**463.2**	**8.3**	**17.2**	**–954.5**	**–207.5**	**21,801.8**	**20,535.8**
Cost of sales	–19,570.7	–17,594.6	–906.1	–964.9	–405.0	–293.0	–36.3	–30.8	958.7	267.2	–19,959.3	–18,616.0
Gross income	**1,597.4**	**1,532.1**	**72.7**	**171.4**	**196.1**	**170.2**	**–27.9**	**–13.6**	**4.2**	**59.8**	**1,842.5**	**1,919.8**
Selling and administrative expenses	–1,031.7	–886.1	–110.9	–81.2	–46.3	–37.9	–30.7	–27.8	–135.8	–146.3	–1,355.4	–1,179.3
Income from joint ventures and associated companies	5.0	11.4	11.4	17.0	–5.2	2.4	118,7	25,6	3.0	3.1	132.9	59.5
Operating income[2]	**570.7**	**657.4**	**–26.9**	**107.1**	**144.6**	**134.7**	**60,1**	**-15,8**	**–128.5**	**–83.5**	**620.0**	**799.9**
Interest income	14.6	17.2	4.2	1.9	7.9	3.3	2,6	0,1	76.5	70.3	105.8	92.8
Interest expenses									–40.1	–24.4	–40.1	–24.4
Change in fair value									2.3	–15.4	2.3	–15.4
Other financial items									–18.8	–14.4	–18.8	–14.4
Income after financial items	**585.3**	**674.6**	**–22.6**	**109.1**	**152.5**	**137.9**	**62,7**	**-15,7**	**–108.6**	**–67.3**	**669.2**	**838.6**
Taxes									–190.1	–228.8	–190.1	–228.8
Profit for the year	**585.3**	**674.6**	**–22.6**	**109.1**	**152.5**	**137.9**	**62.7**	**–15.7**	**–298.8**	**–296.1**	**479.1**	**609.8**
Profit for the year attributable to												
Equity holders											470.7	606.1
Minority											8.3	3.7
1 Revenue between the Group's business units is recognized as intra-Group revenue.												
2 of which depreciation/amortization	–204.2	–181.4	–0.3	–0.3	–0.3	–0.4	–3.3	–3.3	–1.7	–5.0	–209.9	–190.4
Of which impairment losses/reversals of impairment losses Goodwill		–1.2									0.0	–1.2
Other assets	–0.3	–1.0	–61.6	–1.6	–19.7	–5.2	–11.2		–2.7		–95.6	–7.8
Of which gains from divestment of residential units			123.5	165.0					0.6	–0.7	124.1	164.2
Of which gains from commercial property divestments	36.4	30.6			179.5	155.5			5.2	5.8	221.1	191.9
Of which gains from infrastructure project divestments							103.8	10.8	0.3	0.4	104.1	11.2

Note 04 Continued

	Construction		Residential Development		Commercial Development		Infrastructure Development		Central and eliminations		Group total	
	2008	2007	2008	2007	2008	2007	2008	2007	2008	2007	2008	2007
Assets												
Property, plant and equipment	888.5	919.7	0.8	0.6	1.4	1.6	2.2	2.8	3.0	4.7	895.9	929.4
Intangible assets	543.8	669.8	58.5	74.8			74.1	67.5	2.8	3.4	679.3	815.6
Investments in associated companies and joint ventures	23.6	27.2	15.7	13.7	0.1	8.6	184.6	315.9	–28.2	–62.7	195.8	302.6
Other shares and participations	5.7	7.9	2.6	4.7						1.7	8.3	14.3
Interest-bearing assets[1]	860.2	739.2	13.9	18.7	232.7	183.3	3.0	20.5	850.1	2,059.1	1,959.7	3,020.8
Current-asset properties	159.4	114.1	998.1	963.4	1,279.8	1,003.0			–33.0	–26.9	2,404.2	2,053.5
Tax assets									360.2	212.7	360.2	212.7
Non-interest-bearing receivables	3,937.7	4,523.0	192.0	232.9	76.3	43.1	6.3	6.7	93.2	128.1	4,305.6	4,933.7
Total assets	**6,418.9**	**7,000.9**	**1,281.5**	**1,308.9**	**1,590.3**	**1,239.5**	**270.2**	**413.4**	**1,248.1**	**2,320.1**	**10,809.0**	**12,282.7**
Liabilities												
Tax liabilities									339.8	460.6	339.8	460.6
Trade and other payables and non-interest-bearing provisions	6,417.6	6,885.3	465.0	618.6	96.1	106.9	35.7	20.5	197.9	214.1	7,212.2	7,845.5
	6,417.6	**6,885.3**	**465.0**	**618.6**	**96.1**	**106.9**	**35.7**	**20.5**	**537.6**	**674.7**	**7,552.0**	**8,306.1**
Capital employed	1.3	115.6	816.5	690.2	1,494.2	1,132.6	234.5	392.9	710.5	1,645.4	3,257.0	3,976.7
Operating cash flow[2]												
Cash flow from operations before investments	1,158.4	1,473.1	–151.4	–34.9	–46.1	–45.6	–20.9	–17.5	–175.9	–85.1	764.0	1,290.0
Net investments in the business	–281.3	–154.6	–101.8	62.6	–300.9	54.3	134.6	15.5	–1.4	5.2	–550.8	–17.0
Adjustments in payment dates of net investments	20.5	–19.2	–11.2	28.9	–6.2	35.4				–1.8	3.0	43.2
Taxes paid in business operations									–271.3	–166.9	–271.3	–166.9
Cash flow from business operations	**897.6**	**1,299.2**	**–264.5**	**56.5**	**–353.3**	**44.1**	**113.7**	**–1.9**	**–448.6**	**–248.6**	**–55.1**	**1,149.3**
Net strategic investments	–0.2	–10.7							–0.3	28.1	–0.5	17.5
Taxes paid on strategic divestments										–2.5	0.0	–2.5
Cash flow from strategic investments	**–0.2**	**–10.7**	**0.0**	**0.0**	**0.0**	**0.0**	**0.0**	**0.0**	**–0.3**	**25.6**	**–0.5**	**14.9**
Cash flow before financing operations and dividends	897.4	1,288.5	–264.5	56.5	–353.3	44.1	113.7	–1.9	–448.9	–223.0	–55.5	1,164.2
Net investments												
Investments	–439.6	–341.1	–653.0	–738.8	–843.1	–361.1	–60.1	–10.8	–4.6	1.3	–2,000.3	–1,450.4
Divestments	158.1	175.8	551.1	801.4	542.2	415.4	194.7	26.3	2.9	32.0	1,449.0	1,450.9
Net investments	**–281.5**	**–165.3**	**–101.8**	**62.6**	**–300.9**	**54.3**	**134.6**	**15.5**	**–1.7**	**33.3**	**–551.3**	**0.4**
Order bookings	19,199.4	21,216.2							9.9	489.6	19,209.3	21,705.8
Order backlog	18,438.7	22,711.7							0.8	31.0	18,439.5	22,742.6
Employees	56,482	57,857	676	565	176	141	133	121	348	1,751	57,815	60,435

1 Including external cash and cash equivalents, excluding deposits in Skanska's treasury unit.
2 Taxes paid by the Group are included in the item "Central and eliminations."

Note 04 Continued

B. Secondary segment – Geographic markets

	Sweden	Other Nordic countries	Other Europe	United States	Other markets	Central and eliminations	Total
2008							
External revenue	4,687.1	3,710.8	6,150.1	6,263.3	861.5	129.1	21,801.8
Internal revenue[1]	730.3	150.5	113.2	89.5	0.2	–1,083.8	0.0
Total revenue	**5,417.5**	**3,861.3**	**6,263.3**	**6,352.8**	**861.6**	**–954.6**	**21,801.8**
Total assets	**3,294.3**	**2,599.9**	**3,519.1**	**2,840.7**	**693.9**	**–2,138.9**	**10,809.0**
Investments in non-current assets and businesses	–101.4	–62.4	–70.6	–80.1	–82.9	–1.7	–398.9
Investments in current-asset properties	–685.3	–478.8	–434.3			–3.0	–1,601.4
Total investments	**–786.6**	**–541.1**	**–504.9**	**–80.1**	**–82.9**	**–4.7**	**–2,000.3**
Divestments of non-current assets and businesses	10.5	3.8	67.4	14.6	198.0	3.5	297.7
Divestments of current-asset properties	456.4	367.1	328.4			–0.6	1,151.3
Total divestments	**466.9**	**370.9**	**395.8**	**14.6**	**198.0**	**2.9**	**1,449.0**
2007							
External revenue	4,466.0	3,700.4	5,593.5	5,625.2	660.7	490.1	20,535.8
Internal revenue[1]	443.3	232.5	21.6		0.1	–697.5	0.0
Total revenue	**4,909.3**	**3,932.8**	**5,615.1**	**5,625.2**	**660.8**	**–207.5**	**20,535.8**
Total assets	**3,518.3**	**2,874.4**	**4,024.7**	**2,498.2**	**790.9**	**–1,423.8**	**12,282.7**
Investments in non-current assets and businesses	–80.9	–62.3	–77.4	–50.8	–34.5	–7.7	–313.6
Investments in current-asset properties	–363.3	–590.4	–192.4			9.2	–1,136.9
Total investments	**–444.2**	**–652.7**	**–269.8**	**–50.8**	**–34.5**	**1.5**	**–1,450.4**
Divestments of non-current assets and businesses	23.4	4.6	26.6	20.4	28.9	35.4	139.2
Divestments of current-asset properties	588.5	595.1	135.5			–7.5	1,311.6
Total divestments	**611.9**	**599.7**	**162.2**	**20.4**	**28.9**	**27.8**	**1,450.9**

1 Revenue between the Group's business units is recognized as intra-Group revenue.

Note 04 Continued

C. Other information by business stream/reporting unit and breakdown of eliminations

Group	Revenue 2008	Revenue 2007	Operating income 2008	Operating income 2007	Operating margin, % 2008	Operating margin, % 2007	Return on capital employed, % 2008	Return on capital employed, % 2007	Order backlog 2008	Order backlog 2007	Order bookings 2008	Order bookings 2007
Construction[1]												
Sweden	4,592.4	4,052.8	242.2	190.0	5.3	4.7			2,500.1	3,430.4	4,136.3	4,336.3
Norway	2,025.0	1,887.4	62.1	82.0	3.1	4.3			1,039.6	1,734.2	1,620.5	1,963.0
Finland	1,426.9	1,442.9	3.5	58.6	0.2	4.1			746.9	1,177.7	1,013.8	1,447.2
Poland	1,156.1	1,169.0	62.4	54.5	5.4	4.7			726.8	603.7	1,420.8	796.4
Czech Republic	2,044.2	1,687.9	57.1	70.9	2.8	4.2			1,884.6	1,859.3	2,146.4	1,382.7
United Kingdom	2,717.5	2,617.8	–79.4	45.4	neg	1.7			2,893.8	4,791.8	1,983.6	2,690.0
USA Building	4,600.5	4,022.5	67.1	43.7	1.5	1.1			4,257.3	4,905.2	3,952.5	5,120.2
USA Civil	1,752.4	1,602.7	111.8	80.3	6.4	5.0			3,824.3	3,500.4	2,076.3	2,615.6
Latin America	853.3	643.7	44.0	32.1	5.2	5.0			565.3	708.9	849.2	864.9
	21,168.1	**19,126.7**	**570.7**	**657.4**	**2.7**	**3.4**	**>100**	**>100**	**18,438.7**	**22,711.7**	**19,199.4**	**21,216.2**
Residential Development												
Sweden	486.2	507.7	33.2	63.5	6.8	12.5	20.4	42.2				
Norway	141.9	256.6	–4.4	14.6	neg	5.7	neg	6.6				
Denmark	41.1	90.4	–37.8	–3.7	neg	neg	neg	neg				
Finland	131.4	184.7	–43.1	18.6	neg	10.1	neg	11.8				
Nordic countries	**800.6**	**1,039.4**	**–52.0**	**93.1**	**neg**	**9.0**	**neg**	**13.7**				
Czech Republic	178.1	96.9	25.2	14.1	14.1	14.5	33.8	32.3				
	978.8	**1,136.3**	**–26.9**	**107.1**	**neg**	**9.4**	**neg**	**14.8**				
Commercial Development	**601.1**	**463.2**	**144.6**	**134.7**			**10.2**	**14.1**				
Infrastructure Development	**8.3**	**17.2**	**60.1**	**–15.8**			**16.7**	**neg**				
Central	**162.7**	**550.3**	**–125.5**	**–82.6**					**0.8**	**31.0**	**9.9**	**489.6**
Eliminations												
Intra-Group construction for												
Construction[2]	–110.5	–39.2										
Residential Development[2]	–482.7	–523.7										
Commercial Development	–480.4	–222.1	–21.7	–12.7								
Infrastructure Development[1]			15.6	–1.8								
Intra-Group property divestments	–5.5	–12.7	–3.2	–3.0								
Divestments, Commercial Development			8.3	5.5								
Divestments, Infrastructure Development			1.1	0.4								
Intra-Group property divestments												
Divestments, Commercial Development			2.6	2.7								
Divestments, Infrastructure Development	–38.1	40.0	–5.8	8.0								
	–1,117.1	–757.8	–3.0	–0.9								
Total	**21,801.8**	**20,535.8**	**620.0**	**799.9**			**17.8**	**25.0**	**18,439.5**	**22,742.6**	**19,209.3**	**21,705.8**

1 Construction included USD 883.0 M (1,058.2). in intra-Group construction for Infrastructure Development. Elimination does not occur, since this revenue comprises invoicing to joint ventures, which are not consolidated but are instead recognized according to the equity method of accounting.

2 Because the Group applies the percentage of completion method, taking into account the degree of sales and completion, no intra-Group sales arise in the consolidated financial statements that need to be eliminated. Elimination is done in Residential Development. See Note 1, "Accounting and valuation principles," and IAS 11, "Construction Contracts."

Note 05 Non-current assets held for sale and discontinued operations

Non-current assets held for sale and discontinued operations are recognized in compliance with IFRS 5. See "Accounting and valuation principles," Note 1. During 2008 and 2007, no units were recognized as discontinued.

Nor were any non-current assets recognized as held for sale.

Note 06 Financial instruments

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

The importance of financial instruments for the financial position and earnings of the Group

Financial instruments in the balance sheet

The following table presents the recognized and fair value of financial instruments by category as well as a reconciliation with total assets and liabilities in the balance sheet. Derivatives to which hedge accounting is applied are recognized separately both as financial assets and financial liabilities but belong to the category "at fair value through profit or loss." See also Note 21, "Financial assets," Note 24, "Trade and other receivables," Note 27, "Financial liabilities" and Note 30, "Trade and other payables."

	Financial assets at fair value through profit or loss	Hedge accounted derivatives	Held to maturity investments	Available for sale financial assets	Receivables	Total carrying amount	Fair value
2008							
Financial instruments							
Interest-bearing assets and derivatives							
Financial assets [1]							
Financial investments at fair value	4.9	30.8				35.7	35.7
Financial investments at amortized cost			120.8			120.8	120.8
Financial interest-bearing receivables					818.5	818.5	818.5
	4.9	**30.8**	**120.8**	**0**	**818.5**	**975.0**	**975.0**
Cash equivalents at fair value						0	0
Cash					1,020.5	1,020.5	1,020.5
	4.9	**30.8**	**120.8**	**0**	**1,838.9**	**1,995.5**	**1,995.5**
Trade accounts receivable [2]					2,642.4	2,642.4	2,642.4
Other operating receivables including shares							
Shares recognized as available-for-sale assets [3]				8.3		8.3	8.3
Other operating receivables [2, 4]					21.6	21.6	21.6
	0	0	0	8.3	21.6	29.9	29.9
Total financial instruments	**4.9**	**30.8**	**120.8**	**8.3**	**4,502.9**	**4,667.7**	**4,667.7**
2007							
Financial instruments							
Interest-bearing assets and derivatives							
Financial assets[1]							
Financial investments at fair value	12.9	5.1		123.7		141.7	141.7
Financial investments at amortized cost			92.1			92.1	92.1
Financial interest-bearing receivables					594.2	594.2	594.4
	12.9	**5.1**	**92.1**	**123.7**	**594.2**	**828.1**	**828.2**
Cash equivalents at fair value				81.1		81.1	81.1
Cash					2,129.8	2,129.8	2,129.8
	12.9	**5.1**	**92.1**	**204.8**	**2,724.0**	**3,038.9**	**3,039.1**
Trade accounts receivable[2]					3,144.7	3,144.7	3,144.7
Other operating receivables including shares							
Shares recognized as available-for-sale assets[3]				14.3		14.3	14.3
Other operating receivables[2, 4]					29.7	29.7	29.7
	0	0	0	14.3	29.7	44.0	44.0
Total financial instruments	**12.9**	**5.1**	**92.1**	**219.1**	**5,898.4**	**6,227.6**	**6,227.8**

1 The carrying amount for financial assets including shares, totaling USD 975.0 M (828.1), can be seen in Note 21, "Financial assets."	**2008**	**2007**
Financial non-current assets		
Financial investments excluding shares	0.1	60.7
Financial receivables	31.6	38.3
Financial current assets		
Financial investments	156.4	173.2
Financial receivables	786.9	555.9
	975.0	828.1

2 See Note 24, "Trade and other receivables."
3 The shares are measured at cost. The shares are reported in the consolidated balance sheet among financial assets. See also Note 21, "Financial assets."
4 In the consolidated balance sheet, USD 3,365.0 M (3,916.0) is reported as "Trade and other receivables." See Note 24, "Trade and other receivables. "Of this amount, USD 2,642.4 M (3,144.7) were trade account receivables. These are reported as financial instruments. The remaining amount was USD 722.6 M (741.6) and was allocated between USD 21.6 M (29.7) in financial instruments and USD 701.0 M (741.6) in non-financial instruments. The amount reported as financial instruments included accrued interest income, deposits, receivables on divested properties etc. Reported as non-financial instruments were, for example, interim items other than accrued interest, VAT receivables, pension-related receivables and other employee-related receivables.

Note 06 Continued

Reconciliation with balance sheet	2008	2007
Assets		
Financial instruments	4,667.7	6,227.6
Other assets		
Property, plant and equipment and intangible assets	1,575.2	1,745.0
Investments in joint ventures and associated companies	195.8	302.6
Tax assets	360.2	212.7
Current-asset properties	2,404.2	2,053.5
Inventories	116.7	119.7
Gross amount due from customers for contract work	788.2	880.0
Trade and other receivables[1]	701.0	741.6
Total assets	**10,809.0**	**12,282.7**

1 In the consolidated balance sheet, USD 3,365.0 M (3,916.0) is reported as "Trade and other receivables." See Note 24, "Trade and other receivables. "Of this amount, USD 2,642.4 M (3,144.7) were trade account receivables. These are reported as financial instruments. The remaining amount was USD 722.6 M (741.6) and was allocated between USD 21.6 M (29.7) in financial instruments and USD 701.0 M (741.6) in non-financial instruments. The amount reported as financial instruments included accrued interest income, deposits, receivables on divested properties etc. Reported as non-financial instruments were, for example, interim items other than accrued interest, VAT receivables, pension-related receivables and other employee-related receivables..

Liabilities	Financial liabilities at fair value through profit or loss	Hedge accounted derivatives	Financial liabilities at amortized cost	Total carrying amount	Fair value
2008					
Financial instruments					
Interest-bearing liabilities and derivatives					
Financial liabilities[1]					
Financial liabilities at fair value	29.0	30.4		59.4	59.4
Financial liabilities at amortized cost			349.5	349.5	339.8
	29.0	**30.4**	**349.5**	**408.9**	**399.2**
Operating liabilities					
Trade accounts payable			1,817.2	1,817.2	1,817.2
Other operating liabilities[2]			213.1	213.1	213.1
	0.0	0.0	2,030.3	2,030.3	2,030.3
Total financial instruments	**29.0**	**30.4**	**2,379.8**	**2,439.2**	**2,429.5**
2007					
Financial instruments					
Interest-bearing liabilities and derivatives					
Financial liabilities[1]					
Financial liabilities at fair value	4.4	9.5		13.8	13.8
Financial liabilities at amortized cost			555.3	555.3	556.9
	4.4	**9.5**	**555.3**	**569.2**	**570.7**
Operating liabilities					
Trade accounts payable			2,319.7	2,319.7	2,319.7
Other operating liabilities[2]			274.0	274.0	274.0
	0.0	0.0	2,593.7	2,593.7	**2,593.7**
Total financial instruments	**4.4**	**9.5**	**3,149.1**	**3,162.9**	**3,164.5**

1 The carrying amount for financial liabilities, totaling USD 408.9 M (569.2), can be seen in Note 27, "Financial liabilities."
2 Other operating liabilities, totaling USD 2,495.0 M (2,497.4), are reported in the balance sheet together with trade accounts payable of USD 1,817.2 M (2,319.7).The total balance sheet item "Trade and other payables" amounts to USD 4,312.2 M (4,817.2). See Note 30. Accrued interest expenses, checks issued but not cashed, liabilities for unpaid properties etc. are reported as other financial operating liabilities. Other non-financial operating liabilities are, for example, interim items other than accrued interest, VAT liabilities, pension-related liabilities and other employee-related liabilities.

Note 06 Continued

Reconciliation with balance sheet	2008	2007
Equity and liabilities		
Financial instruments	2,439.2	3,162.9
Other liabilities		
Equity	2,492.4	3,224.5
Pensions	401.4	178.8
Tax liabilities	339.8	460.6
Provisions	646.6	582.2
Gross amount due to customers for contract work	2,207.7	2,450.3
Trade and other payables[1]	2,281.9	2,223.4
Total equity and liabilities	**10,809.0**	**12,282.7**

1 Other operating liabilities, totaling USD 2,495.0 M (2,497.4), are reported in the balance sheet together with trade accounts payable of USD 1,817.2 M (2,319.7).The total balance sheet item "Trade and other payables" amounts to USD 4,312.2 M (4,817.2). See Note 30. Accrued interest expenses, checks issued but not cashed, liabilities for unpaid properties etc. are reported as other financial operating liabilities. Other non-financial operating liabilities are, for example, interim items other than accrued interest, VAT liabilities, pension-related liabilities and other employee-related liabilities.

Financial assets and liabilities at fair value through profit or loss

"Financial assets and liabilities at fair value through profit or loss" belong to the category that has been identified as such on the first recognition date or consist of derivatives.

Assets

The Group has USD 4.9 M (12.9) in financial assets at fair value through profit or loss.

The entire amount is attributable to derivatives.

Liabilities

The Group has USD 29.0 M (4.4) in financial liabilities at fair value through profit or loss.

The entire amount is attributable to derivatives.

Hedge accounted derivatives

Derivatives belong to the category "Financial assets and liabilities at fair value through profit or loss."

Skanska separately reports hedge accounted derivatives.

Assets

The Group has USD 36.6 M (5.1) in financial assets for hedge accounted derivatives. The amount consists of the positive fair value of forward currency contracts for hedging of net investments outside Sweden.

Liabilities

The Group has USD 30.4 M (9.5) in financial liabilities for hedge accounted derivatives.

The amount consists of the negative fair value of forward currency contracts for hedging of net investments outside Sweden.

Reclassifications

In compliance with the amendments to IAS 39 adopted in October 2008, assets amounting to USD 30.5 M were reclassified from assets available for sale to receivables. These assets met the definition of receivables and the Company intended to keep the assets until they mature in February 2009. On the reclassification date, recognized unrealized value of these assets amounted to USD 0 M (0). The difference between the carrying amount and fair value could not be reliably determined on the reclassification date due to the prevailing situation in the financial market. The Company expects to recover the entire value of the reclassified assets. The carrying amount of assets that were reclassified during the report period or prior periods amounted to USD 30.5 M (0).

Fair value

Fair value of financial instruments in the consolidated accounts can be seen in the table above.

In setting fair value, the official price quotation in an active market is primarily used. If this does not exist, fair value is calculated by discounting future cash flows based on quoted market interest rates for each respective maturity and currency. This method is the one most commonly used. A few transactions with option elements have been calculated using the Black-Scholes model. In calculating fair value in the borrowing portfolio, Skanska takes into account current market interest rates, which include the credit risk premium that Skanska is estimated to pay for its borrowing.

The total change in fair value of financial assets and liabilities calculated according to the Black-Scholes model amounts to USD 0 M (0.3), which is recognized in the income statement.

The accumulated change in value of available-for-sale assets amounts to USD 0 M (0).

Note 06 Continued

Impact of financial instruments on the consolidated income statement and consolidated equity

Income and expenses from financial instruments recognized in the income statement	2008	2007
Recognized in operating income		
Interest income on loan receivables	6.2	1.2
Interest expenses on financial liabilities at cost	–1.2	–0.3
Impairment loss/reversal of impairment loss on loan receivables	–14.7	–4.9
Cash flow hedge removed from equity and recognized in income statement	6.4	11.8
Total income and expenses in operating income	**–3.3**	**7.8**
Recognized in financial items		
Interest income on financial assets at fair value through profit or loss		8.0
Interest income on available-for-sale assets	5.3	17.6
Interest income on held-to-maturity assets	1.5	1.6
Interest income on loan receivables	16.1	11.8
Interest income on cash	37.8	38.5
Divestments of available-for-sale financial assets	0.2	0.1
Distribution of available-for-sale financial assets	0.2	
Changes in market value of financial assets at fair value through profit or loss	1.1	0.1
Changes in market value of financial liabilities at fair value through profit or loss	3.5	0.4
Total income in financial items	**65.6**	**78.3**
Interest expenses on financial liabilities at fair value through profit or loss[1]	6.2	0.1
Interest expenses on financial liabilities at amortized cost	–16.8	–22.0
Changes in market value of financial assets at fair value through profit or loss	–0.5	–0.4
Changes in market value of financial liabilities at fair value through profit or loss	–0.2	
Net financial items from hedging of net investments in foreign subsidiaries[2]	–1.7	–15.5
Impairment loss on available-for-sale financial assets	–2.6	–1.6
Net exchange rate differences	–7.6	–6.4
Expenses for borrowing programs	–1.2	–1.6
Bank-related expenses	–0.9	–1.3
Total expenses in financial items	–25.2	–48.8
Net income and expenses from financial instruments reported in income statement	**37.0**	**37.3**
Of which interest income on financial assets not at fair value through profit or loss	66.9	70.7
Of which interest income on financial liabilities not at fair value through profit or loss	–18.1	–22.3

1 The amount includes positive interest rate differences of USD 7.3 M (0.1) in currency swaps for the Group's borrowing.
2 The amount includes interest expenses totaling USD –1.5 M (–14.5) attributable to currency futures.

Reconciliation with financial items	2008	2007
Total income from financial instruments in financial items	65.6	78.3
Total expenses from financial instruments in financial items	–25.2	–48.8
Other interest income[1]	15.8	15.2
Other interest expenses	–0.2	–2.5
Other financial items	–6.8	–3.6
Total financial items	**49.2**	**38.6**

1 Includes USD 15.3 M (13.6) in net interest on pensions.

See also Note 14, "Net financial items."

Income and expenses from financial items recognized directly in equity	2008	2007
Cash flow hedge recognized directly in equity	–27.2	0.7
Cash flow hedge removed from equity and recognized in income statement	–6.4	–11.8
Changes in value of available-for-sale assets	0.0	0.0
Translation differences for the year	265.9	93.1
Transferred translation differences on divested companies	–6.2	0.0
Minus hedging of currency risk in foreign operations	–57.4	2.5
Total	**168.7**	**84.5**
of which recognized in cash flow hedge reserve	–33.5	–11.1
of which recognized in translation reserve	202.3	95.6
	168.7	**84.5**

Note 06 Continued

Collateral

The Group has provided collateral (assets pledged) in the form of financial receivables amounting to USD 112.7 M (69.4). See also Note 33, "Assets pledged, contingent liabilities and contingent assets." These assets may be utilized by a customer if Skanska does not fulfill its obligations according to the respective construction contract.

To a varying extent, the Group has obtained collateral for trade accounts payable in the form of guarantees issued by banks and insurance companies and, in some cases, in the form of guarantees from the parent companies of customers.

The Group did not obtain any asset during the year by taking control of collateral received.

Financial hedging

Transaction exposure occurs when expected future net payment flows are in a currency that is foreign to the local unit. Skanska uses currency derivatives to minimize the risks of transaction exposure.

Net investments in Group companies outside Sweden of a long-term nature are hedged to some extent when the investment represents a relatively large proportion of the Group's equity. Investments in development operations are hedged, because the intention is to sell these assets over time. Loans in currencues other than SEK and/or currency derivatives are used to reduce exchange rate risk in translation exposure. Foreign exchange risks when borrowing are reduced through currency swaps, and the risk of unfavorable interest rate refixing is reduced through interest rate swaps.

Hedge accounting

Hedge accounting occurs to a limited extent as follows. In addition, hedging occurs in joint ventures in Infrastructure Development.

Cash flow hedging

Hedge accounting is applied to currency derivatives for contracted future net currency flows according to the table below.

Currency derivatives for which hedge accounting is applied	2009	2010
EUR sold at forward rate	–89.5	–6.9
USD bought at forward rate	0.4	
Total equivalent value	**–89.1**	**–6.9**

The fair value of currency derivatives outstanding varies with the current exchange rate. Fair value at the exchange rates on December 31 can be seen in the following table.

Fair value of currency derivatives used as hedging instruments	2009	2010	Total
EUR	0.5		0.5
Recognized gains	**0.5**	**0.0**	**0.5**
EUR	–7.3	–0.9	–8.2
Recognized losses	**–7.3**	**–0.9**	**–8.2**

Information on the changes recognized in the consolidated income statement and consolidated equity during the period is found in the above table with the heading "Impact of financial instruments on consolidated income statement and consolidated equity." The hedges meet effectiveness requirements, which means that unrealized gains or losses not included in project accounts are recognized in equity.

Hedging of net investments in operations outside Sweden

Hedge accounting is applied when hedging net investments outside Sweden.

Net investments in North American, Norwegian, Polish and Czech operations are approximately 30 percent hedged by means of currency futures due to their significant impact on Group equity in case of exchange rate fluctuations.

Net investments in Commercial Development and Infrastructure Development operations are currency hedged, by means of funding in local currencies or by entering into currency futures contracts, since the intention is to sell these assets over time.

At year-end, Skanska had hedged net investments outside Sweden amounting to USD 803.3 M (814.4).

Hedging of net investments outside Sweden

	2008			2007		
Currency	Net investment	Hedge[1]	Percentage hedged	Net investment	Hedge[1]	Percentage hedged
USD	625.3	183.1	29%	537.9	281.3	52%
EUR	563.0	231.4	41%	767.5	347.7	45%
CZK	435.7	115.1	26%	429.4	0.0	0%
NOK	408.9	130.9	32%	527.6	7.9	2%
PLN	181.4	49.1	27%	193.4	0.0	0%
CLP	108.9	77.8	71%	161.7	92.7	57%
BRL	41.3	9.2	22%	86.4	70.2	81%
GBP	–6.0	6.7	n.a	158.4	14.5	9%
Others	161.9	0.0	0%	206.3	0.0	0%
Total	**2,520.4**	**803.3**	**32%**	**3,068.6**	**814.4**	**27%**

1 After subtracting the tax portion.

The hedges consist of forward currency contracts and foreign currency loans. The positive fair value of forward currency contracts amounted to USD 30.8 M (5.1) and negative fair value was USD 30.4 M (9.5). The fair value of foreign currency loans amounted to USD 89.5 M (102.1).

The hedges meet effectiveness requirements, which means that all changes due to changes in exchange rates are recognized in the translation reserve in equity.

See also Note 34, "Effect of changes in foreign exchange rates."

Fair value hedges

Skanska currently has no fair value hedges.

Risks attributable to financial instruments

The risks that arise through financial instruments and to which the Group is exposed are divided into credit risk, liquidity risk and market risk.

Credit risk describes the Group's risk related to financial assets, and the risk is that a counterparty will not fulfill its contractual payment obligations toward Skanska. Credit risk is divided into financial credit risk and customer credit risk.

Liquidity risk is defined as the risk that Skanska cannot meet its payment obligations due to lack of liquidity or to difficulties in obtaining or rolling over external loans.

Market risk is the Group's risk that the fair value of or future cash flows from financial instruments will fluctuate due to changes in market prices. Market risk is divided into foreign exchange risk, interest rate risk and other price-related risks. For example, other price-related risks include the risks of changes in share prices.

Skanska's ongoing projects are not recognized as a financial instrument and the risk in these projects is thus not reported in this note. Disclosures concerning these risks can be read in the Financial Review and in Note 2, "Key estimates and judgments."

Objectives and policy

The Group's Financial Policy states guidelines, objectives and limits for financial management and administration of financial risks in the Group. This policy document regulates the allocation of responsibility among Skanska's Board, the Senior Executive Team, Skanska Financial Services and the business units.

The purpose is to achieve a systematic assessment of both financial and business risks, using a Groupwide risk management model. The risk management model does not imply avoidance of risks, but is instead aimed at identifying and managing these risks.

Within the Group, Skanska Financial Services has operational responsibility for ensuring Group financing and for managing liquidity, financial assets and financial liabilities.

The objectives and policy for each type of risk are described in the respective sections below.

Note 06 Continued

Credit risk

The maximum credit exposure for financial assets on the balance sheet date is equivalent to their fair value. This credit risk is divided below into financial credit risk, which refers to risk in interest-bearing assets, and customer credit risk, which refers to the risk in trade accounts receivable. The risk in other operating receivables is also described.

Financial credit risk – Risk in interest-bearing assets and derivatives

This is the risk that the Group runs in its relations with financial counterparties in the case of deposits of surplus funds, bank account balances and investments in financial assets. Credit risk also arises when using derivatives and consists of the risk that a potential gain will not be realized in case the counterparty does not fulfill its part of the contract.

In order to reduce the credit risk in derivatives, Skanska has signed standardized netting agreements with all financial counterparties with which it enters into derivative contracts.

Skanska endeavors to limit the number of financial counterparties, which must possess a rating at least equivalent to BBB+ at Standard & Poor's or the equivalent rating at Moody's. The permitted exposure volume per counterparty is dependent on the counterparty's credit rating and the maturity of the exposure.

Exposure was USD 1,995.5 M and maturity mainly within 3 months, as indicated by the table headed "Liquidity reserve and maturity structure."

At year-end, past-due interest-bearing assets and derivatives were USD 0 M (0). Impairment losses on interest-bearing receivables were USD 0 M (0).

Customer credit risk – Risk in trade accounts receivable

Skanska's credit risk with regard to trade receivables has a high degree of risk diversification, due to the large number of projects of varying sizes and types with numerous different customer categories in a large number of geographic markets.

The portion of Skanska's operations related to construction projects extends only limited credit, since projects are invoiced in advance as much as possible. In other operations, the extension of credit is limited to customary invoicing periods.

Trade accounts receivable	2008	2007
Carrying amount	2,642.4	3,144.7
Impairment losses	74.5	43.1
Cost	**2,716.8**	**3,187.8**

Change in impairment losses, trade accounts receivable	2008	2007
January 1	43.1	35.7
Impairment loss/reversal of impairment loss for the year	15.3	5.3
Impairment losses settled	–2.3	–2.7
Reclassifications	26.7	
Exchange rate differences	–8.4	4.7
December 31	**74.5**	**43.1**

Risk in other operating receivables including shares

Other financial operating receivables consist of accrued interest income, deposits, receivables for properties divested etc. No operating receivables became past-due and there were no impairment losses on operating receivables.

Other financial operating receivables are reported by time interval with respect to when the amounts fall due in the future.

	2008	2007
Due within 30 days	10.7	3.9
Due in over 30 days but no more than 1 year	10.7	25.2
Due in more than one year	0.1	0.6
Total	**21.6**	**29.7**

Holdings of less than 20 percent of voting power in a company are reported as shares. Their carrying amount is USD 8.3 M (14.3). Shares are subject to changes in value. Impairment losses on shares total USD –4.5 M (–3.7), of which USD –2.2 M (–1.7) during the year.

Liquidity risk

Liquidity risk is defined as the risk that Skanska cannot meet its payment obligations due to lack of liquidity or to difficulties in obtaining or rolling over external loans.

The Group uses liquidity forecasting as a means of managing the fluctuations in short-term liquidity. Surplus liquidity shall, if possible, primarily be used to repay the principal on loan liabilities.

Funding

Skanska has several borrowing programs, which provide good preparedness for temporary fluctuations in the Group's liquidity requirements.

Bank credit facilities

Skanska's committed bank credit facilities consist of:

- A syndicated bank loan with a ceiling of EUR 750 M (corresponding to USD 1,050 M) and a final due date of June 30, 2014. On December 31, 2008, the degree of utilization was 0 percent, since the loan facility had not yet been used.
- Two bilateral loan agreements with the Nordic Investment Bank amounting to EUR 40 M and EUR 30 M, respectively (corresponding to USD 55 M and USD 40 M, respectively). These loans fall due in 2012. The Group's unutilized credit lines at year-end amounted to USD 1,154.2 M (1,138.6).

Market funding programs

Skanska has two market funding programs.

- Commercial paper (CP) program related to short-term borrowing for maturities of up to one year. The loan ceiling in the CP program amounts to SEK 6.0 billion (corresponding to USD 0.75 billion). On December 31, 2008, the borrowed amount was USD 0 M.
- Medium Term Note (MTN) program for borrowing with maturities between 1–10 years. The loan ceiling in the MTN program amounts to SEK 8.0 billion (corresponding to USD 1.04 billion). On December 31, 2008, the borrowed amount was SEK 0 M (665) (corresponding to USD 0 M [103.5]).

These borrowing programs are mainly intended for borrowing in the Swedish credit market, but it is possible to borrow in EUR within the framework of these programs.

Note 06 Continued

Liquidity reserve and maturity structure

The objective is to have a liquidity reserve of at least SEK 4 billion (corresponding to USD 0.5 billion) available within one week in the form of cash equivalents or committed credit facilities. At year-end 2008, this amounted to about SEK 17 (21) billion (corresponding to USD 2.2 [3.3] billion). The maturity structure of financial interest-bearing assets and derivatives was distributed over coming years according to the following table.

	Maturity				
Maturity period by asset class	**Within 3 months**	**Over 3 months, within 1 year**	**Over 1 year, within 5 years**	**More than 5 years**	**Total**
2008					
Financial investments at fair value	4.7	31.1			35.7
Financial investments at amortized cost	43.0	77.7	0.1		120.8
Financial interest-bearing assets	460.1	262.6	94.8	1.0	818.5
Cash equivalents at fair value					0
Cash	1,020.5				1,020.5
Total	**1,528.2**	**371.4**	**94.9**	**1.0**	**1,995.5**
2007					
Financial investments at fair value		81.5	60.2		141.7
Financial investments at amortized cost		91.6		0.4	92.0
Financial interest-bearing assets	395.5	160.4	36.7	1.6	594.2
Cash equivalents at fair value	81.1				81.1
Cash	2,129.8				2,129.8
Total	**2,606.3**	**333.6**	**96.9**	**2.0**	**3,038.8**

The future maturity structure of financial interest-bearing liabilities and derivatives was distributed according to the following table.

	Maturity				
Maturity period by liability class	**Within 3 months**	**Over 3 months, within 1 year**	**Over 1 year, within 5 years**	**More than 5 years**	**Total**
2008					
Financial liabilities at fair value	28.4	31.1			59.4
Financial liabilities at amortized cost	71.5	10.7	260.1	7.1	349.5
Total	**99.8**	**41.8**	**260.1**	**7.1**	**408.9**
2007					
Financial liabilities at fair value		13.8			13.8
Financial liabilities at amortized cost	61.9	206.5	277.3	9.6	555.3
Total	**61.9**	**220.3**	**277.3**	**9.6**	**569.2**

Of total interest-bearing financial liabilities, 12 (42) percent carried fixed interest rates and 88 (58) percent carried variable interest rates. The allocation between fixed and variable interest rate fixing has been adjusted, taking into account interest rate swap contracts. The Group's interest rate swap portfolio on December 31 amounted to a nominal USD 83.8 M (171.2). A net amount of USD 70.8 M (15.6) of liabilities was swapped from fixed to variable interest rates.

On December 31, 2008, the average maturity of the borrowing portfolio was 2.4 (2.3) years.

The Group's most commonly occurring payment terms for trade accounts payable, by market, can be seen in the following table.

	Number of days from invoicing to due date
Sweden	30
Norway	30
Finland	14
Poland	30
Czech Republic	80
United Kingdom	30
United States	45
Latin America	45

Note 06 Continued

Other operating liabilities that consist of financial instruments fall due for payment according to the table below.

Other operating liabilities	2008	2007
Due within 30 days	145.7	143.8
Due in over 30 days but no more than one year	22.4	67.1
Due in more than 1 year	45.1	63.2
	213.1	**274.0**

Market risk

The Group uses various derivative instruments, mainly interest rate swaps and currency futures, to control and adapt its risk exposure to fluctuations in interest rates and foreign exchange rates. Derivative contracts, including derivatives that are embedded in other not closely related instruments or in commercial contracts, are continuously recognized at fair value in the balance sheet. Their change in fair value is recognized in the income statement, except for hedges of net investments in operations outside Sweden and part of the cash flow hedges of transaction exposure for which hedge accounting is applied.

Interest rate risk

Interest rate risk is the risk that changes in interest rates will affect the Group's future earnings and cash flow. Interest rate risk is defined as the possible negative impact on net financial items in case of a one percentage point increase in interest rates across all maturities. The risk may never exceed SEK 100 M (corresponding to USD 12.9 M).

Various forms of derivative contracts, mainly interest rate swaps and currency swaps, are used in order to adapt the interest rate refixing period and currency.

Interest rate risk (excluding pension liability)

The average interest rate refixing period for all interest-bearing liabilities was 0.6 (0.5) years. The average interest rate for these amounted to 4.06 (3.84) percent at year-end.

The average interest rate refixing period for all interest-bearing assets was 0.1 (0.1) years. The average interest rate for these was 1.77 (4.01) percent at year-end.

The objective of Skanska's financial asset management is to achieve a satisfactory return, given a relatively low risk level. The average maturity of interest-bearing assets may not exceed 12 months.

The fair value of the Group's portfolio of derivatives related to borrowing was USD –23.3 M (8.6), of which USD –0.13 M (0.50) can be related to changes in market interest rates. The fair value of interest-bearing financial assets and liabilities, plus derivatives, would change by about USD 4.0 M in case of a one percentage point change in market interest rates across the yield curve, given the same volume and interest rate refixing period as on December 31, 2008.

Foreign exchange risk

Foreign exchange risk is defined as the risk of negative impact on the Group's earnings due to fluctuations in exchange rates. This risk can be divided into transaction exposure, i.e. net operating and financial (interest/principal payment) flows, and translation exposure related to net investments in subsidiaries outside Sweden.

Transaction exposure

Although the Group has a large international presence, its operations are of a local nature in terms of foreign exchange risks. Project revenue and costs are mainly denominated in the same currency, and transaction risks from exchanges between different currencies are thus very limited.

The objective is that all transaction exposures for each respective business unit shall be currency hedged. The foreign exchange risk for the Group may amount to a total of SEK 50 M (corresponding to USD 6.5 M), with risk calculated as the effect on earnings of a five percentage point shift in exchange rates. As of December 31, 2008, foreign exchange risk accounted for USD 4.4 M of transaction exposure. Expected contracted net flows in currencies that are foreign to the respective Group company are distributed among currencies and maturities as follows.

The Group's expected net foreign currency flow	2009	2010	2011 and later
EUR	136.3	7.5	
JPY	11.8		
CZK	–9.6		
PLN	–3.5		
RUB	–1.3		
USD	0.5	–0.9	–1.2
DKK	–0.5		
Other currencies	0.4		
Total equivalent value	**134.1**	**6.6**	**–1.2**

The fair value of outstanding currency derivatives varies with the current exchange rate. Fair value using the exchange rates prevailing on December 31, 2008 can be seen in the following table, which shows fair value related to the Group's currency hedges of transaction exposure for which hedge accounting is not applied, and fair value of embedded derivatives.

Fair value of derivatives related to transaction exposure for which hedge accounting is not applied	2009
EUR	2.9
PLN	0.1
JPY[1]	0.4
Other currencies	0.3
Recognized gains	**3.7**
EUR	–3.5
JPY[1]	–0.4
Other currencies	–0.1
Recognized gains	**–4.0**

1 Flows in JPY are attributable to a road project in Slovakia.

Skanska applies hedge accounting mainly in its Polish operations for contracted flows in EUR. The effects of these hedges are reported above in the "Hedge accounting" section.

Translation exposure

To a certain extent, Skanska currency hedges equity in those markets/currencies where a relatively large share of the Group's equity is invested. At the end of 2008, about 30 percent of equity in North American, Norwegian, Polish and Czech companies in the Skanska Group was currency hedged. See the "Hedge accounting" section.

The translation difference in the equity of the Group may be significant for certain periods of major exchange rate fluctuations. The largest exposures on December 31, 2008, aside from the Parent Company's functional currency, SEK, were in EUR, CZK and NOK. An exchange rate shift where the U.S. dollar falls/rises by 10 percent would have an effect of USD 0.20 billion against other currencies after taking hedges into account.

See also the table under the section "Hedging of net investments outside Sweden" above as well as Note 34, "Effect of changes in foreign exchange rates."

Note 07 Business combinations

Business combinations (acquisitions of businesses) are reported in compliance with IFRS 3, "Business Combinations." See "Accounting and valuation principles," Note 1.

Acquisitions of Group companies/businesses

During the year, one small acquisition was made. The total investment was USD –0.8 M (–11.0). In the first quarter, Skanska's Finnish construction operations acquired the assets and liabilities of a civil construction business from Tekri Oy. Upon the purchase, USD 0.6 M was allocated to goodwill. No contingent liabilities were included in the year's acquisition. The acquisition is part of the Construction business stream. There are no plans to divest any part of the acquired company's operations. The acquired unit accounted for USD 0.8 M of Group revenue and USD 0 M of Group earnings.

In 2007 the Group reported four small acquisitions. The construction company Stamart Martin s.r.o. in Slovakia was the largest.

Acquisitions of shares/businesses	Country	Ownership percentage[1]	Purchase price	Investment
2008				
Operations from Tekri Oy	Finland		0.8	0.8
Total			**0.8**	**0.8**
2007				
Stamart Martin s.r.o.	Slovakia	100	7.5	7.5
Rakennus Vuorenpää Oy (bought from minority shareholder)	Finland	100	1.8	1.8
Forserumsten HB (purchase of 50%)	Sweden	100	0.9	0.9
Wexio AB	Sweden	100	0.7	0.7
Total			**10.9**	**10.9**

1 Refers to both voting power and percentage of share capital unless otherwise stated.

Net assets of the acquired companies on the acquisition date

2008	Carrying amount in acquired companies before acquisition	Fair value adjustment	Fair value recognized by Skanska Group
Property, plant and equipment	0.2		0.2
Net identifiable assets and liabilities	**0.2**	**0**	**0.2**
Group goodwill			0.6
Purchase price paid[1]			**0.8**
Less cash and cash equivalents in acquired companies			0
Effect on consolidated cash and cash equivalents, investment			**0.8**

1 Purchase price is stated including USD 0 M in acquisition-related expenses.

2007	Carrying amount in acquired companies before acquisition	Fair value adjustment	Fair value recognized by Skanska Group
Property, plant and equipment	1.0	1.8	2.8
Intangible assets	0.0	0.9	0.9
Interest-bearing receivables	1.5		1.5
Current-asset properties	0.6		0.6
Non-interest-bearing receivables	10.9		10.9
Interest-bearing liabilities	–0.1		–0.1
Non-interest-bearing liabilities including deferred tax liabilities	–12.3	–0.7	–13.0
Net identifiable assets and liabilities	**1.6**	**1.9**	**3.6**
Acquired minority interest			0.7
Group goodwill			6.7
Purchase price paid[1]			**10.9**
Less cash and cash equivalents in acquired companies			0
Effect on consolidated cash and cash equivalents, investment			**10.9**

1 Purchase price is stated including USD 0.2 M in acquisition-related expenses.

Note 08 Revenue

Projects in Skanska's contracting operations are reported in compliance with IAS 11, "Construction Contracts." See Note 9.
Revenue other than project revenue is recognized in compliance with IAS 18, "Revenue." See "Accounting and valuation principles," Note 1.
"Other markets" refers to Latin America and those markets where the Infrastructure Development business stream operates.

Revenue by primary and secondary segment

	Secondary segment – Geographic markets						
Primary segment – Business streams	**Sweden**	**Other Nordic countries**	**Other Europe**	**United States**	**Other markets**	**Central and eliminations**	**Total revenue**
2008							
Construction	4,592.4	3,451.9	5,917.9	6,352.8	853.1		21,168.1
Residential Development	486.2	314.4	178.1				978.8
Commercial Development	338.8	95.0	167.2				601.1
Infrastructure Development					8.3		8.3
Other							
Central						162.7	162.7
Eliminations[1]	–730.3	–150.5	–113.2	–89.5	–0.2	–33.4	–1,117.1
Total	**4,687.1**	**3,710.8**	**6,150.1**	**6,263.3**	**861.3**	**129.3**	**21,801.8**
2007							
Construction	4,052.8	3,330.3	5,474.7	5,625.2	643.7		19,126.7
Residential Development	507.7	531.7	96.9				1,136.3
Commercial Development	348.8	70.9	43.5				463.2
Infrastructure Development					17.2		17.2
Other							
Central						550.3	550.3
Eliminations[1]	–443.3	–232.5	–21.6		–0.1	–60.2	–757.8
Total	**4,466.0**	**3,700.4**	**5,593.5**	**5,625.2**	**660.7**	**490.1**	**20,535.8**

Revenue by category

	2008	2007
Construction contracts	19,227.3	17,862.8
Services	1,225.9	1,169.4
Sales of goods	120.2	125.6
Rental income	77.1	66.3
Divestments of properties	1,151.3	1,311.6
Total	**21,801.8**	**20,535.8**

1 For allocation of eliminations, see Note 4, "Segment reporting," Point C.

As for other types of revenue, dividends and interest income are recognized in financial items. See Note 14, "Net financial items."

Other matters

Invoicing to associated companies and joint ventures amounted to USD 898.0 M (1,040.4). For other related party transactions, see Note 39, "Related party transactions."

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Note 09 Construction contracts

Construction contracts are recognized as revenue at the pace of project completion. See "Accounting and valuation principles," Note 1.

Information from the income statement

Revenue recognized during the year amounted to USD 19,227.3 M (17,862.8).

Information from the balance sheet

Gross amount due from customers for contract work	2008	2007
Accrued revenue	11,533.2	13,183.0
Invoiced revenue	–10,745.0	–12,302.9
Total, asset	**788.2**	**880.0**

Gross amount due to customers for contract work	2008	2007
Invoiced revenue	26,629.4	26,161.4
Accrued revenue	–24,421.7	–23,711.1
Total, liability	**2,207.7**	**2,450.3**

Accrued revenue in ongoing projects including recognized gains minus recognized loss provisions amounted to USD 35,954.9 M (36,894.0).

Advance payments received totaled USD 36.4 M (68.3).

Amounts retained by customers, which have been partly invoiced according to an established plan and which the customer is retaining in accordance with contractual terms until all the conditions specified in the contract are met, amounted to USD 547.7 M (445.2).

Note 10 Operating income

Operating income by business stream

	Operating income 2008	Operating income 2007
Construction	570.7	657.4
Residential Development	–26.9	107.1
Commercial Development	144.6	134.7
Infrastructure Development	60.1	–15.8
Central	–125.5	–82.6
Eliminations	–3.0	–0.9
Total	**620.0**	**799.9**

The Parent Company and other corporate units are reported as "Central." Also included is USD –22.0 M (17.2) for the International unit, which has a number of operations that are being shut down or phased out.

Eliminations of profits from intra-Group sales and transfers of these are reported as "Eliminations." The amounts are explained in the following table:

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	2008	2007
Intra-Group profits carried as investments in joint ventures		
Provision/reversal of provision for the year	15.6	–1.8
Transfers for the year over service life	2.6	2.7
Transfers for the year through divestments	1.1	0.4
Intra-Group profits carried as current-asset properties		
Provision for the year related to contracting work	–21.7	–12.7
Provision for the year related to intra-Group divestments	–3.2	–3.0
Transfer for the year through divestments	8.3	5.5
Other	–5.8	8.0
Total	**–3.0**	**–0.9**

Operating expenses by category of expenses

During 2008, revenue increased by USD 1,266.0 M to USD 21,801.8 M (20,535.8). Operating income decreased by USD 179.9 M to USD 620.0 M (799.9). Personnel expenses for the year amounted to USD –3,980.6 M (–3,779.8). Other operating expenses adjusted for current-asset properties divested and income in joint ventures and associated companies amounted to USD –16,222.6 M (–14,860.6).

	2008	2007
Revenue	21,801.8	20,535.8
Personnel expenses[1]	–3,980.6	–3,779.8
Depreciation/amortization	–209.9	–190.4
Impairment losses	–95.6	–9.0
Other operating expenses[2]	–16,895.8	–15,756.6
Operating income	**620.0**	**799.9**

1 Recognized as personnel expenses are wages, salaries and other remuneration plus social insurance contributions, recognized according to Note 36, "Personnel," and non-monetary remuneration such as free healthcare and car benefits.
2 Other operating expenses are allocated according to the following table.

	2008	2007
Carrying amount of current-asset properties divested	–806.1	–955.5
Income from joint ventures and associated companies	132.9	59.5
Other	–16,222.6	–14,860.6
Total other operating expenses	**–16,895.8**	**–15,756.6**

Analysis of operating income

	2008	2007
Gains from divestments of current-asset properties		
Commercial Development	187.9	159.8
Other commercial properties	33.2	32.1
Residential Development	124.1	164.2
	345.2	**356.2**
Impairment losses		
Goodwill impairment losses		–1.2
Impairment losses on other intangible assets	–1.1	–2.2
Impairment losses/reversals of impairment losses on property, plant and equipment	0.8	0.4
Impairment losses/reversals of impairment losses on current-asset property	–78.3	–6.1
Impairment losses on investments in joint ventures	–17.0	
	–95.6	**–9.0**
Expenses for restructuring provisions		
Construction	–67.8	
Residential Development	–7.6	
Infrastructure Development	–3.0	
Central	–16.7	
	–95.1	
Income from joint ventures and associated companies (excluding impairment losses)	**149.9**	**59.5**
Other operating income	315.6	393.3
Total according to the income statement	**620.0**	**799.9**

Disclosures in revenue and expenses from financial instruments are provided in Note 6, "Financial instruments."

Note 11 Selling and administrative expenses

Selling and administrative expenses are recognized as one item. See "Accounting and valuation principles," Note 1.

Selling and administrative expenses

	2008	2007
Construction	–1,031.7	–886.1
Residential Development	–110.9	–81.2
Commercial Development	–46.3	–37.9
Infrastructure Development	–30.7	–27.8
Central and eliminations	–135.8	–146.3
Total	**–1,355.4**	**–1,179.3**

Note 12 Depreciation/amortization

Depreciation and amortization are carried out in compliance with IAS 16, "Property, Plant and Equipment," and IAS 38, "Intangible Assets." See Note 1, "Accounting and valuation principles."

Depreciation and amortization are presented below by business stream.

For further information on depreciation and amortization, see Note 17, "Property, plant and equipment," and Note 19, "Intangible assets."

Depreciation/amortization by asset class and business stream

	Construction	Residential Development	Commercial Development	Infrastructure Development	Central and eliminations	Total
2008						
Intangible assets	–10.5	–0.2		–2.9	–0.3	–13.8
Property, plant and equipment						
Property	–11.5					–11.5
Plant and equipment	–182.2	–0.2	–0.3	–0.5	–1.4	–184.5
Total	**–204.2**	**–0.3**	**–0.3**	**–3.3**	**–1.7**	**–209.9**
2007						
Intangible assets	–12.6	–0.1		–2.8	–0.3	–15.8
Property, plant and equipment						
Property	–7.5				–0.1	–7.7
Plant and equipment	–161.3	–0.1	–0.4	–0.6	–4.4	–166.9
Total	**–181.4**	**–0.3**	**–0.4**	**–3.4**	**–4.9**	**–190.4**

Note 13 Impairment losses/Reversals of impairment losses

Impairment losses are recognized in compliance with IAS 36, "Impairment of Assets." See "Accounting and valuation principles," Note 1. Impairment losses on current-asset properties are recognized in compliance with IAS 2, "Inventories."

Impairment losses/reversals of impairment losses are presented below by business stream.

For further information on impairment losses/reversals of impairment losses, see Note 19, "Intangible assets, Note 17, "Property, plant and equipment" and Note 22, "Current-asset properties/Project development."

Impairment losses/reversals of impairment losses by asset class and business stream

	Construction	Residential Development	Commercial Development	Infrastructure Development	Central and eliminations	Total
2008						
Recognized in operating income						
Goodwill						0
Other intangible assets	–1.1					–1.1
Property, plant and equipment						
Property	–0.3				–0.6	–0.9
Plant and equipment	1.4	0.3				1.7
Investments in joint ventures and associated companies			–4.2	–11.2	–1.5	–17.0
Current-asset properties						
Commercial Development	–0.3		–15.5		–0.6	–16.4
Residential Development		–61.9				–61.9
	–0.3	**–61.6**	**–19.7**	**–11.2**	**–2.7**	**–95.6**
Recognized in financial items						
Financial assets	–0.3	–2.3				–2.6
Total	**–0.6**	**–63.9**	**–19.7**	**–11.2**	**–2.7**	**–98.2**
2007						
Recognized in operating income						
Goodwill	–1.2					–1.2
Other intangible assets	–2.2					–2.2
Property, plant and equipment						
Property	–0.9					–0.9
Plant and equipment	2.1	–0.7				1.3
Current-asset properties						
Commercial Development			–5.2			–5.2
Residential Development		–0.9				–0.9
	–2.2	**–1.6**	**–5.2**	**0.0**	**0.0**	**–9.0**
Recognized in financial items						
Financial assets	–0.6	–1.0				–1.6
Total	**–2.8**	**–2.7**	**–5.2**	**0.0**	**0.0**	**–10.7**

Note 14 Net financial items

	2008	2007
Financial income		
Interest income	61.2	79.2
Net interest in pensions	15.3	13.6
Gain on distributions of shares	0.2	
Gain on divestments of shares	0.2	0.1
Change in fair value	4.6	0.6
Net other financial items		2.1
	81.3	**95.6**
Financial expenses		
Interest expenses	–40.1	–33.4
Capitalized interest expenses	29.3	9.0
Change in fair value	–2.3	–16.0
Net exchange rate differences	–7.6	–6.4
Impairment losses	–2.6	–1.6
Net other financial items	–9.0	–8.6
	–32.2	**–57.0**
Total	**49.2**	**38.6**

Disclosures on how large a portion of income and expenses in net financial items comes from financial instruments are presented in Note 6, "Financial instruments."

Net interest items

In 2008, net interest items amounted to USD 49.2 M (38.6) altogether. Net interest items declined by USD 65.7 M (68.4). Interest income declined to USD 61.2 M (79.2), among other things because the volume of interest-bearing assets declined. Interest expenses including capitalized interest increased to USD –40.1 M (–33.4). This is explained, among other things, by significantly rising interest rates on foreign currencies, especially in Latin America, where Skanska is a net borrower.

During the year, Skanska capitalized interest expenses of USD 29.3 M (9.0) in ongoing projects for its own account.

Interest income was received at an average interest rate of 3.15 (3.63) percent. Interest expenses, excluding interest on pension liability, were paid at an average interest rate of 5.03 (3.73) percent.

Net interest on pensions increased to USD 15.3 M (13.6). The item consists of the estimate net amount on January 1 of interest on revenue and expenses on plan assets and pension liabilities related to defined-benefit pension plans.

The Group had net interest items of USD 5.0 M (0.9) that were recognized in the income statement. See "Accounting and valuation principles," Note 1.

Change in fair value

Change in fair value amounted to USD 2.3 M (–15.4). This was primarily related to positive interest rate differences in currency hedging of investments in Skanska's development operations as well as currency hedging of equity mainly in USD and CZK.

Net other financial items

These items amounted to USD–9.0 M (–6.5) and mainly consisted of various financial fees.

Note 15 Borrowing costs

Borrowing costs related to investments that require a substantial period for completion are capitalized. See "Accounting and valuation principles," Note 1.

During 2008, borrowing costs were capitalized at an interest rate of about 4 percent.

	Interest capitalized during the year		Total accumulated capitalized interest included in cost	
	2008	2007	2008	2007
Intangible assets			12.2	14.6
Current-asset properties	29.3	9.0	40.4	30.0
Total	**29.3**	**9.0**	**52.6**	**44.7**

Note 16 Income taxes

Income taxes are reported in compliance with IAS 12, "Income Taxes." See "Accounting and valuation principles," Note 1.

Tax expenses

	2008	2007
Current taxes	–263.1	–201.7
Deferred tax benefits/expenses from change in temporary differences	0.9	–20.9
Deferred tax benefit from change in loss carry-forwards	80.9	1.3
Taxes in joint ventures	–8.5	–7.3
Taxes in associated companies	–0.3	–0.3
Total	**–190.1**	**–228.8**

Tax items recognized directly in equity

	2008	2007
Deferred taxes attributable to cash flow hedging	2.1	2.1
Deferred taxes attributable to pensions	111.5	–5.6
Total	**113.7**	**–3.6**

There was no deferred tax attributable to financial assets classified as held for sale. Income taxes paid in 2008 amounted to USD –292.3 M (–177.1).

Relation between taxes calculated at weighted average tax rate and taxes recognized

The Group's recognized taxes amounted to 28 (27) percent.

The Group's weighted nominal tax rate was estimated at 31 (29) percent.

The average nominal tax rate in Skanska's home markets in Europe amounted to about 25 (26) percent and in the United States about 40 (40) percent.

The relation between taxes calculated according to an aggregation of nominal tax rates and recognized taxes of 28 (27) percent is explained in the table below.

	2008	2007
Income after financial items	669.2	838.6
Tax according to aggregation of nominal tax rates, 31 (29) percent	–207.4	–243.1
Tax effect of:		
Property divestments	28.1	17.9
Losses not offset by deferred tax assets	–9.3	–1.5
Other items[1]	–1.5	–2.1
Recognized tax expenses	**–190.1**	**–228.8**

1 The tax rate in Sweden was changed from 28 percent to 26.3 percent effective from January 1, 2009. Deferred tax assets and deferred tax liabilities for Group companies in Sweden were adjusted to the new tax rate. The change in deferred taxes due to the change in tax rate resulted in a positive net tax effect of about USD 9.1 M (0) and is included in "Other items."

Note 16 Continued

Tax assets and tax liabilities

	2008	2007
Tax assets	105.1	63.9
Tax liabilities	111.9	138.6
Net liability	**6.7**	**74.7**

Tax assets and tax liabilities refer to the difference between estimated income tax for the year and preliminary tax paid as well as income taxes for prior years that have not yet been settled.

Deferred tax assets and deferred tax liabilities

	2008	2007
Deferred tax assets according to the balance sheet	255.1	148.7
Deferred tax liabilities according to the balance sheet	227.9	321.9
Net deferred tax assets (+), deferred tax liabilities (–)	**27.2**	**–173.2**

	2008	2007
Deferred tax assets for loss carry-forwards	77.6	11.4
Deferred tax assets for other assets	62.2	51.8
Deferred tax assets for provisions for pensions	110.4	68.6
Deferred tax assets for ongoing projects	35.2	30.7
Other deferred tax assets	164.2	161.8
Total before net accounting	**449.6**	**324.3**
Net accounting of offsettable deferred tax assets/liabilities	–194.5	–175.5
Deferred tax assets according to the balance sheet	**255.1**	**148.7**

	2008	2007
Deferred tax liabilities for shares and participations	38.1	48.1
Deferred tax liabilities for other non-current assets	41.4	60.5
Deferred tax liabilities for other current assets	64.9	51.8
Deferred tax liabilities for ongoing projects	179.3	196.8
Other deferred tax liabilities	98.7	140.2
Total before net accounting	**422.4**	**497.4**
Net accounting of offsettable deferred tax assets/liabilities	–194.5	–175.5
Deferred tax liabilities according to the balance sheet	**227.9**	**321.9**

Change in net deferred tax assets (+), liabilities (–)

	2008	2007
Net deferred tax liabilities, January 1	–173.2	–133.5
Recognized in equity	113.7	–3.6
Deferred tax expenses	81.8	–19.5
Deferred taxes, acquisitions of companies		–1.9
Deferred taxes, divestments of companies		–2.8
Exchange rate differences	4.9	–11.8
Net deferred tax assets/liabilities, December 31	**27.2**	**–173.2**

The net amount of deferred tax assets and deferred tax liabilities changed by USD 200.4 M. The change was largely due to increased deferred tax assets from loss carry-forwards and increased deferred tax assets for pensions.

Deferred tax assets other than for loss carry-forwards refer to temporary differences between carrying amounts for tax purposes and carrying amounts recognized in the balance sheet. These differences arise, among other things, when the Group's valuation principles diverge from those applied locally by a subsidiary. These deferred tax assets are mostly realized within five years.

Deferred tax assets arise, for example, when a recognized depreciation/amortization/impairment loss on assets becomes deductible for tax purposes only in a later period, when eliminating intra-Group profits, when the provisions for defined-benefit pensions differ between local rules and IAS 19, when the required provisions become tax-deductible in a later period and when advance payments to ongoing projects are taxed according to the cash principle.

Deferred tax liabilities on other assets and other deferred tax liabilities refer to temporary differences between carrying amounts for tax purposes and carrying amounts in the balance sheet. These differences arise, among other things, when the Group's valuation principles diverge from those applied locally by a Group company. These deferred tax liabilities are mostly realized within five years.

For example, deferred tax liabilities arise when depreciation/amortization for tax purposes in the current period is larger than the required economic depreciation/amortization and when accrued profits in ongoing projects are taxed only when the project is completed.

Temporary differences attributable to investments in Group companies, branches, associated companies and joint ventures for which deferred tax liabilities were not recognized totaled USD 0 M (0). In Sweden and a number of other countries, divestments of holdings in limited companies are tax-exempt under certain circumstances. Temporary differences thus do not normally exist for shareholdings by the Group's companies in these countries.

Temporary differences and loss carry-forwards that are not recognized as deferred tax assets

	2008	2007
Loss carry-forwards that expire within one year	6.7	
Loss carry-forwards that expire in more than one year but within three years	4.8	29.3
Loss carry-forwards that expire in more than three years	266.6	314.9
Total	**278.1**	**344.2**

Skanska has loss carry-forwards in a number of different countries. In some of these countries, Skanska currently has no operations or limited ones.

In certain countries, current earnings generation is at such a level that the likelihood that a loss carry-forward can be utilized is difficult to assess. There may also be limitations on the right to offset loss carry-forwards against income. In these cases, no deferred tax asset is reported for these loss carry-forwards.

Note 17 Property, plant and equipment

Property, plant and equipment are reported in compliance with IAS 16, "Property, Plant and Equipment." See Note 1, "Accounting and valuation principles."

Office buildings and other buildings used in the Group's business are recognized as property, plant and equipment. Machinery and equipment are recognized as a single item ("Plant and equipment").

Property, plant and equipment by asset class

	2008	2007
Property	249.3	291.4
Plant and equipment	641.7	616.9
Property, plant and equipment under construction	4.9	21.0
Total	**895.9**	**929.4**

Depreciation of property, plant and equipment by asset class and function

	Cost of sales		Selling and administration		Total	
	2008	2007	2008	2007	2008	2007
Property	–9.4	–6.5	–2.1	–1.3	–11.5	–7.8
Plant and equipment	–158.7	–141.9	–25.8	–24.9	–184.5	–166.8
Total	**–168.1**	**–148.4**	**–27.9**	**–26.2**	**–196.1**	**–174.6**

Impairment losses/reversals of impairment losses on property, plant and equipment

During 2008, net reversals of impairment losses in the amount of USD +0.8 M (+0.4) were recognized. All impairment losses/reversals of impairment losses were recognized under "Cost of sales."

	Property		Plant and equipment	
Impairment losses/reversals of impairment losses	**2008**	**2007**	**2008**	**2007**
Impairment losses	–1.1	–2.5		–3.1
Reversals of impairment losses	0.2	1.6	1.7	4.4
Total	**–0.9**	**–0.9**	**1.7**	**1.3**

	Property		Plant and equipment	
Amount of impairment losses/reversals in based on	**2008**	**2007**	**2008**	**2007**
Net realizable value	–1.1		1.2	3.0
Value in use	0.2	–0.9	0.5	–1.6
Total	**–0.9**	**–0.9**	**1.7**	**1.3**

Note 17 Continued

Information about cost, accumulated depreciation, accumulated revaluations and accumulated impairment losses

	Property		Plant and equipment		Property, plant and equipment under construction	
	2008	2007	2008	2007	2008	2007
Accumulated cost						
January 1	484.5	416.4	2,139.9	1,761.0	21.0	24.0
Investments	16.1	33.9	298.3	237.3	11.1	9.9
Acquisitions of companies		2.5	0.2	0.3		
Divestments of companies			–0.5	–13.5		
Divestments	–55.1	–34.3	–72.2	–62.7	–11.7	
Reclassifications	9.6	16.4	–76.9	55.2	–15.3	–15.7
Exchange rate differences for the year	–40.0	49.6	–285.5	162.3	–0.2	2.7
	415.1	**484.5**	**2,003.2**	**2,139.9**	**4.9**	**21.0**
Accumulated depreciation						
January 1	–140.0	–124.0	–1,519.8	–1,232.2		
Divestments of companies				4.3		
Divestments and disposals	7.6	5.6	51.4	41.0		
Reclassifications	9.1	–0.4	92.7	–48.1		
Depreciation for the year	–11.5	–7.8	–184.5	–166.8		
Exchange rate differences for the year	16.9	–13.3	205.4	–118.1		
	–118.0	**–140.0**	**–1,354.8**	**–1,519.8**		
Accumulated impairment losses						
January 1	–53.1	–46.1	–3.1	–3.8		
Divestments	4.1	1.5	0.5			
Reclassifications	–6.1	0.1	–6.7			
Impairment losses/reversals of impairment losses for the year	–0.9	–0.9	1.7	1.3		
Exchange rate differences for the year	8.0	–7.7	0.9	–0.7		
	–47.9	**–53.1**	**–6.7**	**–3.1**		
Carrying amount, December 31	**249.3**	**291.4**	**641.7**	**616.9**	**4.9**	**21.0**
Carrying amount, January 1	291.4	246.3	616.9	525.0	21.0	24.0

Other matters

Information about capitalized interest is presented in Note 15, "Borrowing costs."

For information about finance leases, see Note 40, "Leases."

Skanska has obligations to acquire property, plant and equipment in the amount of USD 5.2 M (0).

Skanska did not receive any compensation from third parties for property, plant and equipment that was damaged or lost, either in 2008 or 2007.

Note 18 Goodwill

Goodwill is recognized in compliance with IFRS 3, "Business Combinations." See Note 1, "Accounting and valuation principles." For key judgments, see Note 2.

Goodwill according to the balance sheet amounted to USD 575.2 M (713.2) and was mainly attributable to acquisitions during 2000, when Skanska acquired goodwill through acquisitions of businesses in Norway, the U.K. and the Czech Republic. During 2008, goodwill increased by USD 0.6 M (6.7) through acquisition of one small unit in Finland. See Note 7, "Business combinations."

Goodwill value by business unit

	2008	2007	Change during the year	of which exchange rate differences	of which acquisition of companies[1]	of which divestment activities
Construction						
Norway	126.9	163.1	–36.2	–36.2		
Finland	59.7	61.8	–2.1	–2.2	0.6	–0.5
Poland	2.6	3.1	–0.5	–0.5		
Czech Republic	71.7	74.4	–2.6	–2.6		
United Kingdom	211.7	292.0	–80.3	–80.3		
USA Building	40.5	40.6				
USA Civil	3.6	3.6				
Residential Development						
Nordic countries	58.4	74.7	–16.3	–16.3		
Total	**575.2**	**713.2**	**–138.0**	**–138.2**	**0.6**	**–0.5**

of which acquisition goodwill in Group financial statements	2008	2007
Construction		
Norway	125.2	160.7
Finland	23.4	24.3
Czech Republic	59.2	61.5
United Kingdom	147.9	204.0
Residential Development		
Nordic countries	57.0	73.1
Total	**412.7**	**523.6**

1 See Note 7, "Business combinations."

In Construction and Residential Development, the goodwill recoverable amount is based exclusively on value in use. Goodwill value together with other non-current asset, current-asset property and net working capital values are tested annually.

Expected cash flows are based on forecasts for each submarket in the countries where the Group has operations. For Construction, these forecasts include such variables as demand, cost of input goods, labor costs and the competitive situation. Residential Development establishes forecasts for the various segments of its operations. Important variables taken into account include demographic and interest rate trends.

The forecasts are based on previous experience, Skanska's own assessments and external sources of information. The forecast period encompasses three years. The growth rate that is used to extrapolate cash flow forecasts beyond the period covered by the three-year forecasts is the normal growth rate for the industry in each respective country. Normally, two percent has been used.

Each unit uses a unique discount factor based on weighted average cost of capital (WACC). Parameters that affect the WACC are: interest rates for borrowing, market risks and the ratio between borrowed funds and equity. For Construction units, a WACC is stated on the basis of capital employed consisting 100 percent of equity. In Residential Development, the WACC is based on capital employed consisting of 50 percent equity and 50 percent borrowed funds. The WACC interest rate is stated before taxes.
The following table shows how the carrying amount relates to the recoverable amount for the respective business units for Skanska's largest goodwill items, which are tested at the Group level. The carrying amount is expressed as 100. The tests are based on an assessment of developments during the coming three-year period.

	Construction operations				Residential Development Nordic
	Norway	Finland	Czech Republic	United Kingdom	
Recoverable amount, 100	100	100	100	100	100
Carrying amount[1]	n.a.	1	16	n.a.	67
Interest rate, percent (WACC)	10.1	10.4	10.6	10.1	8.2
Carrying amount in relation to recoverable amount, 100 in case of increase in interest rate					
+ 1 percentage point	n.a.	1	18	n.a.	84
+5 percentage points[2]	n.a.	1	26	n.a.	173

1 For Skanska's operations in Norway and the United Kingdom, the carrying amount was negative due to a negative working capital that exceeds the value of property, plant and equipment.
2 Value > 100 indicates that the recoverable amount exceeds the carrying amount and an impairment loss needs to be recognized.

Note 18 Continued

Goodwill impairment losses

During 2008, the Group recognized goodwill impairment losses of USD 0 M (–1.2).

In 2007, goodwill impairment losses were related to impairment losses in a small unit in Norway and were based on a calculation of value in use. The impairment loss was recognized as selling and administrative expenses in the income statement.

Information about cost and accumulated impairment losses

	Goodwill	
	2008	2007
Accumulated cost		
January 1	735.0	674.2
Acquisitions of companies	0.6	6.7
Divestments of companies	–0.5	
Reclassifications	–3.6	
Exchange rate differences for the year	–139.4	54.1
	592.1	**735.0**
Accumulated impairment losses		
January 1	–21.8	–19.8
Impairment losses for the year		–8
Reclassifications	3.6	
Exchange rate differences for the year	1.2	–0.8
	–17.0	**–21.8**
Carrying amount, December 31	**575.2**	**713.2**
Carrying amount, January 1	713.2	654.4

Note 19 Intangible assets

Intangible assets are recognized in compliance with IAS 38, "Intangible Assets." See "Accounting and valuation principles," Note 1.

Intangible assets and useful life applied

	2008	2007	Useful life applied
Expressway concession	74.1	67.5	26 years
Other intangible assets, externally acquired	30.0	34.9	3–50 years
Total	**104.1**	**102.4**	

The Group has no remaining carrying amounts for intangible assets that were internally generated.

The expressway concession in Santiago, Chile has been in full operation since 2006 and will be amortized over the concession period. The increase in Skanska's ownership of the expressway from 48 percent to 50 percent is the main reason behind the increased carrying amount for the expressway concession.

"Other intangible assets, externally acquired" includes acquired patents in Sweden, acquired service contracts in the United Kingdom, extraction rights for gravel pits and rock quarries in Sweden and computer software.

Extraction rights for rock quarries and gravel pits are amortized as material is extracted. Computer software is amortized in 3–5 years.

Service contracts are amortized over a period of 3–6 years and patents are amortized over 10 years.

Amortization of other intangible assets by function

All intangible assets were amortized, because they have a limited useful life.

Amortization by function	2008	2007
Cost of sales	–9.6	–7.0
Selling and administration	–4.2	–8.9
Total	**–13.8**	**–15.8**

Impairment losses/reversals of impairment losses on other intangible assets

During 2008, impairment losses/reversals of impairment losses on other intangible assets were recognized in the amount of USD–1.1 M (–2.2). The impairment losses were attributable to the Construction business stream and were based on the value in use of the assets.

Information about cost, accumulated amortization and accumulated impairment losses

	Expressway concession		Other intangible assets, acquired		Intangible assets, internally generated[1]	
	2008	2007	2008	2007	2008	2007
Accumulated cost						
January 1	74.8	70.0	93.2	81.3	10.0	9.3
Acquisitions of companies				0.9		
Divestments of companies			–0.2			
Other investments	28.4		12.0	5.5		
Divestments of companies			–0.3	–0.3		
Reclassifications			0.9			
Exchange rate differences for the year	–21.0	4.9	–10.2	5.8	–1.7	0.6
	82.2	**74.8**	**95.4**	**93.2**	**8.3**	**10.0**
Accumulated amortization						
January 1	–7.3	–4.2	–55.7	–38.9	–10.0	–9.3
Divestments			0.2			
Amortization for the year	–2.9	–2.7	–10.9	–13.0		
Reclassifications			–0.9			
Exchange rate differences for the year	2.0	–0.4	5.0	–3.8	1.7	–0.6
	–8.2	**–7.3**	**–62.4**	**–55.7**	**–8.3**	**–10.0**
Accumulated impairment losses						
January 1			–2.6	–0.3		
Amortization for the year			–1.1	–2.2		
Reclassifications			–0.2			
Exchange rate differences for the year			0.9	0.0		
	0	**0**	**–3.0**	**–2.6**	**0**	**0**
Carrying amount, December 31	**74.1**	**67.5**	**30.0**	**34.9**	**0**	**0**
Carrying amount, January 1	67.5	65.7	34.9	42.1	0	0

1 Internally generated intangible assets consisted of computer software.

Other matters

Information about capitalized interest is presented in Note 15, "Borrowing costs." Direct research and development expenses amounted to USD 10.6 M (11.1).

Note 20 Investments in joint ventures and associated companies

Investments in joint ventures and associated companies are reported according to the equity method of accounting. Income from joint ventures and associated companies is reported on a separate line in operating income. This income consists of the Group's share of the income in joint venture and associated companies after financial items, adjusted for any impairment losses in goodwill on consolidated and intra-Group profits.

Income from joint ventures and associated companies is presented in the following table.

	2008	2007
Share of income in joint ventures according to the equity method[1, 2]	24.4	38.6
Share of income in associated companies according to the equity method[1]	0.2	1.2
Divestments of joint ventures	104.7	16.6
Transfers of intra-Group profits in Infrastructure Development during useful life	2.6	2.7
Transfers of intra-Group profits in Infrastructure Development through divestments	1.1	0.4
Total	**132.9**	**59.5**

1 When calculating the income of joint ventures and associated companies according to the equity method, the Group's share of taxes is recognized on the "Taxes" line in the income statement. The Group's share of taxes in joint ventures amounted to USD –8.5 M (–7.3) and its share of taxes in associated companies amounted to USD –0.3 M (–0.3). See also Note 16, "Income taxes.".

2 The amount includes impairment losses of USD –17.0 M. Impairment losses for the year were USD –11.2 M on shares in a Brazilian hydropower project in Infrastructure Development and USD –5.8 M in a hotel project in Poland.

Carrying amount according to the balance sheet and the change that occurred during 2008 can be seen in the following table.

	Joint ventures	Associated companies	Total
January 1	297.3	5.3	302.6
Investments	31.6		31.6
Divestments	–78.6		–78.6
Reclassifications	5.2	–0.2	5.0
Exchange rate differences for the year	–46.5	–1.1	–47.7
The year's provision/reversal for intra-Group profit on contracting work	15.6		15.6
Exchange rate differences for the year, derivatives	–9.9		–9.9
The year's change in share of income in associated companies and joint ventures after subtracting dividends received	–22.9		–22.9
Carrying amount, December 31	**191.8**	**4.0**	**195.8**

Joint ventures

Joint ventures are reported in compliance with IAS 31, "Interests in Joint Ventures."

See "Accounting and valuation principles," Note 1.

The Group has holdings in joint ventures with a carrying amount of USD 191.8 M (297.3).

Infrastructure Development included a carrying amount in joint ventures totaling USD 184.6 M (315.9). The value of these companies in the consolidated accounts was reduced by intra-Group profits of USD –28.5 M (–63.5)), which arose due to contracting work for these joint ventures, among other things.

Income from joint ventures

Share of income in joint ventures is reported in the income statement, because these holdings are an element of Skanska's business.

Share of income in joint ventures according to the equity method comes mainly from Infrastructure Development operations.

Infrastructure Development

Infrastructure Development specializes in identifying, developing and investing in privately financed infrastructure projects, such as roads, hospitals and power generating plants. The business stream focuses on creating new project opportunities in the markets where the Group has operations.

Income from holdings in joint ventures in Infrastructure Development improved during 2008. This is explained by the divestment of the Brazilian hydropower plant project Ponte de Pedra.

Skanska increased its ownership stake in its largest project – the Autopista Central toll expressway in Chile – from 48 to 50 percent.

During 2008 two road projects opened, the A1 phase 1 in Poland and the E18 in Finland, and Skanska was awarded two new assignments, the A1 phase 2 in Poland and the M25 in the United Kingdom. The task of arranging loans for these new projects is underway.

Specification of major holdings of shares and participations in joint ventures

Company	Operations	Country	Percentage of share capital	Percentage of voting power	Currency	Consolidated carrying amount 2008	2007
Joint ventures in Infrastructure Development							
Autopista Central S.A.[1, 2]	Highway	Chile	50	50	CLP	67.8	99.0
preceding year			48	48			
Breitener Energetica S/A[3]	Power plant	Brazil	35	35	BRL	10.2	28.2
Bristol PFI Development Ltd	Education	U.K.	50	50	GBP	0.0	0.0
Bristol PFI (Holdings) Ltd	Education	U.K.	61	46	GBP	0.0	0.0
Bristol PFI Ltd	Education	U.K.	61	46	GBP	0.6	7.2
Capital Hospitals (Holdings) Ltd	Healthcare	U.K.	38	38	GBP	6.9	12.4
Central Nottinghamshire Hospital (Holdings) Ltd	Healthcare	U.K.	50	50	GBP	7.8	0.0
Derby Healthcare Holdings Ltd	Healthcare	U.K.	25	25	GBP	19.2	5.0
Gdansk Transport Company S.A	Highway	Poland	30	30	PLN	0.0	6.1
Investors in Community (Bexley Schools) Ltd	Education	U.K.	50	50	GBP	1.9	2.8
Midlothian Schools Holdings Ltd	Education	U.K.	50	50	GBP	3.1	5.1
Orkdalsvegen AS	Highway	Norway	50	50	NOK	1.8	1.9
The Coventry and Rugby Hospital Comp.Ltd	Healthcare	U.K.	25	50	GBP	11.5	9.8
The Walsall Hospital Company Plc	Healthcare	U.K.	50	50	GBP	0.1	0.0
Tieyhtiö Nelostie Oy	Highway	Finland	50	50	EUR	6.3	6.1
preceding year				41			
Tieyhtiö Ykköstie Oy	Highway	Finland	41	41	EUR	18.8	7.5
						156.2	**190.9**
Sold in 2008							
Ponte de Pedra Energetica S/A	Power plant	Brazil	50	50	BRL		61.5
Other joint ventures						35.6	45.0
Total						**191.8**	**297.3**

1 There is also an investment in a concession fee. Its carrying amount was USD 74.1 M (67.5). See Note 19, "Intangible assets."
2 The carrying amount was affected during 2008 by the purchase of an additional 2 percentage point stake as well as an investment repayment.
3 During 2008, an impairment loss of USD –11.2 M on Skanska's holding was recognized.

Information on the Group's share of the income statements and balance sheets of joint ventures reported according to the equity method

Income statement	2008	2007	The amount includes Infrastructure Development operations totaling 2008	2007
Revenue	593.9	579.8	519.0	452.2
Operating expenses	–521.1	–496.6	–456.9	–396.7
Operating income	**72.8**	**83.2**	**62.1**	**55.5**
Financial items	–48.4	–44.5	–47.2	–40.7
Income after financial items	**24.4**	**38.6**	**14.9**	**14.8**
Taxes	–8.5	–7.3	–6.4	–0.6
Profit for the year	**15.9**	**31.4**	**8.5**	**14.2**
Balance sheet				
Non-current assets	1,874.7	2,033.8	1,851.5	2,006.5
Current assets	743.6	1,173.6	646.1	1,035.2
Total assets	**2,618.3**	**3,207.4**	**2,497.6**	**3,041.7**
Equity attributable to equity holders[1]	219.9	360.4	184.3	315.4
Minority	0.9	0.9		
Non-current liabilities	2,010.9	2,564.2	1,958.3	2,460.7
Current liabilities	386.6	281.9	355.0	265.6
Total equity and liabilities	**2,618.3**	**3,207.4**	**2,497.6**	**3,041.7**

1 Equity exceeded the carrying amount of shares in joint ventures by consolidated intra-Group profits on contracting work for Infrastructure Development, which was not charged to income in these operations and was thus not reported in the table.

Reconciliation with shares in joint ventures	2008	2007
Skanska's portion of equity in joint ventures, adjusted for surplus value and goodwill	219.9	360.4
– Intra-Group profit in consolidated financial statements	–28.5	–63.5
+ losses in Infrastructure Development not posted because Skanska's portion is already zero	0.4	0.5
Carrying amount of shares	**191.8**	**297.3**

Assets pledged

Shares in joint ventures pledged as collateral for loans and other obligations amounted to USD 101.4 M (220.5).

Other matters

Skanska's portion of the total investment obligations of partly owned joint ventures amounted to USD 547.5 M (1,479.5).

Skanska has undertaken to invest an additional USD 93.5 M (172.4) in Infrastructure Development in the form of equity holdings and loans. The remaining portion is expected to be financed mainly in the form of bank loans or bond loans in the respective joint ventures and in the form of participations and loans from other co-owners.

The downturn in investment obligations was mainly due to project completion.

Contingent liabilities for joint ventures amounted to USD 99.3 M (101.3).

Note 20 Continued

Associated companies

Associated companies are reported in compliance with IAS 28, "Investments in Associates." See "Accounting and valuation principles," Note 1.

The carrying amount of associated companies was USD 4.0 M (5.3).

Information on the Group's share of revenue, income, assets, liabilities and equity in associated companies

	2008	2007
Revenue	3.5	5.9
Income	0.3	1.0
Assets	4.9	12.4
Equity[1]	–136.5	–163.5
Liabilities	141.4	176.0
	4.9	**12.4**

1 Reconciliation between equity and carrying amount of holdings according to the equity method of accounting

	2008	2007
Equity in associated companies	–136.5	–163.5
Adjustment for losses not recognized	140.5	168.8
Carrying amount according to balance sheet	**4.0**	**5.3**

Unrecognized portion of losses in associated companies

	2008	2007
Loss for the year	0.0	0.0
Losses in prior years	–140.5	–168.8

The losses occurred in partly owned limited partnerships that previously carried out aircraft leasing. After impairment losses, these holdings are recognized at USD 0. The Group has no obligations to provide additional capital.

Other matters

The associate companies have no liabilities or contingent liabilities which the Group may become responsible for paying. Nor are there any obligations for further investments.

Note 21 Financial assets

Financial investments, financial receivables and shareholdings where ownership is less than 20 percent and the Group has no significant influence are recognized as financial non-current assets.

Financial investments and financial receivables are recognized as financial current assets.

See also Note 6, "Financial instruments."

Financial non-current assets

	2008	2007
Financial investments		
Financial assets at fair value through profit or loss		
Derivatives		0.3
Held-to-maturity investments	0.1	0.5
Financial assets available for sale[1, 2]	8.3	74.2
	8.4	**75.0**
Financial receivables, interest-bearing		
Receivables from associated companies		
Receivables from joint ventures	4.7	3.9
Restricted cash	21.2	24.9
Other interest-bearing receivables	5.7	9.5
	31.6	38.3
Total	**40.0**	**113.3**
of which interest-bearing financial non-current assets	31.7	98.6
of which non-interest-bearing financial non-current assets	8.3	14.6

Financial current assets

	2008	2007
Financial investments		
Financial assets at fair value through profit or loss		
Derivatives	4.9	12.6
Hedge accounted derivatives	30.8	5.1
Held-to-maturity investments	120.7	91.6
Financial assets available for sale[1]	0.0	63.8
	156.4	**173.2**
Financial assets, interest-bearing		
Restricted cash	415.3	312.4
Discounted operating receivables[3]	95.0	162.0
Other interest-bearing receivables[4]	276.6	81.5
	786.9	555.9
Total	**943.3**	**729.1**
of which interest-bearing financial current assets	907.5	711.4
of which non-interest-bearing current financial assets	35.7	17.7
Total carrying amount, financial assets	**983.3**	**842.4**
of which financial assets excluding shares	975.0	828.1

1 During 2007 the Group recognized USD 138.0 M in the category "Financial assets available for sale." During 2008 these matured or were sold as the liquidity surplus decreased. In October 2008 only USD 30.5 M remained, and this was reclassified to "Financial receivables." See also Note 6, "Financial instruments."

2 Including USD 8.3 M (14.3) in shares carried at cost. During 2008, shareholdings were affected by impairment losses of USD –2.6 M (–1.6). Of these losses, USD –0.3 M was charged to the Construction business stream and USD –2.3 M to the Residential Development business stream. The impairment losses were charged to financial items. See Note 14, "Net financial items." Of the total impairment losses, USD –2.6 M, USD –1.4 M was based on net realizable value and USD –1.2 M on value in use.

3 The amount included USD 45.1 M (110.0) in discounted receivables on properties divested in Commercial Development. The remainder consisted of USD 50.0 M (52.0) in discounting of operating receivables in Czech operations.

4 The amount included USD 181.7 M (64.1) in accrued receivables from buyers of Commercial Development properties.

Note 22 Current-asset properties/Project development

Current-asset properties are reported in compliance with IAS 2, "Inventories." See Note 1 "Accounting and valuation principles."

The allocation of balance-sheet items among the various business streams can be seen below.

Balance sheet item	Business stream	2008	2007
Commercial Development	Commercial Development	1,241.7	974.0
Other commercial properties	Construction	161.2	116.4
Residential Development	Residential Development	1,001.3	963.1
Total		**2,404.2**	**2,053.5**

For a further description of the respective business streams, see Note 4, "Segment reporting."

Completed properties, properties under construction and development properties are all reported as current-asset properties.

Divestments of current-asset properties

	2008	2007
Divestment proceeds		
Commercial Development	536.7	413.7
Other commercial properties	59.3	99.9
Residential Development	555.2	798.0
	1,151.3	**1,311.6**
Carrying amount		
Commercial Development	–348.9	–253.9
Other commercial properties	–26.1	–67.8
Residential Development	–431.1	–633.8
	–806.1	**–955.5**
Gross income		
Commercial Development	187.9	159.8
Other commercial properties	33.2	32.1
Residential Development	124.1	164.2
	345.2	**356.2**

Breakdown of divestments by Commercial Development between completed properties and properties

	Completed properties		Properties under construction and development properties		Total	
	2008	2007	2008	2007	2008	2007
Divestment proceeds	138.8	203.0	397.9	210.7	536.7	413.7
Carrying amount	–84.1	–124.1	–264.8	–129.8	–348.9	–253.9
Gross income	**54.8**	**78.9**	**133.1**	**80.9**	**187.9**	**159.8**

Impairment losses/reversals of impairment losses

Current-asset properties are valued in compliance with IAS 2, "Inventories," and are this carried at cost or net realizable value, whichever is lower. Adjustments to net realizable value via an impairment loss are recognized, as are reversals of previous impairment losses, in the income statement under "Cost of sales."

Net realizable value is affected by the type and location of the property and by the yield requirement in the market.

The following table shows that during 2008, impairment losses totaling USD 6.2 M (7,0) were reversed. The reason for this was the net realizable value increased during the year.

	Impairment losses		Reversals of impairment losses		Total	
	2008	2007	2008	2007	2008	2007
Commercial Development	–15.5	–5.2			–15.5	–5.2
Other commercial properties	–1.1		0.2		–0.9	0.0
Residential Development	–68.0	–7.8	6.1	7.0	–61.9	–0.9
Total	**–84.5**	**–13.0**	**6.2**	**7.0**	**–78.3**	**–6.1**

Note 22 Continued

Carrying amount

	Completed properties		Properties under construction		Development properties		Total current-asset properties	
	2008	2007	2008	2007	2008	2007	2008	2007
Commercial Development[1]	275.3	348.4	648.1	389.1	318.4	236.5	1,241.7	974.0
Other commercial properties	13.7	18.8	62.8	17.0	84.7	80.6	161.2	116.4
Residential Development	98.5	53.1	165.7	137.9	737.0	772.2	1,001.3	963.1
Total	**387.5**	**420.3**	**876.6**	**544.0**	**1,140.1**	**1,089.3**	**2,404.2**	**2,053.5**

1 Of the amount for properties under construction, USD 648.1 M, USD 218.3 M consisted of properties completed during 2008 and USD 429.8 M of ongoing projects.

	Commercial Development		Other commercial properties		Residential Development		Total current-asset properties	
	2008	2007	2008	2007	2008	2007	2008	2007
Carrying amount								
January 1	974.0	813.7	116.4	139.3	963.1	770.7	2,053.5	1,723.8
Acquisitions of companies				0.6			0.0	0.6
Divestments of companies				–0.6			0.0	–0.6
Investments	842.6	349.5	101.2	50.0	657.5	737.3	1,601.4	1,136.9
Carrying amount, properties divested	–348.9	–253.9	–26.1	–67.8	–431.1	–633.8	–806.1	–955.5
Impairment losses/reversals of impairment losses	–15.5	–5.2	–0.9		–61.9	–0.9	–78.3	–6.1
The year's provision for intra-Group profits in contracting work	–21.7	–12.7					–21.7	–12.7
Reclassifications	–15.5	13.9	–2.9	–16.0	–2.0	–3.0	–20.3	–5.0
Exchange rate difference for the year, derivatives	1.4	0.1					1.4	0.1
Exchange rate differences for the year	–174.8	68.5	–26.5	10.8	–124.3	92.7	–325.6	172.0
December 31	**1,241.7**	**974.0**	**161.2**	**116.4**	**1,001.3**	**963.1**	**2,404.2**	**2,053.5**

The carrying amount of current-asset properties is allocated between properties carried at cost and properties carried at net realizable value, as shown in the following table:

	Cost		Net realizable value		Total	
	2008	2007	2008	2007	2008	2007
Commercial Development	1,166.6	946.9	75.1	27.1	1,241.7	974.0
Other commercial properties	156.0	111.9	5.2	4.5	161.2	116.4
Residential Development	947.7	953.5	53.6	9.6	1,001.3	963.1
Total	**2,270.4**	**2,012.3**	**133.9**	**41.2**	**2,404.2**	**2,053.5**

Fair value of current-asset properties

The estimated market value of completed commercial properties on December 31, 2008, partly carried out in collaboration with external appraisers, was USD 0.66 (0.56) billion, with a corresponding carrying amount of USD 0.49 (0.40) billion.

Commercial Development

SEK billion	Surplus value 31-dec-08
Completed projects	0.17
Undeveloped land and development properties	0.03
Ongoing projects[1]	0.06
Total	**0.26**

1 Surplus value refers to accrued surplus value

Assets pledged

Current-asset properties used as collateral for loans and other obligations totaled USD 0.1 M (0.8). See Note 33, "Assets pledged, contingent liabilities and contingent assets."

Other matters

Information on capitalized interest is reported in Note 15, "Borrowing costs."

Skanska has committed itself to investing USD 206.0 M (134.3) in current-asset properties.

Note 23 Inventories etc.

Inventories are reported in compliance with IAS 2, "Inventories." See "Accounting and valuation principles," Note 1.

	2008	2007
Raw materials and supplies	76.1	85.4
Products being manufactured	3.0	28.8
Finished products and merchandise	37.6	5.4
Total	**116.7**	**119.7**

There were no significant difference between the carrying amount for inventories and their fair value.

No portion of inventories was adjusted due to an increase in net realizable value.

No merchandise was used as collateral for loans and other obligations.

Note 24 Trade and other receivables

Non-interest-bearing business receivables are reported as "Trade and other receivables." Trade and other receivables are part of the Group's operating cycle and are recognized as current assets.

	2008	2007
Trade accounts receivable from joint ventures	45.1	42.9
Other trade accounts receivable	2,597.3	3,101.8
Other operating receivables from associated companies	0.0	2.5
Other operating receivables	508.5	551.1
Prepaid expenses and accrued income	214.2	217.7
Total	**3,365.0**	**3,916.0**
of which, financial instruments reported in Note 6, "Financial instruments"		
Trade accounts receivable	2,642.4	3,144.7
Other operating receivables including accrued interest income	21.6	29.7
	2,664.0	**3,174.4**
of which non-financial instruments	701.0	741.6

Note 25 Cash equivalents

Investments with an insignificant risk of fluctuations in value and which can easily be transformed into cash are reported as cash equivalents. Their maturity from the acquisition date is three months or shorter.

Cash equivalents amounted to USD 0 M (81.1). The 2007 amount consisted entirely of financial instruments in the category "Financial assets available for sale." See also Note 6, "Financial instruments."

Note 26 Equity/Earnings per share

In the consolidated financial statements, equity is allocated between equity attributable to equity holders (shareholders) and minority interest.

Minority interest accounts for about one percent of total equity.

After taking into account tax effects, equity changed during the year as follows.

Equity changed during the year as follows:

	2008	2007
Opening balance	3,224.5	2,818.4
Attributable to equity holders		
Dividend	–523.2	–510.9
Translation differences	–306.0	296.5
Effect of actuarial gains and losses on pensions	–304.7	10.1
Effect of share-based payments	8.5	4.1
Effect of cash flow hedges	–31.4	–9.0
Repurchases of shares	–41.1	
Change in minority interest	–13.2	5.6
Profit for the year attributable to		
Equity holders	470.7	606.1
Minority	8.3	3.7
Equity	**2,492.4**	**3,224.5**

Equity attributable to equity holders is allocated as follows:

	2008	2007
Share capital	174.8	174.8
Paid-in capital	43.5	43.5
Reserves	217.1	554.5
Retained earnings	2,032.2	2,422.0
Total	**2,467.7**	**3,194.9**

The following reserves are found in the consolidated financial statements:

	2008	2007
Translation reserve	247.6	553.5
Cash flow hedge reserve	–30.4	1.0
Fair value reserve	0.0	0.0
Total	**217.1**	**554.5**

Paid-in capital

Paid-in capital in excess of quota (par) value from historical issues of new shares is recognized as "Paid-in capital."

Retained earnings

Retained earnings include the profit for the year plus undistributed Group profits earned in prior years. The statutory reserve is part of retained earnings, along with actuarial gains and losses on pensions, which in compliance with IAS 19 was recognized directly in equity in the amount of USD –304.7 M (10.1). In compliance with IFRS 2, the year's change in share-based payment was recognized directly in equity in the amount of USD 8.5 M (4.1). See below.

Translation reserve

The translation reserve consists of accumulated translation differences from the translation of local financial statements to the presentation currency. The translation reserve also includes exchange rate differences that have arisen when hedging net investments in operations outside Sweden. The translation reserve was reset at zero upon the transition to IFRSs on January 1, 2004. Translation differences for the year amounted to USD –376.8 M (+337.5) and consisted of negative translation differences in SEK, NOK, EUR, PLN, CZK, CLP and BRL (for currency abbreviations, see Note 34, "Effect of changes in exchange rates").

During the year, the translation reserve declined by USD –6.2 M, of which USD –0.5 M was due to divestments of subsidiaries and USD –5.8 M due to divestments of joint ventures.

During 2008, the translation reserve was affected by exchange rate differences of

Note 26 Continued

USD 77.0 M (–41.0) due to currency hedging. The Group has currency hedges against SEK, which is the functional currency of the Parent Company, related to net investments mainly in USD, EUR, NOK, CZK, PLN, BRL and CLP. The accumulated translation reserve totaled USD 247.6 M (553.5).

Cash flow hedge reserve

Hedge accounting is applied mainly to Infrastructure Development in the United Kingdom and to Skanska's operations in Poland. Recognized in the cash flow hedge reserve are unrealized gains and losses on hedging instruments. The change during 2008 amounted to USD –31.4 M (–9.0), and the closing balance of the reserve totaled USD –30.4 M (1.0).

Fair value reserve

The fair value reserve includes the accumulated net change in the fair value of financial assets available for sale until the asset is derecognized from the balance sheet.

IFRS 2, "Share-based Payment"

The share incentive programs introduced in 2005 and 2008, respectively, are recognized as share-based payment, which is settled with an equity instrument in compliance with IFRS 2. This implies that fair value is calculated on the basis of estimated fulfillment of financial targets during a measurement period. After the close of the measurement period, fair value is established.

This value is allocated over the four- and three-year vesting period, respectively. There is no reappraisal after fair value is established during the remainder of the vesting period, aside from changes in the number of shares because the condition of continued employment during the vesting period is no longer met.

Dividend

After the balance sheet date, the Board of Directors proposed a regular dividend of SEK 5.25 (5.25) per share (corresponding to USD 0.68 [0.80] per share). The previous year, an extra dividend of SEK 3.00 per share (corresponding to USD 0.46 per share) was also paid. The dividend is subject to the approval of the Annual Shareholders' Meeting on April 6, 2009.

The overall proposed dividend is:

	2008	2007[1]
Regular dividend	282.7	333.4
Extra dividend	0.0	190.6
Total	**282.7**	**524.0**

1 The dividend amount changed by the record date due to repurchases of shares. The total dividend amounted to SEK 3,448 M (corresponding to USD 523.2 M), a decrease of USD 0.8 M.

Shares

Information on the number of shares as well as earnings and equity per share can be seen in the table below.

	2008	2007
Number of shares, December 31	423,053,072	423,053,072
of which Series A and B shares[1]	418,553,072	418,553,072
of which Series D shares (not entitled to dividends, in Skanska's own custody)	4,500,000	4,500,000
Average price, repurchased shares	96.97	
corresponding to an average price per repurchased share of USD	14.71	
Number of Series B shares repurchased	2,795,000	
Number of Series B shares in Skanska's own custody, December 31	2,793,162	
Number of shares outstanding, December 31		
After repurchases	415,759,910	418,553,072
After repurchases and dilution	416,956,302	419,150,515
Average number of shares outstanding		
After repurchases	416,985,073	418,553,072
After repurchases and dilution	417,781,483	418,992,099
Average dilution, percent	0.21	0.10
Earnings per share		
After repurchases, USD	1.13	1.45
After repurchases and dilution	1.13	1.45
Equity per share, USD	5.94	7.63

1 The number of Series A shares amounted to 22,463,663 (22,464,731) and of Series B shares 396,089,409 (396,088,341). During 2008, 1,068 (38,120) series A shares were redemmed for a corresponding number of Series B and Series D shares. Each Series A share carries 10 votes and each Series B and Series D share carries one vote. Series D shares do not entitle the holder to a dividend from earnings. Series B shares are listed on the OMX Nordic Exchange Stockholm.

Dilution effect

In the share incentive programs introduced in 2005 and 2008, respectively, the number of potential ordinary shares is calculated during the measurement period based on the estimated number of shares that will be issued due to the fulfillment of the established targets. The number of potential ordinary shares thus calculated is then reduced by the difference between the payment Skanska is expected to receive and the average share price during the period.

Excluding social insurance contributions, the cost of both share incentive programs is estimated at a total of about USD 44.0 M, allocated over three years, corresponding to 3,229,312 shares. The maximum dilution at the close of the vesting period is estimated at 0.77 percent. During 2008, the cost of both programs amounted to USD 9.7 M excluding social insurance contributions, equivalent to 1,267,778 shares. The dilution effect up to and including 2008 totaled 0.31 percent.

Capital management

Capital requirement vary between business streams. Skanska's construction projects are mainly based on customer funding. As a result, in its Construction business stream, the Company can operate with negative working capital. However, the equity requirement for a construction company is substantial and is related to large business volume and to the risks inherent in the various types of construction assignments carried out. Skanska must also take into account the financing of goodwill and the performance guarantees required in publicly procured projects in the U.S. market.

In the Board's judgment, the Group's equity totals a reasonable amount in view of the requirements posed by Skanska's financial position and market circumstances. The ambition is to use the net cash surplus to expand investments in the Group's development business streams – Residential, Commercial and Infrastructure Development. Cash and cash equivalents that are not being utilized are invested in short-term instruments such as government securities, bank-issued or corporate bonds with a credit rating no lower than BBB.

Other matters

Disclosures on income and expenses from financial instruments recognized directly in equity are presented in Note 6, "Financial instruments."

Note 26 Continued

	Equity attributable to equity holders						
	Share capital	Paid-in capital	Reserves	Retained earnings	Total	Minority interest	Total equity
Equity, January 1, 2007	**174.8**	**43.5**	**267.1**	**2,312.6**	**2,798.1**	**20.3**	**2,818.4**
Change in translation reserve for the year			296.5		296.5	1.6	298.1
Change in cash flow reserve for the year			–11.1		–11.1		–11.1
Change in share-based payment for the year				4.1	4.1		4.1
Change in actuarial gains and losses on pensions for the year[1]				15.7	15.7		15.7
Other transfers of assets recognized directly in equity[2]					0	4.9	4.9
Taxes attributable to items recognized directly in equity[3]			2.1	–5.6	–3.6		–3.6
Changes in assets recognized directly in equity, excluding transactions with the Company's owners	**0**	**0**	**287.5**	**14.2**	**301.7**	**6.5**	**308.2**
Profit for the year				**606.1**	**606.1**	**3.7**	**609.8**
Total changes in assets, excluding transactions with the Company's owners	**0**	**0**	**287.5**	**620.3**	**907.8**	**10.2**	**918.0**
Dividend				–510.9	–510.9	–0.9	511.8
Equity, December 31, 2007/Equity/January 1, 2008	**174.8**	**43.5**	**554.5**	**2,422.0**	**3,194.9**	**29.6**	**3,224.5**
Change in translation reserve for the year			–306.0		–306.0	3.5	–302.5
Change in cash flow hedge reserve for the year			–33.5		–33.5		–33.5
Change in share-based payment for the year				8.5	8.5		8.5
Change in actuarial gains and losses on pensions for the year[1]				–416.2	–416.2		–416.2
Other transfers of assets recognized directly in equity[2]					0	–9.9	–9.9
Taxes attributable to items recognized directly in equity[3]			2.1	111.5	113.7		113.7
Changes in assets recognized directly in equity, excluding transactions with the Company's owners	**0**	**0**	**–337.4**	**–296.2**	**–633.6**	**–6.4**	**–640.0**
Profit for the year				**470.7**	**470.7**	**8.3**	**479.1**
Total changes in assets, excluding transactions with the Company's owners	**0**	**0**	**–337.4**	**174.5**	**–162.9**	**2.0**	**–160.9**
Repurchases of 2,795,000 Series B shares				–41.1	–41.1		–41.1
Dividend				–523.2	–523.2	–6.8	–530.0
Equity, December 31, 2008	**174.8**	**43.5**	**217.1**	**2,032.2**	**2,467.7**	**24.8**	**2,492.4**

1 Includes social insurance contributions in the amount of USD –47.0 M (–1.3).

2 Reported as "Other transfers of assets recognized directly in equity" was USD –9.9 M (4.9) in minority interest. Of this amount, USD–9.6 M (5.6) was related to reclassification and USD –0.3 M (–0.7) to purchases from minority interests.

3 The amount recognized among reserves, USD 2.1 M (2.1), was related to the cash flow hedge reserve. The amount recognized in retained earnings, USD 111.5 M (–5.6), was related to the year's change in actuarial gains and losses on pensions.

Note 26 Continued

Specification of reserves included in "Equity attributable to equity holders"

	2008	2007
Translation reserve		
January 1	553.5	257.1
Transfer of translation differences in companies divested	–6.2	
Translation differences for the year	–376.8	337.5
Less hedging of currency risk in operations abroad	77.0	–41.0
	247.6	**553.5**
Cash flow hedge reserve		
January 1	1.0	10.0
Cash flow hedges:		
Recognized directly in equity	–27.2	0.7
Transferred to income statement	–6.4	–11.8
taxes attributable to hedging for the year	2.1	2.1
	–30.4	**1.0**
Total reserves	**217.1**	**554.5**

Fair value reserve

The fair value reserve amounted to USD 0 M.

Note 27 Financial liabilities

Financial liabilities are allocated between non-current and current liabilities. Normally, a maturity date within one year is required if a liability is to be treated as current. This does not apply to discounted operating liabilities, which are part of Skanska's operating cycle and are consequently recognized as current liabilities regardless of their maturity date.

Concerning financial risks and financial policies, see Note 6, "Financial instruments."

Financial non-current liabilities	2008	2007
Other financial liabilities		
Liabilities to credit institutions	106.2	115.3
Other liabilities	33.3	33.3
Total	**139.5**	**148.6**
of which interest-bearing financial non-current liabilities	139.5	148.6

Financial current liabilities	2008	2007
Financial liabilities at fair value through profit or loss		
Derivatives	29.0	4.4
Hedge accounted derivatives	30.4	9.5
Other financial liabilities		
Bond loans	0.0	105.5
Liabilities to credit institutions	53.7	66.1
Liabilities to joint ventures	1.2	0.5
Discounted liabilities[1]	134.9	228.4
Other liabilities	20.2	6.2
Total	**269.5**	**420.6**
of which interest-bearing financial current liabilities	210.0	406.7
of which non-interest-bearing financial current liabilities	59.4	13.8
Total carrying amount for financial liabilities	**408.9**	**569.2**

1 Of the total amount, USD 134.9 M (228.4), USD 36.4 M (68.3) consisted of discounted advance payments from customers. The amount also included USD 25.8 M (92.7) in discounted liabilities in property operations consisting of discounted liabilities on purchases of current-asset properties. The remaining amount, USD 72.9 M (67.4), consisted of discounted operating liabilities in the Czech Republic.

Note 28 Pensions

Provisions for pensions are reported in compliance with IAS 19, "Employee Benefits." See "Accounting and valuation principles," Note 1.

Pension liability according to the balance sheet

According to the balance sheet, interest-bearing pension liability amounts to USD 401.4 M (178.8).

Skanska has defined-benefit pension plans in Sweden, Norway and the U.K. The pension in these plans is mainly based on final salary. The plans include a large number of employees, but Skanska also has defined-contribution plans in these countries. The previous defined-benefit plans in the U.S. have been settled and replaced with defined-contribution plans. Group companies in other countries mainly have defined-contribution plans.

Defined-benefit plans

The pension plans mainly consist of retirement pensions. Each respective employer usually has obligation to pay a lifetime pension. Benefits are based on the number of years of employment. The employee must belong to the plan for a certain number of years to earn a full retirement pension entitlement. For each year, the employee earns increased pension entitlements, which are reported as pension earned during the period plus an increase in pension obligation.

Pension plans are funded by securing pension obligations with assets in pension funds and provisions in the balance sheet. The plans are funded by payments from the respective Group companies and in some cases the employees.

The plan assets in each pension plan are smaller than the pension obligation. For this reason, the difference is recognized as a liability in the balance sheet. The ceiling rule that, in some cases, limits the value of these assets in the balance sheet does not apply when plan assets are smaller than pension obligations.

On the balance sheet date, the pension obligation amounted to USD 1,468.3 M (1,736.0). The increased obligation for pensions earned during the period and lower long-term interest rates, and thus lower discount rates, were partly offset by benefits paid and settlement of U.S. plans.

Plan assets amounted to USD 1,066.9 M (1,557.2). The lower value of plan assets was largely due to the international decline in the value of equities and mutual funds as well as settlement of U.S. plans.

Actuarial gains and losses may be recognized directly in equity in the balance sheet, according to the alternative rule in IAS 19. Skanska applies this alternative method. Actuarial gains and losses during 2008 amounted to USD –119.6 M (26.5), mainly due to lower discount rates. Actuarial gains and losses on plan assets during 2008 amounted to USD –249.6 M (–9.5), due to the international decline in value. The accumulated net loss amounted to USD –541.3 M (–172.1), which is included in recognized pension liability.

The return on plan assets recognized in the income statement amounted to USD 93.8 M (84.2), while actual return amounted to USD –155.8 M (74.7). The divergence was attributable to pension plans in all three countries where Skanska has defined-benefit plans.

The plan assets consisted mainly of equities, interest-bearing securities and mutual fund units. No assets were used in Skanska's operations. The number of directly owned shares in Skanska AB totaled 600,000 (250,000) Series B shares. There was also an insignificant percentage of indirectly owned shares in Skanska AB via investments in various mutual funds.

Plan assets

	Sweden	Norway	United Kingdom
2008			
Equities	18%	31%	47%
Interest-bearing securities	56%	56%	51%
Alternative investments	26%	13%	2%
Expected return	5.50%	6.75%	6.75%
Actual return	–7.70%	–16.00%	–11.70%
2007			
Equities	26%	33%	50%
Interest-bearing securities	52%	56%	48%
Alternative investments	22%	11%	2%
Expected return	5.00%	5.75%	6.25%
Actual return	6.10%	6.50%	3.50%

Note 28 Continued

The ITP 1 occupational pension plan in Sweden is a defined-contribution plan. Skanska pays premiums for employees covered by ITP 1, and each employee selects a manager. The Company offers employees the opportunity to select Skanska as the manager. For employees who have selected Skanska as their manager, there is a guaranteed minimum amount that the employee will receive upon retirement. This guarantee means that the portion of the ITP plan for which Skanska is the manager is recognized as a defined-benefit plan. The net amount of obligations and plan assets for ITP 1 managed by Skanska is recognized in the Company's balance sheet. This net amount was marginal, since payments into this portion of the plan began late in 2008.

The ITP 2 occupational pension plan in Sweden is a defined-benefit plan. A small portion is secured by insurance from the retirement insurance company Alecta. This is a multi-employer insurance plan, and there is insufficient information to report these obligations as a defined-benefit plan. Pensions secured by insurance from Alecta are therefore reported as a defined-contribution plan.

Defined-contribution plans

These plans mainly cover retirement pension, disability pension and family pension. The premiums are paid regularly during the year by the respective Group company to separate legal entities, for example insurance companies. The size of the premium is based on salary. The pension expense for the period is included in the income statement.

Obligations related to employee benefits, defined-benefit plans

	2008	2007	2006
Pension obligations, funded plans, present value on December 31	1,468.3	1,736.0	1,586.9
Plan assets, fair value, December 31	–1,066.9	–1,557.2	–1,360.2
Net liability according to balance sheet	**401.4**	**178.8**	**226.8**

Pension obligations and plan assets by country

	Sweden	Norway	United Kingdom	United States[1]	Total
2008					
Pension obligations	615.4	311.4	541.5		1,468.3
Plan assets	–397.5	–228.3	–441.1		–1,066.9
Net liability according to balance sheet	**217.9**	**83.1**	**100.3**		**401.4**
2007					
Pension obligations	649.8	327.4	676.4	82.5	1,736.0
Plan assets	–524.5	–318.3	–646.8	–67.5	–1,557.2
Net liability according to balance sheet	**125.3**	**9.0**	**29.6**	**14.9**	**178.8**

1 Defined-benefit plans in the United States were settled during 2008.

Total pension expenses in the income statement

	2008	2007
Pensions earned during the year	–84,1	–83,8
Less: Funds contributed by employees	4,1	4,4
Interest on obligations	–78,5	–70,6
Expected return on plan assets	93,8	84,2
Pension expenses, defined-benefit plans	**–64,6**	**–65,7**
Pension expenses, defined-contribution plans	–133,8	–108,3
Social insurance contributions, defined-benefit and defined-contribution plans[1]	–12,1	–13,5
Total pension expenses	**–210,6**	**–187,5**

1 Refers to special payroll tax in Sweden and employer fee in Norway.

Allocation of pension expenses in the income statement

	2008	2007
Cost of sales	–175,6	–152,3
Selling and administrative expenses	–50,4	–48,8
Financial items	15,3	13,6
Total pension expenses	**–210,6**	**–187,5**

Actuarial gains and losses recognized directly in equity

	2008	2007	2006	2005	2004
January 1	–172.1	–189.1	–277.4	–80.3	0.0
Actuarial gains and losses on pension obligations[1]	–119.6	26.5	63.3	–281.1	–104.2
Difference between expected and actual return on plan assets	–249.6	–9.5	24.9	84.0	24.0
Accumulated	**–541.3**	**–172.1**	**–189.1**	**–277.4**	**–80.3**

1 Allocation of changed assumptions and experience-based changes:

	2008	2007	2006
Changed assumptions	–98.0	70.1	40.1
Experience-based changes	–21.5	–43.7	23.2
Total actuarial gains and losses on pension obligations	**–119.6**	**26.5**	**63.3**

See also "Consolidated statement of recognized income and expenses," which shows the tax portion and social insurance contributions recognized directly in equity.

Pension obligations

	2008	2007
January 1	1,736.0	1,586.9
Pensions earned during the year	84.1	83.8
Interest on obligations	78.5	70.6
Benefits paid by employers	–24.4	–23.1
Benefits paid from plan assets	–34.9	–26.9
Reclassifications	0.8	–4.9
Actuarial gains (–), losses (+) during the year	119.6	–26.5
Curtailments and settlements	–83.8	–21.0
Exchange rate differences	–407.4	97.1
Pension obligations, present value	**1,468.3**	**1,736.0**

Plan assets

	2008	2007
January 1	1,557.2	1,360.2
Expected return on plan assets	93.8	84.2
Funds contributed by employers	77.4	70.9
Funds contributed by employees	4.1	4.4
Benefits paid	–34.9	–26.9
Reclassifications	3.6	10.7
Actuarial gains (+), losses (–) during the year	–249.6	–9.5
Curtailments and settlements	–66.6	–21.0
Exchange rate differences	–318.0	84.3
Plan assets, fair value	**1,066.9**	**1,557.2**

Funds contributed are expected to total about USD 80 M during 2009 through payments to funds in Norway and the United Kingdom.

Note 28 Continued

Reconciliation of interest-bearing pension liability

	2008	2007
Pension liabilities, January 1	178.8	226.8
Pension expenses	64.6	65.7
Benefits paid by employers	–24.4	–23.1
Funds contributed by employees	–77.4	–70.9
Reclassifications	–2.9	–15.5
Actuarial gains (–), losses (+) during the year	369.2	–17.0
Curtailments and settlements	–17.1	
Exchange rate differences	–89.4	12.8
Net liability according to balance sheet	**401.4**	**178.8**

Actuarial assumptions

	Sweden	Norway	United Kingdom
2008			
Discount rate, January 1	4.25%	4.75%	5.50%
Discount rate, December 31	4.00%	4.00%	5.50%
Expected return on plan assets for the year	5.50%	6.75%	6.75%
–of which equities	7.25%	8.25%	8.00%
–of which interest-bearing securities	3.75%	5.25%	5.25%
Expected pay increase, December 31	3.50%	3.75%	4.50%
Expected inflation, December 31	2.00%	2.50%	3.00%
2007			
Discount rate, January 1	3.75%	4.25%	5.00%
Discount rate, December 31	4.25%	4.75%	5.50%
Expected return on plan assets for the year	5.00%	5.75%	6.25%
–of which equities	6.75%	7.75%	7.50%
–of which interest-bearing securities	3.25%	4.25%	4.50%
Expected pay increase, December 31	3.50%	3.75%	4.50%
Expected inflation, December 31	2.00%	2.50%	3.00%

	Sweden	Norway	United Kingdom
Life expectancy after age 65, men	20 years	18 years	22 years
Life expectancy after age 65, women	23 years	21 years	25 years
Life expectancy table[1]	DUS06	K2005	PA92

1 Life expectancy is based on local life expectancy tables in each respective country. If life expectancy increases by one year, pension obligation is expected to increase by about 4 percent.

Expected return on interest-bearing securities is established on the basis of market interest rates on the balance sheet date for high-grade long-term corporate bonds or government bonds in each respective country, adjusted for current holdings in each respective portfolio.

For the equities market as a whole, a risk premium of 3 percent is added. This premium is adjusted for the risk profile of each respective equities market.

Sensitivity of pension obligation to change in discount rate

	Sweden	Norway	United Kingdom	Total
Pension obligations, December 31, 2008	615.4	311.4	541.5	1,468.3
Discount rate increase of 0.25%[1]	–25.0	–15.0	–25.0	–65.0
Discount rate decrease of 0.25%[1]	25.0	15.0	25.0	65.0

1 Estimated change in pension obligation/liability if the discount rate changes. If pension liability increases, the Group's equity is reduced by about 75 percent of the increase in pension liability, after taking into account deferred tax and social security contributions.

Sensitivity of plan assets to changed return

	Sweden	Norway	United Kingdom	Total
Plan assets, December 31, 2008	397.5	228.3	441.1	1,066.9
Return increase of 5%[1]	20.0	15.0	20.0	55.0
Return decrease of 5%[1]	–20.0	–15.0	–20.0	–55.0

1 If actual return increases by 5 percent in relation to expected return, the actuarial gain is estimated at about USD 55 M. If actual return decreases by 5 percent in relation to expected return, the actuarial loss is estimated at about USD 55 M.

Note 29 Provisions

Provisions are reported in compliance with IAS 37, "Provisions, Contingent Liabilities and Contingent Assets." See "Accounting and valuation principles," Note 1.

Provisions are allocated in the balance sheet between non-current liabilities and current liabilities. Provisions are both interest-bearing and non-interest-bearing. Provisions that are part of Skanska's operating cycle are recognized as current. Interest-bearing provisions that fall due within a year are treated as current.

	2008	2007
Non-current provisions		
Interest-bearing	11.1	14.9
Current provisions		
Interest-bearing	2.6	3.1
Non-interest-bearing	632.9	564.2
Total	**646.6**	**582.2**

The amount for interest-bearing provisions included USD 8.8 M (12.1) in provision to the employee fund in Sweden.

Normal cycle time for "Other provisions" is about 1–3 years.

Provisions for warranty obligations refer to expenses that may arise during the warranty period.

Such provisions in Construction are mainly based on individual assessments of each project or on average experience-based cost, expressed as a percentage of sales during a five-year period. The expenses are charged to each project on a continuous basis. Provisions for warranty obligations in other business streams are based on individual assessments of each project. The change in 2008 was mainly related to Construction.

Provisions for legal disputes refer to provisions in the Construction business stream for projects that have been completed.

The provision to the employee fund in Sweden refers to a refund of surplus funds from the retirement insurance company SPP, now Alecta. The provision is used in consultation with trade union representatives to enable employees with reduced work capacity to remain employed on a part-time basis. The employee is compensated for loss of income and loss of future pension benefits.

Employee-related provisions included such items as the cost of profit-sharing, certain bonus programs and other obligations to employees.

Among provisions for environmental obligations are the costs of restoring gravel pits to their natural state in Swedish operations.

The change in provisions, allocated among the reserve for legal disputes, provision for warranty obligations and other provisions can be seen in the following table.

	Legal disputes		Warranty obligations		Other provisions		Total	
	2008	2007	2008	2007	2008	2007	2008	2007
January 1	137.5	124.9	229.3	196.9	215.3	202.2	582.2	524.0
Provisions for the year	35.7	60.2	50.8	36.5	248.1	59.5	334.6	156.3
Provisions utilized	–28.4	–25.3	–17.0	–28.4	–86.8	–50.0	–132.2	–103.7
Unutilized amounts that were reversed, change in value	–3.2	–22.9	–11.1	–6.5	–25.6	–10.1	–39.9	–39.5
Exchange rate differences	–21.3	12.3	–33.7	22.4	–43.7	16.1	–98.7	50.9
Reclassifications	2.4	–11.7	–21.2	8.4	19.4	–2.4	0.6	–5.6
December 31	**122.8**	**137.5**	**197.2**	**229.3**	**326.7**	**215.3**	**646.6**	**582.2**

Specification of "Other provisions"

	2008	2007
Restructuring measures[1]	121.2	12.9
Employee fund, Sweden	8.8	12.1
Employee-related provisions	68.4	88.1
Environmental obligations	14.1	14.6
Provision for social insurance contributions on pensions	33.1	25.2
Miscellaneous provisions	81.1	62.4
Total	**326.7**	**215.3**

Restructuring measures allocated by business stream

	2008
Construction	64.2
Residential Development	6.5
Infrastructure Development	2.6
Central[2]	47.9
Total	**121.2**

1 Provisions for restructuring measures refer primarily to the Nordic markets, where a very sharp downturn occurred in the housing market. With an expected weakening in other building construction as well, Skanska has recognized expenses for an adjustment to reduced volume.

2 "Central" also includes International operations, with a number of businesses in the process of being discontinued.

Note 30 Trade and other payables

Non-interest-bearing liabilities in business operations are recognized as "Trade and other payables." Such liabilities are part of the Group's operating cycle and are consequently recognized as current liabilities.

	2008	2007
Accounts payable to joint ventures	1.0	0.5
Other trade payables	1,816.1	2,319.3
Other operating liabilities to joint ventures	8.4	
Other operating liabilities[1]	1,133.1	1,102.7
Accrued expenses and prepaid income	1,353.5	1,394.7
Total	**4,312.2**	**4,817.2**
of which financial instruments reported in Note 6, "Financial instruments"		
Accounts payable	1,817.2	2,319.7
Other operating liabilities including accrued expenses	213.1	274.0
	2,030.3	**2,593.7**
of which non-financial instruments	2,281.9	2,223.4

1 "Other operating liabilities" included USD 135.3 M (140.5) for checks issued but not yet cashed in the U.S. and the U.K.

Note 31 Specification of interest-bearing receivables per asset and liability

The following table allocates financial current and non-current assets as well as liabilities between interest-bearing and non-interest-bearing items.

	2008			2007		
	Interest-bearing	Non-interest bearing	Total	Interest-bearing	Non-interest bearing	Total
ASSETS						
Non-current assets						
Property, plant and equipment		895.9	895.9		929.4	929.4
Goodwill		575.2	575.2		713.2	713.2
Other intangible assets		104.1	104.1		102.4	102.4
Investments in joint ventures and associated companies		195.8	195.8		302.6	302.6
Financial non-current assets	31.7	8.3	40.0	98.6	14.6	113.3
Deferred tax assets		255.1	255.1		148.7	148.7
Total non-current assets	**31.7**	**2,034.3**	**2,066.0**	**98.6**	**2,211.0**	**2,309.6**
Current assets						
Current-asset properties		2,404.2	2,404.2		2,053.5	2,053.5
Inventories		116.7	116.7		119.7	119.7
Financial current assets	907.5	35.7	943.3	711.4	17.7	729.1
Tax assets		105.1	105.1		63.9	63.9
Gross amount due from customers for contract work		788.2	788.2		880.0	880.0
Trade and other receivables		3,365.0	3,365.0		3,916.0	3,916.0
Cash equivalents			0.0	81.1		81.1
Cash	1,020.5		1,020.5	2,129.8		2,129.8
Total current assets	**1,928.0**	**6,815.0**	**8,743.0**	**2,922.2**	**7,050.9**	**9,973.1**
TOTAL ASSETS	**1,959.7**	**8,849.3**	**10,809.0**	**3,020.8**	**9,261.9**	**12,282.7**
LIABILITIES						
Non-current liabilities						
Financial non-current liabilities	139.5		139.5	148.6		148.6
Pensions	401.4		401.4	178.8		178.8
Deferred tax liabilities		227.9	227.9		321.9	321.9
Non-current provisions	11.1		11.1	14.9		14.9
Total non-current liabilities	**552.0**	**227.9**	**779.9**	**342.3**	**321.9**	**664.2**
Current liabilities						
Financial current liabilities	210.0	59.4	269.5	406.7	13.8	420.6
Tax liabilities		111.9	111.9		138.6	138.6
Current provisions	2.6	632.9	635.5	3.1	564.2	567.3
Gross amount due to customers for contract work		2,207.7	2,207.7		2,450.3	2,450.3
Trade and other payables		4,312.2	4,312.2		4,817.2	4,817.2
Total current liabilities	**212.6**	**7,324.1**	**7,536.7**	**409.8**	**7,984.1**	**8,394.0**
TOTAL LIABILITIES	**764.6**	**7,552.0**	**8,316.6**	**752.1**	**8,306.1**	**9,058.2**
Interest-bearing net receivables	1,195.1			2,268.7		

Note 32 Expected recovery periods of assets and liabilities

Amounts expected to be recovered	2008 Within 12 months	2008 12 months or longer	2008 Total	2007 Within 12 months	2007 12 months or longer	2007 Total
ASSETS						
Non-current assets						
Property, plant and equipment[1]	167.0	728.9	895.9	183.6	745.8	929.4
Goodwill[1]		575.2	575.2		713.2	713.2
Other intangible assets[1]	11.7	92.5	104.1	16.6	85.7	102.4
Investments in joint ventures and associated companies[2]		195.8	195.8		302.6	302.6
Financial non-current assets		40.0	40.0		113.3	113.3
Deferred tax assets[3]		255.1	255.1		148.7	148.7
Total non-current assets	**178.7**	**1,887.3**	**2,066.0**	**200.2**	**2,109.4**	**2,309.6**
Current assets						
Current-asset properties[4]	1,035.9	1,368.4	2,404.2	1,104.7	948.8	2,053.5
Inventories	98.9	17.7	116.7	108.3	11.4	119.7
Financial current assets	878.8	64.5	943.3	729.1		729.1
Tax assets	105.1		105.1	63.9		63.9
Gross amount due from customers for contract work[5]	723.0	65.1	788.2	832.7	47.3	880.0
Trade and other receivables[5]	3,264.9	100.1	3,365.0	3,764.1	151.9	3,916.0
Cash equivalents			0.0	81.1		81.1
Cash	1,020.5		1,020.5	2,129.8		2,129.8
Total current assets	**7,127.2**	**1,615.8**	**8,743.0**	**8,813.8**	**1,159.3**	**9,973.1**
TOTAL ASSETS	**7,305.8**	**3,503.2**	**10,809.0**	**9,014.0**	**3,268.7**	**12,282.7**
LIABILITIES						
Non-current liabilities						
Financial non-current liabilities		139.5	139.5		148.6	148.6
Pensions[6]	19.4	382.0	401.4	35.9	142.8	178.8
Deferred tax liabilities		227.9	227.9		321.9	321.9
Non-current provisions		11.1	11.1		14.9	14.9
Total non-current liabilities	**19.4**	**760.5**	**779.9**	**35.9**	**628.3**	**664.2**
Current liabilities						
Financial current liabilities	138.9	130.5	269.5	282.1	138.5	420.6
Tax liabilities	111.9		111.9	138.6		138.6
Current provisions	396.9	238.6	635.5	410.8	156.5	567.3
Gross amount due to customers for contract work	2,054.6	153.0	2,207.7	2,253.8	196.5	2,450.3
Trade and other payables	4,180.1	132.1	4,312.2	4,739.8	77.3	4,817.2
Total current liabilities	**6,882.4**	**654.3**	**7,536.7**	**7,825.1**	**568.9**	**8,394.0**
TOTAL LIABILITIES	**6,901.9**	**1,414.7**	**8,316.6**	**7,861.1**	**1,197.1**	**9,058.2**

1 In case of amounts expected to be recovered within twelve months, expected annual depreciation/amortization has been recognized.
2 Allocation cannot be estimated.
3 Deferred tax assets are expected to be recovered in their entirety in more than twelve months.
4 Recovery within one year on current-asset properties is based on a historical assessment from the past three years.
5 Current receivables that fall due in more than twelve months are part of the operating cycle and are thus recognized as current.
6 "Within twelve months" refers to expected benefit payments.

Note 33 Assets pledged, contingent liabilities and contingent assets

Assets pledged

	2008	2007
Mortgages, current-asset properties	0.1	0.8
Shares and participations	101.4	220.5
Receivables	112.7	69.4
Total	**214.2**	**290.6**

The use of shares and participations as assets pledged refers to shares in joint ventures belonging to Infrastructure Development. These assets are pledge as collateral when obtaining outside lending for these joint ventures.

Assets pledged for liabilities

	Property mortgages		Shares and receivables		Total	
	2008	2007	2008	2007	2008	2007
Own obligations						
Liabilities to credit institutions	0.1	0.2			0.1	0.2
Other liabilities			112.7	69.4	112.7	69.4
Total own obligations	**0.1**	**0.2**	**112.7**	**69.4**	**112.8**	**69.6**
Other obligations		0.6	101.4	220.5	101.4	221.1
Total	**0.1**	**0.8**	**214.0**	**289.9**	**214.2**	**290.6**

Contingent liabilities

Contingent liabilities are reported in compliance with IAS 37, "Provisions, Contingent Liabilities and Contingent Assets." See "Accounting and valuation principles," Note 1.

Contingent liabilities	2008	2007
Contingent liabilities related to construction consortia	663.2	522.6
Contingent liabilities related to joint ventures	99.3	101.3
Other contingent liabilities	223.0	162.0
Total	**985.5**	**785.9**

The Group's contingent liabilities related to construction consortia totaled about USD 0.66 (0.53) billion. This amount referred to the portion of the joint and several liability for the obligations of construction consortia affecting consortium members outside the Group. Such liability is often required by the customer. To the extent it is deemed likely that Skanska will be subject to liability claims, the obligation is reported as a liability in the balance sheet.

Contingent liabilities related to joint ventures refer mainly to guarantees issued when joint ventures belonging to the Residential Development and Infrastructure Development business streams have raised loans.

Most of the Group's other contingent liabilities, about USD 0.22 (0.16) billion, were related to obligations attributable to the operations of Residential Development Nordic.

Skanska and another company have been sued by a number of Swedish municipalities that maintain that they have suffered damage in procurements alleged to have been the object of collusive cartels between the contractors. Skanska has been sued for a total of USD 7.4 M. Skanska denies the allegations.

In Finland, the Market Court issued a ruling in December 2007 in the Finnish Competition Authority's suit against a number of companies in the civil construction and asphalt sectors, among them Skanska, concerning alleged collusive anti-competitive activities. The Market Court ordered Skanska to pay the equivalent of USD 1.9 M in infringement fines. The Competition Authority had sued for about USD 12.9 M. The ruling has been appealed to a higher court.

In October 2006, Slovakia's Antitrust Office decided to fine six companies that had participated in tendering for a road project. Skanska was part of a joint venture led by a local Slovakian company. The fine in Skanska's case is the equivalent of USD 9.1 M and was charged to 2006 earnings. Skanska denied the Authority's allegations and has requested that the decision be reviewed by a court of law. In December 2008 the court decided to annul the decision of the Antitrust Office and remit the case to the Office for a new procedure.

No provisions have been made for the above litigation, other than those in which a court ruling has been issued, since the outcome of these cases is characterized by great uncertainty. In accordance with the accounting principles applied by Skanska, the amounts requested have not been included in the table of the Group's contingent liabilities either.

Skanska has an obligation to American guarantors to maintain a certain level of equity in its North American operations.

Contingent assets

The Group has no contingent assets of significant importance in assessing the position of the Group.

See "Accounting principles and valuation principles," Note 1.

Note 34 Effect of changes in foreign exchange rates

Exchange rates are dealt with in compliance with IAS 21, "The Effect of Changes in Foreign Exchange Rates." See "Accounting and valuation principles," Note 1.

Exchange rates

Late in the year, the U.S. dollar strengthened against other currencies used in the Group.

		Average exchange rate			Change in percent	
Currency	Country/zone	2008	2007	2006	2007–2008	2006–2007
ARS	Argentina	0.316	0.321	0.325	–2	–1
CZK	Czech Republic	0.059	0.049	0.044	19	11
DKK	Denmark	0.196	0.184	0.168	7	9
EUR	EU euro zone	1.461	1.369	1.254	7	9
GBP	United Kingdom	1.835	2.001	1.840	–8	9
NOK	Norway	0.177	0.171	0.156	4	10
PLN	Poland	0.416	0.362	0.322	15	12
SEK	Sweden	0.152	0.148	0.136	3	9

		Exchange rate at balance sheet date			Change in percent	
Currency	Country/zone	2008	2007	2006	2007–2008	2006–2007
ARS	Argentina	0.291	0.318	0.326	–9	–2
CZK	Czech Republic	0.053	0.055	0.048	–4	15
DKK	Denmark	0.190	0.197	0.177	–4	12
EUR	EU euro zone	1.417	1.470	1.318	–4	12
GBP	United Kingdom	1.449	1.999	1.963	–28	2
NOK	Norway	0.143	0.184	0.160	–22	15
PLN	Poland	0.341	0.408	0.344	–16	19
SEK	Sweden	0.129	0.156	0.146	–17	7

Income statement

During 2008, the average exchange rate of USD against other currencies used in the Group weakened in the case of virtually all currencies except GBP. The dramatic strengthening of USD late in the year thus did not affect the average exchange rate. The total currency rate effect on Group revenue was USD 580.4 M (1,288.3). See also the table below.

Currency rate effect by respective currency

2008	SEK	EUR	GBP	NOK	CZK	PLN	Others	Total
Revenue	114.9	98.2	–245.8	81.0	346.9	149.2	36.0	580.4
Operating income	9.4	–2.4	7.2	2.2	12.9	8.1	–2.0	35.4
Income after financial items	9.4	–2.3	5.3	3.5	12.4	9.4	–2.3	35.4
Profit for the year	7.9	–1.7	3.6	2.6	9.3	7.2	–1.9	27.0

2007	SEK	EUR	GBP	NOK	CZK	PLN	Other	Total
Revenue	365.3	136.1	210.7	185.7	182.0	129.0	79.5	1,288.3
Operating income	23.8	6.5	3.6	8.4	8.7	6.0	2.0	59.0
Income after financial items	22.1	6.9	5.1	10.3	8.9	6.8	1.8	61.9
Profit for the year	19.0	5.3	3.5	7.4	6.0	5.7	0.9	47.8

Note 34 Continued

Balance sheet

On the balance sheet date, the U.S. dollar had strengthened against all other currencies used in the Group. The Group's balance sheet total decreased by USD 1,473.7 M till USD 10,809.0 M (12,282.7). Of the total decrease, USD 1,375.4 M consisted of currency rate effects. Adjusted for exchange rate effects, the balance sheet total declined by 1 percent.

Effects of changes in exchange rates on the balance sheet compared to the previous year

USD billion	2008	2007
Assets		
Property, plant and equipment	–0.10	0.08
Intangible assets	–0.16	0.06
Shares and participations	–0.05	0.03
Interest-bearing receivables	0.01	0.26
Current-asset properties	–0.34	0.18
Non-interest-bearing receivables	–0.63	0.36
Cash and cash equivalents	–0.11	0.12
Total	**–1.38**	**1.09**
Equity and liabilities		
Equity attributable to equity holders	–0.30	0.30
Minority	0.00	0.00
Interest-bearing liabilities	0.00	0.22
Non-interest-bearing liabilities	–1.08	0.57
Total	**–1.38**	**1.09**
Effect of exchange rate differences on the Group's interest-bearing net receivables	–0.10	0.16

Effects of exchange rate differences on total assets, by currency

USD billion	2008	2007
SEK	–0.21	0.26
EUR	–0.05	0.13
GBP	–0.42	0.03
NOK	–0.42	0.23
DKK	–0.01	0.05
PLN	–0.12	0.11
CZK	–0.05	0.17
Others	–0.10	0.11
Total	**–1.38**	**1.09**

Note 34 Continued

Consolidated balance sheet by currency, SEK billion

2008	USD	GBP	EUR	NOK	CZK	PLN	DKK	Other foreign currencies[1]	Hedge loans[2]	SEK	Total
Assets											
Property, plant and equipment	0.19	0.03	0.04	0.09	0.18	0.04	0.01	0.10		0.21	0.89
Intangible assets	0.05	0.22	0.06	0.18	0.08	0.00	0.00	0.06		0.01	0.67
Shares and participations	0.00	0.05	0.03	0.01	0.00	0.00	0.00	0.09		0.03	0.21
Interest-bearing receivables	0.76	0.28	0.28	0.48	0.38	0.27	0.13	–2.01		0.36	0.95
Current-asset properties	0.00	0.00	0.62	0.19	0.12	0.00	0.19	0.05		1.23	2.41
Non-interest-bearing receivables	1.45	0.50	0.26	0.48	0.39	0.26	0.04	0.50		0.78	4.66
Cash and cash equivalents	0.41	0.01	0.01	0.03	0.06	0.01	0.01	0.01		0.45	1.02
Total	**2.87**	**1.10**	**1.31**	**1.46**	**1.20**	**0.58**	**0.39**	**–1.18**		**3.07**	**10.81**
Equity and liabilities											
Equity attributable to equity holders[3]	0.62	0.00	0.57	0.41	0.44	0.18	0.12	0.18		–0.05	2.47
Minority	0.00	0.00	0.00	0.00	0.01	0.00	0.00	0.01		0.00	0.03
Interest-bearing liabilities	0.03	0.25	0.28	0.21	0.05	0.03	0.16	–1.83	0.30	1.29	0.76
Non-interest-bearing liabilities	2.23	0.85	0.45	0.84	0.70	0.38	0.12	0.45		1.53	7.55
Total	**2.87**	**1.10**	**1.31**	**1.46**	**1.20**	**0.58**	**0.39**	**–1.18**	**0.30**	**2.77**	**10.81**

2007	USD	GBP	EUR	NOK	CZK	PLN	DKK	Other foreign currencies[1]	Hedge loans[2]	SEK	Total
Assets											
Property, plant and equipment	0.17	0.05	0.05	0.09	0.22	0.06	0.02	0.08		0.20	0.93
Intangible assets	0.05	0.31	0.06	0.23	0.08	0.00	0.00	0.06		0.02	0.81
Shares and participations	0.00	0.05	0.03	0.02	0.00	0.00	0.00	0.19		0.03	0.31
Interest-bearing receivables	0.42	0.64	0.44	0.48	0.34	0.36	0.20	–2.33		0.26	0.81
Current-asset properties	0.00	0.00	0.42	0.23	0.09	0.00	0.22	0.03		1.06	2.05
Non-interest-bearing receivables	1.40	0.61	0.25	0.65	0.45	0.30	0.09	0.47		0.93	5.15
Cash and cash equivalents	0.50	0.02	0.00	0.03	0.08	0.00	0.00	0.05		1.54	2.21
Total	**2.54**	**1.66**	**1.24**	**1.74**	**1.26**	**0.72**	**0.53**	**–1.46**		**4.05**	**12.28**
Equity and liabilities											
Equity attributable to equity holders[3]	0.54	0.16	0.76	0.53	0.44	0.19	0.16	0.30		0.12	3.19
Minority	0.00	0.00	0.02	0.00	0.02	0.00	0.00	0.00		0.00	0.03
Interest-bearing liabilities	0.03	0.28	0.06	0.11	0.06	0.06	0.19	–2.22	0.36	1.82	0.75
Non-interest-bearing liabilities	1.96	1.23	0.40	1.10	0.75	0.47	0.19	0.47		1.74	8.31
Total	**2.54**	**1.66**	**1.24**	**1.74**	**1.26**	**0.72**	**0.53**	**–1.46**	**0.36**	**3.69**	**12.28**

1 Including elimination of intra-Group receivables and liabilities.
2 Aside from hedge loans in EUR and GBP (EUR, USD, GBP and NOK), Skanska hedged equity in currencies other than SEK via forward contracts amounting to USD 0.82 (0.78) billion before taxes, allocated among USD (0.26), EUR (0.03), CZK (0.16), PLN (0.06), NOK (0.18) CLP (0.10) and BRL (0.01).
3 The respective currencies are calculated including Group goodwill and the net amount of Group surpluses after subtracting deferred taxes.

Effect on the Group of change in USD against other currencies

The following sensitivity analysis, based on the 2008 income statement and balance sheet, shows the sensitivity of the Group to a unilateral 10 percent change in USD against all currencies.

USD billion	+/–10%
Revenue	+/– 1.54
Operating income	+/– 0.05
Equity	+/– 0.20

"Plus" means a weakening of the U.S. dollar.

Other matters

For information on the translation reserve in equity on January 1 and December 31 that was recognized directly in equity, see Note 26, "Equity/Earnings per share."

Note 35 Cash flow statement

Aside from the cash flow statement prepared in compliance with IAS 7, "Cash Flow Statements," Skanska is preparing a cash flow statement based on the operations carried out by the respective business streams. This is called the "Consolidated operating cash flow statement." The connection between the respective cash flow statements is explained below.

Adjustments for items not included in cash flow

	2008	2007
Depreciation/amortization and impairment losses/reversals of impairment losses	288.5	199.5
Income from divestments of property, plant and equipment and current-asset properties	–475.3	–399.5
Income after financial items from joint ventures and associated companies	–27.5	–42.5
Dividends from joint ventures and associated companies	41.3	27.5
Provision for the year, intra-Group profits on contracting work	6.1	14.5
Pensions recognized as expenses but not related to payments	20.6	33.9
Other items that have not affected cash flow from operating activities	5.2	0.9
Total	**–141.1**	**–165.7**

Taxes paid

Taxes paid are divided into operating activities, investing activities and financing activities.

Total taxes paid for the Group during the year amounted to USD –292.3 M (–177.1).

Information about interest and dividends

	2008	2007
Interest income received during the year	63.9	77.4
Interest payments made during the year	–40.7	–37.6
Dividends received during the year	41.3	27.5

Cash and cash equivalents

Cash and cash equivalents in the cash flow statement consist of cash plus cash equivalents. The definition of cash and cash equivalents in the balance sheet can be seen in Note 1, "Accounting and valuation principles." The same rule that has been used in determining cash and cash equivalents in the balance sheet has been used in determining cash and cash equivalents according to the cash flow statement. Only amounts that can be used without restrictions are recognized as cash and cash equivalents.

	2008	2007
Cash	1,020.5	2,129.8
Cash equivalents	0.0	81.1
Total	**1,020.5**	**2,210.8**

Information about assets and liabilities in acquired Group companies/businesses

	2008	2007
Assets		
Property. plant and equipment	0.2	2.8
Intangible assets	0.6	7.5
Non-interest-bearing receivables		10.9
Interest-bearing receivables		1.5
Current-asset properties		0.6
Total	**0.8**	**23.4**
Liabilities		
Minority		–0.7
Interest-bearing liabilities		0.1
Non-interest-bearing liabilities		13.0
Total	**0**	**12.4**
Purchase price paid	–0.8	–10.9
Cash and cash equivalents in acquired companies	0.0	0.0
Effect on cash and cash equivalents, investment	**–0.8**	**–10.9**

Acquired Group companies are described in Note 7. "Business combinations."

Information about assets and liabilities in divested Group companies/businesses

	2008	2007
Assets		
Property, plant and equipment	–0.5	–9.2
Intangible assets	–0.6	
Shares and participations		–0.1
Interest-bearing receivables		–0.7
Current-asset properties		–0.6
Non-interest-bearing receivables	–6.2	–2.2
Cash and cash equivalents		0.0
Total	**–7.3**	**–12.9**
Equity and liabilities		
Income from divestments of Group companies	–0.6	–0.1
Interest-bearing liabilities	–5.9	
Non-interest-bearing liabilities	–0.5	15.7
Total	**–7.0**	**15.5**
Purchase price paid	0.3	28.4
Cash and cash equivalents in divested companies	0.0	0.0
Effect on cash and cash equivalents, divestment	**0.3**	**28.4**

Divestments of Group companies in 2008 were attributable to two small phase-outs, one in Finland and one in Russia. Divestments in 2007 almost exclusively involved the discontinuation of portions of Skanska's Danish operations.

Other matters

The Group's unutilized credit facilities amounted to USD 1,154.2 M (1,138.6) at year-end.

Not 35 Continued

Relation between consolidated operating cash flow and consolidated cash flow statement

The difference between the consolidated operating cash flow statement and the consolidated cash flow statement in compliance with IAS 7, "Cash Flow Statements," is presented below.

The consolidated cash flow statement that was prepared in compliance with IAS 7 recognizes cash flow divided into:

- Cash flow from operating activities
- Cash flow from investing activities
- Cash flow from financing activities

The consolidated operating cash flow statement recognizes cash flow divided into:

- Cash flow from business operations
- Cash flow from financing operations
- Cash flow from strategic investments
- Dividend etc.
- Change in interest-bearing receivables and liabilities

The consolidated operating cash flow statement refers to operating activities as "business operations." Unlike the cash flow statement in compliance with IAS 7, "business operations" also includes net investments, which are regarded as an element of business operations together with tax payments on these. Such net investments are net investments in property, plant and equipment and intangible non-current assets as well as net investments in Infrastructure Development.

Investments of a strategic nature are recognized under cash flow from strategic investments.

Under cash flow from financing activities, the operating cash flow statement recognizes only interest and other financial items as well as taxes paid on the same. Dividends are recognized separately. Loans provided and repayment of loans are also recognized separately along with changes in interest-bearing receivables at the bottom of the operating cash flow statement, resulting in a subtotal in that statement that shows cash flow before changes in interest-bearing receivables and liabilities.

Cash flow for the year

	2008	2007
Cash flow from business operations according to the operating cash flow statement	–55.1	1,149.3
less investments in property, plant and equipment and intangible assets	100.8	191.8
less tax payments on property, plant and equipment divested and divestment of assets in Infrastructure Development	38.4	5.3
Cash flow from operating activities	**84.1**	**1,346.4**
Cash flow from strategic investments according to operating cash flow statement	–0.5	14.9
Net investments in property, plant and equipment and intangible assets	–100.8	–191.8
Increase and decrease in interest-bearing receivables	–151.4	–179.8
Taxes paid on property, plant and equipment and intangible assets sold and assets in Infrastructure Development	–38.4	–5.3
Cash flow from investing activities	**–291.0**	**–361.9**
Cash flow from financing operations according to operating cash flow statement	48.9	17.8
Increase and decrease in interest-bearing liabilities	–323.4	–52.7
Dividend etc.[1]	–571.6	–511.7
Cash flow from financing activities	**–846.1**	**–546.6**
Cash flow for the year	**–1,053.1**	**437.9**

1 Of which repurchases of shares –41.1

Relation between the Group's investments in the cash flow statement and investments in the operating cash flow statement

Total net investments are recognized in the cash flow statement divided into operating activities and investing activities, taking into account the settlement of payments for investments and divestments. Purchases and divestments of current-asset properties are recognized under operating activities, while other net investments are recognized under investing activities.

	2008	2007
Net investments in operating activities	–447.0	218.0
Net investments in investing activities	–101.2	–174.3
	–548.3	**43.7**
less cash flow adjustments, net investments	–3.0	–43.2
Total net investments	**–551.3**	**0.4**

The consolidated operating cash flow statement recognizes net investments divided into net investments in operations and strategic net investments as follows.

Investments/Divestments

	2008	2007
Operations – Investments		
Intangible assets	–12.0	–5.6
Property, plant and equipment	–325.0	–280.3
Assets in Infrastructure Development	–60.1	–10.8
Shares	–1.1	–5.9
Current-asset properties	–1,601.4	–1,136.9
of which Residential Development	–657.5	–737.3
of which Commercial Development	–842.6	–349.5
of which other commercial properties	–101.2	–50.0
	–1,999.5	**–1,439.5**
Operations – Divestments		
Intangible assets	0.2	0.3
Property, plant and equipment	96.7	75.0
Assets in Infrastructure Development	194.7	26.3
Shares	5.9	9.2
Current-asset properties	1,151.3	1,311.6
of which Residential Development	555.2	798.0
of which Commercial Development	536.7	413.7
of which other commercial property	59.3	99.9
	1,448.7	**1,422.5**
Net investments in operations	**–550.8**	**–17.0**
Strategic investments		
Acquisitions of businesses	–0.8	–10.9
	–0.8	**–10.9**
Strategic divestments		
Divestments of businesses	0.3	28.4
	0.3	**28.4**
Net strategic investments	**–0.5**	**17.5**
Total investments	**–551.3**	**0.4**

Note 36 Personnel

Wages, salaries, other remuneration and social insurance contributions

	2008	2007
Wages, salaries and other remuneration		
Board members, Presidents, Executive Vice Presidents and other executive team members[1]	76.2	79.8
of which bonuses	28.4	34.5
Other employees	3,021.1	2,855.7
Total wages, salaries and other remuneration	**3,097.3**	**2,935.5**
Social insurance contributions	803.0	753.5
of which pension expenses	228.7	201.2

1 The amount related to Board members, Presidents, Executive Vice Presidents and other executive team members included remuneration to former Board members, President and Executive Vice Presidents during the financial year.

Of the Group's total pension expenses, USD 12.6 M (11.0) was related to the category "Board members, Presidents, Executive Vice Presidents and other executive team members." The amount included remuneration to former Board members, Presidents and Executive Vice Presidents.

Average number of employees

Personnel is calculated as the average number of employees. See "Accounting and valuation principles," Note 1.

	2008	2007
Sweden	11,490	10,963
Norway	4,539	4,779
Denmark	204	1,460
Finland	3,097	3,212
United Kingdom	5,403	5,451
Poland	5,226	5,399
Czech Republic	5,772	5,998
Slovakia	1,117	1,128
United States	8,457	7,952
Argentina	4,471	4,817
Brazil	3,755	4,509
Peru	1,988	1,887
Other countries	2,296	2,880
Total	**57,815**	**60,435**

Other matters

No loans, assets pledged or contingent liabilities have been provided on behalf of any Board member or President in the Group.

Note 37 Remuneration to senior executives and Board members

A Preparation and decision-making processes

Principles for remuneration to senior executives are established annually by the Annual Shareholders' Meeting. The salary and other benefits of the President and CEO are established by the Board of Directors of Skanska AB, following recommendations from the Board's Compensation Committee based on the decision of the Annual Meeting. The Committee sets limits on the salaries, bonuses and other benefits of Executive Vice Presidents, heads of Group staff units and heads of business units.

During 2008, from the statutory Board meeting in April and onward, the Compensation

Committee consisted of Sverker Martin-Löf, Chairman of the Board, and Finn Johnsson and Lars Pettersson, Board members. The Compensation Committee met five times during the year.

The Annual Shareholders' Meeting approves the total amount of directors' fees for members of the Board, following a recommendation from the Nomination Committee.

B Principles for remuneration to the Senior Executive Team

The Senior Executive Team includes the President and CEO and the Executive Vice Presidents of Skanska AB. The Team consisted of seven persons during 2008.

The Board of Directors will present to the Annual Shareholders' Meeting in April 2009 a set of guidelines for salary and other remuneration to senior executives, for the approval of the Meeting. This proposal mainly coincides with the principles of remuneration that were approved by the Annual Shareholders' Meeting in 2008:

Remuneration to the CEO and other senior executives shall consist of fixed salary, variable remuneration if any, other customary benefits and pension. The other senior executives include the CFO and other Executive Vice Presidents. The combined remuneration for each executive must be competitive in the labor market in which the executive is active, and distinguished performance shall be reflected in the total remuneration.

Fixed salary and variable remuneration shall be related to the senior executive's responsibility and authority. The variable remuneration shall be payable in cash and/or shares and it shall be capped and related to the fixed salary. Distribution of shares shall have a vesting period of three years and be part of a long-term incentive program. The variable remuneration must be based on results in relation to targets and must be aligned with the interests of the shareholders.

In case of employment termination, the normal period of notice is six to twelve months. Severance pay may correspond to a maximum of 24 months of fixed salary or, alternatively, a period of notice of maximum 24 months.

Pension benefits should be either defined-benefit or defined-contribution schemes, or a combination of these, and should entitle the executive to the right to receive a pension from the age of 65. However, a pension age of earliest 60 years may be granted in individual cases. For defined-benefit plans, years of service required for fully earned benefits shall normally correspond to the years of service required for general pension plans in the same jurisdiction. Variable salary shall not be included in pensionable salary except when it follows from the rules under a general pension plan (like the Swedish ITP plan).

The Board of Directors may under special circumstances deviate from these principles in individual cases.

Matters related to remuneration to senior executives are decided by the CEO after review by the Compensation Committee and, when it comes to the CEO, are decided by the Board of Directors.

B1 Targets and performance related to variable remuneration

Variable remuneration may consist of two parts: variable salary, which is cash-based, and the share incentive program, which provides compensation in the form of shares.

The new long-term Employee Ownership Program is presented under section E of this note. The "Outperform" targets as well as the "starting point" stated below are common to both parts of variable remuneration. The table below specifies, by business stream, what starting point was decided for each Outperform target for 2008.

Targets for variable salary elements

	Measure of earnings	Starting point	Outperform	Outcome	Fulfillment level
Construction	Operating margin	2.8%	3.5%	2.8%	0%
Residential Development	Operating margin	6.1%	10.4%	–2.9%	0%
Commercial Development	Value creation SEK M	500	700	946	100%
	corresponding to USD M	64.7	90.6	122.5	
Infrastructure Development	Investments SEK M	350	700	896	100%
	corresponding to USD M	45.3	90.6	116.0	
Group target	Operating income[1] SEK M	4,355	5,535	4,295	0%
	corresponding to USD M	563.9	716.7	556.1	
	Return on equity	17.3%	21.0%	17.3%	0%

1 Outcome is calculated excluding currency rate effects. The figures shown are calculated using outcome in local currency with exchange rates on September 30, 2007, which were used in calculating targets. The Outperform target at Group level is 95 percent of the total Outperform targets of the business streams.

In addition to the above financial performance factors, each person in the Senior Executive Team has non-financial targets that may reduce final outcome. These non-financial targets concern health and safety, the environment, business ethics and management development. A reduction occurs if the operations for which the person is responsible have not achieved the established targets.

For the President and CEO, the financial target has been the same as the operating income of the Group according to the above table. The President and CEO has also had non-financial targets. The 50 percent maximum variable remuneration of the President and CEO (i.e. excluding the Share Award Program) was not earned, because the financial targets were not achieved. The annual variable remuneration of the President and CEO was thus 0 percent of fixed salary.

For the other members of the Senior Executive Team, annual variable remuneration is either 100 percent tied to the Group target and/or to the business units they are directly responsible for. The non-financial targets are related to the business units that certain individuals in the Senior Executive Team are responsible for. The outcome for the other members of the Senior Executive Team averaged 50 percent fulfillment of financial targets and 48 percent after subtracting for non-financial targets.

Note 37 Continued

C Benefits to the Board and Senior Executive Team

Remuneration and benefits recognized as expenses in 2008

USD thousands	Director's fee/basic salary	Variable remuneration[1]	Allocated value of share incentive programs[2]	Other remuneration and benefits	Pension expense	Total
Chairman of the Board						
Sverker Martin-Löf	254.2					254.2
Other Board members						
Finn Johnsson	94.8					94.8
Bengt Kjell	110.0					110.0
Lars Pettersson	79.7					79.7
Matti Sundberg	91.0					91.0
Jane Garvey	68.3					68.3
Sir Adrian Montague	91.0					91.0
Board	**789.1**					**789.1**
President and CEO						
Stuart Graham[4]	249.7	0	18.4	532.9[3]	526.0	1,327.0
Johan Karlström	1,156.0	0	25.0	13.8	416.5	1,611.3
Other senior executives (6 persons)	3,318.2	1,278.9	56.2	173.0	1,474.3	6,300.6
Total	**5,513.0**	**1,278.9**	**99.6**	**719.7**	**2,416.8**	**10,028.0**

1 Variable remuneration including the incentive program related to the 2008 financial year will be finally fixed and disbursed after a follow-up of the outcome in the first quarter of 2009. The amounts included under the heading "Variable remuneration" in the above table refer to the 2008 financial year.
2 The value stated refers to the full allotment of matching shares for 2008, at the share price on December 30, 2008. The Senior Executive Team received 8,475 matching shares and zero performance shares. See Note E. In order to receive matching shares, an additional three years of service are required.
3 The former President and CEO had so-called expert tax status in Sweden, which expired in September 2005. Because of this, during 2005 an agreement was reached on special compensation amounting to a total of no more than USD 1,578,000 with disbursement allocated over a future three-year period. Neither variable remuneration nor pension is affected by this. During 2008, compensation of USD 524,600 was paid. The remaining amounts in the table are other benefits.
4 The amount for Stuart Graham was attributable to his period as President and CEO.

All remuneration and benefits were charged to Skanska AB, except that USD 787,600 to the President and CEO and USD 579,700 to other members of the Senior Executive Team were charged to other Group companies.

In 2008, outstanding pension obligations to Presidents and CEOs including former Presidents and CEOs amounted to USD 13,283,700. Outstanding obligations to other current and former members of the Senior Executive Team amounted to USD 11,174,400. For Board members appointed by the employees, no disclosures are made concerning salaries and remuneration as well as pensions, since they do not receive these in their capacity as Board members. For Board members who previously, before the beginning of the financial year, were employees of the Company, disclosures are made concerning pension obligations in their former role as employees.

C1 Directors' fees

The 2008 Annual Shareholders' Meeting decided that fees would be paid to those members of the Board of Directors who are not employed by the Company, totaling USD 789,100 , plus a special appropriation for committee work. See the table below.

USD thousands	Director's fee	Audit Committee	Compensation Committee	Project Review Committee	Total
Chairman of the Board					
Sverker Martin-Löf	204.9	15.2	11.4	22.8	254.2
Other Board members					
Finn Johnsson	68.3	15.2	11.4	0.0	94.8
Bengt Kjell	68.3	19.0	0.0	22.8	110.0
Lars Pettersson	68.3	0.0	11.4	0.0	79.7
Matti Sundberg	68.3	0.0	0.0	22.8	91.0
Jane Garvey	68.3	0.0	0.0	0.0	68.3
Sir Adrian Montague	68.3	0.0	0.0	22.8	91.0
Board of Directors	**614.6**	**49.3**	**34.1**	**91.0**	**789.1**

C2 Chairman of the Board

During 2008 the Chairman of the Board, Sverker Martin-Löf, received a director's fee of USD 204,900 and USD 49,300 related to committee work, altogether USD 254,200.

C3 Members of the Board

Other members of the Board did not receive any remuneration beyond their regular directors' fees and remuneration for committee work.

C4 The President and CEO

During the period April-December 2008 the President and CEO, Johan Karlström, received a salary, fees and other remuneration from Group companies in the amount of USD 1,156,000. No variable remuneration was paid for the period April-December, since financial targets were not achieved. Variable remuneration for the President and CEO may amount to a maximum of 50 percent of fixed annual salary.

The President and CEO is also covered by the Group's 2008 share incentive program, with an allocation of matching shares and performance shares, defined under section E of this note. Mr. Karlström purchased 8,500 shares during 2008, which resulted in 2,125 matching shares equivalent to USD 25,000. No performance shares were allotted, since the Outperform targets were not met.

The President and CEO will be eligible for a pension from age 60 at the earliest. Annual pension provisions will total 40 percent of fixed annual salary. The cost during 2008 totaled USD 416,500.

A mutual notice period of 24 months will apply, with retention of fixed salary and benefits excluding variable remuneration. No severance pay will be disbursed in case of termination.

C5 The Company's former President and CEO

Stuart Graham stepped down from the position of President and CEO of Skanska on April 3, 2008 and is continuing his employment at Skanska as Chairman and Senior Advisor of Skanska Inc. in the United States. During the period January-March 2008, Mr. Graham received a salary, fees and other remuneration from Group companies in the amount of USD 774,400. No variable remuneration was paid for the year, since financial targets were not achieved. Mr. Graham purchased 6,200 shares as part of the 2008 share incentive program, which resulted in 1,550 matching shares equivalent to USD 18,200. No performance shares were allotted, since the Outperform targets were not met. Variable remuneration and the outcome of the share incentive program for the 2008 financial year will be finally fixed and disbursed after a follow-up of the outcome during the first quarter of 2009.

Mr. Graham has a defined-benefit pension and the cost for the period January-March amounted to USD 525,900. The pension entitlement is earned on a straight-line basis and will be disbursed during the remainder of his life. The pension is conditional upon future employment in the Group.

D Other members of the Senior Executive Team

During 2008, the other members of the Senior Executive Team totaled six persons. Members of the Senior Executive Team received a fixed salary and variable remunera-

Note 37 Continued

tion based on the Group's earnings. In addition, senior executives of Skanska were covered by the Group's 2008 share incentive program, with an allocation of share awards, defined under section E of this note. A total of 19,200 shares were purchased by the Senior Executive Team during 2008, which resulted in 4,800 matching shares, equivalent to USD 56,100. No performance shares were allotted, since Outperform targets were not met. Variable remuneration and the outcome of the share incentive program for the 2008 financial year will be finally fixed and disbursed after a follow-up of the outcome during the first quarter of 2009.

D1 Pension benefits

The retirement age for members of the Senior Executive Team is 60–65 years. They are entitled to pension benefits according to the premium-based ITP 1 occupational pension system or defined-benefit pension solutions that are mainly equivalent in cost to the ITP 2 plan. The ITP 1 premium is 4.5 percent of gross cash salary up to 7.5 base amounts[1] of income per year and 30 percent of gross cash salary above that. The ITP 2 plan guarantees a lifetime pension from age 65. The pension amount is a certain percentage of final salary, and the service period to qualify for a full pension is 30 years. The pension entitlement is 10 percent for portions of salary up to 7.5 base amounts, 65 percent for portions between 7.5 and 20 base amounts[1] and 32.5 percent for portions of salary up to 30 base amounts[1]. In addition, this group is covered by a supplementary pension entitlement for portions of salary exceeding 30 base amounts. This is a defined-contribution pension entitlement and the premium is 20 percent of pensionable salary exceeding 30 base amounts.

D2 Notice periods etc.

In case of termination by the Company, notice periods range from six months to twelve months. Salary and other remuneration are disbursed without reduction during the notice period. After the notice period, severance pay is disbursed for 12–18 months. When payments are disbursed after the notice period, other income must normally be subtracted from the amount payable.

E Share incentive Programs – Skanska Employee Ownership Program

In 2007, a Shareholders' Meeting of Skanska approved the introduction of a long-term share ownership program for employees of the Skanska Group, which replaces the earlier three-year share incentive program which expired during 2007. The program is aimed at about 45,000 permanent employees of the Skanska Group, including some 2,000 key employees and about 300 executives, including the President and CEO and the rest of the Senior Executive Team.

The program offers employees, key employees and executives the opportunity – provided they have made their own investment in Series B Skanska shares during a given financial year – to receive Series B Skanska shares from Skanska free of charge. For each four Series B shares purchased, the employee will be entitled, after a three-year vesting period, to receive 1 Series B Skanska share free of charge. In addition, depending on the fulfillment of certain earnings-based performance conditions during the purchase period, after the vesting period the employee will be able to receive additional Series B Skanska shares free of charge.

The purchase period covers the years 2008-2010 and the vesting period runs for three years from the date the employee invests in shares. For each 4 investment shares purchased, employees may – in addition to 1 matching share – receive a maximum of 3 performance shares. For each 4 investment shares, key employees may – in addition to 1 matching share – receive a maximum of 7 performance shares. For each 4 investment shares, executives may – in addition to 1 matching share – receive a maximum of 15 performance shares.

The maximum number of investment shares that each employee participating in the program may acquire, through monthly savings, depends on the employee's salary and whether an employee is participating in the program as an employee, a key employee or an executive.

To be able to receive matching and performance shares, a person must be employed in the Skanska Group throughout the vesting period and must, during this period, have kept his or her investment shares.

The program has two cost ceilings. The first one depends on the extent to which financial Outperform targets are met, which limits Skanska's total cost per year to SEK 200-630 M (corresponding to USD 26-82 M), related to fulfillment of financial Outperform targets at the Group level. The other cost ceiling is that Skanska's total cost per year may not exceed 15 percent of earnings before interest and taxes (EBIT). The actual cost ceiling is the lower of these two cost ceilings.

During 2008, 33,900 shares were purchased by the Senior Executive Team, of which 14,700 by the current and former President and CEO. This resulted in a total of 8,475 matching shares for the Senior Executive Team, equivalent to 3,675 for the current and former President and CEO. No performance shares were allotted to the Senior Executive Team, since overall financial targets were not achieved. The business areas shown below achieved their established targets, which resulted in performance shares for participants in these units.

Business unit	Measure of earnings	Starting point	Outperform	Outcome
Sweden	Operating margin	3.5%	4.5%	5.3%
Poland	Operating margin	3.0%	4.0%	5.4%
USB	Operating margin	1.0%	1.4%	1.5%
USC	Operating margin	4.0%	5.2%	6.4%
LA	Operating margin	3.6%	5.0%	5.2%
CZ (RD)	Operating margin	11.0%	14.0%	14.1%
CDN	Value creation, SEK M	400	525	675
	corresponding to USD M	51.8	68.0	87.4
CDE	Value creation, SEK M	100	175	271
	corresponding to USD M	12.9	22,7	35.1
ID	Investments, SEK M	350	700	896
	corresponding to USD M	45.3	90.6	116.0

In the Skanska Group, a total of 16 percent of potential participants joined SEOP.

Total cost of the 2008 program, excluding social insurance contributions, will be an estimated USD 22.4 M allocated over three years. The year's cost of the program was about USD 5.2 M. The remaining cost of the 2008 program through 2010 is projected at USD 17.2 M.

The dilution effect through 2008 is estimated at 357,129 shares or 0.09 percent of the number of shares outstanding. Maximum dilution for the program at the end of the vesting period in 2013 is projected at 1,876,951 shares or 0.45 percent.

F Previous share incentive programs

The previous share incentive program, the Skanska Share Award Plan, was applicable during the years 2005–2007 to senior executives and other key employees of the Skanska Group, expired in 2007. The Plan covered about 300 employees in the Group, including the President and CEO, the other members of the Senior Executive Team and staff units, the Presidents of business units and their executive teams.

The Plan meant that employees were offered the opportunity to be granted "share awards" entitling the holder to receive Series B shares in the Company free of charge, provided that certain targets were met. The maximum yearly allocation for each participant per year was equivalent to 30 percent of the value of the participant's annual salary in Series B shares. Each participant's allocation of share awards was dependent upon the fulfillment of a number of established earnings- and performance-related conditions, which were based on the "Outperform" targets approved by the Board of Directors. In order to receive the shares, three years of employment are required after the end of the measurement period.

The cost of the Plan, excluding social insurance contributions, is estimated at about USD 21.6 M, allocated over four years. In 2008, the cost of the Plan totaled USD 4.6 M. The remaining cost of the Plan through 2010 is estimated at USD 4.9 M.

The dilution effect through 2008 is estimated at 910,649 shares or 0.22 percent of the number of shares outstanding.

The maximum dilution in the Plan at the end of the vesting period will amount to 1,352,361 shares or 0.32 per cent.

Early in 2009, share awards related to 2005 are being distributed to those individuals in the Plan who have remained employees in the Group, about 400,000 shares.

G Local incentive programs

Salaries and other remuneration are adopted with reference to prevailing conditions in the rest of the construction industry and customary practices in each local market. The Skanska Group applies a remuneration model for the affected executives and managers that consists of a fixed annual salary plus variable remuneration which is based on financial targets achieved.

1 In 2008, the income base amount was SEK 48,000 (corresponding to about USD 6,200).
7.5 income base amounts corresponded to about USD 46,600
20 income base amounts corresponded to about USD 124,300
30 income base amounts corresponded to about USD 186,500

Note 38 Fees and other remuneration to auditors

	2008	2007
KPMG		
Audit assignments	7.9	8.6
Other audit-related assignments	1.1	0.9
Tax advisory services	1.7	1.3
Total	**10.6**	**10.8**

"Audit assignments" refers to examination of the annual accounts as well as the administration by the Board of Directors and the President, as well as other tasks that are incumbent upon the Company's auditors to perform. "Other audit-related assignments" refers to advisory services related to accounting issues and advisory services concerning the disposal and acquisition of businesses.

Note 39 Related party disclosures

Through its ownership and percentage of voting power, AB Industrivärden has a significant influence, as defined in compliance with IAS 24, "Related Party Disclosures." All transactions have occurred on market terms.

Skanska sells administrative services to pension funds that manage assets intended to cover the Group's pension obligations.

Associated companies and joint ventures are companies related to Skanska. Information on transactions with these is presented in the following tables.

Information on remuneration and transactions with senior executives is found in Note 36, "Personnel," and Note 37, "Remuneration to senior executives and Board members."

Transactions with joint ventures	2008	2007
Sales to joint ventures	898.0	1,040.4
Purchases from joint ventures	19.9	21.6
Dividends from joint ventures	41.3	27.5
Receivables from joint ventures	49.7	49.3
Liabilities to joint ventures	10.6	0.9
Contingent liabilities for joint ventures	99.3	101.3

Transactions with associated companies	2008	2007
Purchases from associated companies	1.1	

Skanska's pension fund directly owns 600,000 (250,000) Series B shares in Skanska. There is also an insignificant holding of indirectly owned shares via investments in various mutual funds.

Note 40 Leases

Skanska is a lessee in both finance and operating leases.

When Skanska is a lessee, finance lease assets are recognized as a non-current asset in the balance sheet, while the future obligation to the lessor is recognized as a liability in the balance sheet.

As a financial lessor, Skanska recognizes the present value of its claim on the lessee as a financial receivable.

As an operating lessor, Skanska leases properties to tenants via its Commercial Development operations.

A. Skanska as a lessee

Finance leases

Leased property plant and equipment including buildings and land ("Property") as well as machinery and equipment ("Plant and equipment") are recognized in the consolidated financial statements as finance leases.

Of the amount in the balance sheet for finance leases, most is related to car leases in Sweden. Agreements with lease companies in other countries are operating leases.

Finance leases, carrying amount	2008	2007
Property, plant and equipment		
Property	6.0	0.8
Plant and equipment	31.9	31.7
Total	**37.8**	**32.5**
Cost	112.1	51.0
Depreciation for the year	–12.6	–7.8
Accumulated depreciation, January 1	–61.8	–10.7
Carrying amount	**37.8**	**32.5**

Variable fees for finance leases included in 2008 income amounted to USD–0.6 M (–0.4). No property leased to Skanska has been subleased to others.

Future minimum lease payments and their present value can be seen in the following table;

	Future minimum lease payments		Present value of future minimum lease payments	
Expenses, due date	2008	2007	2008	2007
Within one year	–1.7	–9.8	–1.2	–7.9
Later than one year but within five years	–16.4	–10.9	–12.4	–8.1
Later than five years	–5.6	–7.8	–4.8	–6.2
Total	**–23.7**	**–28.5**	**–18.4**	**–22.2**

Reconciliation, future minimum lease payments and their present value	2008	2007
Future minimum lease payments	–23.7	–28.5
Less interest charges	5.3	6.2
Present value of future minimum lease payments	**–18.4**	**–22.2**

Operating leases

Most of the amounts for future minimum lease payments are related to leased cars and office space for operations in the United Kingdom. Also included are site leasehold agreements, especially in Stockholm.

The Group's leasing expenses related to operating leases in 2008 totaled USD –92.4 M (–91.0), of which USD –74.5 M (–80.8) was related to minimum lease payments and USD –17.9 M (–10.2) was related to variable payments. The Group had USD 0 M (0.7) in leasing income related to subleasing on operating leases.

The due dates of future minimum lease payments for noncancellable operating leases were distributed as follows;

Expenses, due dates	2008	2007
Within one year	–56.7	–65.8
Later than one year but within five years	–98.1	–146.3
Later than five years	–59.2	–70.6
Total	**–214.0**	**–282.7**

Of this amount, USD 0 M (0.3) was related to properties that were subleased.

Note 40 Continued

B. Skanska as lessor

Finance leases

Skanska owns a property in Sweden and a hotel property in the Czech Republic that are leased to customers under finance leases.

The present value of the claim related to future minimum lease payments is recognized in the balance sheet as a financial non-current asset. At the balance sheet date, it amounted to:

	2008	2007
Gross investment in finance leases	4.9	1.7
Unearned financial income	–0.9	–0.2
Net investment in finance leases	4.0	1.6
Non-guaranteed residual value belonging to the lessor	–0.4	–0.5
Present value of claim related to future minimum lease payments	**3.6**	**1.1**

The due dates of future minimum lease payments for noncancellable operating leases were distributed as follows:

	Gross investment in finance leases		Present value of claims related to future minimum lease payments	
Income, due dates	**2008**	**2007**	**2008**	**2007**
Within one year	0.5	0.5	0.5	0.5
Later than one year but within five years	1.4	1.2	0.9	0.6
Later than five years	3.1	0.0	2.2	0.0
Total	**5.0**	**1.7**	**3.6**	**1.1**

Reserves for doubtful receivables related to minimum lease payments amounted to USD 0.1 M (0).
The variable portion of lease payments included in 2008 income amounted to USD 0 M (0).

Operating leases

Operating lease business in the form of property leasing is mainly carried out by the Commercial Development business stream. These properties are recognized as current assets in the balance sheet. See Note 4, "Segment reporting."

In 2008, Commercial Development's lease income amounted to USD 60.4 M (46.3).

In 2008, the Group's variable lease income related to operating leases amounted to USD 2.9 M (1.2).

The due dates of future minimum lease payments for noncancellable operating leases were distributed as follows:

Income, due dates	2008	2007
Within one year	92.1	73.3
Later than one year but within five years	303.9	211.3
Later than five years	176.1	113.4
Total	**572.1**	**398.0**

The carrying amount of current-asset properties in Commercial Development totaled USD 1,241.7 M (974.0).

Note 41 Events after the balance sheet date

The financial reports were signed on February 5, 2009 and will be submitted for adoption by the Annual Shareholders' Meeting of Skanska AB on April 6, 2009.

To ensure delivery of Series B shares pursuant to Skanska's 2005 long-term Share Award Plan, 560,000 Series D shares were converted to Series B shares.

Note 42 Consolidated quarterly results

USD M	2008 Q4	2008 Q3	2008 Q2	2008 Q1	2007 Q4	2007 Q3	2007 Q2	2007 Q1
Order bookings	**3,219.8**	**4,800.9**	**5,725.4**	**5,463.3**	**5,681.7**	**4,531.5**	**5,827.6**	**5,665.1**
Income								
Revenue	4,895.8	5,712.1	6,168.2	5,025.6	5,932.0	5,386.7	5,151.0	4,066.2
Cost of sales	–4,548.5	–5,158.2	–5,604.1	–4,648.6	–5,358.0	–4,894.3	–4,649.0	–3,714.7
Gross income	**347.3**	**553.9**	**564.2**	**377.1**	**574.0**	**492.4**	**502.0**	**351.4**
Selling and administrative expenses	–356.8	–310.4	–374.3	–313.8	–340.6	–275.2	–311.6	–251.9
Income from joint ventures and associated companies	–18.8	9.2	33.7	108.8	18.2	14.5	15.3	11.5
Operating income	**–28.3**	**252.7**	**223.5**	**172.1**	**251.6**	**231.7**	**205.7**	**111.1**
Interest income	10.4	19.7	18.9	27.4	32.7	21.8	16.1	22.2
Interest expenses	–7.4	–7.1	3.1	0.6	–9.6	–5.2	–4.2	–5.4
Change in fair value	0.3	5.2	0.7	–4.0	–4.3	–3.9	–3.5	–3.7
Other financial items	–6.9	–8.2	–2.0	–1.8	–5.2	–2.2	–4.1	–2.9
Net financial items	**–3.5**	**9.6**	**20.8**	**22.3**	**13.6**	**10.5**	**4.3**	**10.3**
Income after financial items	**–31.8**	**262.3**	**244.3**	**194.4**	**265.2**	**242.1**	**209.9**	**121.3**
Taxes	–0.8	–71.0	–63.8	–54.5	–74.0	–59.0	–60.7	–35.1
Profit for the period	**–32.6**	**191.3**	**180.5**	**139.9**	**191.2**	**183.1**	**149.2**	**86.3**
Profit for the period attributable to								
Equity holders	–37.5	190.5	178.6	139.1	190.1	182.3	148.2	85.5
Minority	5.0	0.9	1.7	0.8	1.1	0.9	1.0	0.7
Order backlog	18,439.5	21,684.1	24,192.7	24,145.4	22,742.6	22,727.9	22,709.3	21,419.8
Capital employed	3,257.0	3,658.1	4,036.0	4,401.6	3,976.7	3,627.7	3,290.3	3,595.0
Interest-bearing net receivables	1,195.1	1,011.6	1,262.7	1,967.5	2,268.7	1,176.9	1,107.3	1,502.5
Debt/equity ratio	–0.5	–0.4	–0.4	–0.6	–0.7	–0.4	–0.4	–0.5
Return on capital employed, %	17.8	24.9	25.0	25.8	25.0	22.8	20.5	22.8
Cash flow								
Cash flow from operating activities	508.0	75.9	–95.0	–404.8	1,161.9	73.5	77.2	33.8
Cash flow from investing activities	–24.8	–89.0	–85.9	–91.3	–34.9	–170.0	–125.8	–31.2
Cash flow from financing activities	–119.5	–194.5	–519.1	–13.1	11.1	–12.9	–551.8	7.0
Cash flow for the period	**363.7**	**–207.6**	**–700.0**	**–509.2**	**1,138.1**	**–109.4**	**–600.5**	**9.6**
Business streams								
Order bookings								
Construction	3,225.6	4,796.3	5,717.6	5,459.9	5,541.2	4,419.5	5,770.0	5,485.5
Central and eliminations	–5.8	4.6	7.8	3.3	140.4	112.0	57.5	179.6
Total	**3,219.8**	**4,800.9**	**5,725.4**	**5,463.3**	**5,681.7**	**4,531.5**	**5,827.6**	**5,665.1**
Revenue								
Construction	4,814.8	5,642.3	5,848.6	4,862.4	5,525.5	5,041.5	4,745.3	3,814.4
Residential Development	128.5	206.5	330.7	313.0	319.8	260.3	265.1	291.1
Commercial Development	135.6	152.6	258.2	54.6	151.1	112.8	161.5	37.8
Infrastructure	2.7	1.9	1.4	2.4	10.8	2.2	3.0	1.1
Central and eliminations	–185.8	–291.2	–270.7	–206.8	–75.1	–30.2	–23.9	–78.3
Total	**4,895.8**	**5,712.1**	**6,168.2**	**5,025.6**	**5,932.0**	**5,386.7**	**5,151.0**	**4,066.2**
Operating income								
Construction	118.4	223.1	152.5	76.8	195.9	201.1	165.8	94.5
Residential Development	–83.9	9.1	23.9	24.1	33.1	18.4	20.5	35.1
Commercial Development	10.7	54.3	73.6	6.1	38.3	34.5	51.0	10.8
Infrastructure Development	–31.2	–5.0	3.7	92.6	1.5	–0.7	–2.9	–13.7
Central	–44.7	–22.2	–34.5	–24.1	–16.1	–16.2	–32.9	–17.4
Eliminations	2.5	–6.5	4.3	–3.3	–1.2	–5.5	4.1	1.7
Total	**–28.3**	**252.7**	**223.5**	**172.1**	**251.6**	**231.7**	**205.7**	**111.1**

Note 43 Five-year Group financial summary

Income statements	2008	2007	2006	2005	2004
Revenue	21,801.8	20,535.8	17,028.6	16,704.7	16,502.9
Cost of sales	–19,959.3	–18,616.0	–15,485.4	–15,195.2	–15,202.2
Gross income	**1,842.5**	**1,919.8**	**1,543.2**	**1,509.4**	**1,300.6**
Selling and administrative expenses	–1,355.4	–1,179.3	–947.0	–895.9	–946.0
Income from disposal of discontinued operations	–	–	–	24.7	216.0
Income from joint ventures and associated companies	132.9	59.5	49.3	31.8	22.9
Operating income	**620.0**	**799.9**	**645.6**	**670.0**	**593.5**
Net financial items	49.2	38.6	30.2	16.1	–4.6
Income after financial items	**669.2**	**838.6**	**675.8**	**686.1**	**588.9**
Taxes	–190.1	–228.8	–180.3	–164.8	–155.3
Profit for the year	**479.1**	**609.8**	**495.5**	**521.2**	**433.6**
Profit for the year attributable to					
Equity holders	470.7	606.1	492.8	519.8	431.8
Minority	8.3	3.7	2.7	1.5	1.8
Cash flow					
Cash flow from operating activities	84.1	1,346.4	503.9	898.7	887.2
Cash flow from investing activities	–291.0	–361.9	–433.8	–43.3	164.1
Cash flow from financing activities	–846.1	–546.6	–387.7	–367.9	–789.9
Cash flow for the year	**–1,053.1**	**437.9**	**–317.7**	**487.5**	**261.4**

Note 43 Continued

Balance sheets, USD M	Dec 31, 2008	Dec 31, 2007	Dec 31, 2006	Dec 31, 2005	Dec 31, 2004
ASSETS					
Non-current assets					
Property, plant and equipment	895.9	929.4	795.4	660.6	832.4
Goodwill	575.2	713.2	654.4	523.4	589.3
Intangible assets	104.1	102.4	107.9	81.1	80.9
Investments in joint ventures and associated companies	195.8	302.6	276.1	231.1	130.3
Financial non-current assets[1, 3]	40.0	113.3	218.6	155.7	171.9
Deferred tax assets	255.1	148.7	288.0	287.5	246.8
Total non-current assets	**2,066.0**	**2,309.6**	**2,340.3**	**1,939.4**	**2,051.5**
Current assets					
Current-asset properties[2]	2,404.2	2,053.5	1,723.8	1,320.7	1,805.9
Inventories	116.7	119.7	70.5	63.1	92.2
Financial current assets[3]	943.3	729.1	459.7	284.7	376.4
Tax assets	105.1	63.9	48.1	41.6	40.7
Gross amount due from customers for contract work	788.2	880.0	761.1	706.8	541.0
Trade and other receivables	3,365.0	3,916.0	3,390.6	2,895.9	3,286.6
Cash equivalents		81.1	310.6	389.9	461.5
Cash	1,020.5	2,129.8	1,288.3	1,333.4	878.9
Assets classified as held for sale				9.1	
Total current assets	**8,743.0**	**9,973.1**	**8,052.8**	**7,045.2**	**7,483.1**
TOTAL ASSETS	**10,809.0**	**12,282.7**	**10,393.1**	**8,984.6**	**9,534.6**
of which interest-bearing	1,959.7	3,020.8	2,250.5	2,138.7	1,877.4
EQUITY					
Equity attributable to equity holders	2,467.7	3,194.9	2,798.1	2,323.4	2,457.7
Minority interest	24.8	29.6	20.3	18.4	16.3
Total equity	**2,492.4**	**3,224.5**	**2,818.4**	**2,341.8**	**2,474.0**
LIABILITIES					
Non-current liabilities					
Financial current liabilities[3]	139.5	148.6	297.2	305.4	460.4
Pensions	401.4	178.8	226.8	303.3	168.1
Deferred tax liabilities	227.9	321.9	421.5	356.7	414.8
Non-current provisions	11.1	14.9	17.3	18.0	20.4
Total non-current liabilities	**779.9**	**664.2**	**962.8**	**983.4**	**1,063.6**
Current liabilities					
Financial current liabilities[3]	269.5	420.6	203.5	136.1	152.1
Tax liabilities	111.9	138.6	106.1	75.0	150.8
Current provisions	635.5	567.3	506.6	403.2	414.1
Gross amount due to customers for contract work	2,207.7	2,450.3	1,655.3	1,484.4	1,576.2
Trade and other payables	4,312.2	4,817.2	4,140.4	3,555.5	3,703.7
Liabilities classified as held for sale				5.3	
Total current liabilities	**7,536.7**	**8,394.0**	**6,611.9**	**5,659.4**	**5,997.0**
TOTAL EQUITY AND LIABILITIES	**10,809.0**	**12,282.7**	**10,393.1**	**8,984.6**	**9,534.6**
of which interest-bearing	764.6	752.1	738.1	738.8	784.8
1 of which shares	8.3	14.3	8.6	7.4	11.2
2 Current-asset properties					
Commercial Development	1,241.7	974.0	813.7	731.3	1,119.7
Other commercial properties	161.2	116.4	139.3	175.9	192.3
Residential Development	1,001.3	963.1	770.7	413.5	494.0
	2,404.2	**2,053.5**	**1,723.8**	**1,320.7**	**1,805.9**
3 Items related to non-interest-bearing unrealized changes in value of derivatives/securities are included in the following amounts:					
Financial non-current assets		0.3	1.2	13.5	
Financial current assets	35.7	17.7	16.9	4.4	
Financial non-current liabilities			0.9	2.8	
Financial current liabilities	59.4	13.8	8.7	24.7	

Note 43 Continued

Financial ratios etc.[4, 5]	Dec 31 2008	Dec 31 2007	Dec 31 2006	Dec 31 2005	Dec 31 2004
Order bookings	19,209.3	21,705.8	18,220.2	15,690.3	16,590.0
Order backlog	18,439.5	22,742.6	19,702.5	16,220.6	17,191.7
Average number of employees	57,815	60,435	56,085	53,806	53,803
Regular dividend per share, SEK[4]	5.25	5.25	4.75	4.50	4.00
corresponding to a regular dividend per share of USD	0.68	0.80	0.70	0.61	0.54
Extra dividend per share, SEK	0.00	3.00	3.50	2.00	
corresponding to an extra dividend per share of USD	0.00	0.46	0.52	0.27	
Earnings per share after repurchases, SEK	1.13	1.45	1.18	1.24	1.03
Earnings per share after repurchases and dilution, SEK	1.13	1.45	1.18	1.24	
Capital employed	3,257.0	3,976.7	3,556.5	3,080.6	3,258.8
Interest-bearing net receivables (+)/net debt (-)	1,195.1	2,268.7	1,512.5	1,399.9	1,092.7
Equity per share, SEK	5.94	7.63	6.68	5.55	5.87
Equity/assets ratio, %	23.1	26.3	27.1	26.1	25.9
Debt/equity ratio	–0.5	–0.7	–0.5	–0.6	–0.4
Interest cover	–13.9	–15.9	–21.3	–37.4	122.8
Return on equity, %	15.5	21.0	20.6	22.0	20.6
Return on capital employed, %	17.8	25.0	22.7	23.3	19.9
Number of shares at year-end	423,053,072	423,053,072	418,553,072	418,553,072	418,553,072
of which Series A and B shares	418,553,072	418,553,072			
of which Series D shares (not entitled to dividend, in Skanska's own custody)	4,500,000	4,500,000	4,500,000		
Average price, repurchased shares, SEK	96.97				
corresponding to an average price per repurchased share of USD	14.71				
Number of repurchased Series B shares	2,795,000				
Number of Series B shares in own custody at year-end	2,793,162				
Number of shares outstanding at year-end					
After repurchases	415,759,910	418,553,072			
After repurchases and dilution	416,956,302	419,150,515			
Average number of shares outstanding					
After repurchases	416,985,073	418,553,072	418,553,072	418,553,072	418,553,072
After repurchases and dilution	417,781,483	418,992,099	418,827,470	418,561,923	
Average dilution, percent	0.21	0.10			

4 Proposed by the Board of Directors: Regular dividend of SEK 5.25 per share.
5 For definitions, see Note 44.

Note 44 Definitions

Average capital employed	Calculated on the basis of five measuring points: half of capital employed on January 1 plus capital employed at the end of the first, second and third quarters plus half of capital employed at year-end, divided bv four.
Average visible equity	Calculated on the basis of five measuring points: half of equity attributable to equity holders on January 1 plus equity attributable to equity holders at the end of the first, second and third quarters plus half of equity attributable to equity holders at year-end, divided by four.
Capital employed in business streams, markets and business/reporting units	Total assets minus tax assets and deposits in Skanska's treasury unit minus non-interest-bearing liabilities minus provisions for taxes and tax liabilities.
Consolidated capital employed	Total assets minus non-interest-bearing liabilities.
Consolidated operating cash flow	In the consolidated operating cash flow statement, which includes taxes paid, investments are recognized both in cash flow from business operations and in cash flow from strategic investments. See also Note 35.
Consolidated return on capital employed	Operating income plus financial income as a percentage of average capital employed.
Debt/equity ratio	Interest-bearing net debt divided by visible equity including minority interest.
Earnings per share after repurchases	Profit for the year attributable to equity holders divided by the average number of shares outstanding after repurchases.
Earnings per share after repurchases and dilution	Profit for the year attributable to equity holders divided by the average number of shares outstanding after repurchases and dilution.
Equity/assets ratio	Visible equity including minority interest as a percentage of total assets.
Equity per share	Visible equity attributable to equity holders divided by the number of shares outstanding after repurchases at year-end.
Interest-bearing net receivables	Interest-bearing assets minus interest-bearing liabilities.
Interest cover	Operating income and financial income plus depreciation/amortization divided by net interest items.
Net working capital	Net non-interest-bearing receivables and liabilities including taxes.
Operating cash flow	Cash flow from operations before taxes and before financial activities. See also Note 36.
Operating net on properties	Rental income and interest subsidies minus operating, maintenance and administrative expenses as well as real estate tax. Site leasehold rent is included in operating expenses.
Order backlog	Contracting assignments: The difference between order bookings for the period and accrued revenue (accrued project costs plus accrued project income adjusted for loss provisions) plus order backlog at the beginning of the period. Services: The difference between order bookings and accrued revenue plus order backlog at the beginning of the period.
Order bookings	Contracting assignments: Upon written order confirmation or signed contract. Also includes orders from Residential Development and Commercial Development. Services: For fixed-price assignments, upon signing of contract. For cost-plus assignments, order bookings coincide with revenue. No order bookings are reported for Residential Development and Commercial Development.
Return on capital employed in business streams, markets and business/reporting units	Operating income plus financial income minus interest income from Skanska's treasury unit and other financial items as a percentage of average capital employed.
Return on equity	Profit attributable to equity holders as a percentage of average visible equity attributable to equity holders.
Yield on properties	Operating net divided by year-end carrying amount.

Note 45 Supplementary information

Skanska AB (publ), Swedish corporate identification number 556000–4615, is the Parent Company of the Skanska Group.
The Company has its registered office in Solna, Stockholm County and is a limited company as provided by Swedish legislation. Its headquarters is located in Solna, Stockholm County.

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Skanska AB
SE-169 83 Solna, Sweden

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For questions concerning financial information, please contact:
Skanska AB, Investor Relations, SE-169 83 Solna, Sweden
Tel: +46-10-448 00 00
Fax: +46-8-755 12 56
E-mail: investor.relations@skanska.se

Statement by the President and Chief Executive Officer

These financial statements have been prepared in accordance with the international accounting standards referred to in Regulation (EC) No 1606/2002 of the European Parliament and of the Council of July 19, 2002 on the application of international accounting standards and give a true and fair view of the Group's financial position and results.

Stockholm, February 5, 2009

Johan Karlström

President and Chief Executive Officer

Independent Auditors' Report

To the Board of Directors of Skanska AB (publ.)
Corporate identity number 556000-4615

We have audited the consolidated financial statements of Skanska AB (publ.) on pages 67–136, which comprise the balance sheet as at December 31, 2008, and the income statement, statement of recognized income and expenses and cash flow statement for the year then ended, and a summary of significant accounting policies and other explanatory notes.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with International Financial Reporting Standards as adopted by the EU. This responsibility includes: designing, implementing and maintaining internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error; selecting and applying appropriate accounting policies; and making accounting estimates that are reasonable in the circumstances.

Auditor's Responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with International Standards on Auditing. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgement, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide bases for our audit opinion.

Opinion

In our opinion, the financial statements give a true and fair view of the financial position of Skanska AB (publ.) as of December 31, 2008, and of its financial performance and its cash flows for the year then ended in accordance with International Financial Reporting Standards as adopted by the EU.

Stockholm, April 3, 2009
KPMG AB

Caj Nackstad
Authorized Public Accountant

Corporate governance report of Skanska AB (publ) for 2008 and the Board of Directors' report on internal control

Corporate governance report

This corporate governance report for 2008 plus the Board of Directors' report on internal control have not been reviewed by the Company's external auditors. The reports are not part of the formal annual account documents.

Corporate governance

Skanska AB is a Swedish public limited company. Skanska AB's Series B shares are listed on the NASDAQ OMX Stockholm. Skanska AB and the Skanska Group are governed in accordance with the Articles of Association, the Swedish Companies Act, the NASDAQ OMX Stockholm rule book for issuers and other applicable Swedish and foreign laws and ordinances.

Skanska applies the Swedish Code of Corporate Governance ("the Code"). Skanska is reporting departures from the Code for 2008 as noted below under "Departures from the Code."

Articles of Association

The Articles of Association are adopted by the shareholders' meeting and shall contain a number of mandatory disclosures of a more fundamental nature for the Company. Among other things, they shall state what operations the Company shall conduct, the size and registered office of the Board of Directors, the size of the share capital, any regulations on different types of shares, the number of shares and how notice of a Shareholders' Meeting shall be provided. The complete Articles of Association are available on Skanska's website.

Shareholders' meeting

At the shareholders' meeting, the highest decision-making body, Skanska's shareholders decide on central issues, such as the adoption of the income statement and balance sheet, the dividend to the shareholders, the composition of the Board, discharging the members of the Board of Directors and the President from liability for the financial year, amendments to the Articles of Association, election of auditors and principles of remuneration to senior executives. Shareholders who are listed in the register of shareholders on the record date and who notify the Company of their intention to participate in the meeting are entitled to attend it, either personally or by proxy through a representative or substitute. Every shareholder is entitled to have an item of business dealt with at the shareholders' meeting. Well before notice of the meeting is issued, the Company's website provides information on how shareholders shall proceed in order to have an item of business dealt with.

The 2008 Annual Shareholders' Meeting

The Annual Shareholders' Meeting was held on April 3, 2008 in Stockholm. At the Meeting, a total of 438 shareholders were present personally or through proxy, representing about 49.5 percent of the total voting power in the Company. The Meeting re-elected Jane Garvey, Finn Johnsson, Sverker Martin-Löf, Sir Adrian Montague, Lars Pettersson and Matti Sundberg as members of the Board of Directors. It elected Johan Karlström and Bengt Kjell as new members of the Board. The Meeting re-elected Sverker Martin-Löf as Chairman of the Board. The employees were represented on the Board by Inge Johansson, Gunnar Larsson and Alf Svensson as members, with Richard Hörstedt, Jessica Karlsson and Ann-Christin Kutzner as deputy members. Effective on August 1, 2008, Gunnar Larsson was replaced by Roger Karlström as a Board member.

Among other things, the Meeting approved a dividend to the shareholders totaling USD 1.25 per share, of which USD 0.80 as a regular dividend and USD 0.46 as an extra dividend.

Thirteen of a total of fourteen members of the Board and the Company's auditors were present at the Annual Shareholders' Meeting. Complete information about the 2008 Annual Shareholders' Meeting is available on Skanska's website.

The 2009 Annual Shareholders' Meeting

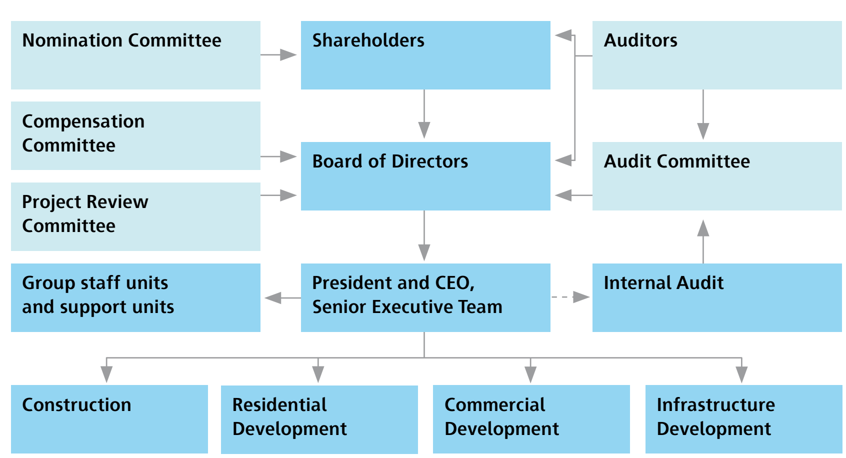
The next Annual Shareholders' Meeting of Skanska AB will be held on April 6, 2009 in Stockholm, Sweden. The Meeting will take place at 4:00 p.m. at the Berwaldhallen concert hall, Stockholm.

Information has been provided on Skanska's website to shareholders on how they should proceed if they wish to have an item of business dealt with at the 2009 Annual Shareholders' Meeting.

The Nomination Committee

Among the tasks of the Nomination Committee is to propose candidates for election as members of the Board of Directors. The 2008 Annual Shareholders' Meeting gave the Chairman of the

Governance structure



Board a mandate to allow the three to five largest shareholders in terms of voting power each to appoint a representative to comprise, together with the Chairman, a Nomination Committee in preparation for the 2009 Annual Shareholders' Meeting. The Nomination Committee has the following composition: Carl-Olof By, AB Industrivärden, Chairman of the Nomination Committee; Håkan Sandberg, Svenska Handelsbanken AB and the Handelsbanken pension funds; Peter Lindell, AMF Pension; Bo Selling, Alecta; and Sverker Martin-Löf, Chairman of the Board, Skanska AB.

Information has been provided on Skanska's website on how shareholders can submit their own proposals to the Nomination Committee by sending an e-mail to the Nomination Committee. The proposal of the Nomination Committee will be published in the notice of the 2009 Annual Shareholders' Meeting. At the same time, the Nomination Committee's report on how it has pursued its work will be available on Skanska's website.

The Board of Directors

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

- The Audit Committee
- The Compensation Committee
- The Project Review Committee.

These committees are described in detail below.

The members of the Board

The Board of Directors consists of eight members elected by the Annual Shareholders' Meeting without deputies plus three members and three deputy members appointed by the employees. The President and CEO is a member of the Board. At the 2008 Annual Shareholders' Meeting, Board members Curt Källströmer and Anders Nyrén resigned, as did Stuart Graham, a Board member as well as President and CEO. Johan Karlström and Bengt Kjell were elected as new members of the Board. In conjunction with the Annual Shareholders' Meeting, Johan Karlström assumed his new position as President and CEO, succeeding Stuart Graham.

The Nomination Committee, 2009

Members of the Nomination Committee, 2009	Representing	December 31, 2008 % of voting power
Carl-Olof By	AB Industrivärden	26.8
Håkan Sandberg	Svenska Handelsbanken AB and the Handelsbanken pension funds	4.6
Bo Selling	Alecta	4.6
Peter Lindell	AMF Pension	3.8
Sverker Martin-Löf	Chairman of the Board, Skanska AB	–

The members and deputy members of the Board

Member	Position	Born	Nationality	Year elected	Audit Committee	Compensation Committee	Project Review Committee	Independent in relation to the Company and its management	Independent in relation to major shareholders
Sverker Martin-Löf	Chairman	1943	Sweden	2001	□	■	■	Yes	No
Jane F. Garvey	Member	1944	USA	2003				Yes	Yes
Finn Johnsson	Member	1946	Sweden	1998	□	□		Yes	No
Johan Karlström	President and CEO	1957	Sweden	2008			□	No	Yes
Bengt Kjell	Member	1959	Sweden	2008	■		□	Yes	No
Sir Adrian Montague	Member	1948	UK	2007			□	Yes	Yes
Lars Pettersson	Member	1954	Sweden	2006		□		Yes	Yes
Matti Sundberg	Member	1942	Finland	2007			□	Yes	Yes
Richard Hörstedt	Employee Rep. (Deputy)	1963	Sweden	2007				–	–
Inge Johansson	Employee Representative	1951	Sweden	1999			□	–	–
Jessica Karlsson	Employee Rep. (Deputy)	1975	Sweden	2005				–	–
Roger Karlström[1]	Employee Representative	1949	Sweden	2008				–	–
Ann-Christin Kutzner	Employee Rep. (Deputy)	1947	Sweden	2004				–	–
Gunnar Larsson[2]	Employee Representative	1953	Sweden	2002				–	–
Alf Svensson	Employee Representative	1960	Sweden	2007				–	–

1 From August 1, 2008
2 Until August 1, 2008

■ = Chairman □ = Member

For more detailed information about individual Board members and deputy members, see page 146. Seven of the Board members elected by the Shareholders' Meeting are independent in relation to the Company and its management. Of these, more than two members are also deemed independent in relation to the Company's largest shareholders. Only one member (the President and CEO) is active in the management of the Company.

The work of the Board in 2008

The work of the Board of Directors follows a yearly agenda, which is stipulated in the Board's Procedural Rules. In preparation for each Board meeting, the Board receives supporting documentation compiled according to established procedures. These procedures are aimed at ensuring that the Board receives relevant information and documentation for decision making before all its meetings. All documentation is formulated in the English language.

During the year, the Board held nine meetings including its statutory meeting. At its September 2008 meeting, the Board visited the business units in Poland, Skanska S.A. and Skanska Commercial Development Europe. The Board also discussed Skanska's strategy plan, among other topics. In conjunction with this meeting, the Board made a work site visit to the Atrium City project. Among the more important issues that the Board dealt with during the year were Group strategy, internal control, governance of operations, risk management and employee health and safety. During the year, the Board examined the relevance and timeliness of all legally mandated instructions.

The committees of the Board

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

Audit Committee

The main task of the Audit Committee is to assist the Board in overseeing financial reporting, report procedures and accounting principles as well as monitoring the auditing of the accounts for the Parent Company and the Group. The Committee also evaluates the Group's internal control and studies the reports and opinions of the Company's external auditors. The Company's external auditors are present at all meetings of the Audit Committee. In this way, the Committee safeguards the quality of financial reporting, whose contents have been established by the Board in its Procedural Rules. The Committee prepares proposals regarding elections of auditors in the years such elections will occur, as is the case with the 2009 Annual Shareholders' Meeting.

The Audit Committee consists of Bengt Kjell (Chairman), Finn Johnsson and Sverker Martin-Löf. During 2008, the committee held four meetings.

Compensation Committee

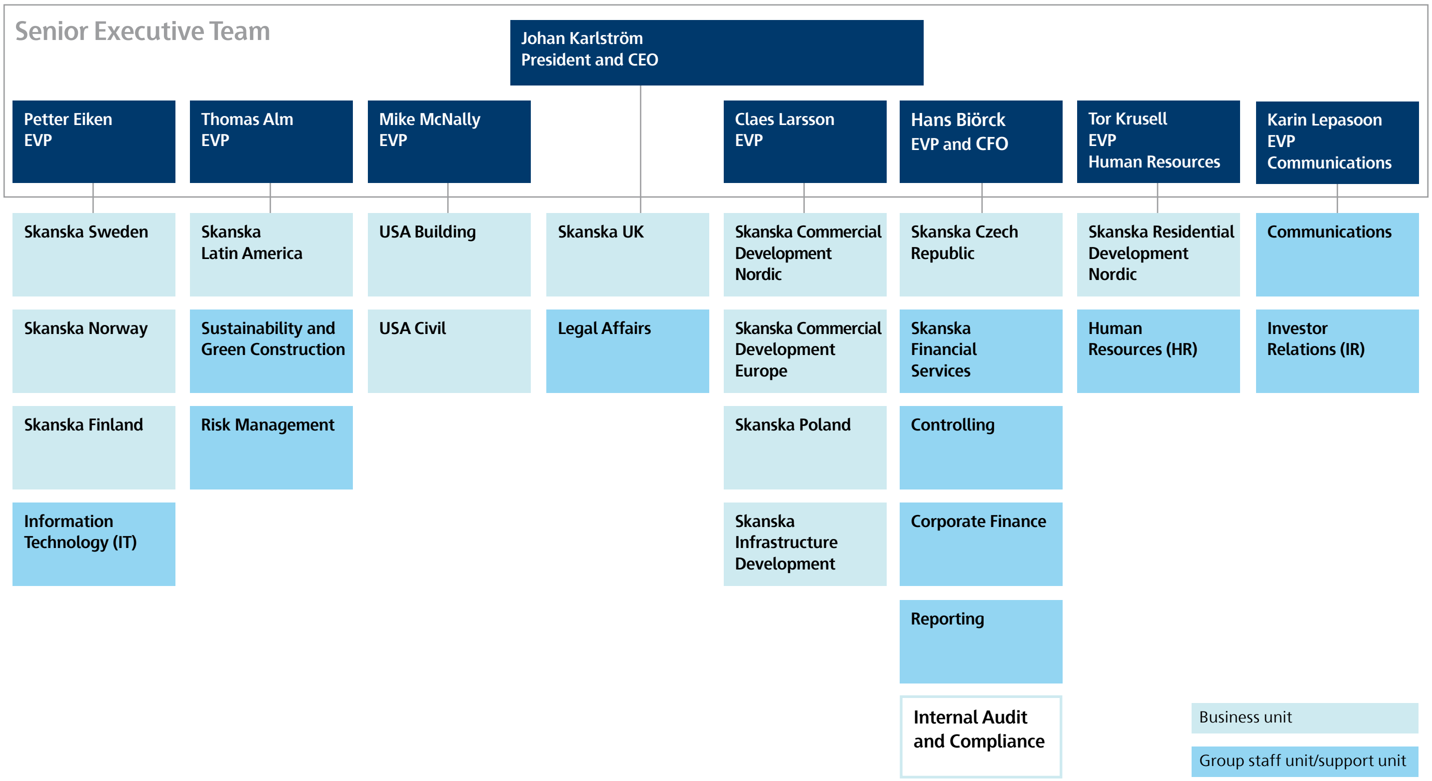
The main task of the Compensation Committee is to prepare the Board's decisions concerning employment of the President and CEO and other members of the Senior Executive Team, as well as the President and CEO's and the Senior

Attendance at meetings and remuneration to the Board

Board member	Board	Audit Committee	Compensation Committee	Project Review Committee	Remuneration, Board, USD	Remuneration, Audit Committee, USD	Remuneration, Compensation Committee, USD	Remuneration, Project Review Committee, USD	Total remuneration, USD
Number of meetings	**9**	**4**	**5**	**10**					
Sverker Martin-Löf	9	4	5	10	204,856	15,175	11,381	22,762	**254,173**
Jane F. Garvey	3				68,285				**68,285**
Finn Johnsson	8	4	4						
Johan Karlström[1]	8	4			68,285	15,175	11,381		**94,841**
Bengt Kjell[1]	8	3		4	68,285	18,968		22,762	**110,015**
Sir Adrian Montague	9			8	68,285			22,762	**91,047**
Lars Pettersson	8		5		68,285		11,381		**79,666**
Matti Sundberg	9			10	68,285			22,762	**91,047**
Richard Hörstedt	9								
Inge Johansson	9			10					
Jessica Karlsson	9								
Roger Karlström[2]	4								
Ann-Christin Kutzner	9								
Gunnar Larsson[3]	4								
Alf Svensson	9								
Total					**614,569**	**49,317**	**34,143**	**91,047**	**789,074**

1 Elected on April 3, 2008
2 From August 1, 2008
3 Until August 1, 2008

Skanska's management structure



Executive Team's compensation, pensions and other terms of employment. The committee prepares the Board's decisions on general incentive programs and examines the outcomes of flexible salary elements. The Compensation Committee consists of Sverker Martin-Löf (Chairman), Finn Johnsson and Lars Pettersson. During 2008, the committee held five meetings.

Project Review Committee

The Project Review Committee has the Board's mandate to make decisions on its behalf regarding individual construction and real estate projects, investments and divestments in infrastructure projects and certain project financing packages. Projects that include especially high or unusual risks or other special circumstances may be referred to the Board for its decision. The committee consists of Sverker Martin-Löf (Chairman), Johan Karlström, Bengt Kjell, Sir Adrian Montague, Matti Sundberg and Inge Johansson. During 2008, the committee held ten meetings.

Evaluation of the work of the Board

The work of the Board is evaluated yearly through a systematic and structured process, among other things aimed at gathering good supporting documentation for improvements in the Board's own work. External resources are not utilized in this evaluation. The evaluation also provides the Chairman of the Board with information about how the members of the Board perceive the effectiveness of the Board.

The Chairman of the Board informs the Nomination Committee of the results of this evaluation.

Fees to the Board of Directors

Total fees to the Board members elected by the shareholders' meeting were approved by the 2008 Annual Shareholders' Meeting in the amount of USD 614,569. The Chairman of the Board received USD 204,856 in fees and other Board members USD 68,285 each. In addition, in accordance with the decision of the Shareholders' Meeting, members elected by the shareholders' meeting and serving on the Board's committees each received USD 11,381 on the Compensation Committee, USD 22,762 on the Project Review Committee and USD 15,175 per member of the Audit Committee and USD 18,968 to its Chairman.

The Board's communication with the Company's auditors

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

Operative management and internal control

The President and CEO and the Senior Executive Team

The President and Chief Executive Officer (CEO) is responsible for day-to-day management and oversight of the Group's operations. The work of the President and CEO is specially evaluated at one meeting each year at which no senior executives are present. The President and CEO and the seven Executive Vice Presidents form the Senior Executive Team (SET). In the Procedural Rules it is stipulated that if the President and CEO cannot fulfill his duties, these duties devolve upon the Chief Financial Officer (CFO), or in his or her absence the Executive Vice President with the longest period of service in this position. For infor-

mation on the President and CEO and the Senior Executive Team, see page 145.

The President and CEO has no business dealings of any significance with Skanska AB or its Group companies. He owns no shares in companies that have significant business dealings with companies in the Skanska Group.

Group staff units and support units

At Skanska Group headquarters in Solna, there are Group staff units plus the support unit Skanska Financial Services AB. The Group staff units and support unit assist the President and CEO and the Senior Executive Team on matters concerning Groupwide functions, coordination and controls.

In addition, they provide support to the business units. The head of each Group staff unit, aside from the head of Internal Audit and Compliance, reports directly to a member of the Senior Executive Team. The head of Internal Audit and Compliance reports to the Audit Committee. A presentation of the Group staff units and support unit is found on page 145.

The business units and their governance

The organizational structure of the Skanska Group is characterized by clear decentralization and a large measure of delegation of authority and responsibility to the business units. Each business unit is headed by a President and has its own dedicated or shared staff units and other resources in order to conduct its operations effectively.

Aside from day-to-day operations of the business units, there are matters related to the strategic development of the units as well as matters concerning their strategic investments and divestments. These items of business are prepared by the management team at each respective unit and are then submitted to the Senior Executive Team or Skanska AB's Board of Directors for approval, depending on the size of the item of business. The Boards of Directors of the business units consist of representatives of Skanska AB, individuals from other business units as well as of the respective business unit's management team. In each business unit, the Chairman of the Board is a member of the Senior Executive Team. Where appropriate, employee representatives are included.

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

Governing documents

As part of the governance of Group operations, Skanska AB's Board of Directors has adopted a number of policy documents. In addition, the Senior Executive Team has adopted more detailed guidelines for the Group. These policies and guidelines are available to all business units on Skanska's intranet and are updated regularly to reflect changes in operations and new requirements. Among the more important governing documents are the Board's Procedural Rules, the Group's Financial Policy, Information Policy, Risk Management System and the Code of Conduct. The Board's Procedural Rules state what items of business shall be decided by the Board of Skanska AB, by the President and CEO/Senior Executive Team or at the business unit level.

The threshold levels for decisions stated in the Procedural Rules are further broken down in the business units' own decision-making rules. The business units provide regular, systematic feedback on compliance with the more important governing documents, such as the Financial Policy and the Code of Conduct, to the Senior Executive Team.

Remuneration for senior executives

The 2008 Annual Shareholders' Meeting approved principles for the salaries and other remuneration to senior executives. These principles, as well as the Board's proposal for new principles to be approved at the 2009 Annual Shareholders' Meeting, are available on Skanska's website. Information about salaries and other remuneration to the President and CEO and the other members of the Senior Executive Team as well as share award and share-related incentive programs outstanding are found in Note 37, page 127.

The Company's auditors

The 2005 Annual Shareholders' Meeting selected the accounting firm of KPMG AB as auditor of Skanska AB. This assignment runs until the 2009 Annual Shareholders' Meeting. The auditor in charge is Caj Nackstad, Authorized Public Accountant. For information on fees and other remuneration to KPMG AB, see the table below.

Fees and other remuneration to the auditors

USD M	2008	2007
Audit assignments	**7.9**	8.6
Other audit-related assignments	**1.1**	0.9
Tax advisory services	**1.7**	1.3
Total	**10.6**	10.8

Departures from the Code

As a departure from the Code's rule 10.1 there is no member of the Audit Committee who is independent in relation to the Company's major shareholders. The explanation behind this departure is the following. The members of the Committee – Bengt Kjell, Finn Johansson and Sverker Martin-Löf – are dependent on AB Industrivärden. All of them have long experience of economic and financial reporting issues from Swedish and international industry. The demands on members of the Audit Committee are especially high in a company like Skanska with decentralized global operations in a risky, project-oriented industry. The Board's assessment is that the present committee members are the most suitable for the assignment.

The Board of Directors' report on internal control

According to the Swedish Companies Act and the Swedish Code of Corporate Governance, the Board of Directors is responsible for internal control.

This report has been drafted in compliance with the Swedish Code of Corporate Governance, section 10.5, taking into account the updated Guidance on the Swedish Code of Corporate Governance published by working groups from the Confederation of Swedish Enterprise and FAR SRS (the professional institute for accountancy and auditing in Sweden), on September 8, 2008. It is thus limited to internal control dealing with financial reporting.

Control environment

The Board of Directors' Procedural Rules and instructions for the President and CEO and the committees of the Board ensure a clear division of roles and responsibilities in order to foster effective management of business risks. The Board has also adopted a number of fundamental guidelines of importance to the internal control task. Examples of these guidelines are the Company's risk management system, financial policy and Code of Conduct. All these guidelines are available to all business units on Skanska's intranet. The Senior Executive Team reports regularly to the Board on the basis of established procedures. In addition, the Audit Committee presents reports on its work. The Senior Executive Team is responsible for the system of internal controls required to manage significant risks in operating activities. Among other things, this includes guidelines for various employees to ensure that they will understand and realize the importance of their respective roles in the maintenance of good internal control.

Risk assessment and control activities

Skanska has identified the material risks in its operations that may, if not managed correctly, lead to errors in financial reporting and/or have an impact on the Company's results. This work is limited to risks that may individually have an effect of SEK 10 M or more.

The Company has then made certain that there are policies and procedures in the Group to ensure that these risks are managed effectively.

During 2008, all business units plus Skanska Financial Services carried out self-evaluations to assess whether Group policies and procedures are being followed. These self-evaluations have been reviewed by Skanska's internal auditors.

Information and communication

Essential accounting principles, manuals and other documents of importance to financial reporting are updated and communicated regularly to the affected employees. There are several information channels to the Senior Executive Team and the Board of Directors for essential information from employees. For external communication, there is an information policy document that ensures that the Company lives up to the existing requirements for correct information to the market.

Monitoring

The Board of Directors continually evaluates the information supplied by the Senior Executive Team and the Audit Committee. Of particular importance is the Audit Committee's work in monitoring the effectiveness of the Senior Executive Team's work with internal control. This work includes ensuring that steps are taken concerning shortcomings and proposed actions that have emerged from internal and external auditing.

Internal Audit and Compliance

Internal Audit and Compliance, a Group staff unit established in 2006, is responsible for monitoring and evaluating risk management and internal control work. This task includes examining compliance with Skanska's guidelines. The Group staff unit is independent of the Senior Executive Team and reports directly to the Board of Directors via its Audit Committee. Internal Audit and Compliance plans its work in consultation with the Audit Committee and regularly reports the findings of its examinations to the Committee. The unit communicates continuously with Skanska's external auditors on matters concerning internal control.

During 2008, the Internal Audit and Compliance unit concentrated its activities on auditing the material risks that have been identified in the business. These audits have been conducted in projects as well as in the central support functions.

A total of about 100 audits were conducted during the year. These audits were carried out in accordance with a uniform audit methodology.

Solna, February 2009

The Board of Directors,
Skanska AB (publ)

Senior Executive Team

Johan Karlström
President and Chief Executive Officer
Born 1957.
Joined Skanska in 2001.
Responsible in the Senior Executive Team for Skanska UK.
Shareholding in Skanska: 88,504 B shares of which 8,504 as part of SEOP[1] plus 27,960 share awards[1].

Michael McNally[2]
Executive Vice President
Born 1955.
Joined Skanska in 1998.
Responsible in the Senior Executive Team for Skanska USA Building and Skanska USA Civil.
Shareholding in Skanska: 3,517 B shares as part of SEOP[1].

Petter Eiken
Executive Vice President
Born 1955.
Joined Skanska in 2001.
Responsible in the Senior Executive Team for Skanska Sweden, Skanska Norway and Skanska Finland.
Shareholding in Skanska: 3,608 B shares as part of SEOP[1] plus 17,042 share awards[1].

Karin Lepasoon
Executive Vice President
Communications
Born 1968.
Joined Skanska in 2006.
Shareholding in Skanska: 1,640 B shares as part of SEOP[1] plus 3,841 share awards[1].

Thomas Alm
Executive Vice President
Born 1949.
Joined Skanska in 1981.
Responsible in the Senior Executive Team for Skanska Latin America.
Shareholding in Skanska: 3,390 B shares of which 3,182 as part of SEOP[1] plus 17,687 share awards[1].

Tor Krusell
Executive Vice President
Human Resources
Born 1964.
Joined Skanska in 1998.
Responsible in the Senior Executive Team for Skanska Residential Development Nordic.
Shareholding in Skanska: 6,707 B shares of which 2,707 as part of SEOP[1] plus 13,497 share awards[1].

Claes Larsson
Executive Vice President
Born 1965.
Joined Skanska in 1990.
Responsible in the Senior Executive Team for Skanska Poland, Skanska Commercial Development Nordic, Skanska Commercial Development Europe and Skanska Infrastructure Development.
Shareholding in Skanska: 5,316 B shares of which 3,316 as part of SEOP[1] plus 14,271 share awards[1].

Hans Biörck
Executive Vice President,
Chief Financial Officer
Born 1951.
Joined Skanska in 2001.
Responsible in the Senior Executive Team for Skanska Czech Republic.
Shareholding in Skanska: 70,678 B shares of which 4,678 as part of SEOP[1] plus 23,591 share awards[1].

The above information is as of December 31, 2008.
1 See Note 37, "Compensation to senior executives and Board members"
2 Effective in January 2009

Presidents of business units

Geir Aarstad	Skanska Norway
Richard Cavallaro[1]	Skanska USA Civil
Anders Danielsson	Skanska Sweden
William Flemming[2]	Skanska USA Building
Juha Hetemäki	Skanska Finland
Richard Hultin	Skanska Commercial Development Europe
Anders Kupsu	Skanska Commercial Development Nordic
Hernán Morano	Skanska Latin America
Jonas Spangenberg	Skanska Residential Development Nordic
Dan Ťok	Skanska Czech Republic
Roman Wieczorek	Skanska Poland
Mats Williamson	Skanska UK
Anders Årling	Skanska Infrastructure Development

President of support unit

Magnus Paulsson	Skanska Financial Services

1 Effective in January 2009, succeeding Salvatore Mancini
2 Effective in January 2009, succeeding Michael McNally

Senior Vice Presidents, Group staff units

Thomas Alm	Risk Management
Tor Krusell	Human Resources
Karin Lepasoon	Communications
Anders Lilja	Controlling
Einar Lundgren	Legal Affairs
Mats Moberg	Reporting
Noel Morrin	Sustainability and Green Construction
Magnus Norrström	Information Technology (IT)
Staffan Schéle	Corporate Finance
Erik Skoglund	Internal Audit & Compliance
Pontus Winqvist	Investor Relations

Board of Directors

Sverker Martin-Löf
Chairman of the Board
Stockholm, born 1943
Elected 2001

Shareholding in Skanska:
8,000 B shares

Other Board assignments
- Svenska Cellulosa Aktiebolaget SCA, Chairman
- AB Industrivärden, Vice Chairman
- SSAB Svenskt Stål AB, Chairman
- Telefonaktiebolaget LM Ericsson, Vice Chairman
- Svenska Handelsbanken AB, Board member
- Confederation of Swedish Enterprise, Vice Chairman

Education
- MSc Engineering, Royal Institute of Technology, Stockholm
- Doctor of Technology, Royal Institute of Technology, Stockholm
- Honorary PhD, Mid-Sweden University, Sundsvall

Work experience
- Swedish Pulp and Paper Research Institute
- President, MoDo Chemetics
- Technical Director, Mo och Domsjö AB
- President, Sunds Defibrator AB
- President, Svenska Cellulosa Aktiebolaget SCA

Dependency relationship in accordance with Code of Corporate Governance
- Independent in relation to company and company management
- Dependent in relation to major shareholders

Jane F. Garvey
Executive Director, Infrastructure Advisory Group, JP Morgan, USA
Kennebunkport, Maine, USA, born 1944
Elected 2003

Shareholding in Skanska
0

Other Board assignments
- MITRE Corporation
- Sentient Jet, Inc
- Spectra Sensors, Inc
- Reveal Imaging (until June 2008)

Education
- Masters degree in U.S.

Work experience
- Director, Logan Airport, Boston, MA, U.S.A.
- Deputy Administrator Federal Highway Administration, U.S.A.
- Administrator of Federal Aviation Administration, U.S.A.
- Executive Vice President APCO Worldwide, U.S.A.

Dependency relationship in accordance with Code of Corporate Governance
- Independent in relation to company and company management
- Independent in relation to major shareholders

Finn Johnsson
Gothenburg, born 1946
Elected 1998

Shareholding in Skanska
13,850 B shares
(own and via related parties)

Other Board assignments
- AB Volvo, Chairman
- Thomas Concrete Group AB, Chairman
- Unomedical A/S, Chairman
- KappAhl AB, Chairman
- Luvata Oy, Chairman
- City Airline, Chairman
- EFG European Furniture Group AB, Chairman
- AB Industrivärden, Board member

Education
- MBA, Stockholm School of Economics

Work experience
- President, Tarkett AB
- Vice President, Stora AB
- President, Euroc AB
- President, United Distillers Ltd and Vice President, Guinness
- President, Mölnlycke Health Care AB

Dependency relationship in accordance with Code of Corporate Governance
- Independent in relation to company and company management
- Dependent in relation to major shareholders

Johan Karlström
President and CEO of Skanska AB
Stockholm, born 1957
Elected 2008

Shareholding in Skanska
88,504 B shares
of which 8,504 as part of SEOP[1]
plus 27,960 share awards[1]

Other Board assignments
- –

Education
- MSc Engineering, Royal Institute of Technology, Stockholm
- Advanced Management Program, Harvard, Boston, MA, USA

Work experience
- Regional Manager, Skanska Northern Sweden
- President, BPA (now Bravida)
- Executive Vice President, Skanska Nordic region
- Executive Vice President, Skanska USA

Dependency relationship in accordance with Code of Corporate Governance
- Dependent in relation to company and company management
- Independent in relation to major shareholders

Bengt Kjell
Executive Vice President
AB Industrivärden
Helsingborg, born 1954
Elected 2008

Shareholding in Skanska
0

Other Board assignments
- Indutrade AB, Chairman
- Kungsleden AB, Chairman
- Höganäs AB, Board member
- Munters AB, Board member
- Handelsbanken Södra, Board member
- Pandox AB, Board member
- Helsingborgs Dagblad, Board member

Education
- MBA, Stockholm School of Economics

Work experience
- Authorized public accountant, Yngve Lindells revisionsbyrå AB
- KG Knutsson AB ,CFO and Executive Vice President
- Senior Partner, Navet AB
- President Corporate Finance, Securum

Dependency relationship in accordance with Code of Corporate Governance
- Independent in relation to company and company management
- Dependent in relation to major shareholders

Sir Adrian Montague
United Kingdom, born 1948
Elected 2007

Shareholding in Skanska
0

Other Board assignments
- Friends Provident Plc, Chairman
- Michael Page International, Chairman
- CellMark Holdings AB, Director
- F&C Asset Management plc, Director
- London First, Director

Education
- Law Society Qualifying Exam Part II
- MA Law, Trinity Hall, Cambridge

Work experience
- Senior International Adviser, Société Générale
- Chief Executive, HM Treasury Taskforce
- Co-head, Global Project Finance, Dresdner Kleinwort Benson
- Head of Projects Group, Linklaters & Paines, Solicitors

Dependency relationship in accordance with Code of Corporate Governance
- Independent in relation to company and company management
- Independent in relation to major shareholders

Lars Pettersson
President, Sandvik AB
Sandviken, born 1954
Elected 2006

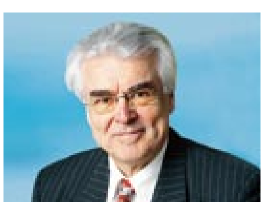
Shareholding in Skanska
2,000 B shares

Other Board assignments
- Sandvik AB, Board member
- Association of Swedish Engineering Industries, Board member

Education
- MSc Engineering Physics, Uppsala University
- Dr. (h.c.)

Work experience
- President, AB Sandvik Coromant
- President, Sandvik Tooling
- President, Sandvik Speciality Steels
- President, Sandvik AB

Dependency relationship in accordance with Code of Corporate Governance
- Independent in relation to company and company management
- Independent in relation to major shareholders



Matti Sundberg
Finland, born 1942
Elected 2007

Shareholding in Skanska
3,000 B shares

Other Board assignments
- Chempolis Oy, Chairman
- Boliden AB, Board member
- Skanskas Oy, Board member
- SSAB Svenskt Stål AB, Board member

Education
- Mining Counsellor
- M.Sc. (Econ.), Åbo Akademi University, Finland
- D.Sc. (Econ.) h.c., University of Vaasa, Finland
- Ph.D. h.c., University of Jyväskylä, Finland

Work experience
- Regional Director, Scania Northern European Region
- CEO, Metso Corporation (Valmet-Rauma Corporation)
- President, Ovako Steel AB

Dependency relationship in accordance with Code of Corporate Governance
- Independent in relation to company and company management
- Independent in relation to major shareholders

Richard Hörstedt
Helsingborg, born 1963
Swedish Building Workers' Union
Deputy Board member, appointed 2007

Shareholding in Skanska: 0

Inge Johansson
Concrete worker
Huddinge, born 1951
Swedish Building Workers' Union, appointed 1999

Shareholding in Skanska:
184 B shares as part of SEOP[1]

Jessica Karlsson
Gothenburg, born 1975
Industrial Workers' & Metal Workers' Union (IF Metall), appointed 2005
Deputy Board member

Shareholding in Skanska: 0

Roger Karlström
Härnösand, born 1949
Union for Service and Communication (SEKO), appointed 2008

Shareholding in Skanska:
199 B shares of which 159 as part of SEOP[1]

Ann-Christin Kutzner
Regional personnel manager
Malmö, born 1947
Unionen, appointed 2004
Deputy Board member

Shareholding in Skanska:
489 B shares of which 157 as part of SEOP[1]

Alf Svensson
Production manager
Sölvesborg, born 1960
Swedish Association of Supervisors (LEDARNA), appointed 2007

Shareholding in Skanska:
161 B shares as part of SEOP[1]

Auditors
KPMG AB, Auditor in charge: Caj Nackstad, Stockholm, born 1945, Authorized Public Accountant
Auditor for Skanska since 2001

1 See Note 37, "Compensation to senior executives and Board members"

Major contracts during 2008

1/9/2008

Skanska develops, builds and leases out new premises for detention facility in Sollentuna – construction project valued at about SEK 650 M

Skanska will be responsible for a total solution, including planning, construction, operation and maintenance of the new detention facility in Sollentuna, north of Stockholm. The construction project is valued at an estimated SEK 650 M and is being included in order bookings for the first quarter. A 25-year lease has been signed with Kriminalvården (Swedish Prison and Probation Service) for the new detention facility. The 23,600-square-meter facility will house 10 floors with 240 detention cells and an administration section.

1/17/2008

Skanska to expand British correctional facility for GBP 53 M, about SEK 680 M

Skanska has been awarded a contract for the design and construction of an expansion to the British HMP Dovegate training prison in Staffordshire, England. The contract amount is GBP 53 M, about SEK 680 M, which is included in order bookings for the first quarter of 2008. The customer is Serco, operator of the facility.

1/23/2008

First Skanska developed GreenBuilding

Skanska is contributing to reducing energy consumption and the climate impact of the buildings it develops. Project Hagaporten III in Solna, one of Stockholm's largest office projects, with 28,000 square meters of office space, has been approved for GreenBuilding status. This recognition requires that a building must have at least 25 percent lower energy consumption than the Swedish standards for newly constructed buildings. Skanska is also a partner in the European Commission GreenBuilding project.

2/5/2008

Skanska receives new environmental contract in New York for USD 554 M, about SEK 3.5 billion

Skanska has been awarded a project to construct a clean water treatment plant in Westchester County, New York. The contract amounts to USD 1.1 billion, about SEK 7 billion. Skanska's share, USD 554 M, approximately SEK 3.5 billion, will be included in order bookings for the first quarter 2008. The customer is the New York City Department of Environmental Protection.

2/8/2008

Skanska to construct hospital in Scotland for GBP 65 M, about SEK 820 M

Skanska has been contracted to carry out construction of the State Hospital in Carstairs, Scotland. The contract amount is GBP 65 M, about SEK 820 M, which is included in order bookings for the first quarter of 2008. The customer is the NHS Trust, the national healthcare authority in Scotland. The project comprises construction of a 19,000-square-meter hospital building and the rebuild of about 1,500 square meters of existing hospital facilities. The work also involves landscaping throughout the site.

2/11/2008

Skanska awarded office project in Norway for NOK 360 M, about SEK 425 M

Skanska has been commissioned to build an office and technology center in Asker, outside Oslo. The contract value is NOK 360 M, about SEK 425 M, which will be included in order bookings for the first quarter of 2008. The customer is Birger N Haug Holding AS, a Norwegian real estate company.

2/14/2008

Skanska builds hospital in Seattle for USD 114 M, about SEK 730 M

Skanska has been awarded the construction management contract for an addition to the Virginia Mason Medical Center in Seattle, Washington, in the US. The contract amounts to USD 114 M, about SEK 730 M, which is included in order bookings for the first quarter. The customer is the Virginia Mason Medical Center. The new 23,000-square-meter hospital building will include an emergency department as well as operating rooms and intensive care units. The project also involves a new lobby entrance, central utility plant and connections to the existing hospital adjacent to the addition.

3/4/2008

Skanska to build highway in Czech Republic for CZK 1 billion, about SEK 365 M

Skanska has secured a contract to build a stretch of highway in the Czech Republic. Skanska's contract amount totals CZK 1 billion, about SEK 365 M, which is included in order bookings for the first quarter. The customer is the Czech national highway administration. The project is being financed through the national Czech infrastructure fund.

3/7/2008

Skanska to expand refinery in Brazil for USD 150 M, about SEK 960 M

Skanska has secured a contract to build a hydrodesulphurization (HDS) unit at a refinery in Brazil. Skanska's contract amount totals USD 150 M, about SEK 960 M, which is included in order bookings for the first quarter. The customer is Refap, a consortium comprising the state-owned Brazilian oil company Petrobas and privately owned Spanish-Argentine Repsol YPF. This is Skanska's third project for Refap in the past four years.

4/7/2008

Skanska awarded highway contract in California for USD 68 M, about SEK 425 M

Skanska has been contracted to build a highway in California. The contract amounts to USD 68 M, about SEK 425 M, which is included in order bookings for the first quarter. The customer is the state department of transportation, CalTrans.

4/10/2008

Skanska to build major office center in London for GBP 150 M, about SEK 1.8 billion

Skanska has been contracted to build a large office building in the City of London.

For about SEK 1.8 billion, Skanska UK is constructing the St. Botolphs office and retail building in central London. The 14-story building, totaling 52,000 sq. m (560,000 sq. ft.) will be completed in 2010.

The 12-story Havneholm Tower will be a new landmark in central Copenhagen, Denmark. With about 18,500 sq. m. (199,000 sq. ft.) of leasable space, it will be completed in 2010.

The contract amount is GBP 150 M, about SEK 1.8 billion, which is included in order bookings for the second quarter. The customer is the British real estate development company Minerva.

4/17/2008

Skanska to build highway in Czech Republic for SEK 1 billion, CZK 3 billion

Skanska has been contracted to build a stretch of highway in the Czech Republic. The contract amount is CZK 3 billion, about SEK 1 billion, which is included in order bookings for the first quarter. The customer is the Czech highway administration. The project is being financed with support from the EU Cohesion Fund for infrastructure construction.

4/21/2008

Skanska secures GBP 88 M order, about SEK 1.1 billion, for yet another office project at PaddingtonCentral in London

Skanska has been assigned to construct another office building at PaddingtonCentral in London. The contract amounts to about GBP 88 M, approximately SEK 1.1 billion, which will be included in order bookings for the first quarter of 2008. The customer is Development Securities PLC.

5/9/2008

Skanska sells office property at Lindhagensterrassen in Stockholm for SEK 495 M, with a gain of about SEK 160 M

Skanska is selling the Gångaren 18 property in Stockholm for SEK 495 M to AFA Sjukförsäkringsaktiebolag. The capital gain amounts to about SEK 160 M and is being recognized in the second quarter of 2008. Occupancy is in June 2008.

5/28/2008

Skanska to expand British prison for GBP 52 M, about SEK 640 M

Skanska has been awarded a contract for the design and construction of an extension to the British HMP Lowdham Grange prison in Nottinghamshire in central England. The contract amount is GBP 52 M, about SEK 640 M, which is included in order bookings for the second quarter of 2008. The customer is Serco, which operates and manages the prison on behalf of HM Prison Service.

5/30/2008

Skanska to build hospital in Virginia for USD 53 M, about SEK 330 M

Skanska has been awarded the construction management contract for a hospital in Roanoke, Virginia. The contract amount is USD 53 M, about SEK 330 M, which is included in order bookings for the second quarter. The customer is Carilion Health Systems.

5/30/2008

Skanska developing new landmark in Copenhagen – investing SEK 650 M

Skanska is developing and constructing the new Havneholmen Tower office property in central Copenhagen. The office project, comprising about 18,500 square meters, is scheduled to be completed at mid-year 2010. Skanska's investment amounts to approximately SEK 650 M.

6/10/2008

Skanska to build new highway bridge in Gothenburg for SEK 1.1 billion

Skanska has been contracted to build the Partihall interchange in Gothenburg. The contract amount is SEK 1,125 M and is included in order bookings for the second quarter. The customer is the Swedish Road Administration, Western Region.

6/11/2008

Skanska awarded another additional order at environmental project in New York for USD 431 M, about SEK 2.7 billion

Skanska was awarded a third order for upgrading of the Newtown Creek wastewater treatment facility in New York. The total contract amounts to USD 594 M, about SEK 3.65 billion, and Skanska's share is 72.5 percent corresponding to USD 431 M, SEK 2.7 billion, which is included in order bookings for the second quarter. The customer is the New York City Department of Environmental Protection.

6/16/2008

Skanska to build children's hospital in Memphis, Tennessee, for USD 146 M, about SEK 900 M

Skanska has been awarded the construction management assignment for a children's hospital in Memphis, Tennessee. The contract amount is USD 146 M, about SEK 900 M, which is included in order bookings for the second quarter. The customer is Le Bonheur Children's Medical Center.

6/26/2008

Skanska secures railway assignment in Czech Republic worth SEK 835 M

Skanska has been commissioned to rebuild a section of railway in the Czech Republic. Skanska's contract amounts to CZK 2.26 billion, approximately SEK 835 M, which will be included in orders booked during the second quarter.

7/1/2008

Skanska to build business center in Slovakia for SKK 1.1 billion, about SEK 330 M

Skanska has been awarded the construction of a new administrative building and Cassovar Business Center in Košice in Slovakia. The contract amount is SKK 1.1 billion, about SEK 330 M, and is included in order bookings for the second quarter. The customer is Cassovar Business Center a.s.

7/1/2008

Skanska wins water treatment project in Florida for USD 93 M, about SEK 570 M

Skanska has been awarded a contract to upgrade the South District Wastewater Treatment Plant in Miami, Florida. The contract amount is USD 93 M, about SEK 570 M, which is included in order bookings for the second quarter 2008. The customer is Miami-Dade County.

7/2/2008

Skanska to renovate a road in Poland for PLN 279 M, approximately SEK 750 M

Skanska has been contracted to renovate a section of the National Road No. 4 in southern Poland. Skanska's contract amounts to PLN 279 M, about SEK 750 M, which has been included in orders bookings for the second quarter.

7/10/2008

Skanska appointed preferred bidder to develop M25 highway around London within the PFI program

Skanska can confirm it has today, as part of the Connect Plus consortium of which the company has a 40 percent stake along with its partners, Balfour Beatty (40 percent), Atkins (10 percent) and Egis (10 percent) formally been appointed preferred bidder for the development of the M25 highway around London. This release follows the announcement made on May 8, 2008 by the British Highways Agency that the consortium had been appointed provisional preferred bidder.

7/18/2008

Skanska to build section of highway in Slovakia for SKK 1.9 billion, SEK 550 M

Skanska has been contracted to construct the first phase of the D1 road between Sverepec and Vrtižer in Slovakia. Skanska's share of the contract amount totals SKK 1.9 billion, about SEK 550 M, which will be included in order bookings for the third quarter.

7/25/2008

Skanska to build hospital in Tennessee for USD 75 M, about SEK 460 M

Skanska has been awarded the construction management assignment for a new hospital in Johnson City, Tennessee. The contract amount is USD 75 M, about SEK 460 M, which is included in order bookings for the third quarter. The customer is Franklin Woods Community Hospital.

7/25/2008

Skanska to build headquarters in Pennsylvania for pharmaceutical services company worth USD 78.5 M, about SEK 480 M

Skanska has won a contract for the construction management of the new North American headquarters for Almac Group, the pharmaceutical-services company. The contract amount is USD 78.5 M, about SEK 480 M, which is included in order bookings for the third quarter.

8/6/2008

Skanska awarded road project in Wroclaw for PLN 257.6 M, about SEK 700 M

Skanska has been awarded a contract for construction of the stretch of the North Wroclaw Bypass in Poland. Skanska's contract amounts to PLN 257.6 M, about SEK 700 M, which has been included in order bookings for the third quarter. The client is the Municipality of Wroclaw.

8/6/2008

Skanska to build sports center in Poland for PLN 141.4 M, about SEK 390 M

Skanska has been contracted to construct a recreation and sports center in Zielona Gora, Poland. Skanska's contract amounts to PLN 141.4 M, about SEK 390 M, which has been included in order bookings for the third quarter.

8/11/2008

Skanska awarded contract in U.K. by BT worth GBP 76.5 M, about SEK 925 M

Skanska has been awarded a contract by BT's Openreach division for the recovery of redundant underground cables from within the North and Scotland Regions of the Openreach Network. The contract is valued at around a total of GBP 76.5 M, about SEK 925 M, and GBP 25.5 M, about SEK 310 M, will be included in Skanska's order bookings for the third quarter.

8/26/2008

Skanska to build bridge in U.S. for USD 150 M, about SEK 915 M

Skanska has secured a design-build contract for a bridge in Delaware in the U.S. The contract amounts to USD 150 M, about SEK 915 M, which is included in order bookings for the third quarter. The customer is the Delaware Department of Transportation.

9/11/2008

Skanska to build retail center with an environmental profile in Oslo for SEK 560 M, NOK 475 M

Skanska has been commissioned to expand the Lambertseter shopping center in Oslo. The contract is worth NOK 475 M, approximately SEK 560 M, which will be included in order bookings for the third quarter. The client is the real estate company OBOS Foretningsbygg AS.

9/16/2008

Skanska to build detention center in U.S. for USD 146.9 M, about SEK 900 M

Skanska has been named construction manager for the expansion of a detention center in Raleigh, North Carolina, in the U.S. The contract amount is USD

146.9 M, about SEK 900 M, which will be included in the order bookings for the third quarter. The customer is the Wake County correctional authority.

9/26/2008

Skanska sells ongoing office project in Warsaw for EUR 115 M, about SEK 1.1 billion, with capital gain of EUR 37 M, about SEK 350 M

Skanska is selling the ongoing commercial development project Atrium City in Warsaw for EUR 115 M, about SEK 1.1 billion, to the German investment fund DEKA. The capital gain is EUR 37 M, about SEK 350 M, and will be reported in the quarterly reports as from the third quarter of 2008 and thereafter as the project completion progresses. By year-end 2008, the project is scheduled to be 70 percent completed.

9/29/2008

Skanska to build ring road in Czech Republic for SEK 360 M, CZK 960 M

Skanska has been contracted to construct a section of the new ring road around Prague in the Czech Republic. Skanska's share of the contract amount totals CZK 960 M, about SEK 360 M, which has been included in orders bookings for the third quarter.

10/1/2008

Skanska to build hospital in Michigan for USD 56 M, SEK 340 M

Skanska has been awarded the construction management and design-build contract for the William Beaumont Hospital project in Troy, Michigan. The contract amount for Skanska is USD 56 M, SEK 340 M, and will be included in order bookings for the third quarter. The customer is William Beaumont Hospital.

10/1/2008

Skanska to build highway in Czech Republic for SEK 890 M, CZK 2.35 billion

Skanska has been contracted to construct a new section of the R49 highway connecting eastern parts of the Czech Republic with Slovakia. Skanska's share of the contract amount totals CZK 2.35 billion, about SEK 890 M, which has been included in orders bookings for the third quarter.

10/10/2008

Skanska's contract for tunnel through Halandsås increased by SEK 600 M

The Skanska-led consortium Skanska-Vinci HB's contract to construct the dual-track railway tunnel through Hallandsås, southern Sweden, has been increased. Skanska's share of the increased contract amounts to SEK 600 M, which is included in order bookings for the fourth quarter. The customer is Banverket (the Swedish Railway Administration).

10/20/2008

Skanska to build energy-efficient data center in U.S. for USD 150 M, about SEK 930 M

Skanska has been awarded the construction management assignment for a new data center project in the western U.S. The customer is one of the largest companies in Internet trading. The contract amount is USD 150 M, about SEK 930 M, which will be included in order bookings for the third quarter.

10/23/2008

Skanska secures two road projects in Poland valued at SEK 960 M

Skanska has secured two road projects in the southwestern Poland valued at SEK 960 M. The contracts cover one bypass worth PLN 185.8 M, or SEK 510 M, and another bypass valued at PLN 164.4 M, or SEK 450 M. Both contracts are included in order bookings for the fourth quarter. The customer is the Polish General Directorate for Public Roads and Motorways, Katowice Branch.

10/24/2008

Skanska awarded airport contract in Poland for SEK 570 M

Skanska has been contracted to upgrade the runways at an airport in Poland. The contract amounts to PLN 205.9 M, about SEK 570 M, which is included in order bookings for the fourth quarter. The customer is the 17 Local Airfield Branch in Gdansk.

A 1947 aircraft hangar will soon be a 3-story retail space at 45,000 sq. m (484,000 sq. ft.) Bromma Center.

10/29/2008

Skanska to expand Bromma Center shopping mall at SEK 700 M

Skanska has been contracted to construct the second phase of the Bromma Center shopping mall in western Stockholm. The contract amounts to SEK 700 M, which is included in order bookings for the fourth quarter. The customer is KF Fastigheter.

12/19/2008

Skanska to build foundation for transit hub in New York for USD 70 M, about SEK 560 M

Skanska has been contracted to construct the foundation for the Fulton Street Transit Center in Lower Manhattan in New York. The contract amounts to USD 70 M, about SEK 560 M, which is included in order bookings for the fourth quarter. The customer is the New York City Transit Authority.

Definitions and abbreviations

Average capital employed – Calculated on the basis of five measuring points: half of capital employed on January 1 plus capital employed at the end of the first, second and third quarters plus half of capital employed at year-end, divided by four.

Average visible equity – Calculated on the basis of five measuring points: half of equity attributable to equity holders (shareholders) on January 1 plus equity attributable to equity holders at the end of the first, second and third quarters plus half of equity attributable to equity holders at year-end, divided by four.

Capital employed in business streams, markets and business/reporting units – Total assets minus tax assets and deposits in Skanska's treasury unit minus non-interest-bearing liabilities minus provisions for taxes and tax liabilities.

Consolidated capital employed – Total assets minus non-interest-bearing liabilities.

Consolidated operating cash flow – In the consolidated operating cash flow statement, which includes taxes paid, investments are recognized both in cash flow from business operations and in cash flow from strategic investments. See also Note 35.

Consolidated return on capital employed –Operating income plus financial income as a percentage of average capital employed.

Debt/equity ratio – Interest-bearing net debt divided by visible equity including minority interest.

Earnings per share after repurchases – Profit for the year attributable to equity holders divided by the average number of shares outstanding after repurchases.

Earnings per share after repurchases and dilution – Profit for the year attributable to equity holders divided by the average number of shares outstanding after repurchases and dilution.

Equity/assets ratio – Visible equity including minority interest as a percentage of total assets.

Equity per share – Visible equity attributable to equity holders divided by the number of shares outstanding after repurchases at year-end.

EU GreenBuilding – A European Union system for environmental certification of buildings. To meet the requirement for EU GreenBuilding classification, a building's energy use must be at least 25 percent lower than the national standard for newly constructed buildings (in Sweden, set by the National Board of Housing, Building and Planning).

GDP – Gross domestic product

Interest-bearing net receivable – Interest-bearing assets minus interest-bearing liabilities.

Interest cover – Operating income and financial income plus depreciation/amortization divided by net interest items.

LEED – Leadership in Energy and Environmental Development is an international system for environmental certification of buildings. Resource use, as well as the location, design and indoor climate of the building as well as minimization of energy consumption and waste provide the basis for LEED classification.

Net working capital – Net non-interest-bearing receivables and liabilities including taxes.

Operating cash flow – Cash flow from operations before taxes and before financial activities. See also Note 35.

Operating net on properties – Rental income and interest subsidies minus operating, maintenance and administrative expenses as well as real estate tax. Site leasehold rent is included in operating expenses.

ORA – Operational Risk Assessment (Skanska's risk management model)

Order backlog – Contracting assignments: The difference between order bookings for the period and accrued revenue (accrued project costs plus accrued project income adjusted for loss provisions) plus order backlog at the beginning of the period. Services: The difference between order bookings and accrued revenue plus order backlog at the beginning of the period.

Order bookings – Contracting assignments: Upon written order confirmation or signed contract. Also includes orders from Residential Development and Commercial Development.

Services: For fixed-price assignments, upon signing of contract. For cost-plus assignments, order bookings coincide with revenue.

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

PFI – Private Finance Initiative (privately financed infrastructure projects, used in the U.K.)

PPP – Public-Private Partnership (privately financed infrastructure projects)

Return on capital employed in business streams, markets and business/reporting units – Operating income plus financial income minus interest income from Skanska's treasury unit and other financial items as a percentage of average capital employed.

Return on equity – Profit attributable to equity holders as a percentage of average visible equity attributable to equity holders.

SEOP – Skanska Employee Ownership Program

SET – Senior Executive Team (Skanska's corporate management team)

SFS – Skanska Financial Services

STAP – Skanska Tender Approval Procedure

STEP – Skanska Top Executive Program

Yield on properties – Operating net divided by year-end carrying amount.

More information about Skanska

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:

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SE-120 88 Stockholm, Sweden
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Fax: +46 8 449 88 10
E-mail: worldwide@strd.se

thehub

The Hub

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

More information about Skanska's business streams

Further information about Skanska's Residential Development and Commercial Development business streams is available on Skanska's website, www.skanska.com/investors. The reports can also be ordered from Skanska AB, Investor Relations.

One of London's tallest buildings

Construction of Heron Tower in London began in 2008. When completed in 2011, it will be one of the tallest buildings in the British capital. The customer, Heron Tower Property Unit Trust, chose Skanska to be responsible for all construction services from start to finish.

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Annual Shareholders' Meeting

The Annual Shareholders' Meeting of Skanska AB will be held at 4:00 p.m. on April 6, 2009 at Berwaldhallen concert hall, Dag Hammarskjölds väg 3 (formerly Strandvägen 69), Sweden.

Notification and registration

Shareholders who wish to participate in the Annual Meeting must be listed in the print-out of the register of shareholders maintained by Euroclear Sweden AB (formerly VPC AB), the Swedish central securities depository and clearing organization, produced on March 31, 2009 and must notify Skanska no later than 12 noon on March 31, 2009 of their intention to participate in the Meeting.

Shareholders whose shares have been registered in the name of a trustee must have requested temporary reregistration in their own name in the register of shareholders maintained by Euroclear Sweden AB as of March 31, 2009 to be entitled to participate in the Meeting. Such re-registration should be requested well in advance of March 31, 2009 from the bank or brokerage house holding the shares in trust. Notification may be sent in writing to:

Skanska AB, Legal Affairs, SE-169 83 Solna, Sweden;
by telephone to +46 8 753 88 14 (10 a.m.–4 p.m. CET);
by fax to +46 8 753 37 52;
or on the website www.skanska.com/investors

The notification must state the shareholder's name, national registration or corporate ID number, address and telephone number. If participation is authorized by proxy, this must be sent to the Company before the Meeting. Shareholders who have duly notified the Company of their participation will receive an admittance card, which should be brought and shown at the entrance to the Meeting venue.

Dividend

The Board of Directors proposes a dividend of SEK 5.25 per share. The Board proposes April 9, 2009 as the record date to qualify for the dividend. Provided that the Meeting approves this proposal, the dividend is expected to be mailed by Euroclear Sweden AB on April 16, 2009.

Calendar

The Skanska Group's interim reports for 2009 will be published on the following dates:

Three Month Report
May 6, 2009

Six Month Report
July 23, 2009

Nine Month Report
November 5, 2009

Year-end Report
February 5, 2010

The quarterly reports will be available via Skanska's website: www.skanska.com/investors, and can also be ordered from Skanska AB, Investor Relations.

If you have questions, please contact:
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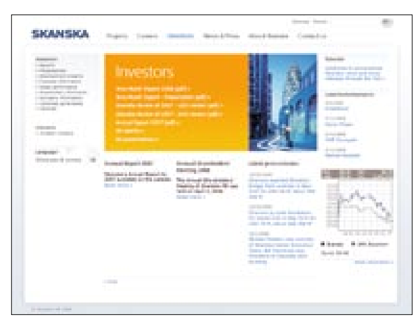
More information about the Skanska Group is available at: www.skanska.com



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