A black and white photograph of a young boy with short hair, wearing a light-colored jacket over a collared shirt. He is leaning forward, smiling slightly, and holding a vertical wooden block. He is in the process of building a structure with other wooden blocks. The background is a plain, light-colored wall.

ANNUAL REPORT
1998



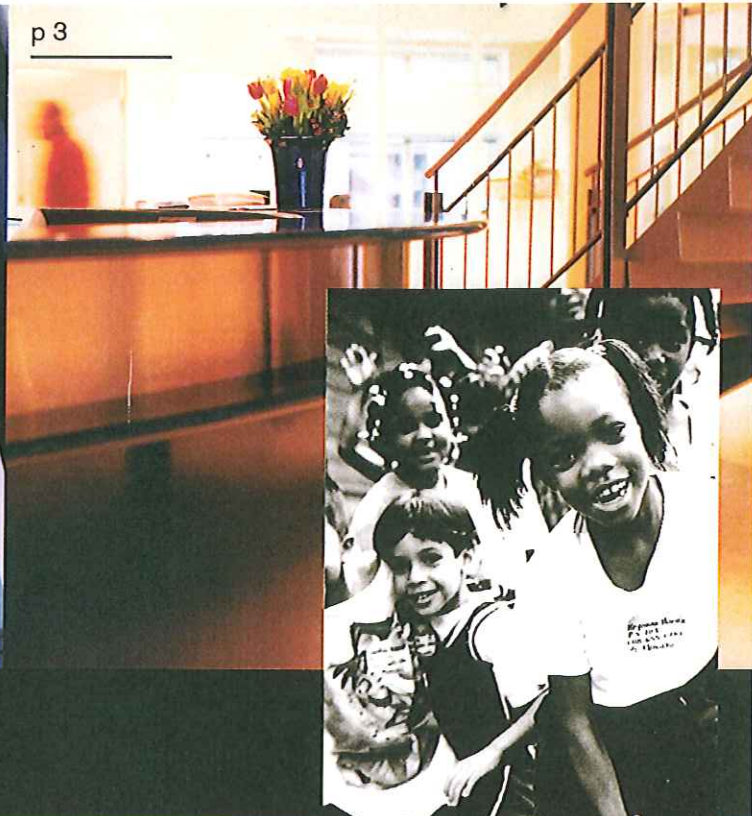
SKANSKA ANNUAL REPORT 1998

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The big challenge facing Skanska is to improve the living environment of future generations by building good homes, workplaces and infrastructure. To provide value-added and improve the conditions under which we live, work, travel and meet. To care about people and be part of their everyday lives. Both when they are serious and at play. Whether they are big or small.



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Public Company (publ.)

– Registered office of the Board of Directors: Malmö

– Swedish corporate identity number 556000-4615

THE YEAR IN BRIEF

- Order bookings rose by 36 percent to SEK 80,150 M (58,950)
- Operating income rose to SEK 4,376 M (796)
- Income after financial items totaled SEK 4,825 M (10,112)
- Net profit per share amounted to SEK 24.40 (59.40)
- The distribution of Drott meant that a property portfolio with a book value of SEK 5 billion and an estimated market value of SEK 10 billion was transferred to Skanska's shareholders
- Proposed regular dividend of SEK 12.00 (11.00) per share

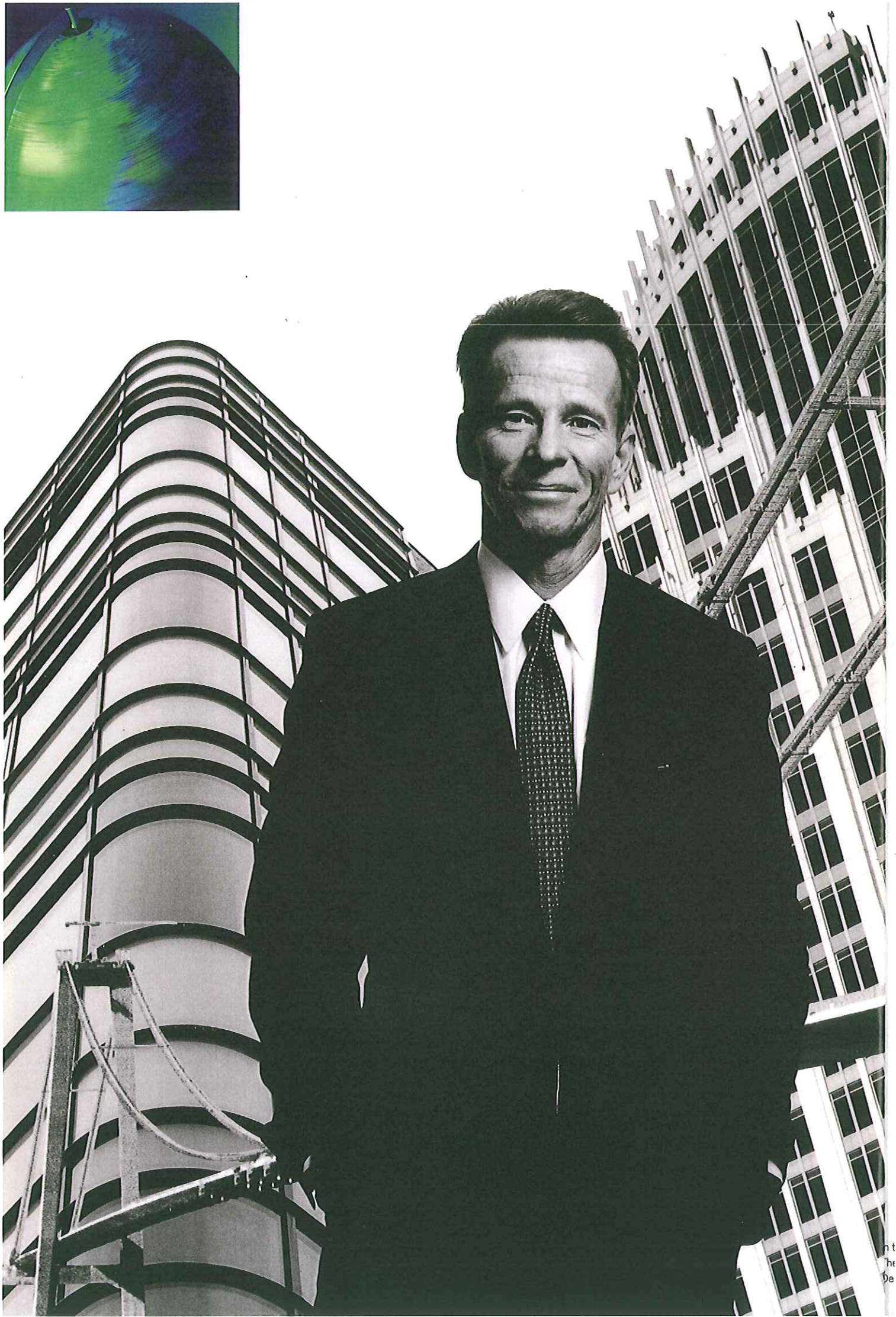
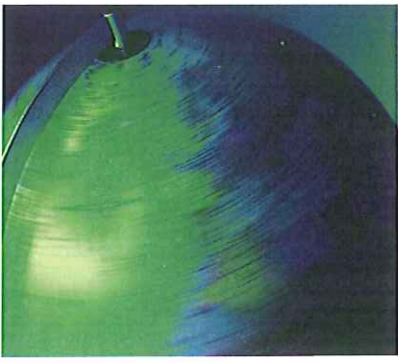
FINANCIAL HIGHLIGHTS

	1998	1997 ¹⁾
Net sales, SEK M	63,935	49,577
of which, Sweden, %	32	38
Operating income, SEK M	4,376	796
Net profit for the year, SEK M	2,782	7,126
Return on capital employed, %	27.0	54.3
Return on equity, %	22.0	64.4
Net profit per share, SEK	24.40	59.40
Dividend per share, SEK	12.00 ²⁾	11.00

¹⁾ Pro forma: comparative figures adjusted to reflect the distribution of Drott and the reclassification of JM to an associated company.

²⁾ Proposed by the Board of Directors.





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The Skanska Group is firmly committed to its vision of becoming a world leader – the client's first choice – in construction-related services and project development. Skanska shall be a competent and competitive partner during all stages of a project's life cycle, while expanding its local and international market presence. In light of this, the Group's performance during 1998, and in the early months of 1999, was positive.



Skanska carefully restored the historically valuable Holbergsgade property in Copenhagen, Denmark. This prize-winning project attracted extensive publicity and recognition.

COMMENTS BY THE PRESIDENT AND CEO MAKING SKANSKA A WORLD LEADER

GROWTH

The Skanska Group's rapid growth is continuing.

During 1998, net sales rose by 29 percent to SEK 64 billion. On average, they have risen by around 19 percent annually over the past five years. Organic growth accounts for most of the increase, while the effect of acquisitions, which are an important element of Skanska's strategy, obviously also contribute strongly.

It is thus fair to say that Skanska is a growth company.

In recent years, most of our growth has been related to directly negotiated contracts, which is the normal form of contract in our American building construction operations as well as in project development work and project contracts in fields where we have long experience and special competence. Today about 70 percent of our order backlog consists of this type of assignments. For this reason, in my judgment the risk exposure in our existing order backlog is limited.

INTERNATIONALIZATION

Internationalization has been an indispensable element of Skanska's growth in recent years. Meanwhile, being less dependent on individual markets helps reduce the risks in our operations as a whole. Five years ago, markets outside Sweden accounted for 34 percent of our sales. In 1998, the figure was 68 percent and more than 70 percent of our order bookings came from markets outside Sweden.

In other words, our deliberate effort to broaden Skanska's geographic market base is yielding results.

EARNINGS AND PROFITABILITY

Growth is important, both to meet the shareholders' need for a return on their investment and to enable our employees to

hone their skills through new assignments. However, growth must not be generated at the expense of lower profitability – whether it concerns new projects and contracts in Skanska's existing operations or acquisitions.

During 1998, the overall trend of earnings in our business operations was positive. Construction service-producing units improved their total operating margins. In project development and property management, where changes in the portfolio make it difficult to compare periods, the underlying trend was also positive.

Adjusted for capital gains from share divestments and for items affecting comparability, the Group's return on capital employed was more than 18 percent, a level that I consider satisfactory.

PROJECT DEVELOPMENT

Good demand for office and other commercial space in the major metropolitan regions of Sweden and abroad that we focus on created favorable conditions for the development of new projects during 1998.

It is, of course, also a matter of continually divesting completed projects and thereby constantly reaping our accrued development gains. In this respect, too, the level of activity has been very high in recent years. During the period 1996–1998, we sold SEK 7 billion worth of fully developed investment properties, realizing capital gains totaling more than SEK 2 billion.

Over the same three years, we invested nearly SEK 4 billion in new projects of a similar kind. We currently have a number of such projects under construction, both in Sweden and abroad. Our total investment in these projects will be about SEK 3 billion. With projected yields on book value of more than 9 percent, I believe there is very good potential profitability in these projects.

THE VALUE CHAIN

Skanska's mission is to provide functional, attractive and cost-effective solutions based on the collective competence of the Group in all phases of the construction process. We usually speak of the value chain in the construction process. In this respect, Skanska is in a leading position today. There are, however, fields where our business operations have not yet had time to develop but which are of interest to the continued growth of the Group. To enter these fields, as well as expand into new geographic markets, we will need to acquire companies. These are among the investments for which we will use the funds we are freeing up through the divestment of non-core assets.

DIVESTING NON-CORE ASSETS

During 1998 we sold the Group's remaining shares in Sandvik, the Swedish-based metals company, as well as the Group's timberland assets and related businesses. Now only two shareholdings of significance remain on the phase-out list that we established a year ago – our shareholdings in Scancem and in the Swedish-based bearings group SKF.

SCANCEM

As for Scancem, the well-publicized case before the European Commission made it impossible for us to divest our shareholding in the company during 1998. The Commission questioned both Scancem's position in the Nordic cement market and Skanska's ownership role in Scancem from a competition point of view.

Scancem was established in 1995 through a merger of the cement operations of the Swedish-based Euroc and the Norwegian-based Aker industrial groups. For various reasons, this transaction was not formally submitted to the Commission for approval. In retrospect, this was clearly unfortunate.

After a complicated process, Skanska reached a settlement with the Commission in November 1998. Our decision to seek a settlement, rather than to begin a long, drawn-out legal process with an uncertain outcome, was fundamentally based on two decisive factors – to secure the legality of Scancem and to avoid a decline in the value of this company. Together with the other principal owner of Scancem – Aker RGI – we have now begun a process of phasing out our respective shareholdings in Scancem. In doing so, we will also take steps to ensure that the other shareholders in Scancem are offered the opportunity to sell their shares in the company on the same terms. We expect to be able to complete this process with good results.

COMPONENT COMPANIES

There are very large growth prospects in our core business of construction-related services and project development. They will require full management focus to be realized. The Board has therefore decided in principle to start a process to divest our interests in the building component companies that are part of Skanska Europe. In recent years, these companies have undergone restructuring. Today they are well positioned in their respective industries. In a structured process, we intend to find new owners for these companies over the next few years.

DISTRIBUTION OF DROTT

The distribution to our shareholders of the subsidiary Drott, including properties with an estimated market value of SEK 10 billion, was implemented as planned in September 1998. Together with the share redemption that Skanska carried out in 1997, about SEK 15 billion was thus transferred to Skanska's shareholders in various forms during 1997 and 1998, not counting regular dividends.

SKANSKA'S STAKE IN JM

During 1998, we evaluated our stake in JM. As a result of this process, we decided to remain the principal shareholder in this company. Our decision was based on the fact that the operations of Skanska and JM are very closely related and our assessment that the value of our investment in JM has the potential for positive growth. At the

same time, there has been a need to more clearly emphasize JM's position as an independent company. We achieved this by reclassifying some of our Series A shares in JM to Series B shares, after which JM is no longer a subsidiary of Skanska.

STRONGER POSITION IN SWEDEN

Construction investments in Sweden rose during 1998, but it is apparent that this growth is strongly concentrated in the three largest metropolitan regions and certain other cities.

The organizational changes we have implemented in Skanska Sweden should be seen against this backdrop. With an increased focus on growth regions and greater investments in building rights for future project development, in my judgment we are well positioned for good growth and improved profitability in our Swedish operations.

ORGANIZATION AND EMPLOYEES

Our markets and the prospects for the Group's various business operations are constantly changing. To hold our own in the competition, we not only need to be sensitive to changes in the world around us, but also flexible and open to adjustments in our own organization.

Our new organizational structure, with four geographic and product-focused business areas, was put in place last year and is working well. Restructuring measures have also been implemented within each business area.

I know that this process of change, as well as the strong media interest that Skanska attracted in Sweden during 1998, placed heavy demands on both our organization and individual employees. I want to thank everyone at Skanska for their outstanding contributions and the loyalty they showed during 1998.

ENVIRONMENTAL GOALS

The clean-up work following the toxic leak at the Halland Ridge project in the autumn of 1997 progressed as planned during 1998. In the opinion of outside experts monitoring the project, it has been successful. This accident provided an important signal about the need to strengthen the environmental expertise of the Group. We are sticking to our goal of introducing environmental manage-

ment systems in all Group operations before the end of 1999 and obtaining environmental certification of all units by the year 2000. The task of realizing these goals has high priority.

CHANGES OF OWNERSHIP

Last autumn, the investment company Industrivärden and the home furnishings company Inter IKEA acquired all of Custos' shares in Skanska and thus became the largest and second-largest shareholders in Skanska, respectively, in terms of voting power. In my judgment, we now have the stability and long-term perspective in our ownership structure that we need for the continued implementation of our strategy, which our principal owners as well as the Board of Directors fully support.

FUTURE PROSPECTS

Our order backlog totaled more than SEK 68 billion at the close of 1998, and order bookings during the first months of 1999 have been good. We also have a number of attractive development projects in our planning portfolio.

Given a visible equity/assets ratio of nearly 31 percent, net indebtedness of less than SEK 2 billion and with surplus value in both our property portfolio and our remaining stock portfolio, the Group still has a very strong financial base for the further development of its core businesses.

Early in 1999, we expanded our international market base further through the ongoing acquisitions of Karl Steiner, leading builder and project developer in Switzerland with operations also in France and in the Middle and Far East, and of SADE, a leading construction services company based in Argentina with operations in several Latin American countries.

To summarize, I therefore have a very positive view of Skanska's growth potential during 1999 and the next few years.



CLAES BJÖRK
President and Chief Executive Officer



Skanska's core operations are in the fields of construction-related services and project development. Based on client and end user requirements in terms of function, efficiency and aesthetics, and by deploying the Group's collective competence, Skanska's mission is to offer sophisticated services in all stages of the construction process as well as during the entire service life of a structure.

MISSION, GOALS AND STRATEGY

SUCCESS FACTORS

GOAL AND FOCUS OF OPERATIONS

Skanska's goal is to be a world leader – the first choice of clients – in the fields of construction-related services and project development. Skanska shall plan and build functionally, efficiently and appealingly designed projects on behalf of its clients and for the benefit of end users.

FINANCIAL TARGETS

Skanska's targets are an annual growth in net sales and operating income averaging 12 percent over time and an average annual return on adjusted shareholders' equity of 15 percent over an economic cycle. Its interest cover ratio shall always be at least four.

THE VALUE CHAIN

Based on its market know-how, technical expertise and financial resources, the Skanska Group can successfully operate throughout the value chain of the construction process, which includes all activities during the entire life cycle of a structure. Skanska not only takes responsibility for the actual construction phase, but increasingly often also assumes responsible for the concept and planning phase of a project and for management and further development after completion.

To a growing extent, clients are prioritizing functionality, flexibility, aesthetic aspects and an environmental life cycle approach when they make financial assessments. This increases the potential for Skanska to let clients benefit from its expertise from the conceptual stage of a structure to its service life.

GROWTH STRATEGY

Skanska's growth strategy is to continue its internationalization and to provide services throughout the value chain.

North American operations will continue to expand both by means of organic growth and acquisitions. In Latin America, too,

there are markets of potential interest.

In the Swedish market, Skanska is focusing its resources and marketing efforts on those markets and regions with the strongest growth opportunities.

Elsewhere in Europe, Skanska is continuing the task of strengthening its position in Finland and Denmark while also becoming a leading local player in new markets with growth potential. An examples of the latter is Skanska's expansion in Central European markets over the past few years.

ACQUISITIONS OPEN UP GROWTH POTENTIAL

In recent years, Skanska has acquired a number of construction companies in different countries. Essential criteria for such acquisition decisions are that the company has good management and a strong position in its market, as well as growth potential in the organization and its operations. Backed both by Skanska's financial resources and the collective competence of the Group in other respects, acquired companies have normally been able to substantially accelerate their growth and increase their profitability. The numerous acquisitions by Skanska USA are good examples of the application of this strategy.

FOCUS ON CLIENT BENEFIT

One important element of Skanska's strategy is an increased emphasis on client benefit in its various contracts. This means that in close dialogue with clients, while focusing on the needs of end users, Skanska can propose various solutions in which functional, environmental and aesthetic aspects are weighed together with more traditional construction engineering and financial factors. In its dialogue with the client, Skanska can also explain the impact that various solutions would have in the short and long term.

CLIENTS AND MARKET TRENDS

Looking at building construction in the broad sense, Skanska's clients are primarily in the private business sector – especially companies engaged in manufacturing and services, commerce, distribution and real estate. Skanska's contracts for the public sector consist primarily of buildings for medical care, education and administration.

In the civil construction field, public-sector assignments predominate, although there is a growing interest in and supply of infrastructure projects with private financing.

One consistent characteristic of Skanska's markets is that clients are placing a growing emphasis on environmental and societal issues in a broad sense. Projects are not viewed as isolated phenomena but are also assessed in terms of how they blend in and influence their surroundings. This places greater demands on Skanska in the development and implementation of new projects. At the same time, it opens up new business opportunities in which Skanska offers a broad base of expertise, experience and resources.

Another phenomenon of emerging importance is a growing interest in creating new mechanisms of collaboration that alter the traditional role allocation between client and contractor. This applies both to financing issues and the responsibility for a project's design, implementation and use. This trend, which fits in well with Skanska's emphasis on the entire value chain, is especially apparent in the United States and is also becoming more common in Europe.

COMMUNICATIONS

Openness, speed, good planning, reliability and ethics shall characterize Skanska's internal and external communications.

Good communications shall be an indispensable element of the Skanska brand name. Managers in different positions are

THE VALUE CHAIN

Skanska's business units work primarily in the construction and service life phases of projects. This means that Skanska develops and builds projects, provides maintenance and other services, sells building components and leases out commercial space and other buildings. To ensure that it has the expertise required to perform these business roles, Skanska invests in a knowledge of three phases: Concept/planning, construction and service life. Skanska's know-how and experience of the entire life cycle of a structure increases its ability to respond in the best way to customer needs in all the practical business roles that the Group's units perform.



"Flexibility was a key word for us throughout the planning stage. Our whole working method is flexible, with continuously new constellations of employees and teams. Our premises have to fit that working method."

Freddy Röhde-Nielsen, who served as Nokia's project manager, is very pleased with the new building that Skanska Real Estate Stockholm built for the Swedish subsidiary of the Finnish-based telecommunications group in Kista outside central Stockholm. Nokia has leased the building from Skanska for the next ten years.

"At Nokia, we had ideas. The architects and interior designers had ideas. Skanska had ideas too, but they were also good at listening and transforming everyone's ideas into practical plans – as well as at stopping excessively unrealistic proposals in time. In this way, they were a very good, important partner even in the planning stage.

"Considering that construction was going to take place at record speed – eight months – it was also very important for it to be 'right the first time,'" Mr. Röhde-Nielsen emphasized. Now that the building is completed and the company has moved in, he adds that Nokia got what it wanted – a flexible and pleasant office building.

"It turned out right! Not only the initial process but also the final product!"



"We stayed within budget, it was finished earlier than planned and the quality was what we expected." This is how Nancy Win-Alderson summarizes her assessment of how Skanska Sordoni performed a key construction project for Pfizer, a large, well-known American pharmaceuticals company. An existing research and laboratory building had to be renovated and extended – literally from top to bottom.

"The schedule was tight and the budget was limited. Meanwhile, as always in the pharmaceuticals industry, the quality requirements were tough and demanding," continues Ms. Win-Alderson, top manager of the project for Pfizer.

"We got what we asked for. The team from Sordoni Skanska was always available and gave us 100 percent – they were fast, flexible and un-bureaucratic. Most importantly, they understood our needs as users. They worked overtime and weekends – whatever it took to get the job done. The end users, who have now started working at our new research facility, are pleased."

(The photo was taken in a different laboratory.)



"The acoustics have to be perfect! Otherwise the whole building is a waste of money."

Headmaster Ilma Pokkinen is very firm – and today very happy. Even the old gymnasium, which was transformed into a chamber music hall for 175 listeners and which still has its large windows, is praised by visiting performers for good acoustics. It is also beautiful and elegant, Ilma Pokkinen declares with satisfaction.

The St. Michel music school building in eastern Finland was originally constructed as a police station in the functional style during the 1960s. It has attracted a lot of publicity over the years for its architecture. But the police moved out, and eventually came a decision that the building would be turned into a music school. The task of carefully renovating an existing structure while making it suitable for a totally different use, with entirely new functional and practical requirements, went to Skanska Oy. The job took less than a year. Headmaster Pokkinen is pleased with the results.

"All the important details are superbly done. The acoustics as I mentioned, and sound insulation between the various classrooms. We can run our classes exactly according to our plans and wishes.

"Another extra nice thing is that my fellow headmasters from other music schools are a bit envious."

key individuals in ensuring that Skanska's goals in the communications field are realized.

HUMAN RESOURCES AND MANAGEMENT DEVELOPMENT

It is Skanska's tradition to develop its human resources continuously and systematically, with special emphasis on employees in key positions. For many years, the Group has run a number of training programs to ensure a good supply of managers and executives. The main responsibility for this rests with the Skanska Management Institute. Its purpose is to secure further development of managers at Skanska's operations in various countries and to promote exchanges of knowledge and experience between companies and countries.

Training activities emphasize the importance of not thinking primarily in terms of the construction process, but instead letting the end user's need of well-functioning and purpose-built facilities be the guiding principle.

During 1998, about 230 managers and potential managers participated in various one-year management development programs at the Skanska Management Institute. These included the Skanska Leadership Program, which gives young management candidates a foundation to build on; the Skanska Management Program, which provides potential managers with a strategic and international perspective on the management role; and the Skanska Executive Program, which is especially adapted for potential executives in the Group.

The Skanska Leadership Academy – a new activity for the year – enables managers to tailor programs based on their own individual development needs.

Many of the participants in these programs have also used the services of an internal Assessment and Development Center.

A change of generations is currently underway among Skanska's managers. In addition to its numerous management training programs, the Skanska Management Institute therefore also works with other methods for ensuring a good supply of managers in the Group. Among these are Skanska 21,

a trainee program that gives young undergraduate engineers an opportunity to become acquainted with Skanska's global operations; the Skanska Manager Evaluation System, an annual process for evaluating and assessing leadership qualities; and activities aimed at increasing mobility between different positions, such as the Manager Exchange Program.

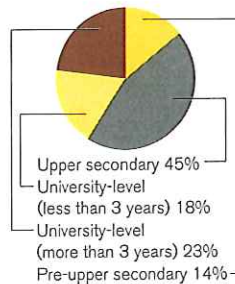
In Swedish operations, because of Skanska's age structure – largely a consequence of the Swedish restructuring process and the recession of the 1990s – the task of recruiting

young, well-educated employees enjoys high priority. Skanska's goal is to increase the percentage of its white-collar employees who have a university-level education by about two percentage points annually. (The adjacent charts refer to Swedish operations).

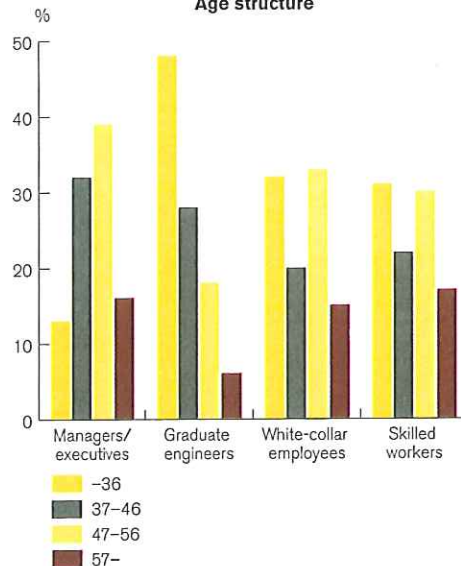
The construction sector is traditionally male-dominated. Skanska's ambition is to use recruitment and other activities to create a better balance between men and women (11 percent of Group employees are women). During 1998 a mentorship program for women was implemented, with the goal of increasing the number of women managers at Skanska.

To support the task of achieving its business goals, for some years Skanska has worked with a human resource development model in which development planning discussions are a central activity.

Educational level, white-collar employees



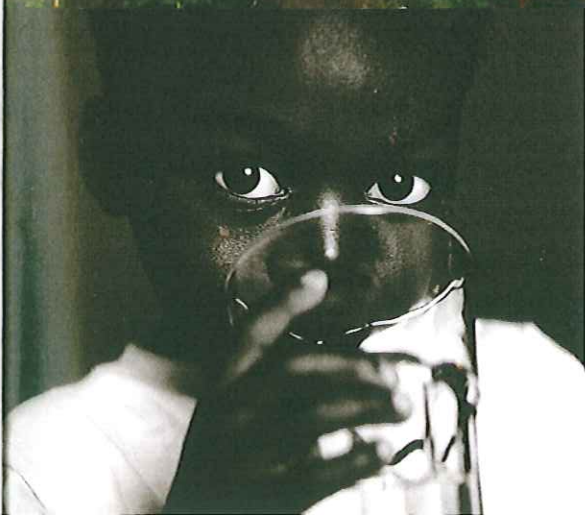
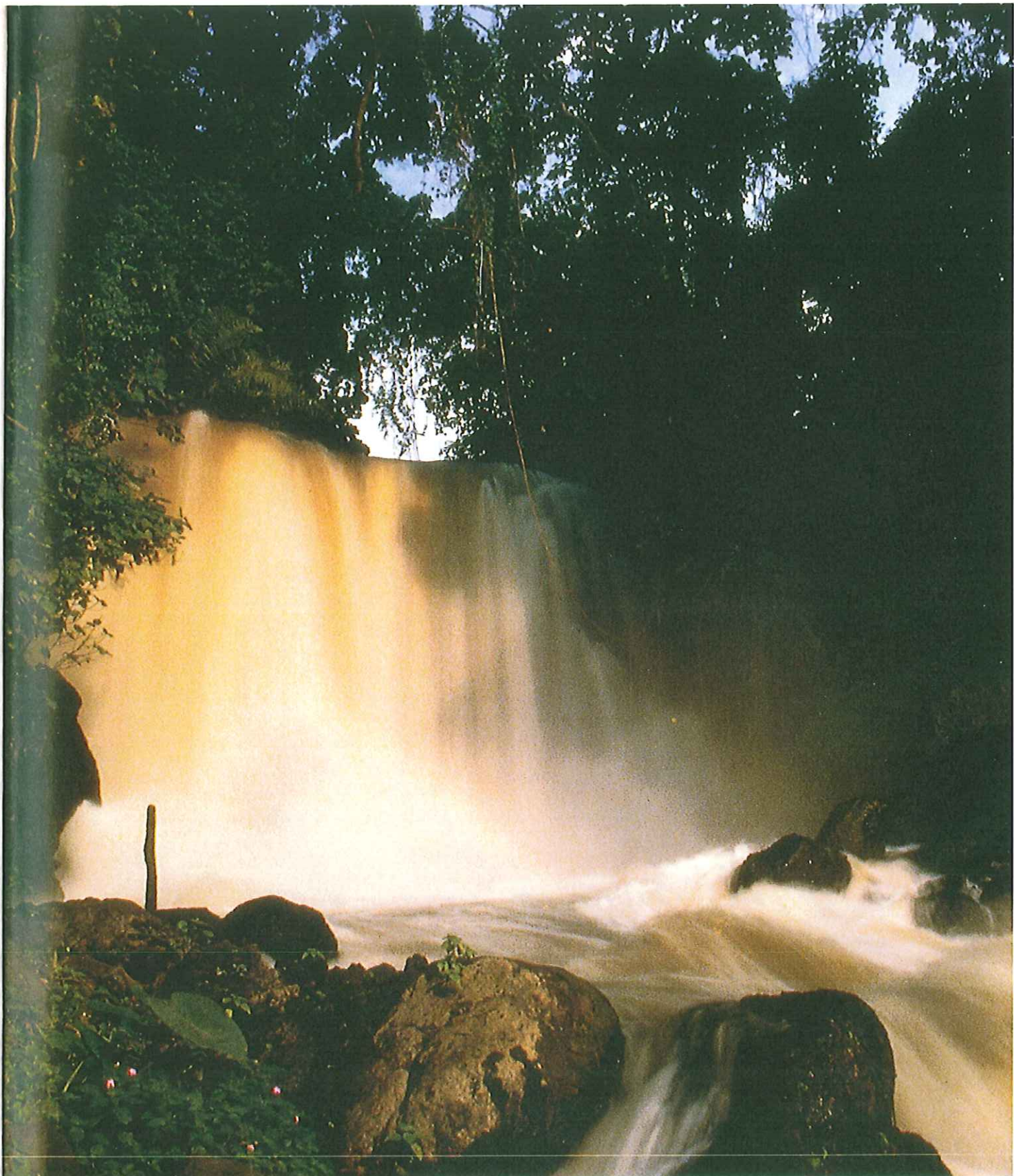
Age structure



AGGRESSIVE ENVIRONMENTAL WORK

Skanska's environmental work focuses on resource-efficient construction that allows a reduction in energy and material consumption throughout the life cycle of a structure. During the planning stage, negative environmental impacts must be weighed against the benefits created for users. An expanded, early dialogue with clients and Skanska's other stakeholders is essential in this process.

The Skanska Group has established two overriding environmental goals: environmental training of all employees and the introduction of environmental management systems in all its business operations. Environmental management systems – integrated with other management systems – are necessary tools for pursuing effective environmental work that minimizes environmental risks and facilitates the task of creating environmentally sound operations. At the end of 1998, nine percent of operations were certified according to ISO 14001 or EMAS international environmental management standards. The goal is that all operations shall be certified by the year 2000. For more information, see Skanska's separate Environmental Report.



SKANSKA IS CARRYING OUT A NUMBER OF WATER SUPPLY PROGRAMS IN AFRICA, THEREBY HELPING TO IMPROVE THE QUALITY OF LIFE FOR MANY PEOPLE.



The task of inventorying and minimizing potential problems in connection with the approaching turn of millennium has enjoyed high priority at Skanska since 1997. The goal is to inventory and remedy conceivable problems and deficiencies as well as expected needs by June 30, 1999.

PROJECT 2000

TASK WITH A DOUBLE FOCUS

Skanska's Year 2000 (Y2K) project includes a systematic review of both its own operations and its relationships with – and responsibility for – the Skanska Group's clients in a broad sense.

Internal preparatory efforts are centering on such areas as construction and manufacturing, logistics and the supply of electricity, telecommunications services and water, as well as fields like accounting, administration and communications.

As for Skanska's relationships with clients and end users, the main emphasis is on current or previously delivered projects and Skanska's potential liability for their safety and reliability. This also includes any liability for different products and components that have been supplied by the Group.

External aspects also include leased-out premises in properties owned and managed by Skanska.

Another area that requires special attention is suppliers and business partners. Deficiencies or problems among these may affect Skanska as well as its clients. Skanska is therefore trying to assist both suppliers and clients to ensure that they are well prepared for the millennium shift.

EMBEDDED SYSTEMS – THE GREATEST RISK

The inventory and analysis that Skanska has conducted shows that the greatest problems

and risks are not found in Skanska's own computers and software. These can be tested and have already been largely adapted for the millennium shift. The biggest problem instead consists of "embedded systems," that is, microchips that control numerous systems and functions. This may apply to ventilation, space heating and security systems, elevators, automatic doors and gates as well as mechanized or robotized production lines in Skanska's factories and plants.

YEAR-END 1998 STATUS

Overall, Skanska has adhered to its established timetables and achieved the established goals.

At the end of 1998, most internal risk areas had been inventoried and made Y2K-ready. Accounting systems had been 80 percent tested. Completely Y2K-ready accounting systems will be in place during the first quarter of 1999. Production lines were 90 percent Y2K-ready, as were about two thirds of Skanska's own machinery fleet and office equipment. Of its office buildings, about half were Y2K-ready.

Skanska had achieved the greatest progress in its external efforts when it comes ensuring to the Y2K-readiness of its own products, the inventorying and prioritization of all projects and the inventorying of all property holdings. The materials and components that Skanska sells were 100 percent Y2K-ready, while the task of assessing which con-

struction projects include special risks was 90 percent complete. The Group had completed nearly one third of its supplier reviews.

COSTS AND REMAINING RISKS

The overall cost of Project 2000 is estimated at a maximum of SEK 100 M. This sum includes no provisions for external damage claims on Skanska that might arise. After a review of the various problem areas, the risk of such claims is deemed small.

Despite this extensive analytical and Y2K-readiness effort, disruptions cannot be ruled out. Skanska's Year 2000 project also includes planning and preparations for how to manage disruptions. This applies both to internal problems and external ones attributable to areas beyond Skanska's control, for example such vital public services as electricity and water supply plus communications in the broad sense.

Emergency plans will be developed during the first half of 1999 in order to remedy disruptions that may occur in connection with the millennium shift despite all preparations. These plans will encompass the entire Group, with an emphasis on current projects. All levels at Skanska – from individual employees to entire business areas – are covered by the emergency plans.



SINCE THE LATE 1940S, THE SWEDISH COTTAGE MARIONETTE THEATRE IN CENTRAL PARK, NEW YORK CITY, HAS BEEN A HIGHLY POPULAR ATTRACTION. IT WAS RENOVATED DURING 1998 BY SKANSKA IN COOPERATION WITH THE CITY OF NEW YORK AND OTHER ORGANIZATIONS. NOW THOUSANDS OF CHILDREN CAN ONCE AGAIN VISIT THE THEATER AND BE FASCINATED AS IT BRINGS TO LIFE THE WORLD OF FAIRY TALES.



Skanska's goal of becoming a world leader in construction-related services and project development implies a focus on its core operations. As one element of this focus, in recent years Skanska has freed up substantial capital, which it has partly invested in the development of its core operations and partly distributed to the shareholders.

FINANCIAL REVIEW

CHANGE IN FINANCIAL STRUCTURE

The structure of the Group's balance sheet was greatly affected by the 1998 distribution of Drott as well as the reclassification of the former subsidiary JM to an associated company.

The distribution of Drott signified that a property portfolio, in principle debt-free and with a book value of SEK 5.1 billion and an estimated market value of SEK 10.0 billion, was transferred to Skanska's shareholders. Shareholders' equity fell by SEK 5.1 billion.

The deconsolidation of JM meant, among other things, that the Group's property holdings and debts decreased by about SEK 7 billion. JM's total assets as of December 31, 1998 were SEK 10.5 billion.

As shown in the balance sheets below, the item "Properties in real estate operations" was halved to 19 percent of total

assets. At the same time, the balance sheet total was reduced by SEK 7.7 billion compared to a year earlier.

At the end of 1998, the Group's interest-bearing net liabilities amounted to SEK 2.0 billion. The ambition is to increase the level of borrowed funds relative to shareholders' equity in order to achieve a more efficient capital structure and thereby a lower weighted cost of capital.

BRANCHES OF OPERATIONS

There are three branches of operations in the Skanska Group – construction, industrial and real estate operations. They differ in nature but have the potential for synergies. A successful combination of these competencies has been the foundation of Skanska's build-up of net asset value for many years. As the table and chart on page 14 indicate, these branches of operations work under different combinations of business factors and have varying potential in terms of margins, return, cash flow and tied-up capital.

Construction operations

Construction operations are characterized by high capital turnover, low margins and little tied-up capital. The return of capital employed is therefore high. The risk in these operations consists of their low margins, which require efficiency as well as quality and cost control in the business. Construction operations can be divided up as follows:

1998, SEK bn	Net sales	Operating income	Operating margin, %
Building construction	43.7	0.4	0.9
Civil construction	16.2	0.6	3.7
Total	56.9	1.0	1.8
Order bookings, 1998			74.3
Increase in order backlog during 1998, %			32
Increase in net sales during 1998, %			33

In recent years, growth has primarily been related to directly negotiated contracts, which are the normal form of contract in American building construction operations. Directly negotiated contracts carry low margins, but also very low risk. About 70 percent of order backlog today consists of directly negotiated contracts plus project development and project assignments in fields where Skanska has extensive experience and expertise. The risk exposure in the existing order backlog is thus deemed to be limited. During 1998, the operating income of Skanska's construction operations rose from SEK 492 M to SEK 998 M. The margin in civil construction work (roads and civil works) is traditionally higher than in building construction work, a reflection of the fact that capital employed in the form of plant, equipment etc. is higher than in building construction work. However, Skanska's future building construction operations will tie up more capital, as a result of large investments in project development where Skanska already has a buyer at the beginning of the project. These projects are reported as current-asset properties. During 1998, Skanska invested about SEK 1.8 billion in such projects.

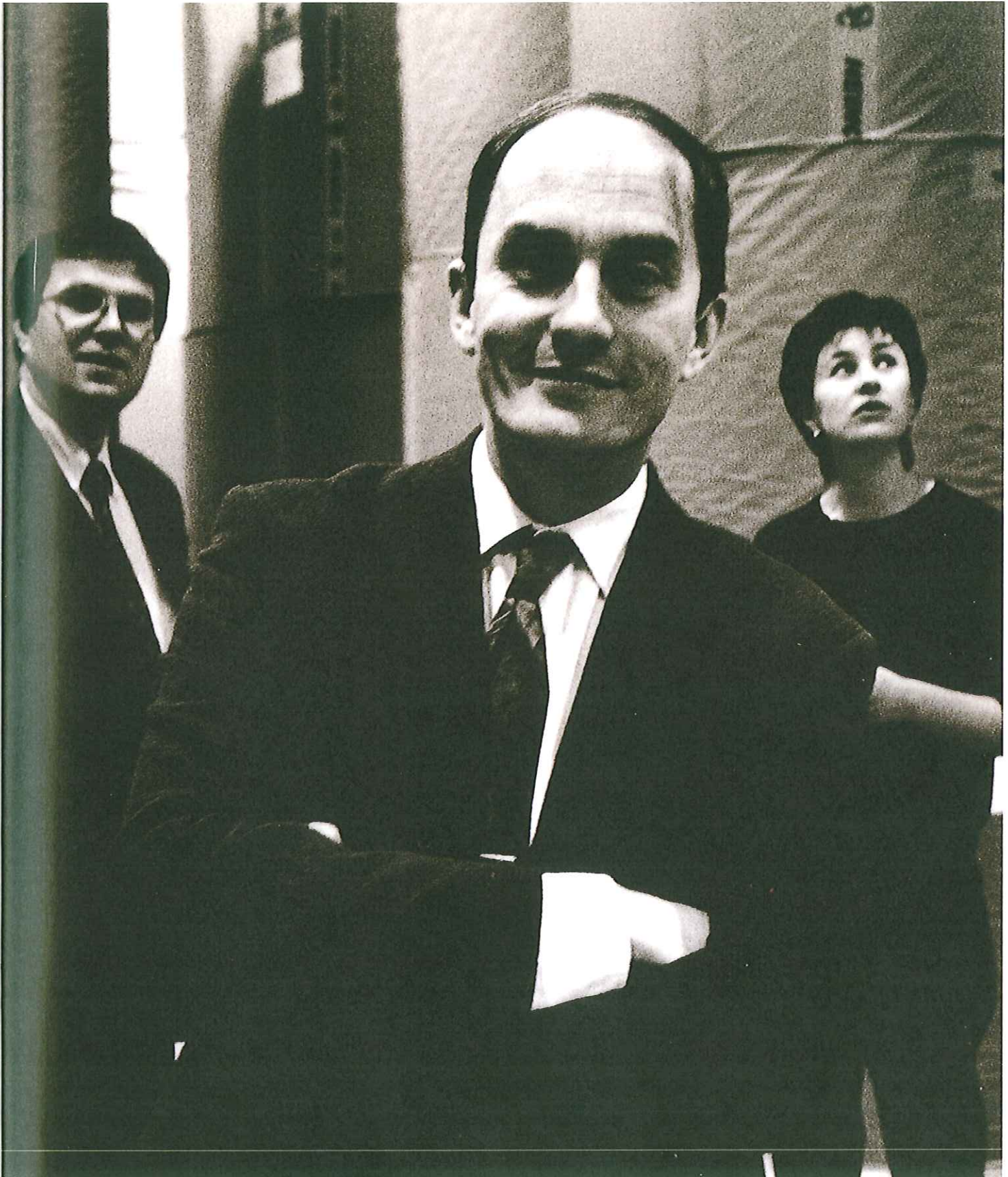
Industrial operations

Skanska's industrial operations comprise its "building component" companies, which work with a relatively high levels of tied-up capital in both current and fixed assets. This results in a lower return on capital employed, compared to construction work.

Balance Sheet in brief

SEK bn	1998	1997 ¹⁾
Properties in real estate operations	8.6	20.4
Shares and participations	7.2	6.0
Other fixed assets	6.7	6.7
Interest-bearing receivables	2.4	2.2
Non-interest-bearing receivables	13.9	12.1
Current-asset properties	2.6	2.1
Bank balances and short-term investments	3.5	3.1
Total assets	44.9	52.6
Shareholders' equity	13.5	16.9
Minority share	0.3	2.1
Interest-bearing liabilities	7.9	10.0
Non-interest-bearing liabilities	23.2	23.6
Total liabilities and shareholders' equity	44.9	52.6
Equity/assets ratio, %	30.7	36.1
Interest-bearing net indebtedness	2.0	4.7
Capital employed	21.4	26.9

¹⁾ Legal.



SKANSKA HAS BUILT A NEW FACTORY IN THE CZECH REPUBLIC FOR ASSIDOMÄN, ONE OF SWEDEN'S LARGEST FOREST OWNERS AND PAPER COMPANIES. WALTER DE SMEDT, SHOWN HERE WITH THE PROJECT MANAGER AND PERSONNEL MANAGER, IS TODAY IN CHARGE OF PACKAGING PRODUCTION IN A MODERN, PURPOSE-BUILT FACILITY.

Real estate operations

Real estate operations tie up more capital than other businesses in the Group because of the large portfolio of investment properties and sizable investments in new projects. Properties in the real estate business are reported under a separate heading in the balance sheet (see also "How Skanska reports its real estate portfolio" on page 38).

Operating income in real estate operations consists of income from day-to-day property management, income from other real estate operations including project operations, and capital gains on the sale of fully developed properties. Operating income may thus vary from year to year, primarily depending on the scale of property divestments.

Real estate operations, 1998, SEK bn

Income from real estate operations	0.4
Gain on sale of properties	1.3
Operating income	1.7
Book value, investment properties	6.4
Estimated market value, investment properties	11.6
Yield on book value, investment properties, %	11.0
Property investments	-1.2
Property divestments	+2.1
Net investments	+0.9

To analyze the total profitability of real estate operations, the change in the market value of existing investment properties plus development gains in fully developed properties must also be taken into account. During 1998, real estate projects were sold at a capital gain of SEK 1.3 billion. Although surpluses were thereby realized, at year-end the surplus value of the remaining real estate portfolio was believed to be unchanged at about SEK 5 billion.

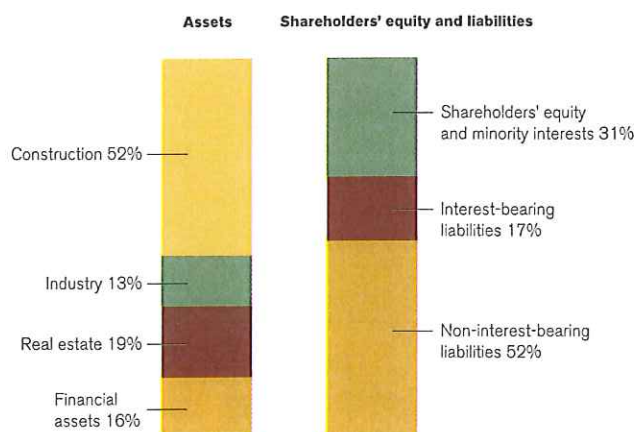
Summary of different business factors governing Skanska's branches of operations

Operations	Margins	Capital turnover	Profitability	Potential growth in net asset value	Sensitivity to interest rates
Construction operations	Low	High	High	-	Medium
Industrial operations	Medium	Medium	Medium	-	Medium
Real estate operations	-	Low	Low	Yes	High
Management of financial assets	-	Low	Low	Yes	High

Financial highlights by branch of operations

1998, SEK bn	Construction	Industry	Real estate	Other	Group
Income from operations	1.0	0.2	0.4	-0.2	1.4
Gain on sale of properties			1.3		1.3
Gain on sale of other assets				1.0	1.0
Holdings in associated companies				0.7	0.7
Operating income	1.0	0.2	1.7	1.5	4.4
Operating margin, %	1.8	3.3	-	-	6.8
Return on capital employed, %	16	5	22	-	27
Cash flow from operations	1.7	0.1	0.5	-0.8	1.5
Net investments	-2.5	-0.2	0.9	2.0	0.2
Tax on gain from sale of Sandvik shares				-2.2	-2.2
Net cash flow after investments	-0.8	-0.1	1.4	-1.0	-0.5

1998 balance sheet Assets by branch of operations



Real estate will continue to represent a large proportion of the Group's tied-up capital. Meanwhile it is Skanska's ambition to increase the turnover rate in its real estate portfolio.

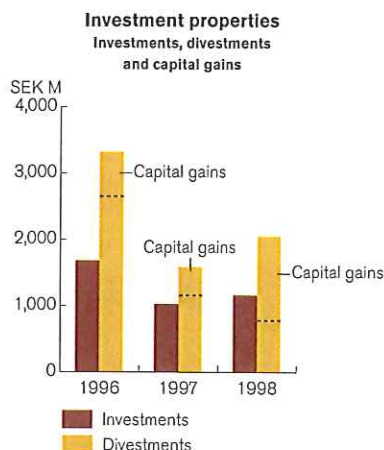
In addition to the distribution of Drott, in recent years Skanska has been highly active in divesting and investing in real estate projects, as shown in the chart to the right.

The construction time for a real estate project can be estimated at 15 months, counting from the decision to begin construction to the time of project completion. The throughput time from ground-breaking to the sale of a completed project varies, however, among other things depending on the general market situation for property divestments. The ambition is to shorten the throughput time in order to create room for new projects without increasing tied-up capital.

The Group's real estate development projects in strongly expansive Central European metropolitan areas are now gradually growing and will thereby also assume a relatively larger weight in its project portfolio. Skanska sees major potential for value enhancement in these projects, while the risk level is probably somewhat higher than elsewhere in Europe. Completed projects in Central European cities are expected to provide a yield of about 13–15 percent on invested amounts.

TRANSFER TO SHAREHOLDERS

The Group's balance sheet consists partly of the assets and liabilities of its operative units, and partly of financial assets consisting mainly of shareholdings in listed companies. On December 31, 1998, the value of the stock portfolio amounted to SEK 9.6 billion,



with a book value of SEK 6.8 billion in the Group financial statements.

Skanska's strategy is to divest most of these financial assets and use the resulting funds for the further development of its core operations. Funds that cannot be used for this purpose with a good expected return shall be transferred to the shareholders in a

EMU

Skanska has a basically positive attitude toward the EU's Economic and Monetary Union and believes that its own competitiveness benefits from a common European currency.

During 1997 and 1998, the Group devoted substantial effort to adapting its systems, working methods and where appropriate its strategies to the changed conditions resulting from the introduction of the euro. This task has now largely been completed. In this respect, too, the Group is well-equipped for the future.

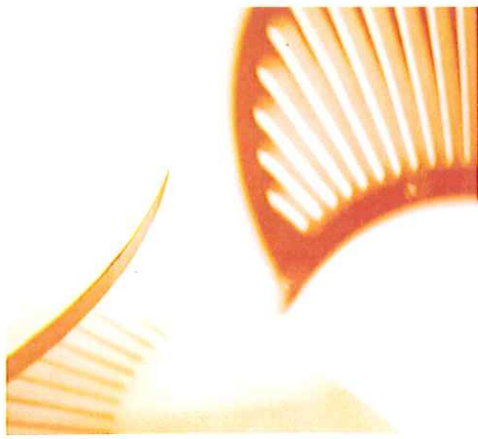
way that is efficient from a tax standpoint.

During the past five years, Skanska has transferred more than SEK 20 billion to its shareholders in various forms: by means of regular cash dividends, a share redemption, the sale of shares at a discount price and a tax-efficient distribution of shares in the subsidiary Drott.

Transfers of capital to Skanska's shareholders

SEK bn	1995	1996	1997	1998	1999	Total
Regular dividend, SEK per share	3.75	5.00	10.00	11.00	12.00 ¹⁾	
Regular dividend, total disbursed	0.5	0.7	1.3	1.3	1.4	5.2
Divestment of shares in						
Custos with discount of	0.2					0.2
Share redemption			5.0			5.0
Distribution of Drott to shareholders, estimated market value of assets				10.0		10.0
Total	0.7	0.7	6.3	11.3	1.4	20.4

¹⁾ Proposed by the Board of Directors.



In September, Skanska's Series B share price - adjusted for the distribution of Drott - reached an all-time high of SEK 316 per share. Year-end market capitalization totaled SEK 25,617 M. The percentage of capital stock owned by foreign shareholders increased substantially during the year. Early in 1999, the share price trend was positive.

SKANSKA SHARE DATA

CAPITAL STOCK

Skanska's shares have been quoted on the Stockholm Stock Exchange's A-list since 1965. At the time of the initial public offering, Skanska's capital stock was SEK 32 M. Since then, the capital stock has been increased by means of ten stock dividends and eight targeted special issues of new shares, and was reduced by a redemption process during 1997. At the end of 1998, Skanska's capital stock amounted to SEK 1,366.2 M, divided into 113,854,968 shares.

Skanska's capital stock is divided into Series A and Series B shares, all with a par value of SEK 12. All shares are non-restricted. Series A shares carry 10 votes apiece, whereas Series B shares carry one vote apiece. Only Series B shares are listed on the Stockholm Stock Exchange. A round lot consists of 100 shares.

SHAREHOLDERS

The total number of shareholders is approximately 60,000. Shares with non-Swedish owners amounted to 12.8 percent (10.8) of capital stock and 7.6 percent (6.5) of voting power.

DIVIDEND POLICY

The annual dividend will be equivalent to 35-45 percent of the Group's sustained profit after taxes as estimated by the Board of Directors, or a minimum of 5-6 percent of the Group's adjusted shareholders' equity as estimated by the Board. Surplus capital not needed to develop the Group's core operations shall be transferred to the shareholders in an efficient way from a tax standpoint.

TRADING IN SKANSKA SHARES

At the end of 1998, the market price of a Series B share was SEK 225 (261). During the year, the lowest price was SEK 199 and the highest SEK 316, adjusted for the distribution of the real estate company Drott to the shareholders.

At year-end, market capitalization totaled SEK 25,617 M (1997: 29,750 excluding Drott).

During 1998, the number of Skanska shares traded on the Stockholm Stock Exchange was 52,420,247, or 3.5 percent more than during 1997. This was equivalent to an average of 209,681 shares per trading day in 1998. Trading volume was equivalent to 50 percent (48) of the total number of Series B shares outstanding at the end of each respective year.

Changes in capital stock

Year	Reduction, SEK M	Stock divided SEK M	New share issue, SEK M	Par value of capital stock SEK M
1965				32.0
1967		-	3.4	35.4
1969 2:5		14.1	-	49.5
1973 1:3		16.5	-	66.0
1975 1:3		22.0	1.7	89.7
1977 1:2		44.9	-	134.6
1979 1:2		67.3	2.4	204.3
1981 2:3		136.2	-	340.5
1982 1:5		68.1	2.7	411.3
1983 1:2		205.6	-	616.9
1984 split 5:1		-	-	616.9
1987		-	8.7	625.6
1988		-	4.0	629.6
1991 1:1		629.6	-	1,259.2
1994 conv.				1,259.2
1997 redemption 1:10	-124.3	227.7	3.6	1,366.2

OUTSIDE ANALYSES

During 1998, the following stock brokerage houses and banks published new analyses of Skanska or updated earlier ones:

Publisher	Analyst	Telephone
Alfred Berg	Lars-Åke Bokenberger	+46 8-723 58 00
Aros Securities	Rikard Jakobsson	+46 8-407 92 00
Chevreux de Virieu	Tomas Ramsälv	+46 8-678 51 00
D. Carnegie	Fredrik Grevelius	+46 8-676 88 00
Deutsche Morgan Grenfell	Hans-Olov Öberg	+46 8-463 55 00
DnB Markets	Lars Carlsson	+46 8-440 58 00
Dresdner Kleinwort Benson	Mikael Petersson	+44 171 475 2391
Enskilda Securities	Erik Nyman	+46 8-522 295 00
Goldman Sachs	Mike Betts*	
Hagströmer & Qviberg	Jonas Andersson	+46 8-696 17 00
Handelsbanken Markets	Rutger Andersson	+46 8-701 10 00
Merrill Lynch	Ken Rumph	+44 171 772 1000
Nordbanken	Stefan Albinsson	+46 8-614 70 00
Swedbank	Stefan Sundblom	+46 8-585 900 00
SBC Warburg	Christer Sterndahlen	+46 8-453 73 00

* Now employed at J.P. Morgan, +44-171-325 8976

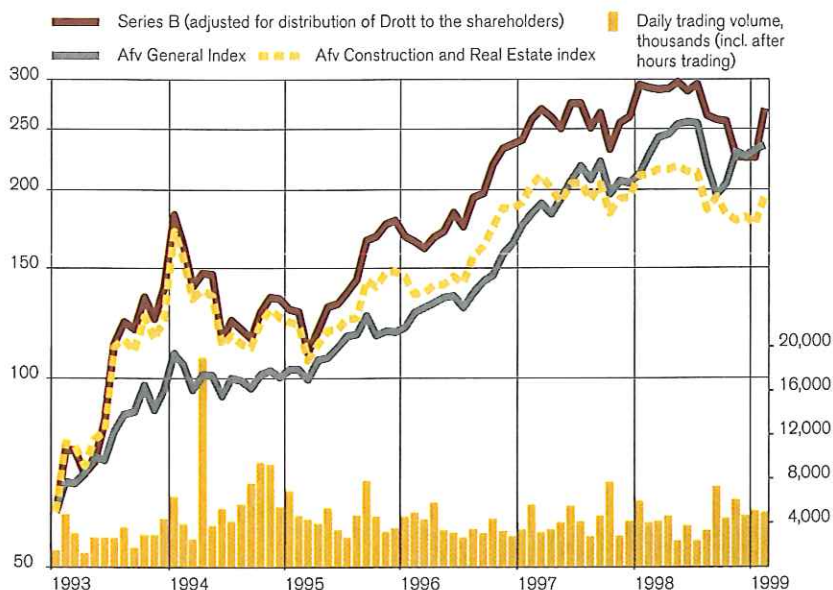
Shareholdings by size

December 31, 1998		Number of shareholders	% of all shareholders	Total number of shares held	% of capital stock
Number of shares held					
1- 500	49,229	83.2	6,498,570	5.7	
501- 1,000	5,448	9.2	4,328,187	3.8	
1,001- 2,000	2,228	3.8	3,451,332	3.0	
2,001- 5,000	1,310	2.2	4,203,289	3.7	
5,001- 10,000	442	0.8	3,315,031	2.9	
10,001- 20,000	188	0.3	2,684,575	2.4	
20,001- 50,000	126	0.2	3,924,710	3.5	
50,001-100,000	61	0.1	4,461,769	3.9	
100,001-	128	0.2	80,987,505	71.1	
Total	59,160	100.0	113,854,968	100.0	

Shares by category

Category	Number of shares	% of voting power	% of capital stock
A	9,102,530	46.5	8.0
B	104,752,438	53.5	92.0
Total	113,854,968	100.0	100.0

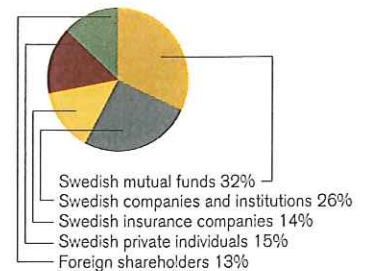
Skanska share price movement, January 1, 1993-February 27, 1999



(c) SIX Findata

Shareholders, by category

Percentage of capital stock, December 31, 1998



The largest shareholders in Skanska AB

Holding on Dec. 31, 1998	% of capital stock	% of voting power
Shareholders		
Swedbank mutual funds	13.4	7.8
Industrivärden, AB (investment company)	7.4	29.9
Swedish National Pension Insurance Fund, Fourth Fund Board	6.5	4.3
Nordbanken mutual funds	3.5	2.0
SPP (retirement insurance)	3.4	2.0
Skandinaviska Enskilda Banken (SEB) mutual funds	2.7	1.6
Trygg-Hansa (insurance)	2.5	1.4
Inter IKEA Finance SA (part of home furnishings group)	2.5	10.1
Skandia (insurance)	2.3	1.3
Swedish National Pension Insurance Fund, Fifth Fund Board	1.9	1.1
Svenska Handelsbanken mutual funds	1.8	1.0
AMF Pensionsförsäkring (retirement insurance)	1.6	0.9
AMF Sjukförsäkring (health insurance)	1.4	0.8
SEB employee profit-sharing foundations	1.1	0.7
Swedish Cooperative Union pension fund	1.0	0.6
Svenska Handelsbanken pension fund	0.9	4.6
Total	53.9	70.1
Other shareholders in Sweden	33.3	22.3
Shareholders abroad	12.8	7.6
Total	100.0	100.0

Source: Swedish Securities Register Center (VPC),
December 31, 1998



Skanska's organizational structure reflects the Group's various markets and fields of operations. Its purpose is to facilitate efficient utilization of Group resources, create clear areas of responsibility and profit centers, allow consistent and systematic marketing efforts and encourage smooth collaboration among different units and areas of expertise.

ORGANIZATIONAL STRUCTURE

FOUR BUSINESS AREAS

Skanska's contracting operations, which provide services related to building and civil construction, are organized into three business areas: Skanska USA, Skanska Sweden and Skanska Europe. This structure allows strong, easily coordinated marketing efforts, while also making greater client focus possible. Each business area has product-oriented specialization and pursues various forms of project development – in some cases in collaboration with the Skanska Project Development and Real Estate business area.

Skanska USA

This business area is responsible for the Group's building and civil construction operations in North America. A number of subsidiaries, which are highly specialized in different markets, are responsible for business operations. These markets may be geographic or be related to certain types of construction or client segments.

Skanska Sweden

This business area includes the Group's building and civil construction operations in Sweden, along with construction-related industrial operations that have their main markets in Sweden.

Business operations are organized into a number of divisions specializing in different types of construction. One exception from this is Skanska Northern Sweden, which encompasses both residential and other building construction.

Skanska Sweden is also responsible for the Group's project exports of civil construction through the subsidiary Skanska International Civil Engineering.

Skanska Europe

Skanska's building and civil construction operations in Europe, except Sweden, are

included in this business area. It also encompasses the Group's project management assignments in building construction outside Sweden, as well as the Group's building component companies that have their main markets outside Sweden. Construction operations are run by a number of geographically specialized subsidiaries. The building component companies – Kährs, Poggenpohl, Essmann and Elit Fönster – operate as separate subsidiaries.

Skanska Project Development and Real Estate

The operations of this business area include development, management and divestment of the Group's real estate holdings as well as development of new properties and privately financed infrastructure (Build-Own/Operate-Transfer = BOT) projects. The business area is also responsible for the Group's holdings in the Swedish listed real estate companies Piren, Norrporten and Pandox.

SKANSKA INVEST

Skanska Invest manages the Group's holdings of listed shares in such companies as Scancem, SKF, Rörvik Timber and JM. Skanska's strategy of focusing on its core operations means that its holdings in the first three of these companies will be divested.

SUPPORT COMPANIES

Skanska Teknik –

a knowledge-based company

Skanska Teknik is a wholly owned subsidiary whose main task is to develop strategic expertise in the Group's core operations. About 30 percent of its sales are generated outside Skanska. The company's more than 200 employees are mainly engineering consultants in building and civil construction as well as the environmental field. On behalf of Skanska's business areas, they pursue

strategic development projects. These may involve both technological development in general and concrete cases requiring new methods or solutions. Skanska Teknik also functions as a coordinating link for Group-wide "competence centers," where experience and ideas are gathered and developed.

To gradually build up its cutting-edge expertise, Skanska Teknik has established programs for doctoral students in industrial engineering that enable young employees to develop their knowledge in national and international research programs, concurrently with their regular work in the company. Today Skanska Teknik is involved in a total of seven EU research programs and ten national programs.

Contacts with the very latest research in construction engineering are intensive. Skanska Teknik today employs two professors, two associate professors, five other doctors of technology and some twenty doctoral students.

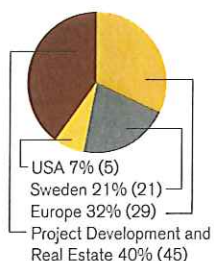
Skanska Financial Services –

financial packages and risk management

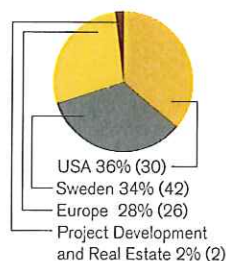
Skanska's strong financial position is an important success and competitive factor. Thanks to this, the Group can accept even very large contracts and also participate in consortia that involve financial obligations. To succeed in this, a high level of financial expertise and good risk monitoring are needed. The wholly owned subsidiary Skanska Financial Services AB (SFS), with about 20 employees, is in charge of financial operations at the Group level. One of this company's tasks is to create client-tailored and competitive financing packages both for large, complex assignments and for small projects. SFS is also responsible for risk analysis and financing of projects in markets where Skanska is active. In addition, SFS has advanced expertise in optimal risk

CAPITAL EMPLOYED AND NET SALES BY BUSINESS AREA

Capital employed



Net sales



management and related utilization of the Group's financial flows and strong balance sheet. SFS is authorized to increase the return on Skanska's financial flows while controlling risks. SFS is also responsible for monitoring and coordination of other risk management in the Group. Risk financing mainly occurs by means of effective, well-balanced insurance programs, with much of the risk capacity being handled by Skanska's

own captive insurance companies in Sweden and Luxembourg.

Skanska Data – advanced IT solutions

Skanska has subsidiaries and operations in some fifty countries. This creates heavy demands for effective, reliable communication, accounting and operational control, reporting and follow-up systems as well as administration and human resources management.

One important source of support in this work is the wholly owned subsidiary Skanska Data, with approximately 100 employees.

Thanks to its continuous exchange of experience with the various parts of the Group, Skanska Data can also frequently – and in competition with other suppliers – offer both internal and external clients advanced information technology (IT) solutions in a variety of fields.





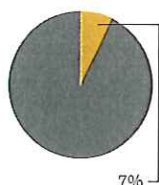
Skanska USA includes the Group's North American operations in the building and civil construction sectors. Its building construction units are Beers Construction, with operations in the southeastern United States, and Sordoni Skanska in the northeast. The civil contracting units are Slattery Skanska, Koch Skanska and Tidewater Skanska. Spectrum Skanska specializes in residential development.

SKANSKA USA GROWTH

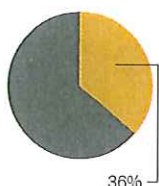
Slattery Skanska • Koch Skanska • Sordoni Skanska • Beers Construction

Spectrum Skanska • Tidewater Skanska

Percentage of capital employed



Percentage of net sales



BUSINESS ORIENTATION

Skanska USA's growth strategy includes continued expansion in existing regional markets and niches, as well as continued geographic expansion. The latter may occur through acquisitions or joint ventures and by expanding existing operations into new geographic markets.

Another element of this strategy is to improve margins by taking advantage of business opportunities in the whole value chain. This is accomplished through alternate de-

livery methods such as design-build, program management and privatization. These methodologies enable the business area to increase its control over projects, thereby also providing opportunities to create value-added for the client while achieving a higher margin.

STRUCTURE AND SUBSIDIARIES

Skanska USA's operations are divided among building construction and civil and industrial construction.

The building construction segment, with Beers Construction and Sordoni Skanska as the most important subsidiaries, accounted for 80 percent of sales in the Skanska USA business area and 54 percent of earnings during 1998.

Client focus is a crucial factor in this type of contracting. Thanks to a deliberate focus on getting to know clients and on developing services that fit their needs, repeat business accounts for 75 percent of assignments.

These assignments vary in scale and procurement basis. They may include construction management, design-build and other negotiated forms of contracts. A large proportion of clients are Fortune 500 companies. Other important clients are universities, schools and other educational institutions.

Beers also specializes in hospitals and sports facilities, while Sordoni Skanska works with a number of leading pharmaceutical companies.

Home building, which is reported in the table below under building construction, is a relatively new part of Skanska's American operations. Spectrum Skanska develops and builds high-end homes and new communities in the suburbs of New York for upper income clients who demand high standards.

The main responsibility for Skanska USA's civil and industrial construction segment rests with Slattery Skanska and Koch Skanska – both focusing mainly on the northeastern United States – as well as Tidewater Skanska, with operations in Virginia and the southwestern United States. During the year, this business segment accounted for 20 percent of Skanska USA's total sales and 46 percent of earnings.

EARNINGS IN 1998

The total operating income of the Skanska USA business area was SEK 398 M. Adjusted for a nonrecurring capital gain on the sale of property in 1997, operating income rose by SEK 144 M.

The acquisition of the Tidewater Group also further improved operating income, while Spectrum Skanska contributed to earnings as its newly constructed properties were handed over to their new owners.

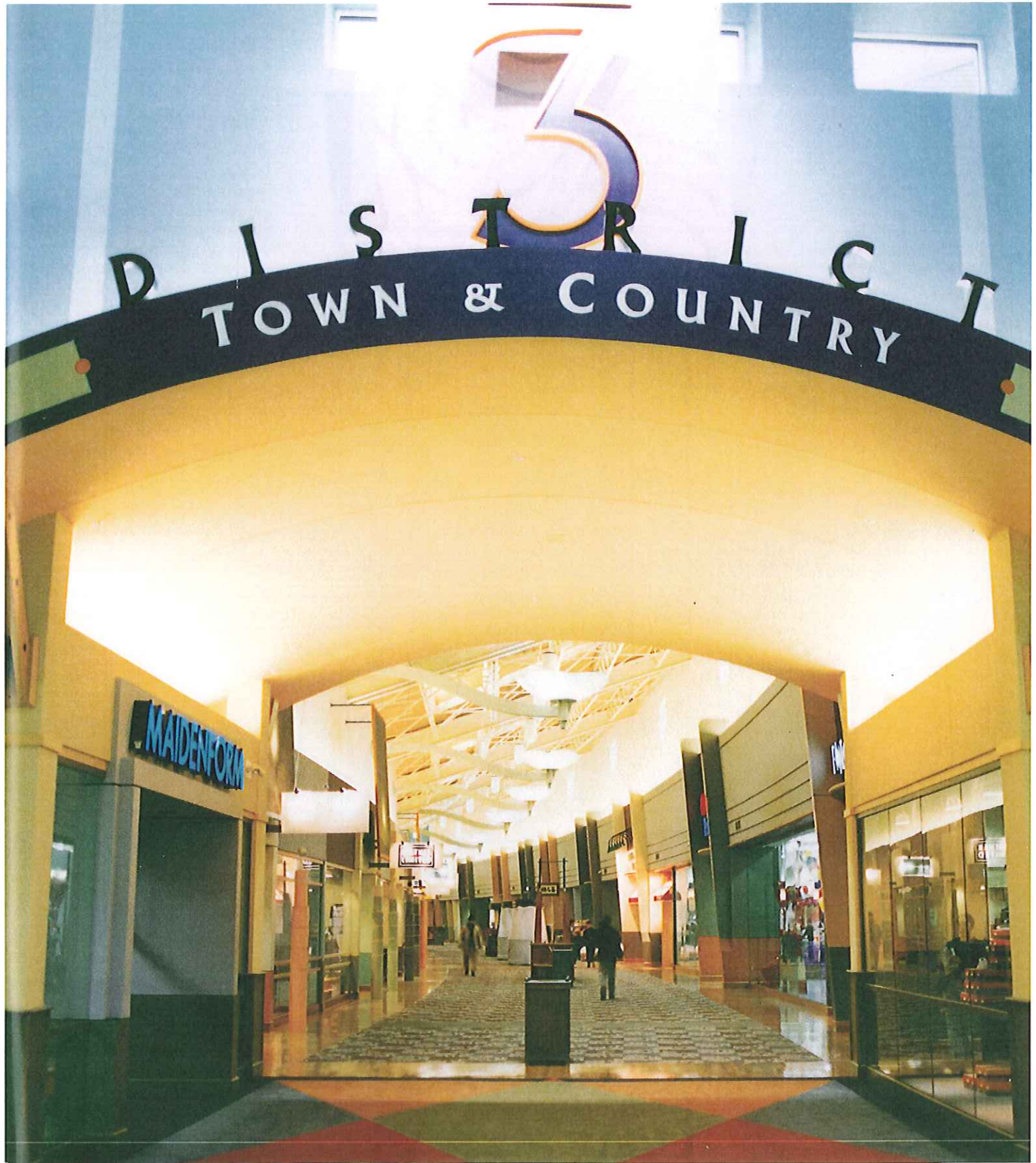
IMPORTANT EVENTS

In terms of order bookings, 1998 was another banner year.

Several Skanska USA subsidiaries together captured a contract worth more than SEK 10 billion for a rail link to John F. Kennedy Airport in New York City. Skanska's share

Skanska USA

	Total		Building construction		Civil construction	
	1998	1997	1998	1997	1998	1997
Net sales, SEK M	24,472	15,410	19,557	13,394	4,915	2,016
Operating income, SEK M	398	321	214	297	184	24
Income after financial items, SEK M	448	356	252	312	196	44
Operating margin, %	1.6	2.1	1.1	2.2	3.7	1.2
Return on capital employed, %	40.7	39.4	42.4	58.8	34.8	9.4
Cash flow from the year's operations, SEK M	780	513				
Average number of employees	6,630	3,716	3,764	2,759	2,866	957



GREAT LAKES CROSSING MALL, JUST OUTSIDE DETROIT, FEATURES 200 STORES WITH A RICH ARRAY OF SHOPPING CHOICES FOR THE WHOLE FAMILY AND A SETTING WHERE IT IS EASY TO FEEL COMFORTABLE. THE ENTIRE BUILDING IS 170,000 SQUARE METERS (1.83 MILLION SQUARE FEET) IN SIZE, AND IT TOOK SKANSKA ONLY 17 MONTHS TO COMPLETE THE PROJECT.

of the project totals SEK 4.8 billion. In New York, Koch Skanska landed a large project worth about SEK 1 billion related to renovation of the Williamsburg Bridge.

Sordoni Skanska continued to speed up its deliveries by completing a 180,000 sq m (1.94 million sq ft) office and laboratory project for the big telecommunications company AT&T in just 15 months. The total value of the assignment was about SEK 2.4 billion. In just 17 months, Sordoni Skanska also completed construction of a 170,000 sq m (1.83 million sq ft) shopping mall in Detroit, Michigan. The project was worth about SEK 1.1 billion. Beers Construction won the "Lab of the Year" award for a project in Atlanta.

Among the year's other major events was the acquisition of a number of companies in various parts of the United States, consolidated under the name Tidewater Skanska.

MARKET SITUATION

On the whole, the market outlook is positive. Continued growth in a number of niche markets is expected to offset sagging demand in certain others. In the civil market, Skanska USA anticipates both higher business volume and improved margins, among other things because federal investments in this field are expected to total more than SEK 1,700 billion over the next six years.

The building construction sector will remain strong in the niche markets where Skanska USA operates successfully, such as sports facilities and buildings for pharmaceutical companies, retailers and educational institutions.

Demand for certain types of facilities for basic industries is expected to weaken due to the continued economic impact of developments in Asia, Latin America and Russia.

SKANSKA AND THE COMPETITION

While the U.S. construction industry has more than SEK 5,000 billion in annual sales, a half million contractors are competing for these assignments. Only 70 of these have more than 1,000 employees and none has an overall market share exceeding 1 percent. The competitive situation is thus extremely tough, and margins throughout the industry are depressed.

In this market situation, Skanska USA's strategy for success is based on increasing its strength and specialized skills in specific geographic areas and niche markets. By increasing specialized skills and strengthening

its reputation as a first-class supplier in these fields, Skanska USA can establish strong relationships with key clients and thereby also generate sizable business volume from repeat clients. Thanks to its leading position in the field of technology and specialized skills in certain niches, Skanska USA can also achieve better margins than are normal in its industry.

The largest U.S. construction companies

Sales in USD M, 1997

Fluor Daniel	5,858.0
Bechtel Group	3,315.0
Centex	3,262.3
Turner Corp	3,080.5
Skanska	2,289.0

Source: ENR.

SUCCESS FACTORS

Skanska USA's success over the years is primarily due to the consistent application of certain basic principles. Expansion into new geographic markets has occurred via acquisitions, with a focus on companies with strong local or niche brand names. Skanska USA has also attached great importance to having strong management in these companies. After acquisition, managements have also been given great freedom to continue developing their companies, while benefiting from the financial support, client network and resources of Skanska USA.

Finally, the importance and benefits of working together with other companies in the business area have been emphasized in order to improve efficiency and increase project value both for the client and for Skanska.

The result has been rapid growth. Since 1995, sales have climbed from just over SEK 8 to SEK 24 billion, both via organic growth and systematic acquisitions.

OPPORTUNITIES AND THREATS

Skanska has good opportunities for continued growth in the U.S. The overall market is very large and Skanska USA is still essentially an East Coast company. California, the largest U.S. construction market, as well as the major markets of the Midwest, offer good expansion potential.

The largest threats are related to the future performance of the American economy, although uncertainty in the private sector is partly offset by strong public sector investments in civil construction.

A different but obvious problem is the shortage of qualified personnel for management positions. To tackle this shortage,

Skanska USA is running a number of programs to recruit, train and retain top management talent.

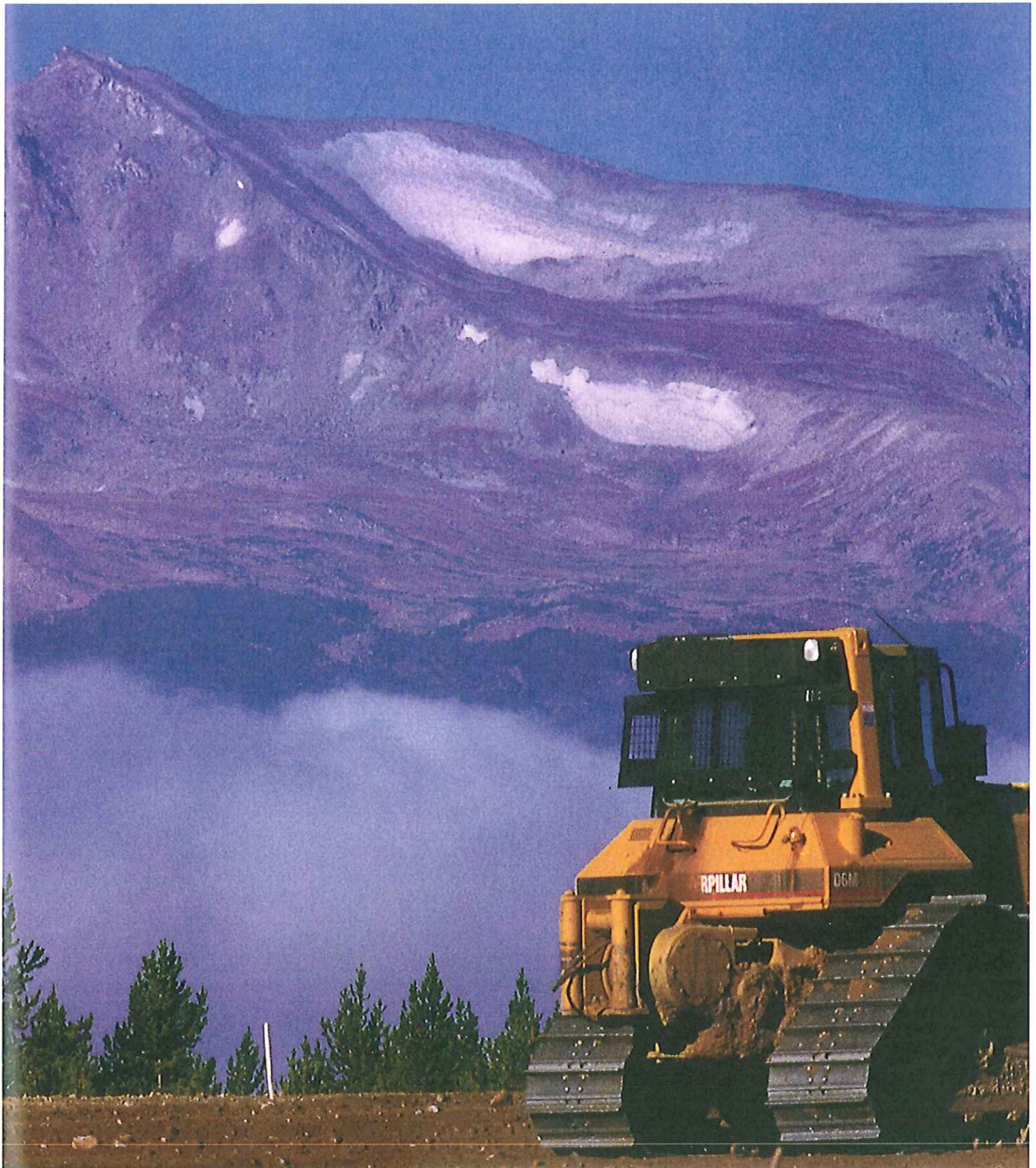
PROSPECTS FOR 1999

Skanska USA is expected to continue performing very well during 1999. At the beginning of the year, the order backlog was SEK 43.1 billion, an increase of 56 percent compared to one year earlier. Continued growth is expected in such key markets as civil construction due to the demand for infrastructure projects. A federal program authorized by the Transportation Equity Act for the 21st Century (TEA-21) is expected to increase highway construction by 40 percent. Certain parts of the building construction sector are also expected to grow further.

Skanska USA is also assessing the potential for new acquisitions as one element of the task of broadening its geographic base from the existing main markets in the eastern U.S.

Presented below are selected financial highlights from some of the larger companies in Skanska USA.

Slattery Skanska	1998	1997
Net sales, SEK M	2,457	1,800
Operating income, SEK M	92	42
Order backlog, Dec. 31, SEK M	8,831	5,226
Average number of employees	855	840
Koch Skanska	1998	1997
Net sales, SEK M	368	216
Operating income, SEK M	30	-18
Order backlog, Dec. 31, SEK M	1,637	737
Average number of employees	135	117
Sordoni Skanska	1998	1997
Net sales, SEK M	8,014	5,044
Operating income, SEK M	104	67
Order backlog, Dec. 31, SEK M	17,029	8,927
Average number of employees	1,024	555
Beers Construction	1998	1997
Net sales, SEK M	11,438	8,223
Operating income, SEK M	109	133
Order backlog, Dec. 31, SEK M	13,996	11,486
Average number of employees	2,641	2,125
Spectrum Skanska	1998	1997
Net sales, SEK M	106	36
Operating income, SEK M	22	5
Order backlog, Dec. 31, SEK M	-	-
Average number of employees	86	52
Tidewater Skanska	1998	1997
Net sales, SEK M	2,090	-
Operating income, SEK M	62	-
Order backlog, Dec. 31, SEK M	1,557	-
Average number of employees	1,876	-



SKANSKA IS CLEANING UP A 70 SQUARE KILOMETER (27 SQUARE MILE) AREA IN THE ROCKY MOUNTAINS OF COLORADO. THE PROJECT INVOLVES RESTORING AN AREA FORMERLY HOUSING A CHEMICAL WEAPONS FACTORY INTO A NATURE RESERVE WITH A HARMONIOUS ECOLOGICAL INTERPLAY BETWEEN PEOPLE, ANIMALS AND NATURAL SCENERY.

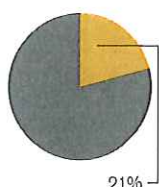


Skanska Sweden includes the Group's Swedish operations in the fields of building and civil construction-related services. The business area also includes a number of specialized subsidiaries with construction-related operations. In addition, Skanska Sweden is responsible for the Group's exports of large civil construction projects to countries not regarded as "domestic" markets.

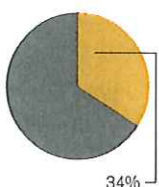
SKANSKA SWEDEN CHANGE FOR SUCCESS

Business Development Division • Skanska Residential Construction Division • Skanska Commercial Buildings Division • Skanska Northern Sweden Division • Skanska Road Construction Division
Skanska Asphalt and Concrete Division • Skanska Underground Construction and Bridge Division • Skanska International Civil Engineering • Sundlink Contractors (37 percent)

Percentage of capital employed



Percentage of net sales



BUSINESS ORIENTATION

Skanska Sweden's core business is project development as well as building and civil construction-related services and construction systems. It operates throughout the value chain of the construction process.

Its strategy is to focus its operations in regions with favorable growth potential and to prioritize profitability before volume. Its ambition is to expand in project development and in the aftermarket: operation, maintenance and service.

This strategy has led to a larger propor-

tion of projects developed for Skanska's own account. In residential construction, such projects accounted for about 60 percent of 1998 sales. This percentage is expected to increase over the next few years, both in residential and other building construction.

RESULTS IN 1998

The year's operating income of SEK 496 M was higher than in 1997. The expenses of the business area's large-scale restructuring effort is being covered by provisions in the 1997 accounts.

The positive trend of earnings in the civil construction sector includes the impact of restructuring measures implemented during 1997.

The lower operating income in building construction is explained, among other things, by the fact that 1997 earnings included non-recurring capital gains of SEK 160 M on the sale of investment properties. Expenses of approximately SEK 80 M were charged to 1998 earnings, mainly related to the operations abroad of Myresjö, a manufacturer of pre-fabricated homes, including initial cut-backs in some businesses.

Order bookings in building construction operations increased during 1998 by about 25 percent, despite the ongoing geographic restructuring process. The core operations

of Myresjö developed favorably, with an 18 percent increase in order bookings. In civil construction, order bookings declined by about 20 percent. Skanska International Civil Engineering landed no major orders, among other things due to the financial instability that characterized both South East Asia and Latin America.

IMPORTANT EVENTS

Work on the Öresund Bridge, part of the new bridge/tunnel link between Sweden and Denmark, continued at a rapid pace. By year-end more than half the bridge was in place, and inauguration of the link is expected to take place as planned in the year 2000.

One interesting project is the expansion of the mobile telephone network Euroopolitan's offices in Karlskrona. Skanska has developed and is constructing the property. It has also assumed part-ownership of the property and will be responsible for its operation and maintenance after completion.

In Stockholm and Gothenburg, Skanska Sweden is building office space for Ericsson Hewlett-Packard Telecommunications. These projects are a result of Skanska Sweden's close collaboration with Skanska Project Development and Real Estate.

Other major new assignments included a retail and warehouse facility for Fredells in Stockholm and classroom space for Chalmers University of Technology in Gothenburg. A number of large infrastructure projects also began during the year.

During 1998, Skanska acquired land to build 3,500 cooperative apartments. A large joint-venture project with the cooperative housing organization HSB Stockholm resulted in an assignment to build about 800 apartments during a four-year period.

Skanska Sweden

	Total		Building construction		Civil construction	
	1998	1997	1998	1997	1998	1997
Net sales, SEK M	22,677	21,528	12,785	11,977	9,892	9,551
Operating income, SEK M	496	485	97	341	399	144
Income after financial items, SEK M	533	497	77	319	456	178
Operating margin, %	2.2	2.3	0.8	2.8	4.0	1.5
Return on capital employed, %	15.3	16.1	5.6	18.2	28.1	13.5
Cash flow from the year's operations, SEK M	840	362				
Average number of employees	16,831	17,312	7,392	7,158	9,439	10,154



MID SWEDEN UNIVERSITY IN SUNDSVALL IS ONE OF THE LARGEST BUILDING CONSTRUCTION PROJECTS IN NORRLAND (THE NORTHERN 3/5 OF SWEDEN). SKANSKA WAS GENERAL CONTRACTOR OF THE PROJECT. A FOUR-YEAR MEDIA PROGRAM WITH AN EMPHASIS ON COMPUTER TECHNOLOGY IS ONE OF THE STUDY PROGRAMS OFFERED, AND THE ONE THESE STUDENTS HAVE CHOSEN.

Skanska Sweden decided during 1998 to work in the facilities management (fm) field. This involves very close collaboration with the client, with the fm operator taking over all property-related tasks that are not part of the client's core business. This is a way of offering clients complete service throughout the value chain, while the collective competence of the Group makes Skanska a reliable partner.

Work at the Halland Ridge (Hallandsås) rail tunnel project in southern Sweden mainly involved clean-up and reinforcement work. Skanska Sweden also received an assignment to seal the tunnel walls with a lining so that the groundwater can return to a normal level. This work is expected to continue until the autumn of 1999. The tunnel commission appointed after the 1997 toxic leak accident in the Halland Ridge published its final report in November 1998. The report reveals the complex decision-making process, involving many parties, which often surrounds major infrastructure projects and underscores the major impact that decisions made at an early stage can have on the implementation of a project.

A VIGOROUS NEW ORGANIZATION

Skanska Sweden has largely implemented its planned restructuring measures. It will undertake certain additional measures during 1999.

All of the business area's contracting operations are now product-specialized at the divisional level, while resources have been focused on those cities and regions expected to show long-term growth.

The number of profit centers in contracting operations has been reduced from 36 to 25, the number of contracts manager units from 160 to 120. A total of some 60 local offices have been closed.

During 1998, about 500 white-collar employees left Skanska – primarily in the localities that were de-prioritized due to the restructuring – by means of natural attrition, dismissals and early retirement packages, some taking effect in 1999. Meanwhile the good economic situation and order bookings in prioritized growth areas have generated a need for new hiring. Recruitment efforts have focused on younger employees and employees with specialized expertise.

MARKET SITUATION

The market for the business area's services improved during 1998. Low interest rates are helping to stimulate construction investments. The market situation is uneven, however, both geographically and in terms of product niches.

There is a continuing trend toward concentration of growth in university cities and major metropolitan regions. Residential

construction is increasing somewhat, but from a very low level. The civil construction sector is growing, but because a number of new players are active in this market, prices are under increasing pressure.

A number of large international civil construction projects have been postponed due to financial instability in South East Asia and Latin America. In addition to the previous demands for technical and financial expertise, there are also growing demands to take into account the importance a project has for people and the environment.

SKANSKA AND THE COMPETITION

There are about 23,000 construction companies in Sweden. Skanska has approximately a 15 percent share of the total available market.

Skanska's largest nationwide competitors in the Swedish market are NCC, Peab, JM and Vägverket Produktion (a unit of the National Road Administration). In addition, there are numerous smaller local companies with the resources to compete for most of the available projects.

The largest construction companies in Sweden

Sales, SEK bn, 1998

Skanska	20.5
NCC	20.3
Peab	10.7
JM	3.5

Source: Skanska.

One new competitive factor is a number of Nordic construction companies that are now establishing operations in Sweden. This group includes Norway's two largest construction companies, Selmer and Veidekke, as well as Finland's largest construction company, YIT.

SUCCESS FACTORS

Skanska Sweden's main success factors are its employees and the Group's broad collective competence, which enable the business area to offer clients services throughout the value chain. Great energy is being devoted to human resource development and to training qualified managers. Recruitment of young people directly from universities and institutes of technology is therefore necessary, even though cutbacks are occurring in other areas.

Design-construct contracts enable Skanska Sweden to generate greater client benefit. The business area therefore aims at becoming involved in projects as early as possible, preferably right from the initial development stage, then subsequently continue its responsibility for the entire project into the after-market stage. This working method enables everyone involved to think in a life cycle cost and environmental perspective. A modern

IT system supports this working method.

The business area's holdings of buildable land, gravel pits and quarries, asphalt plants and concrete mixing plants plus prefabricated building element factories are of great strategic importance and comprise an important part of its operations.

OPPORTUNITIES AND THREATS

With its new organizational structure, Skanska Sweden has sharply increased its client focus and thereby improved its competitiveness. As part of its process of change, it has also updated and streamlined its quality control, environmental, working environment, accounting and construction management systems. All units will be environmentally certified and most of them also quality control certified under this system no later than the year 2000.

The ongoing task of developing new residential products will result in more cost-effective homes.

The political will to invest in buildings and other facilities is of great importance to future market trends.

International economic conditions affect the Skanska Sweden business area, because most of its clients in the private business sector are dependent on exports.

PROSPECTS FOR 1999

Low interest rates and an anticipated increase in domestic demand are expected to have a positive impact on both residential and other building construction during 1999. Construction investments are expected to increase by a total of about five percent.

Skanska Sweden will continue its investments in land for residential construction at a rapid pace, while further intensifying its marketing efforts. The focus on growth regions will gradually increase, and the business area's orientation will increasingly shift toward projects developed for Skanska's own account and aftermarket assignments.

The number of residential projects developed for Skanska's own account is expected to increase by 40 percent to about 2,000 housing starts.

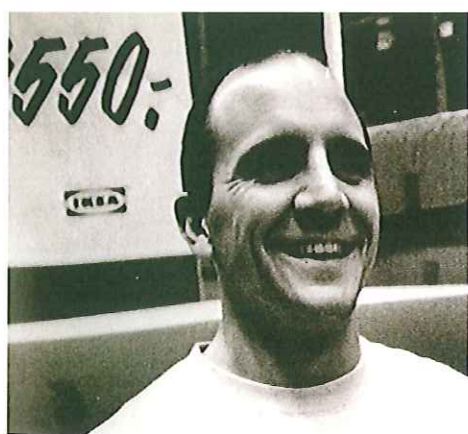
The new strategy, completion of restructuring measures and the new organizational structure are expected to result in significantly improved earnings during 1999.

Share of the business area's net sales, %

Business Development Division	12
Skanska Residential Construction Division	11
Skanska Commercial Buildings Division	27
Skanska Northern Sweden Division	6
Skanska Road Construction Division	22
Skanska Asphalt and Concrete Division	7
Skanska Underground Construction and Bridge Division	8
Skanska International Civil Engineering	7
Total	100



THE DEVELOPMENT OF THE SWEDISH TELEVISION (SVT) DRAMA PRODUCTION BUILDING IN STOCKHOLM, WITH AP-FASTIGHETER (THE REAL ESTATE UNIT OF THE NATIONAL PENSION INSURANCE FUND) AS THE OWNER, WAS ONE EXAMPLE OF SKANSKA'S STRATEGIC FOCUS ON WORKING CLOSELY WITH THE CLIENT AND THE END USER TO DEVELOP PROJECTS TAILORED TO CLIENT NEEDS. IN THE BUILDING'S TV STUDIOS, ONE OF THE TV PROGRAMS UNDER PRODUCTION IS THE MYSTERY SERIES 'ANNA HOLT,' STARRING PETRA NILSSON.



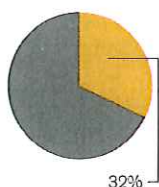
Skanska Europe includes the Group's established Finnish and Danish domestic markets; its developing markets in Norway, Poland and Great Britain; as well as the Group's other building and civil construction operations in Europe outside Sweden. The business area's building component companies in the kitchen, flooring, roofing and window sectors have sizable market shares, especially in Western Europe. Skanska Europe is also responsible for the Group's project management assignments outside Sweden in the building construction field.

SKANSKA EUROPE PRIORITIZED MARKETS

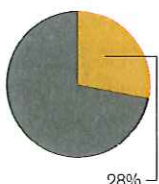
Skanska Jensen AS • Skanska Oy • Skanska A/S • Skanska International Construction • Skanska Polska

Skanska UK • Components and Services (Kährs, Poggenpohl, Essmann, Elit Fönster)

Percentage of capital employed



Percentage of net sales



BUSINESS ORIENTATION

The goal of Skanska Europe is to utilize its knowledge of local markets to strengthen and enhance the Group's position as a leading European company in the fields of construction-related services and project development.

Aside from its Finnish and Danish "domestic" markets, the business area will establish new domestic markets beginning in Great Britain, Norway, Switzerland and Central Europe.

It is also investing resources in an effort to position Skanska as an attractive partner

for clients with operations and business ties in several European countries.

The establishment of new domestic markets, where Skanska is viewed as a local player, has higher priority than project exports.

RESULTS IN 1998

Operating income in 1998 was higher than in 1997. Improved earnings in Finland, Denmark, Great Britain and Central Europe offset sharp earnings declines in Africa and in the building component group's kitchen operations, as well as somewhat lower earnings in Russia.

MARKETS AND IMPORTANT EVENTS

Finland

Finland showed continued strong growth in both building and civil construction. Skanska Oy, which is now wholly owned by Skanska, was able to further strengthen its position as one of Finland's leading construction companies. After acquiring the construction and project development operations of Finland's Polar Group in the late summer of 1998, Skanska Oy is also Finland's second largest construction company. The transaction with Polar also gave Skanska Oy access to land that may be utilized for new development projects.

Among Skanska Oy's current projects are

the Helsinki-Lahti highway and the Lintu-lahti residential project in Helsinki. *Net sales, SEK M: 5,466. * Average number of employees: 2,212. **

Denmark

The Danish construction market was stable, with some growth especially in the Copenhagen and the surrounding Öresund straits region. Skanska Jensen is continuing to show a positive trend. Major assignments include the Lundegården residential project in Copenhagen and new construction at Kolding Storcenter, a shopping mall on the Jutland peninsula of western Denmark. *Net sales, SEK M: 3,788. * Average number of employees: 2,192. **

Norway

The construction market in Norway weakened during 1998. Skanska's operations are focusing primarily on increased regional growth and the development of commercial and residential properties. One step toward establishing Norway as a Skanska domestic market was taken through the acquisition of the construction company Aadnøy in Stavanger, western Norway. *Net sales, SEK M: 676. * Average number of employees: 139. **

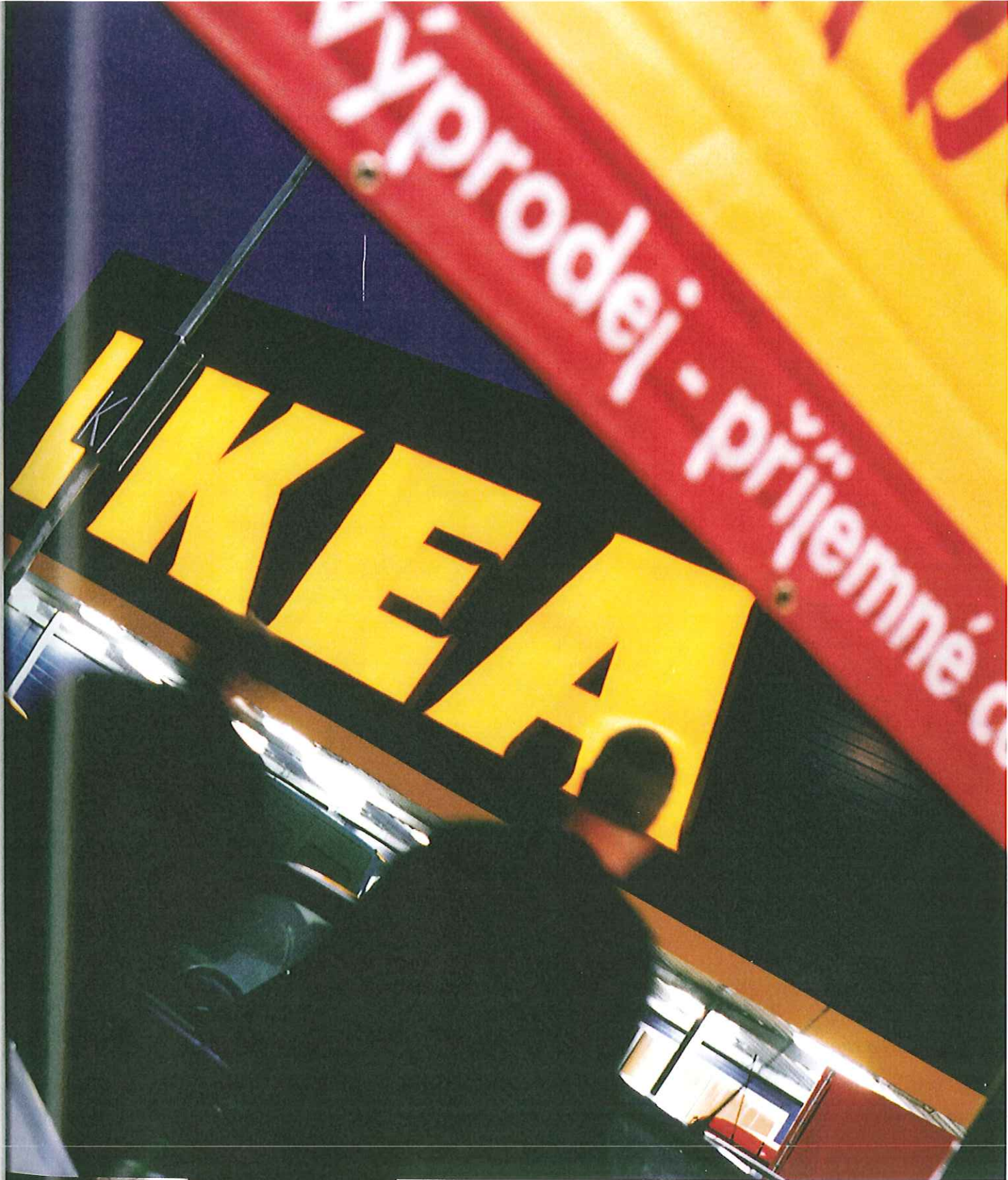
Great Britain

The British construction and real estate market is continuing to grow, although the rate of increase has slowed. Skanska's collaboration with the construction company Costain, which involves large projects, resulted among other things in an office and residential project in Uxbridge worth more than SEK 900 M. *Net sales, SEK M: 446. * Average number of employees: 136. **

Skanska Europe

	1998	Total		Construction		Components	
		1997	1998	1997	1998	1997	1998
Net sales, SEK M	18,560	13,493	12,781	8,026	5,779	5,467	
Operating income, SEK M	370	358	177	108	193	250	
Income after financial items, SEK M	238	265	160	135	78	130	
Operating margin, %	2.0	2.7	1.4	1.3	3.3	4.6	
Return on capital employed, %	7.1	8.3	12.3	13.5	5.1	6.8	
Cash flow from the year's operations, SEK M	245	1,018					
Average number of employees	15,101	13,279	9,717	7,859	5,384	5,420	

* Refers to the Group as a whole.



SKANSKA HAS BUILT THREE SHOPPING CENTERS AND A NEW HOME FURNISHING STORE FOR IKEA IN CENTRAL EUROPE. ONE OF THEM IS LOCATED JUST OUTSIDE PRAGUE. IT IS A LARGE SHOPPING COMPLEX EASILY REACHED BY CAR AND SUBWAY. TOM HUSELL, HEAD OF IKEA IN THE CZECH REPUBLIC, IS IN CHARGE OF THE COMPANY'S OPERATIONS IN ONE OF EUROPE'S FASTEST-GROWING MARKETS.

Poland

The Polish construction market is continuing to expand vigorously. During 1998, it grew by 15 percent, with an emphasis on commercial properties in major cities. The market is still primarily dominated by foreign investors. In Warsaw, Skanska has successfully established itself as a leader in project development. The third phase of the Atrium Business Center was completed during 1998 and a fourth phase has begun. The construction of an IKEA home furnishing store in the Polish capital also began during 1998. In addition, Skanska has begun developing residential properties in Poland. *Net sales, SEK M: 356. * Average number of employees: 711. **

Russia

The serious economic crisis in Russia also severely impacted the construction and real estate market. In spite of this, Skanska was able to continue most ongoing projects. One interesting new assignment involves the construction of an IKEA store outside Moscow. Other new assignments include a residential project in Moscow and an industrial plant in Novgorod. *Net sales, SEK M: 1,429. * Average number of employees: 1,296. **

OTHER MARKETS

Other Central European markets – the Czech Republic and Hungary – as well as the three Baltic countries are continuing to expand, while the German market weakened during 1998. In Hungary and the Czech Republic, the construction of new IKEA stores continued. In Budapest, Skanska Europe also began a completely new project in partnership with Skanska Project Development and Real Estate: the West End Business Center, with a total of 130,000 sq m (1.4 million sq ft) of space.

African operations were reviewed during 1998, and a major restructuring was implemented to improve profitability.

COMPONENT COMPANIES

Skanska has decided in principle to divest its holdings in the business area's building component companies. Their performance during 1998 varied. Kährs' flooring operations are growing at the same pace as the market. Together with the French parquet manufacturer Marty, which Skanska acquired early in 1999, Kährs is the leading manufacturer of wooden flooring in Europe. Essmann managed to maintain its leading position in roofing and smoke protection systems in Germany and France. The Poggenpohl Group was adversely affected by the weak market situation in Germany, which led to cutbacks and continued restructuring. Elit Fönster is undergoing an extensive program of change which will involve a new organizational structure and sizable cost savings.

SKANSKA AND THE COMPETITION

The largest construction companies in Finland

Sales¹⁾ in FIM M, 1998

YIT	6.9
Lemminkäinen	4.3
Skanska Oy	4.1 ²⁾
NCC Puolimatka	2.4

¹⁾ According to Finnish accounting standards. Total sales.

²⁾ Including Polar for the period September–December 1998.

Source: Skanska.

The largest construction companies in Denmark

Sales¹⁾ in DKK M, 1997

NCC Rasmussen & Schiøtz	3.0
Monberg & Thorsen	2.8
Skanska Jensen	2.6
Højgaard & Schultz	2.5

¹⁾ According to Danish accounting standards.

Source: Byggindustrin.

SUCCESS FACTORS

Skanska Europe's growth strategy is based on the Group's strong base of knowledge, experience and financial resources. Its employees' experience in managing and running projects in different countries and in highly varied environments is another important factor when it comes to transferring knowledge to new markets in an efficient way. This applies both to project know-how and expertise in various fields of technology.

This growth strategy makes heavy demands on managers and executives. The business area is therefore operating its own program to create more effective exchanges of experience between individuals and units. For the same reason, the task of recruitment to senior management positions has received higher priority.

OPPORTUNITIES AND THREATS

The greatest uncertainty in the next few years is related to the economic outlook. Sagging economies lead to a downturn in construction. In the same way, the construction industry is quickly affected by changes in interest rates.

The pace of change is very rapid in Skanska Europe's various markets. Among other things, there is a clear trend – both among major construction companies and clients – toward putting increasing emphasis on the ability to manage projects, while the actual construction work is performed by subcontractors.

Tough competition has also led to profitability problems for many companies. This, in turn, has caused many medium-sized companies to look for new owners or seek mergers with larger companies. For Skanska, with its strong financial base, this may mean attractive business and expansion opportunities. The business area is therefore reinforcing its organization by adding management and coordination departments that can take advantage of these opportunities.

PROSPECTS FOR 1999

The market outlook varies greatly in Skanska Europe's fields of operations and markets.

In Denmark and Finland, plus the three Baltic countries, Poland, the Czech Republic and Hungary, continued growth is expected. The market for new contracts in Russia is unclear.

The trend in the Norwegian and German markets is expected to remain weak. In Great Britain, civil construction investments will decrease, while demand for commercial properties is expected to be stable.

For commercial property projects in particular, the ability to contribute to financial solutions is of great importance.

During 1999, Skanska Europe will adapt its organizational structure to the goal of creating profitable growth and new domestic markets. Operations in Poland and Great Britain are being strengthened with additional resources. A concurrent effort is also underway to develop exports of project and construction management assignments.

Earnings of Skanska Europe are expected to increase during 1999.

Presented below are selected financial highlights from some of the larger companies in Skanska Europe.

Skanska Jensen AS	1998	1997
Net sales, SEK M	4,023	3,150
Operating income, SEK M	7 ¹⁾	-20
Order backlog, Dec. 31, SEK M	2,680	2,417
Average number of employees	5,552	5,229

¹⁾ Of which, operations in Africa SEK -40 M.

Skanska Oy	1998	1997
Net sales, SEK M	6,820	3,008
Operating income, SEK M	185	122
Order backlog, Dec. 31, SEK M	6,346	5,391
Average number of employees	3,434	1,943

Skanska International Construction	1998	1997
Net sales, SEK M	1,444	1,089
Operating income, SEK M	52	-4
Order backlog, Dec. 31, SEK M	1,101	1,269
Average number of employees	658	537

Kährs	1998	1997
Net sales, SEK M	1,735	1,597
Operating income, SEK M	204	185
Order backlog, Dec. 31, SEK M	200	145
Average number of employees	1,772	1,839

Poggenpohl	1998	1997
Net sales, SEK M	2,246	2,161
Operating income, SEK M	16	115
Order backlog, Dec. 31, SEK M	337	272
Average number of employees	2,123	2,158

Essmann	1998	1997
Net sales, SEK M	1,160	1,092
Operating income, SEK M	68	76
Order backlog, Dec. 31, SEK M	180	135
Average number of employees	738	719

Elit Fönster	1998	1997
Net sales, SEK M	639	616
Operating income, SEK M	16	-5
Order backlog, Dec. 31, SEK M	52	47
Average number of employees	742	693

* Refers to the Group as a whole.



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THE NEW TERMINAL AT THE AIRPORT IN BUDAPEST, HUNGARY WILL MAINLY SERVE INTERNATIONAL AIRLINES, WHICH HAVE NOW MOVED FROM AN OLD TERMINAL TO MODERN NEW PREMISES WITH A HIGH LEVEL OF COMFORT AND CAPACITY. SKANSKA DEVELOPED THE NEW TERMINAL IN PARTNERSHIP WITH CANADIAN INVESTORS.



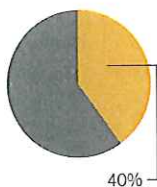
The business area is responsible for collaborating with other Skanska units to identify, launch and develop real estate and infrastructure projects in Sweden and other countries. The operations of the business area also include management and improvement of Skanska's real estate holdings as well as responsibility for the Group's shareholdings in a number of other listed real estate companies.

SKANSKA PROJECT DEVELOPMENT AND REAL ESTATE MEETING THE NEEDS OF THE MARKET

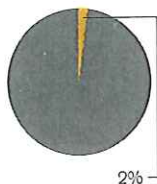
Skanska Project Development Sweden • Skanska Project Development Europe • Skanska Real Estate Stockholm

Skanska Real Estate Gothenburg • Skanska Øresund • Skanska BOT Projects

Percentage of capital employed



Percentage of net sales



BUSINESS ORIENTATION

Skanska Project Development and Real Estate develops projects in which added-value is generated in several stages. Its strengths lie in the Group's collective resources and competence in project development, project management, leasing, construction and property management.

Its goal is to initiate profitable projects and earn a good return on capital invested in properties and infrastructure. The business area shall also take active steps to ensure that the Skanska Group continues to evolve as a profitable and creative company, with construction-related services and project development as its core operations.

The business area seeks a high turnover in its property portfolio. Among other things, this means that fully developed properties are sold when the right market conditions exist.

MARKET ORGANIZATION

Operations of the business area are organized in three project development units – Sweden, Europe and BOT (Build, Own/Operate, Transfer) Projects and three real estate companies: Stockholm, Gothenburg and Øresund. Development of commercial real estate is currently underway in Stockholm, Gothenburg and Malmö, Sweden, as well as in Copenhagen, Denmark; Warsaw, Poland; Prague, Czech Republic; Budapest, Hungary; and Munich, Germany. The business area markets such BOT projects as roads, airports, harbors and hydroelectric power stations in various international markets.

STRATEGY

Project development operations focus primarily on initiating, developing and running commercial real estate and infrastructure projects. Large projects are handled by the project development organizations, while property management companies are responsible for smaller renovation and upgrading projects.

Most of the business area's property holdings consist of commercial space in

major metropolitan regions, predominantly office buildings, while the development of new projects is focusing mainly on office and retail space projects.

In deciding whether to divest a property, Skanska continuously compares current market value with the current value of each property's future earnings capacity.

The business area pursues active environmental work. Among other things, this strengthens its competitive position in rental markets.

RESULTS IN 1998

The year's operating income, SEK 1,585 M, was higher than in 1997.

During 1998, the business area completed projects with a book value of SEK 412 M. It sold properties primarily in Malmö, Gothenburg and Stockholm with very good capital gains – totaling SEK 1,167 M.

The operating net of its investment properties was lower than in 1997, among other things due to the divestment of properties.

MARKET VALUE OF INVESTMENT PROPERTIES

During 1998, the business area carried out an internal appraisal of the market value of its investment properties. This assessment was partly based on collaboration with outside appraisers. As of December 31, 1998, the market value of these properties was estimated at SEK 11.6 billion, of which SEK 0.2 billion was Skanska's share in partly owned properties. The corresponding book value totaled SEK 6.4 billion.

IMPORTANT EVENTS

During 1998 the business area approved the start of construction of new projects with

Skanska Project Development and Real Estate

	Total	
	1998	1997
Net sales, SEK M	1,265	1,316
Operating income, SEK M	1,585	780
Income after financial items, SEK M	1,375	545
Return on capital employed, %	20.3	10.0
Cash flow from the year's operations, SEK M	457	407
Average number of employees	211	218



SKANSKA DEVELOPED ATRIUM PLAZA IN WARSAW, POLAND, INCLUDING OFFICES, RESTAURANTS AND STORES, INTO AN IDEAL MEETING PLACE FOR PEOPLE. GREAT CARE WAS TAKEN IN TERMS OF THE ENVIRONMENT, TECHNOLOGY AND COMFORT.

an aggregate 90,000 sq m (970,000 sq ft) of leasable space and a total investment amount of SEK 1.5 billion. These new projects included office buildings for Ericsson Hewlett-Packard Telecommunications in Stockholm and Gothenburg, the Haga Porten office building project in Stockholm, the Barkarby shopping center outside Stockholm, a new office building for Skanska in Malmö, Phase IV of Kalvebod Brygge in Copenhagen, Denmark and Phase I of the West End Business Center in Budapest, Hungary. In addition, the business area signed an agreement to collaborate with the Piren real estate company in constructing the Fisketorvet shopping center in Copenhagen. Early in 1999, the project was sold to Piren.

In Finland, the first stage of the Helsinki-Lahti motorway went into service in December 1998, three months earlier than planned. The road is financed by tolls and will be owned and operated by a private consortium in which Skanska is a part-owner.

In Mozambique, Skanska is participating in the consortium that won a tender competition to build and operate a new harbor in Maputo.

Among the year's investments in new building rights and properties were the Atrium Center in Warsaw, Poland; Bredovsky Dvùr in Prague, Czech Republic; and the West End Business Center in Budapest, Hungary. The total building rights consisted of 70,000 sq m (750,000 sq ft).

OPPORTUNITIES AND THREATS

During 1998, most markets continued to develop positively in terms of rent levels and property prices.

A feared slowdown in growth in a number of markets may, however, mean a decline

in demand for commercial space and consequently a slower growth in rents. However, continued low interest rates should mean that today's strong interest in real estate investments will continue.

As for privately financed infrastructure projects, a continued increase in interest is noticeable in many markets.

SUCCESS FACTORS

Successful project development presupposes close familiarity with local markets. Decisions on new projects are therefore based on a knowledge of tenants, local market conditions, product and technical developments, competitors and financing alternatives. Most projects developed over the past few years have been fully leased even before ground-breaking, which has enabled the business area to greatly limit its risk-taking. In some markets, however, it has begun projects without full leasing at the time of ground-breaking because local commercial conditions were considered favorable.

Because it has its own property portfolio, which is continuously being renewed, Skanska has a good knowledge of the rental market. This, in turn, is of vital importance when deciding both on new projects and the divestment of properties.

SKANSKA AND THE COMPETITION

The business area's most important competitors in the Swedish market are the largest real estate and construction companies, that is, AP Fastigheter, Castellum and Diligentia, along with JM and NCC. As for large projects outside Sweden, the business area competes with ten or so other internationally active construction companies as well as with local and regional market players.

PROSPECTS FOR 1999

The outlook for 1999 is generally expected to remain bright. Opportunities to initiate new real estate projects in the business area's prioritized markets are favored by continued strong demand for newly constructed high-quality commercial space in good locations. A total of about 200,000 sq m (2.2 million sq ft) is being considered for ground-breaking during 1999.

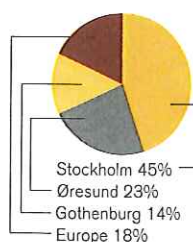
Despite an expected slowdown in economic growth in both Sweden and Denmark, rent levels have continued to rise. Rental markets in Central Europe remain stable, but falling rent levels can be expected in Poland because of a slight cooling of economic growth, combined with balance in the rental market.

Developments during 1999 in the real estate market are more difficult to assess. A number of countries in Asia are grappling with financial problems. The same applies to Russia, Brazil and certain other countries in Latin America. To what extent this affects the global economy in general and Western and Central Europe in particular is difficult to foresee.

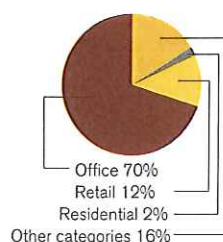
Conditions in most real estate markets have rarely been better. Low interest rates and vacancy levels, along with strong increases in rents combined with economic growth are important fundamentals. Interest in direct real estate investments remains heavy, which means potential for continued high activity when it comes to property divestments.

The market for BOT projects is characterized by continued high activity. The business area is currently discussing about ten such projects. A few of them should result in contracts during 1999.

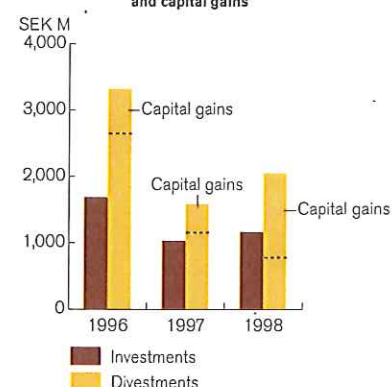
Geographic breakdown of rental value



Rental value by category of space



Investment properties
Investments, divestments
and capital gains



Investment properties, December 31, 1998, on an annual basis

SEK M	Number of properties	Leasable area 000 sq m	Rental revenues, 1998	Operating expenses	Maintenance, adaptation to tenants	Real estate tax	Ground rent	Property administration	Operating surplus	Book value	Yield on book value, %	Rental value 1999 ¹⁾	Economic occupancy rate, %
	35	449	536	48	70	34	49	11	324	2,297	14.1	547	92
	37	308	239	43	52	15	2	12	115	1,560	7.4	279	94
	20	226	158	34	18	8	0	12	86	867	9.9	173	95
	4	93	160	4	0	1	3	9	143	1,635	8.7	214	97
Total	96	1,076	1,093	129	140	58	54	44	668	6,359	10.5	1,213	93
Central company and business area overhead									42				
Operating net after central overhead on annual basis									626		9.8		
Added back to adjust for acquisitions and divestments									69				
Operating net after central overhead according to income statement									695		10.9		

¹⁾ The sum of contracted rent and estimated market rent for unleased space.

Expiration year of leases, investment properties

Percentage of rental revenues	Sweden	Other Europe	Total
1999	8	7	8
2000	23	19	22
2001	13	9	12
2002 and later	49	63	52
Residential	3		2
Parking facilities	4	2	4
Total	100	100	100

Project operations 1998

Completed projects, SEK M		Current projects, SEK M	
Book value, December 31, 1998	412	Estimated book value on completion	2,424
Estimated operating net, fully leased	67	Estimated operating net, fully leased	245.3
Return on book value, %	16.3	Return on book value, %	10.1
Economic occupancy rate, %	76	Economic occupancy rate, %	80

Properties sold during 1998

SEK M	Sales price	Book value	Capital gain
Stockholm	175	68	107
Øresund	817	308	509
Gothenburg	759	309	450
Europe	210	109	101
Total	1,961	794	1,167

Unutilized building rights, December 31, 1998

000 sq m	
Stockholm	170
Øresund	230
Gothenburg	110
Europe	130
Total	640

The business area's properties

SEK M	Book values	
	1998	1997
Investment properties	6,359	6,412
Investment properties under construction	1,168	1,047
Undeveloped land and development properties	975	696
Total	8,502	8,155

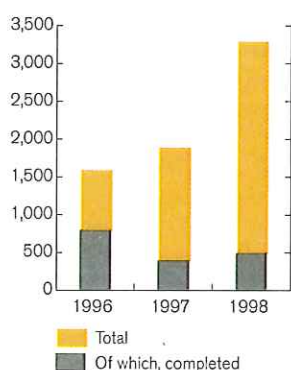
Completed and current property projects

	Leasable space, 000 sq m	Estimated rental value, fully leased	Estimated operating net, fully leased	Economic occupancy rate, %	Estimated book value, completed	Book value Dec. 31, 1998
Completed projects						
Øresund	13	19.2	17.3	85	-	105
Gothenburg	5	6.8	6.4	100	-	48
Europe	14	44.9	43.3	52	-	259
Total	32	70.9	67.0	76	-	412
Current projects						
Stockholm	103	167.1	149.5	85	1,588	660
Øresund	30	50.2	44.1	62	363	177
Gothenburg	26	39.7	35.3	100	364	119
Europe	8	17.3	16.4	0	109	22
Total	167	274.3	245.3	80	2,424	978

Total completed and current property projects

of which, investment properties on December 31, 1998 (renovation projects)	1,390
of which, investment properties under construction, December 31, 1998	1,168
of which, development properties, December 31, 1998	129

Total construction cost of current property projects, including completed projects, SEK M

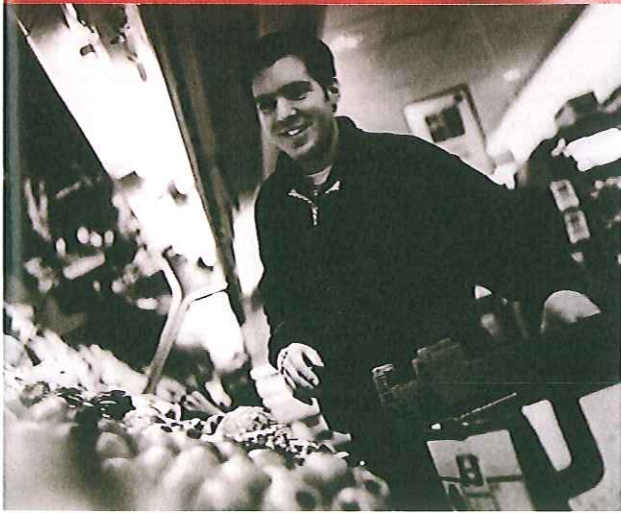


Investment properties

SEK M	1998	1997
Book value	6,359 ¹⁾	6,412
Rental revenues	1,204	1,251
of which, interest subsidies	1	6
Operating net before central overhead	737	775
Central company and business area overhead	42	61
Operating net after central overhead	695	714
Return on book value, %	10.9	11.1
Leasable space, 000 sq m	1,076	1,188
Residential	33	72
Retail	109	136
Office	568	553
Other categories	366	427
Economic occupancy rate, %	93	94

¹⁾ After eliminating intra-Group profits, SEK 218 M.

For a list of the business area's properties and current projects, see pages 74-77.



UPPLANDS VÄSBY, OUTSIDE STOCKHOLM, IS A MUNICIPALITY THAT IS WELL KNOWN FOR ITS EXCITING ARCHITECTURE. SKANSKA'S PROPERTY THERE IS CENTRALLY LOCATED, IN AN ATTRACTIVE AREA WITH HEAVY FOOT TRAFFIC. IT CONTAINS A NUMBER OF STORES ON THE GROUND FLOOR. JONAS MALMBERG IS ASSISTANT STORE MANAGER AT KONSUM KORPKULLA, A CONSUMER COOPERATIVE GROCERY THAT IS ONE OF SKANSKA'S TENANTS.

For many years, Skanska's strategy has included systematic efforts to develop projects and properties, thereby generating realizable value-added. This value-added is generated by developing new real estate projects, upgrading existing properties and developing properties that have been acquired through exchange transactions. Divestment of fully developed properties is also an important element of this strategy.

HOW SKANSKA REPORTS ITS REAL ESTATE PORTFOLIO A READER'S GUIDE

Unlike a pure property management company, in its project development operations Skanska can combine resources, expertise and experience from a number of different fields – traditional property management, construction of new buildings, renovation of older properties for new uses, a broad network of client and market contacts and, not least, a strong financial base. To some

extent, successful development operations require that Skanska should own properties that have development potential or can be exchanged for other properties.

Even after the distribution of Drott to the shareholders, Skanska's property portfolio remains substantial. These holdings include properties of varying kinds. They include buildings leased to outside tenants, buildings

under construction, development properties, business properties for Skanska's own operations and the Group's own industrial plants, gravel pits and quarries, as well as undeveloped lots.

Below is a general description of the components of Skanska's property portfolio and where they are found in the income statements, balance sheets and notes.

Where in Skanska's balance sheet?

Where in Skanska's income statement?

Type of property	Where in Skanska's income statement?	
	Revenues, operations and maintenance, improvement measures and depreciation during the period of ownership	Upon divestment
Properties in the real estate business <i>Investment properties</i> This category consists of properties that Skanska owns and manages – for example residential buildings, office buildings and other commercial properties. The users/tenants are mainly outside clients. The holding may be long-term, even if all properties are for sale in principle, provided that the prices and other terms are deemed favorable. In many cases, Skanska undertakes various upgrading measures in order to increase the value of a property.	Part of "Real estate operations" under the heading "Property management". See Note 1.	Net capital gain is included under the heading "Gain on sale of properties".
<i>Investment properties under construction</i> This category consists of buildings that have not been completed, but which Skanska intends to own and manage for a long period.	Part of "Real estate operations" under the heading "Other real estate operations". See Note 1.	Net capital gain is included under the heading "Gain on sale of properties".
<i>Development properties</i> This category includes vacant lots as well as other properties or buildings that at some later date will be used for construction or will be renovated, sold or otherwise developed in Skanska's business operations.	Part of "Real estate operations" under the heading "Other real estate operations". See Note 1.	Net capital gain is included under the heading "Gain on sale of properties".
Other buildings and land <i>Business properties</i> This category mainly consists of all Group facilities for the production of concrete elements, windows and floors as well as asphalt and concrete mixing plants, gravel pits and quarries.	Included in "operating expenses".	Included among operating income and expenses.
Current-asset properties <i>Current-asset properties</i> This category consists of properties that already have a buyer or that Skanska believes it can sell within about a year. This may apply, for example, to single-family homes or other residential developments, where the homes are successively completed and put on sale over a period of time.	Included in "operating expenses".	Included in gross income.



In January 1999, Skanska sold the Kalvebod Brygge 39 project in Copenhagen, Denmark to Germany's Landesbank Kiel. The project, consisting of an office building totaling 8,000 sq m (86,000 sq ft), had been developed by Skanska Project Development and Real Estate, with the Danish subsidiary Skanska Jensen as the contractor. The sales price was SEK 186 M. The book value of the property on December 31, 1998 was SEK 134 M. In the 1999 financial statements, the capital gain will consequently be reported as SEK 52 M, which is equivalent to about 40 percent of book value.

Figures in the balance sheet

	Skanska USA	Skanska Europe	Skanska Sweden	Skanska Project Development and Real Estate	Elimination of intra-Group sales etc.	Total 1998	Total 1997
Properties in real estate operations							
<i>Investment properties</i>			62	6,578	-218	6,422	6,703
<i>Investment properties under construction</i>				1,210	-42	1,168	1,009
<i>Development properties</i>			32	984	-9	1,007	868
Other buildings and land	171	1,388	520		20	2,099	2,504
Current-asset properties	168	1,114	1,321			2,603	1,301

Current-asset properties

SEK M	Skanska USA	Skanska Europe	Skanska Sweden	Total 1998
Gain on sale (included in gross income)	17	28	161	206

FIVE-YEAR GROUP FINANCIAL SUMMARY¹⁾

SEK M	1998	Pro forma 1997	Pro forma 1996	1997	1996	1995	1994
Income statements							
Net sales	63,935	49,577	40,244	54,847	45,849	37,754	31,709
of which, outside Sweden, %	68	62	54	56	47	39	34
Operating income after depreciation							
Construction operations	998	492	432	590	549		
Industrial operations	193	252	288	252	288		
Property management	580	581	642	1,721	1,658		
Other real estate business	-122	-14	31	-20	30		
Sale of properties	1,266	423	667	778	697		
Share of income in associated companies	684	674	524	534	454		
Writedowns/reversals of writedowns	-14	8	51	8	51		
Items affecting comparability	1,033	-944	0	-1,023	0		
Other business	-242	-676	-213	-722	-213		
Operating income	4,376	796	2,422	2,118	3,514	3,097	2,559
Financial items	449	9,316	1,748	8,930	1,327	-524	721
Income after financial items	4,825	10,112	4,170	11,048	4,841	2,573	3,280
Taxes	-1,965	-2,864	-578	-3,145	-716	-692	-349
Minority interest in income	-78	-122	-174	-381	-268	-271	-94
Net profit for the year	2,782	7,126	3,418	7,522	3,857	1,610	2,837
Statements of changes in financial position							
Cash flow from the year's operations	-707	3,018	1,539	3,462	2,416	1,271	1,494
Net investments	228	10,456	-3,573	9,614	-4,541	-1,584	1,077
Cash flow after investments	-479	13,474	-2,034	13,076	-2,125	-313	2,571
Dividend etc.	-1,057	-5,761	-329	-6,277	-759	262	-269
Change in net indebtedness ²⁾	-1,536	7,713	-2,363	6,799	-2,884	-51	2,302

¹⁾ The years 1996 and 1997 are stated on a pro forma basis, excluding Drott and with JM deconsolidated. For the years 1996, 1997 and 1998, the percentage of completion method was applied in contracting companies, whereas 1994 and 1995 were reported according to the completed contract method. Other changes in accounting principles have been taken into consideration in comparative years.

²⁾ A reduction in net indebtedness has been stated with + and an increase with -.

SEK M	1998	Pro forma 1997	Pro forma 1996	1997	1996	1995	1994
Balance sheets							
Properties in real estate operations	8,597	8,580	8,703	20,445	20,089	20,152	18,338
Shares and participations	7,157	6,695	8,019	6,003	7,044	4,325	5,255
Other fixed assets	6,773	6,581	6,342	6,658	6,434	2,799	2,576
Interest-bearing receivables	2,372	2,090	1,917	2,187	2,032	2,143	1,142
Non-interest-bearing receivables	13,876	11,090	9,971	12,081	11,106	7,823	8,069
Current-asset properties	2,603	1,301	1,150	2,138	1,630	1,410	1,312
Bank balances and short-term investments	3,505	2,553	1,247	3,086	3,171	3,639	6,078
Shareholders' equity	13,519	11,817	10,297	16,917	15,395	12,246	10,652
Minority interests	271	151	102	2,055	1,505	1,438	532
Interest-bearing liabilities and provisions	7,855	5,085	11,319	10,011	16,740	13,363	14,750
Non-interest-bearing liabilities and provisions	23,238	21,837	15,631	23,615	17,866	15,244	16,836
Balance sheet total	44,883	38,890	37,349	52,598	51,506	42,291	42,770
Interest-bearing net indebtedness	1,978	442	8,155	4,738	11,537	7,581	7,530
Average number of employees	39,246	35,035	34,228	37,240	36,724	32,728	28,868
Financial ratios etc.							
Dividend per share, SEK	12.00 ¹⁾	11.00 ²⁾	10.00	11.00 ²⁾	10.00	5.00	3.75
Net profit/loss per share, SEK	24.4	59.4	27.1	62.7	30.6	12.8	22.5
Equity per share, SEK	118.7	103.8	81.8	148.6	122.3	97.2	84.6
Return on shareholders' equity, %	22.0	64.4	39.2	46.6	27.9	14.1	30.0
Return on capital employed, %	27.0	54.3	26.5	38.1	20.2	15.1	17.1
Equity/assets ratio, %	30.7	30.8	27.8	36.1	32.8	32.4	26.1
Debt/equity ratio	0.1	0.0	0.8	0.2	0.7	0.6	0.7
Interest cover	8.5	17.5	5.6	11.6	4.4	2.6	3.5

¹⁾ Proposed by the Board of Directors.

²⁾ Excluding the distribution of Drott, amounting to SEK 45 per share.

DEFINITIONS

Interest-bearing net indebtedness	Interest-bearing liabilities including pension liability minus liquid assets and interest-bearing receivables.
Net profit per share	Net profit for the year divided by the average number of shares.
Equity per share	Visible shareholders' equity divided by the number of shares.
Return on shareholders' equity	Income as a percent of average visible shareholders' equity.
Return on capital employed	Operating income, financial revenues and net participations in associated companies, as a percentage of average capital employed. Capital employed is visible shareholders' equity plus interest-bearing liabilities.
Equity/assets ratio	Visible shareholders' equity including minority interest, as a percentage of total assets.
Debt/equity ratio	Interest-bearing net indebtedness divided by visible shareholders' equity including minority interest.
Interest cover	Operating income, financial revenues and net participations in associated companies, divided by financial expenses.
Operating net on properties	Rental revenues and interest subsidies minus operating, maintenance and administrative expenses plus real estate tax. Ground rent is included in operating expenses.
Yield on properties	Operating net as above, divided by year-end book value.
Number of shares outstanding	1997–1998: 113,854,968. 1993–1996: 125,923,860.

REPORT OF THE DIRECTORS

NOTE TO THE READER

Because of the distribution of Drott and the reclassification of JM from a subsidiary to an associated company, pro forma accounts for 1997 have been drafted as if these changes had taken place on January 1, 1997. All comparative figures refer to the pro forma accounts unless otherwise stated.

STRUCTURAL CHANGES AND IMPORTANT EVENTS

Strategy and organizational structure

The results of the far-reaching strategy review conducted late in 1997 and early in 1998 were announced in January. Skanska's strategy includes:

- A focus on core operations, that is, building and civil construction-related services as well as project development and real estate.
- Continued restructuring transactions.
- Increased internationalization and development of new "domestic" markets.
- Divestment of non-core assets, with the resulting freed-up resources being invested in the continued development of core operations.

As part of this strategy, the Group established a new organizational structure on February 1. It consists of the Skanska Sweden, Skanska Europe and Skanska USA business areas – which all operate in construction-related services – plus the Skanska Project Development and Real Estate business area.

Acquisitions

During May, the Group acquired the remaining 30 percent of Skanska Oy from that company's management. In August, Skanska Oy acquired the construction operations of the Finnish construction and real estate group Polar, with annual sales of about SEK 1.8 billion and about 1,150 employees. The agreement also includes options to purchase land from Polar for development purposes, in order to increase the scale of the company's project development operations.

The acquisition of three building and civil construction companies in the United States was completed in early April. Tide-water Construction Co. (Virginia), CDK Contracting Co. (New Mexico) and Nielsons Inc. (Colorado) were purchased from the

British-based Hanson Group. The acquisition also gave Skanska 66 percent ownership of Bayshore Concrete Products Inc., a company on the U.S. East Coast working with pre-fabricated concrete elements. On an annual basis, the acquired companies have sales totaling nearly SEK 2 billion. Late in December, Skanska signed a letter of intent to acquire 70 percent of Karl Steiner Holding AG, which is Switzerland's largest company in construction-related services and project development, with operations also in France and in the Middle and Far East. In 1997 the company had net sales of about SEK 4 billion. In addition, Skanska signed a letter of intent to acquire 67 percent of the shares in the Argentine construction company SADE Ingeniería y Construcciones S.A. SADE is the second largest construction company in Argentina, with annual sales of about SEK 3.2 billion. The company has operations throughout South America. Aside from Argentina, it has current assignments in Brazil, Chile, Peru and Venezuela.

Structural change

The Annual Meeting of Shareholders in Skanska AB on April 29 approved the distribution of all shares in the subsidiary Drott, with a book value of about SEK 5.1 billion, to Skanska's shareholders. This decision means that shareholders in Skanska received one Series A or B share in Drott, respectively, for each Skanska Series A or B share held. The Series A and B shares in Drott have been quoted on the O list of the Stockholm Stock Exchange since September 24, 1998. The price of a Series B share on the day of introduction was SEK 68, equivalent to a market capitalization of about SEK 7.7 billion for Drott. According to an advance ruling issued by the Revenue Board, the dividend is exempt from both dividend and withdrawal tax. About SEK 5 billion was previously transferred to the shareholders in the form of a share redemption in 1997.

Divestment of non-core assets

Skanska sold its remaining shareholding in Sandvik in mid-March. The sale yielded a capital gain of SEK 646 M before taxes. During June, the Group sold all its timberland assets and related business. The sale price totaled about SEK 1.4 billion, with a

capital gain of about SEK 1.1 billion. The transaction is conditional upon necessary approvals by public agencies.

Scancem

In conjunction with the European Commission's investigation of Skanska's stake in Scancem from a competition standpoint, in which the Commission also raised questions about the formation of Scancem and that company's position in the Nordic cement market, in October Skanska submitted a settlement proposal. In this proposal, as the largest shareholder in Scancem, Skanska undertook to procure Scancem's divestment of its Finnish cement operations or implement another comparable restructuring of its cement operations. Skanska also undertook to divest its shareholding in Scancem within an 18-month period. In November, the European Commission approved the settlement proposal. Skanska and the other principal owner of Scancem – the Norwegian-based company Aker RGI – reached agreement early in 1999 to pursue a coordinated process in order to divest the two companies' respective shareholdings in Scancem. In doing this, the two principal owners will seek to ensure that the other shareholders in Scancem are also offered the opportunity to divest their shares in the company on the same terms. During 1998, Skanska's stake in Scancem increased to a total of 40.4 percent of capital stock and 49.7 percent of voting power in the company.

JM

During 1998, the Group evaluated its stake in JM. As a result of this process, Skanska decided to remain as the principal shareholder in this company. To clarify Skanska's structure and simplify analysis of Skanska's operations, and to strengthen JM's position as an autonomous listed company, 1,250,000 of Skanska's Series A shares in JM were reclassified to Series B shares. After this, the Group owns an unchanged 27 percent of all shares in JM, while Skanska's voting power in JM is reduced from 57 percent to 45 percent. As one effect of this change, JM is no longer reported as a subsidiary, but as an associated company.



Change of ownership in Skanska

In late September, Industrivärden and Inter-IKEA Finance S.A. together purchased all of Custos' shares in Skanska. After the acquisition, Industrivärden is the largest shareholder in Skanska from the standpoint of voting power, with a stake equivalent to 29.9 percent of the votes and 7.4 percent of the capital stock in the Company. Inter-IKEA Finance S.A.'s stake is equivalent to 10.1 percent of the votes and 2.5 percent of the capital stock in Skanska, making Inter-IKEA Finance S.A. the second largest shareholder in the Company from the standpoint of voting power.

Rulings in aircraft leasing cases

In June 1998 the Supreme Administrative Court of Sweden issued rulings on two aircraft leasing cases in which Skanska has ownership interests. For Skanska and the other co-owners of the limited partnership companies that had been subjected to audits, the rulings mean that the depreciation deductions already made, which had been approved in earlier adjudication, have now been declared invalid.

The rulings in the cases that have now been decided have no impact on the income of the Skanska Group, because the necessary provisions had been made in earlier accounts.

Together with the other plaintiffs, the industrial groups Stora Enso and Sandvik, Skanska petitioned for a rehearing of these two cases. The rehearing petition is based, among other things, on interpretation issues concerning the underlying lease agreements. It is uncertain when a ruling on the rehearing petition can be expected.

The Group is part-owner of another three limited partnerships with similar operations, in which the examination of tax matters has been suspended while awaiting the rulings that have now been issued. These cases are not identical with the two cases now decided, and their outcome is therefore difficult to foresee. To cover the entire estimated effect on income of a ruling that might invalidate the deductions also in these three still pending cases, Skanska has made a provision of SEK 586 M in the consolidated accounts.

Provision for restructuring measures and project risks

Of the total of SEK 1,500 M set aside in the 1997 consolidated accounts, which included SEK 1,126 M for restructuring of operations, SEK 274 M in provisions for project risks and SEK 100 M in provisions for the Halland Ridge project, during the year SEK 1,450 M was withdrawn to cover expenses. Most of the unused SEK 50 M set aside in the consolidated accounts consists of the remaining provision for the Halland Ridge project.

High-speed rail link to JFK Airport

In mid-April, the Group landed one of its largest order ever, for a new light rail system connecting the terminals at John F. Kennedy International Airport in New York City to two railroad stations elsewhere in the New York borough of Queens, a distance of 13 kilometers (8 miles). This order was obtained together with the Canadian train manufacturer Bombardier Transit Corporation. Skanska's share is equivalent to an order sum of about SEK 5 billion and is related to the design and construction portion of the project.

EVENTS AFTER THE END OF THE FINANCIAL YEAR

Early in February, Skanska acquired the French wooden flooring company Parquets Marty S.A. The company is the leader in the French parquet market. Its annual sales are about SEK 700 M and there are about 500 employees.

MARKET

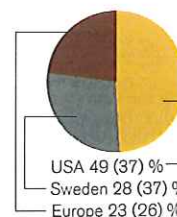
On the whole, the Group's building and civil construction operations benefited from good market growth and good order book-

ings during 1998. In Finland and the United States, the overall construction market was strong. In Denmark and in the major urban regions of Central Europe where Skanska has operations, market trends were positive. In Sweden, construction investments increased in all sectors. Swedish residential construction, however, remained at a historically low level. In Russia, political and economic instability is adversely affecting the construction market. For Skanska's building component companies, the German market remained weak during the year. In the Swedish rental market, there was strong demand for housing and commercial space in the three largest metropolitan regions. Meanwhile the Swedish real estate market attracted heavy investment interest.

ORDER BOOKINGS AND ORDER BACKLOG

During 1998, the Group's order bookings rose 36 percent to SEK 80,150 M (58,950). Skanska USA and the construction portion of Skanska Europe accounted for the largest increases, 77 and 32 percent respectively. Of the year's order bookings, 28 percent (37) were in Sweden. The increase included currency rate effects of about SEK 2,000 M (2,500). This effect was related mainly to Skanska Europe and Skanska USA, due to the higher value of the Finnish mark, the Danish krone and the U.S. dollar against the Swedish krona. For comparable units, the increase in order bookings was 28 percent. At the end of 1998, order backlog stood at SEK 68,398 M (51,745). Of this, 19 percent (24) was in Sweden. Of the increase, about SEK 1,800 M (3,600) consisted of currency rate effects. For comparable units, the increase was 33 percent.

Order bookings by business area, 1998



Order bookings and order backlog by business area

SEK M	Order bookings		Order backlog	
	1998	1997	1998	1997
Sweden	22,625	21,726	14,223	14,074
Europe	18,656	15,203	11,125	10,029
USA	38,869	22,021	43,050	27,642
Total	80,150	58,950	68,398	51,745

NET SALES

Net sales during 1998 totaled SEK 63,935 M (49,577), an increase of 29 (23) percent. The increase included currency rate effects of SEK 1,200 M (1,700). Of net sales, 32 percent (38) were in Sweden. For comparable units, the increase was 20 percent. The increase in sales was primarily attributable to the Skanska USA and Skanska Europe business areas, with sales growth of 59 and 38 percent, respectively, while net sales of the Skanska Sweden business area rose by 5 percent. The Group's net sales have more than doubled since 1994.

EARNINGS

Operating income amounted to SEK 4,376 M (796). For comparable units, income amounted to SEK 4,285 M. Gross income of SEK 5,837 M (4,879) included SEK 206 M (87) in capital gains on the sale of current-asset properties (short-term real estate projects developed by Skanska). Gross income also included writedowns of current-asset properties totaling SEK 55 M (19). Skanska's share of income in associated companies comprised SEK 684 M (674), most of which came from the listed associated companies Scancem, JM, Norrporten and Piren. Operating income included SEK 1,033 M (-944) in items affecting comparability. In 1998, this consisted of a capital

gain of SEK 1,090 M from the divestment of the Group's timberland assets and related business operations, plus a loss of SEK 57 M on the divestment of the Kymmen hydro-electric power plant. Divestments of properties in real estate operations yielded capital gains of SEK 1,266 M (423). Most of these gains were related to the sale of properties in Gothenburg and Malmö, Sweden. The book value of properties in real estate operations that were sold during the year amounted to SEK 784 M (1,161), of which SEK 109 M was related to divestments outside Sweden. Skanska carried out net writedowns of SEK 14 M in real estate operations, whereas in 1997 it had made SEK 8 M worth of net recoveries in writedowns. The writedowns were exclusively related to properties in the real estate operations of Skanska Sweden.

Income after financial items amounted to SEK 4,825 M (10,112).

Net financial items amounted to SEK 449 M (9,316). This included SEK 646 M (9,126) in capital gains on shares sold, consisting of gains from the divestment of the remaining portion of the Group's holding in Sandvik.

Dividend income fell, after Skanska's previously implemented divestments of non-core shareholdings, from SEK 363 M to SEK 57 M, while net interest items improved to

SEK -197 M (-289). Net interest items were favorably affected by lower average net indebtedness and lower interest rates, among other factors.

Net profit for the year totaled SEK 2,782 M (7,126), while net profit per share declined from SEK 59.4 to SEK 24.4.

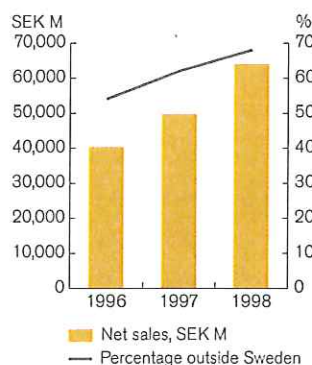
The year's comparatively high tax expense, 41 percent (28) of consolidated income after financial items, is mainly explained by a provision for tax cases related to depreciation deductions in partly-owned limited partnerships engaged in aircraft leasing.

PROPERTIES IN REAL ESTATE OPERATIONS

The Group's overall real estate operations, that is, properties in the real estate operations of the Skanska Project Development and Real Estate and Skanska Sweden business areas, showed a stable operating income of SEK 580 M (581) for property management. The operating income for other real estate operations declined from SEK -14 M to SEK -122 M. The decline in earnings was attributable to increased activity in project development operations, in which a large proportion of incurred expenses are charged to income on a current basis.

Operating net for investment properties amounted to SEK 720 M (792), while yield on book value was 11.2 percent (11.8). The

Net sales and invoiced sales outside Sweden



Net sales, operating income and income after financial items by business area

SEK M	Net sales		Operating income		Income after financial items	
	1998	1997	1998	1997	1998	1997
Sweden	22,677	21,528	496	485	533	497
Europe	18,560	13,493	370	358	238	265
USA	24,472	15,410	398	321	448	356
Project Development and Real Estate	1,265	1,316	1,585	780	1,375	545
Total	66,974	51,747	2,849	1,944	2,594	1,663
Stock portfolio management					703	9,489
Items affecting comparability			1,033	-944	1,033	-944
Listed associated companies			661	659	661	659
Other and eliminations	-3,039	-2,170	-167	-863	-166	-755
Total	63,935	49,577	4,376	796	4,825	10,112



occupancy rate was 90 percent (91) in terms of space and 93 percent (94) in terms of rent. Operating net for investment properties in the Project Development and Real Estate business area amounted to SEK 695 M (714). Yield on book value was 10.9 percent (11.1). Investments in the development of real estate projects affect earnings in other real estate operations, since a large proportion of incurred expenses are charged to income on a current basis.

During 1998 the business area conducted an internal market appraisal of its investment properties. This assessment was performed partly in collaboration with external appraisers. The market value of these properties on December 31, 1998 was estimated at SEK 11.6 M, with a book value in the consolidated accounts of about SEK 6.4 billion.

CASH FLOW

Cash flow from operations totaled SEK -707 M (3,018). After net investments, cash flow totaled SEK -479 M (13,474).

Cash flow

SEK M	1998	1997
Cash flow from		
the year's operations	-707	3,018
Investments	-4,075	-4,194
Divestments	4,303	14,650
Net divestments	228	10,456
Cash flow after investments	-479	13,474

The deterioration in cash flow from operations, SEK 3,725 M, was mainly attributable to the payment of SEK 2,200 M in tax related to the sale of Sandvik shares in 1997, plus disbursements related to restructuring expenses and lower dividend income from Skanska's shareholdings. For individual business areas, cash flow from operations improved in the Skanska Sweden, Skanska USA and Project Development and Real Estate business areas, while cash flow declined in the Skanska Europe business area.

CAPITAL SPENDING

The Group invested SEK 4,075 M, while divestments totaled SEK 4,303 M. Net divestments for the year totaled SEK 228 M (10,456).

Investments and divestments

SEK M	1998	1997
<i>Investments</i>		
Properties in real estate operations	-1,163	-1,029
Current-asset properties, net	-896	-163
Shares and participations	-374	-1,904
Acquisition of Tidewater and Polar	-531	
Other fixed assets, net	-1,111	-1,098
Total investments	-4,075	-4,194
<i>Divestments</i>		
Properties in real estate operations	2,050	1,584
Forest and hydroelectric power	1,474	
Shares and participations	779	12,396
JM and Pandox		670
Total divestments	4,303	14,650
Net divestments	228	10,456

Current-asset properties, that is, short-term real estate development projects, increased in scale in all construction business areas and totaled SEK 896 M (163) on a net basis.

Investments in shares and participations consisted mainly of purchases of additional shares in Scancem and participation in the new share issue in Pandox Hotellfastigheter AB. "Other fixed assets" included investments in business properties, that is, properties that the Group uses in its operations, and investments in machinery and equipment. Major divestments during the year included SEK 2,050 M worth of properties in real estate operations, SEK 1,474 M for the divestment of Skanska's forest and hydroelectric power operations plus the divestment of its shareholding in Sandvik.

STOCK PORTFOLIO

The market value of the Group's listed shareholdings amounted to SEK 9,600 M (11,340), with a book value of SEK 6,780 (6,374) M in the consolidated accounts. This included holdings reported as associated companies (Scancem, JM, Norrporten, Piren and Rörvik Timber). The market value of these holdings amounted to SEK 8,518 M, with a book value of SEK 6,373 M in the consolidated accounts. The market value of other shares in listed companies (SKE, Pandox, Costain etc.) amounted to SEK 1,082 M, with a corresponding book value of SEK 407 M.

The shareholding in Scancem was increased to 40.4 percent (39.2) of capital stock and

49.7 percent (48.1) of voting power in the company. Without changing the Group's percentage of ownership, Skanska participated in the new share issue in Pandox. The final portion of the Group's shareholding in Sandvik was sold during the year. After reclassification of 1,250,000 of Skanska's Series A shares in JM to Series B shares, its holding in JM amounted to 27 percent of capital stock and 45 percent of voting power.

FINANCING AND LIQUIDITY

The Group's loan financing is primarily related to its real estate operations, where it is normally considered possible to adjust rental revenues to interest rate changes only in a medium-term perspective. In light of this, Skanska believes it achieves risk neutrality with a fixed-interest period of 2.5 years on its net indebtedness. The Group's financial policy allows deviations from this fixed-interest period within established limits. The fixed-interest period of net indebtedness is adjusted continuously, among other things by using derivative instruments.

Net indebtedness including provisions increased by SEK 1,536 M to SEK 1,978 M (442).

The Group's net interest items improved to SEK -197 M (-289), however, due to lower average net indebtedness as well as lower market interest rates during 1998 compared to 1997.

The Group's interest-bearing assets rose to SEK 5,877 M (4,643). Of these, receivables in foreign currencies accounted for 58 percent (64). The average fixed-interest period for all interest-bearing assets was 0.5 year (0.5), and the interest rate amounted to 4.4 percent (5.2).

The Group's interest-bearing liabilities and provisions increased to SEK 7,855 M (5,085), of which SEK 3,925 M (871) were short-term and SEK 3,930 M (4,214) long-term. The average fixed-interest period for the Group's interest-bearing liabilities amounted to 1 year (1.5) at the end of 1998, while average maturity for the Group's interest-bearing liabilities was 2 years (3.5). The average interest rate for all interest-bearing liabilities amounted to 5.4 percent (6.1) at year-end, and the proportion of loans in foreign currencies rose to 82 percent (51).

Pension liabilities totaled about SEK 2,000 M (1,800), with an interest rate of 4.9 percent (3.7).

At year-end, the Group had unutilized credit facilities at the Parent Company level totaling SEK 2,972 M (5,530).

EXCHANGE DIFFERENCES

The Group's financial policy includes minimizing risk exposure in foreign currencies. The assets and liabilities, respectively, of subsidiaries in foreign currencies should thus be balanced as far as possible. In addition, Skanska's shareholdings in foreign subsidiaries are hedged by means of forward contracts and borrowing in foreign currencies. In the Group's operations, the flow of goods and services across national boundaries, like the currency flows related to them, is on a limited scale. As a basic rule, however, such contracted or budgeted currency flows for the next 6-9 months shall be hedged. Exchange differences during 1998 amounted to SEK -24 M (5). Positive translation differences of SEK 159 M which arose from the consolidation of the financial statements of foreign subsidiaries were offset, taking into account tax effects, against exchange losses on loans corresponding to these investments.

DIVIDENDS

Dividend revenues, excluding dividends from companies that are reported according

to the equity method of accounting, totaled SEK 57 M (363).

RETURN

Return on equity decreased from 64.4 percent to 22.0 percent, while return on capital employed declined from 54.3 percent to 27.0 percent.

Excluding the sale of financial assets and items affecting comparability, return on capital employed amounted to 18.3 percent (12.0).

EQUITY/ASSETS AND DEBT/EQUITY RATIO

The equity/assets ratio was largely unchanged at 30.7 percent (30.8), while the debt/equity ratio rose from 0.0 to 0.1

SHAREHOLDERS' EQUITY

During 1998, aside from the regular cash dividend, Skanska distributed all shares in the subsidiary Drott AB, with a book value of SEK 5,098 M in the consolidated accounts. At year-end 1998, the shareholders' equity of the Skanska Group amounted to SEK 13,519 M (11,817), divided into SEK 5,177 M in restricted equity and SEK 8,342 M in unrestricted equity. Proposed provisions to restricted equity amounted to SEK 0 M (0).

CHANGES IN THE BOARD AND MANAGEMENT

Before the 1998 Annual Meeting of Share-

holders, Melker Schörfling, Gustaf Douglas and Carl-Olof Ternryd had declined re-election to the Board of Directors. The Annual Meeting elected Roger Flanagan and Finn Johnsson as new Board members. On the same day, at the initial Board meeting following its election by the Annual Meeting, the Board appointed Bo Rydin as its new Chairman and Sven Hagströmer as Vice Chairman. An extraordinary meeting of shareholders on October 26 elected Clas Reuterskiöld as a new Board member. On the same date, Sven Hagströmer and Christer Gardell resigned from the Board.

In connection with the 1998 Annual Meeting, there were also changes among the Board members appointed by the trade unions as employee representatives. Bo Holmberg, Swedish Union of Supervisors (Ledarna), resigned from the Board and was replaced by Nils-Erik Pettersson. Skanska's Chief Counsel, Einar Lundgren, was appointed effective from July 1 as a member of Group Management as well as Secretary of Skanska AB's Board of Directors.

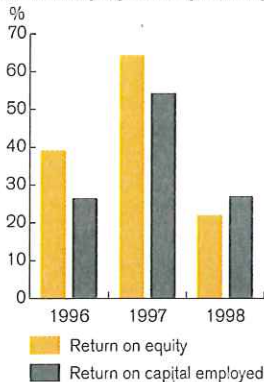
THE WORK OF THE BOARD

During 1998, the Board of Directors held five regular meetings plus an initial meeting following its election. In connection with its November 1998 meeting, the Board visited the Öresund Bridge construction site in southern Sweden. In addition to its regular meetings, the Board held four extra meetings. In November, the Board adopted a new program for its work in compliance with new regulations in the Swedish Annual Accounts Act. The program includes written instructions on the division of labor between the Board and the President. The program will be revised and adopted annually.

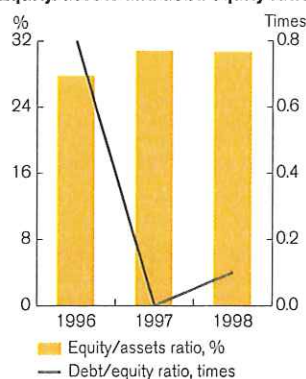
YEAR 2000 READINESS DISCLOSURE

The audit of operationally critical information technology (IT) systems that Skanska implemented during 1997 resulted in activities that are planned for completion during the first half of 1999. Their status is being reported on a continuous basis to the management team in every company and to the manager of Skanska's 2000 Project. The project has been allotted the necessary resources to implement modifications and replacements of administrative and opera-

Return on equity and capital employed



Equity/assets and debt/equity ratio





tionally critical systems. Work is underway to identify and analyze the systems built into buildings and facilities – “embedded” systems. Skanska is requiring that its suppliers be year 2000-ready. Purchasing procedures have therefore been supplemented to ensure that no contracts are signed without a year 2000-readiness clause.

RESEARCH, DEVELOPMENT AND THE ENVIRONMENT

In 1998, the Skanska Group invested SEK 250 M in research and development. Skanska Teknik AB is a gathering point for the Group’s technical expertise and provides a base for transfer of experience. It supplies the business areas with expert consulting services in selected fields of technology, including the environment.

The Skanska Group participates in national research programs that pursue development work in fields that are strategic for the Group, such as infrastructure technology, more efficient construction, wooden structures, indoor environment, global environmental issues and the streamlining of construction processes with the aid of IT. Skanska also participates actively in seven European Union-financed research projects.

All business areas pursue development work related to the products, methods and processes that form the basis of their business operations. Construction systems are developed jointly by Skanska’s contracting and industrial companies in Denmark, Finland and Sweden. Substantial methodological and process development work occurs in the planning and construction phases of major building and civil construction projects.

The Group has made extensive efforts to increase its level of knowledge in the environmental field. The goal is that all operating areas shall have introduced an environmental management system during 1999, which will lead to environmental certification of every operating unit.

Skanska takes advantage of research and development work to raise the level of technological know-how in the Group. It intends to create an alternative career path for talented engineers. A number of experts at Skanska are now doctoral students at universities and institutes of technology, with

the goal of earning a higher academic degree. Leading Skanska engineers are also affiliated with universities as adjunct professors. At the end of 1998, about 20 individuals were participating in this type of activities.

PERSONNEL

The average number of employees in the Group during 1998 was 39,246 (35,035). This included 24,280 (19,705) employees working outside Sweden.

To support the task of achieving its business goals, for some years Skanska has worked with a human resource development model in which individual planning discussions are a central activity. Such discussions take place with most Group employees. Other support activities have also been implemented in order to develop working methods based on management by objectives.

As part of Skanska’s recruitment of future managers and specialists, it completed a trainee program for undergraduate engineering students and started a new one during 1998. Swedish units of the Group also hired about 130 young employees with university degrees.

Skanska implemented a number of activities to support its internationalization – language training, international introduction programs, international management development programs etc.

In connection with the environmental certification process, Skanska carried out large-scale training programs in this field. In addition, a number of employees underwent training for supervisors and training in Skanska’s core competencies.

Other fields in which Skanska carried out large-scale training programs were computers and quality control.

Eight internal one-year management programs with a total of 230 participants took place during 1998. Eighty of the participants also attended an internal Development and Assessment Center.

During 1998, Skanska implemented a women’s mentorship program aimed at increasing the number of women managers in the company.

OUTLOOK FOR 1999

The outlook in the American construction market remains good. Civil construction

investments are expected to increase sharply during 1999. No clear signs of the feared slowdown in office and industrial space investments is yet visible in the order bookings of Skanska USA, where operations are expected to show strong growth and a positive trend of earnings during 1999 as well.

Building and civil construction investments in Sweden are expected to increase during 1999, but are still relatively low in a historical perspective. The restructuring measures implemented in Skanska Sweden during 1998 and higher volume in project development are expected to have a positive impact on 1999 earnings. In Finland, the rate of increase in construction investments is expected to slow, but another surge in residential construction is expected during 1999. The effects of the merger with Polar, as well as higher project development volume, are expected to have a positive impact on the earnings of Skanska Oy. In Denmark, the construction market is expected to cool, mainly because a number of large infrastructure projects have now been completed. The Group’s real estate and project development operations are expected to benefit from continued good demand for commercial space and homes in the local markets where these operations are concentrated.

PARENT COMPANY

After taxes and allocations, the Parent Company reported a net profit of SEK 124 M (9,124). Unappropriated earnings amounted to SEK 6,805 M (11,702). The average number of employees during the year was 127 (156).

DIVIDEND POLICY AND DIVIDEND

The Board of Directors of Skanska adopted a new dividend policy. Under this policy, the Company’s annual dividend will be equivalent to 35–45 percent of the Group’s sustained profit after taxes as estimated by the Board, or a minimum of five to six percent of the Group’s adjusted shareholders’ equity as estimated by the Board. The Board proposes a dividend of SEK 12.00 (11.00) per share, equivalent to a total of SEK 1,366 M (1,252).

ACCOUNTING AND VALUATION PRINCIPLES

ANNUAL ACCOUNTS ACT, NEW DEVELOPMENTS, PRINCIPLES OF CONSOLIDATION ETC.

Annual Accounts Act and industry recommendation

The annual report has been prepared in compliance with the provisions of the Swedish Annual Accounts Act. It has been adapted to the industry-wide principles stated by the Swedish Construction Federation. The annual report complies with the Federation's recommendation that revenue recognition in contracting operations take place on a percentage of completion basis.

New developments

The following changes have occurred:

- share of income in associated companies according to the equity method of accounting is distributed among three income items in the income statement: operating income (referring to share of income after financial items), taxes and minority interests,
- share of income in Swedish partnerships and limited partnerships is included in its entirety in gross income,
- in the Parent Company accounts, the reporting of Group contributions complies with statement of the emergency task force of the Swedish Financial Accounting Standards Council,
- the published annual report presents information about Skanska's holdings in various companies and about the number of employees and their wages and salaries in abbreviated form. Complete information can be found in the version of the annual report that is submitted to the Swedish Patent and Registration Office.

Pro forma accounts

Because of the distribution of Drott and the reclassification of JM from a subsidiary to an associated company, there is no comparability with the official consolidated accounts for 1997. For this reason, comparative figures are provided in pro forma accounts for 1997 which are based on the assumption that the distribution of Drott and the reclassification of JM had occurred on January 1, 1997. In both the pro forma accounts and the official accounts for 1997, adjustments were made for the changes in accounting principles stated in the preceding section.

Principles of consolidation

The consolidated financial statements encompass the accounts of the Parent Company and those companies in which the Parent Company, directly or indirectly, has a decisive influence. This normally requires ownership of more than 50 percent of the voting power of participations. In those cases

where participations are intended to be divested within a short time after acquisition, the company is not consolidated.

Skanska has applied Recommendation No. 1 of the Swedish Financial Accounting Standards Council in drawing up its consolidated financial statements. Shareholdings in Group companies have been eliminated according to the purchase method of accounting.

The principles for the translation of the financial statements of foreign subsidiaries comply with the draft recommendation of the Swedish Institute of Authorized Public Accountants (FAR). In the case of certain real estate companies operating in countries where the functional currency is other than the local currency, translation has occurred from financial statements prepared in the functional currency. In the consolidated financial statements, the income statements of foreign subsidiaries have been included at the average exchange rate for the year and their balance sheets at the year-end exchange rate (current method). The change in initial shareholders' equity due to the shift in exchange rate from prior years is reported as a translation difference in a note under "Shareholders' equity." In cases where a loan corresponding to the investment has been taken out for hedging purposes, the exchange rate adjustment in the loan taking into account tax effects has been offset against the translation difference.

Associated companies

Associated companies are defined as companies in which Skanska's share of voting power amounts to a minimum of 20 percent and a maximum of 50 percent, and where ownership is one element of a long-term connection. Associated companies are normally reported according to the equity method of accounting. Because the reporting of participations in partly owned partnerships and limited partnerships, including foreign counterparts, usually already complies largely with the equity method in the accounts of each owner company, no adjustment occurs when drawing up the consolidated accounts.

Consortia (joint ventures)

Companies that were established to carry out specific contracting projects together with other construction companies are consolidated according to the pro-rata (or proportional) method of accounting.

Receivables and liabilities in foreign currencies

Receivables and liabilities in foreign currencies have been valued at the exchange rate prevailing on the balance sheet date or the exchange rate according to forward contracts.

Offsetting of balance sheet items

The offsetting of receivables against liabilities occurs only in cases where legislation permits offsetting of payments. The offsetting of deferred tax liabilities in one company against deferred tax claims in another company presupposes, aside from agreement in terms of time periods, that there is an entitlement to tax equalization between the companies.

INCOME STATEMENT

Net sales

The year's project revenues, deliveries of materials and merchandise, divestments of investment properties, rental revenues and other operating revenues that are not reported separately on their own line are reported as net sales.

Project revenues are reported according to the percentage of completion method, in compliance with the recommendation of the Swedish Construction Federation on revenue recognition of contracting assignments. This means that operating income is reported successively as a project accrues over time, instead of being listed as a balance sheet item until the project is completed and a final financial settlement with the client is reached.

The sale of investment and development properties is normally reported as a revenue item in the year when a binding agreement on the sale is reached.

Construction and property management expenses

Construction and property management expenses include direct and indirect manufacturing expenses, loss provisions, bad debt losses, warranty expenses and real estate taxes. They also include depreciation on fixed assets used for construction and property management. Skanska applies straight-line depreciation based on the estimated service life of the assets.

Selling and administrative expenses

In conformity with an industry-wide recommendation from the Swedish Construction Federation, selling and administrative expenses are reported as one item. This includes customary administrative expenses, technical expenses and selling expenses, but also depreciation of goodwill and of machinery and equipment that have been used for sales and administration. Depreciation of goodwill has been based on individual examination (10-20 percent annually on acquisition cost). For goodwill etc. that arose from the acquisition of Skåne-Gripen, a depreciation rate of 5 percent is applied.

Expenses for operating leases

Information on expenses for operating leases includes contracts with remaining fees of at least SEK 5 M.

Research and development expenses

Research and development expenses are not capitalized, but instead are reported in the same year that the expenses occur.

Share of income in associated companies

Share of income in associated companies is apportioned in the consolidated income statement among "Operating income" (share of income after financial items), "Taxes" and "Minority interests." Share of income in partnerships and limited partnerships, including their foreign counterparts, are reported in their entirety except for a small number of participations in limited partnerships that are reported among net financial items.

Separately reported operating expense items

Three items are separately reported: "Items affecting comparability," "Writedowns/reversals of writedowns" and "Gain on sale of properties." Only divestments, writedowns and reversals of writedowns on properties that belong to the Group's real estate operations are separately reported.

Taxes on profit for the year

Taxes based on net profit and wealth are reported as "Taxes on profit for the year."

Deferred tax liabilities are estimated on the basis of the applicable tax rate in each respective country.

Earnings of acquired companies

Companies acquired during the year are consolidated from January 1, unless the acquisition occurred late in the year. Accrued earnings on the acquisition date are subtracted under the item "Earnings of acquired companies." In compliance with Recommendation No. 1 of the Swedish Financial Accounting Standards Council, in certain cases the acquisition of another company's net assets is treated as the acquisition of a company.

BALANCE SHEET

Intangible fixed assets

Intangible fixed assets are reported at acquisition cost minus accumulated depreciation. In case of a permanent reduction in value, they are written down to estimated actual value.

Tangible fixed assets

Tangible fixed assets are reported at acquisition cost minus accumulated depreciation. They are written down in case of a permanent reduction in value. The writedown is reversed when the basis for the writedown has wholly or partially ceased to exist.

Investment properties

In estimating the actual value of investment properties, Skanska has used the prevailing levels of return required in each respective market as its basis. Special attention has been paid to the occupancy situation.

To permit as correct a comparison as

possible between income from property management and the value of completed investment properties, completed properties are not normally reclassified to "Investment properties" until January 1 of the year after the year of completion. However, completed current-asset properties are only reclassified to "Investment properties" if divestment has not occurred by the end of the year following the year of completion.

Properties constructed by the Group and booked during the year as completed properties have been valued in the consolidated accounts at incurred costs plus a fair proportion of indirect costs.

Interest expenses during the construction period are not capitalized, but are booked as expenses in each respective year.

Properties located abroad that are owned by a Swedish subsidiary have been valued at the year-end exchange rate of the local currency. Loans taken out for hedging purposes are also reported at the year-end exchange rate.

Financial leasing contracts

In compliance with Recommendation No. 6 of the Swedish Financial Accounting Standards Council, financial leasing contracts are reported when the investment is equivalent to at least SEK 50 M.

Financial fixed assets

Financial fixed assets are normally reported at acquisition cost. In case of permanent reduction in value, however, they are written down. Deferred tax claims are estimated on the basis of the appropriate tax rate in each country.

Participations in associated companies are reported according to the equity method of accounting. Property-related surplus values are depreciated at 2 to 4 percent annually. Surplus value in reporting Skanska's stake in the associated company Scancem is depreciated according to a previously adopted depreciation plan at 5 percent annually.

Current assets

Current assets have been valued according to the lower value principle.

Properties intended to be divested in connection with contracting projects are reported as current assets. The same applies to participations in property management companies if the properties belonging to these companies would have been reported the same way if Skanska owned them directly.

In valuation of inventories, Recommendation No. 2 of the Swedish Financial Accounting Standards Council has been applied.

Shareholders' equity

If a revenue item has been reported earlier in the consolidated accounts than in the accounts of an individual company, due to different valuation principles, it is transferred from "Unrestricted reserves" to "Restricted

reserves," taking taxation into account.

Group contributions, taxes attributable to these and shareholder contributions provided when receiving Group contributions are directly reported in the Parent Company accounts under "Retained earnings."

Provisions

Provisions for Pension Registration Institute (PRI) pension liabilities are calculated by PRI, based on actuarial principles.

Provisions for deferred taxes on untaxed reserves have been reported at the applicable tax rate in each country. The corresponding provisions have also been made if a profit is reported in the consolidated accounts earlier than it is reported at the company level.

Provisions for deferred taxes on goodwill resulting from consolidation of Swedish-based companies have been made at the applicable tax rate in each country.

Skanska makes provisions for future expenses due to warranty obligations. The estimate is based on expenditures during the financial year for similar obligations or projected expenses for each project.

Liabilities

Liabilities are normally reported at their nominal value. In the case of substantial individual amounts, Skanska applies Recommendation No. 3 of the Swedish Financial Accounting Standards Council, "Reporting of Receivables and Liabilities With Respect to Interest Rate Terms and Hidden Interest Compensation."

The difference between an invoiced amount and unearned project revenue is reported as a liability according to the percentage of completion method.

CONTINGENT LIABILITIES

A contract fulfillment guarantee issued by the Parent Company on behalf of a Group company is calculated either on the basis of all or part of the contract sum of each respective assignment, depending on the terms of the agreement, without being offset against still unreceived compensation from the client.

Exchange rates

Swedish kronor per unit of each currency

Currency	Country/zone	Year-end exchange rate		Average exchange rate	
		1998	1997	1998	1997
DEM	Germany	4.84	4.41	4.52	4.41
DKK	Denmark	1.27	1.16	1.19	1.16
FIM	Finland	1.60	1.46	1.49	1.47
GBP	Great Britain	13.56	13.16	13.17	12.50
NOK	Norway	1.08	1.08	1.05	1.08
USD	United States	8.09	7.90	7.95	7.64
EUR	EMU	9.49	8.72	8.93	8.63



CONSOLIDATED INCOME STATEMENT

SEK M	Note	1998	Pro forma 1997	Legal 1997
Net sales	2	63,935	49,577	54,847
Construction, manufacturing and property management expenses	3	-58,098	-44,698	-48,409
Gross income		5,837	4,879	6,438
Selling and administrative expenses	4	-4,430	-4,244	-4,617
Share of income in associated companies	5	684	674	534
Items affecting comparability	6	1,033	-944	-1,023
Writedowns/reversals of writedowns	7	-14	8	8
Gain on sale of properties	8	1,266	423	778
Operating income	9, 10, 11, 12	4,376	796	2,118
Share of income in associated companies	14	-31	-1	-1
Income from other financial fixed assets	15	1,165	10,010	10,046
Income from financial current assets	16	321	292	306
Interest expenses and similar items	17	-1,006	-985	-1,421
Income after financial items		4,825	10,112	11,048
Taxes on profit for the year	19	-1,965	-2,864	-3,145
Minority interests		-74	-108	-367
Earnings of acquired companies	20	-4	-14	-14
NET PROFIT FOR THE YEAR		2,782	7,126	7,522

COMMENTS ON THE INCOME STATEMENT



NET SALES

Net sales rose by 29 percent to SEK 63.9 billion. Net sales for 1997 in the comparative figures have been adjusted for the distribution of Drott and the reclassification of JM to an associated company. Growth continues to be very rapid. Since 1994 net sales have more than doubled.

Net sales include the sales of companies purchased during the year retroactive to January 1, regardless of when during the year the purchase occurred. This increases comparability between years. Tidewater and Polar are thus included in 1998 sales from January 1, whereas they were purchased in April and September, respectively. The development of short-term real estate projects, known as current-asset properties, is reported on a gross basis. In other words, their revenues are part of net sales. These operations are found in the Skanska Sweden, Skanska Europe and Skanska USA business areas and increased sharply during 1998.

OPERATING INCOME

Operating income improved to SEK 4.4 billion (0.8). Gross income included SEK 206 M (87) in capital gains on the sale of current-asset properties. Project development of properties with short throughput times increased in scale during 1998 and will also increase during 1999. The reason why these operations are reported in gross income is that the projects have a short throughput time and in most cases are already sold before construction of the property is completed. The distribution of capital gains on these sales can be seen in the table below.

Gains on the sale of short-term

real estate projects (current-asset properties)

Business area, SEK M	1998	1997
Sweden	161	79
Europe	28	8
USA	17	
Total	206	87

In the 1997 accounts, gross income included SEK 274 M representing the portion of the

provision of SEK 1,500 M for restructuring measures and project risks related to project risks. Gross income also includes income from the day-to-day business in real estate operations, that is, the management of properties intended to be held as part of the more long-term project development operations conducted by the Project Development and Real Estate business area. Income from day-to-day real estate operations can be divided into two parts: day-to-day property management income and income from other real estate operations. See the table below.

A few investment properties are also found in the Skanska Sweden business area.

(For more information, see the division of the income statement by branch of operations in Note 1 and "How Skanska Reports its Real Estate Portfolio" on page 38).

Gain on sale of properties in real estate operations, SEK 1,266 M, is mainly attributable to property sales in Gothenburg and Malmö, Sweden.

Selling and administrative expenses, which also include depreciation of goodwill, rose by more than 4 percent, or substantially less than the increase in net sales. Among the reason for the low increase is the restructuring measures implemented in the Skanska Sweden and Skanska Europe business areas during 1998.

"Share of income in associated companies" includes the listed associated companies JM, Scancem, Piren, Norrporten and

Rörvik Timber, among others.

Items affecting comparability include capital gains on the divestment of non-core assets during 1998: Boxholms Skogar (forest operations) and Kymmens Kraftverk (hydroelectric power plant).

NET FINANCIAL ITEMS

Net financial items amounted to SEK 449 M (9,316). The decrease in net financial items was due to the 1997 divestment of most of Skanska's shareholding in Sandvik. During 1998, the remaining shareholding in Sandvik was divested. Net interest items improved as a consequence of lower net indebtedness as well as lower interest levels during the year, compared to 1997.

NET INCOME FOR THE YEAR

Net income for the year amounted to SEK 2,782 M. Accrued net income on the acquisition date in companies purchased during the year is a negative item in net income for the year. In 1998, this negative item amounted to SEK 4 billion, which was mainly related to previous earnings on assets and liabilities purchased from the Polar Group in Finland. Taxes on net income for the year amounted to SEK 1,965 M, equivalent to about 41 percent of income after financial items. The relatively high tax burden was due to a provision of SEK 586 M for tax cases involving partly owned aircraft leasing companies.

Operating income, real estate operations

SEK M	BUSINESS AREA						Total 1998	Total 1997
	Project Development and Real Estate		Sweden		Other ¹⁾			
	1998	1997	1998	1997	1998	1997	1998	1997
Property management								
Rental revenues, including interest subsidies	1,203	1,251	46	58		57	1,249	1,366
Operating income, property management	555	517	22	40	3	24	580	581
Other real estate operations								
Rental revenues, including interest subsidies	62	65	32	39			94	104
Operating income, other real estate operations	-137	-31	14	18	1	-1	-122	-14
Gain on sale of properties	1,167	279	4	160	95	-16	1,266	423
Writedown/reversals of writedowns		15	-14	-7			-14	8
Total	1,585	780	26	211	99	7	1,710	998

¹⁾ Refers mainly to adjustments for intra-Group profits.

CONSOLIDATED BALANCE SHEET

SEK M	Note	1998	Pro forma 1997	Legal 1997
ASSETS				
Intangible fixed assets	21	1,853	1,616	1,616
Tangible fixed assets				
Properties in real estate operations	21	8,597	8,580	20,445
Other buildings and land	21	2,099	2,504	2,523
Machinery and equipment	21	2,788	2,428	2,486
Other construction in progress	21	33	33	33
		13,517	13,545	25,487
Financial fixed assets				
Participations in associated companies	22, 24	6,713	6,218	5,525
Receivables from associated companies	22	173	219	538
Other long-term holdings of securities	22, 25	444	477	478
Other long-term receivables	22	762	919	984
		8,092	7,833	7,525
Total fixed assets		23,462	22,994	34,628
Current-asset properties	21	2,603	1,301	2,138
Inventories etc.				
Inventories	26	1,350	1,255	1,259
Current receivables				
Accounts receivable		10,036	7,652	8,148
Current receivables from associated companies		618	510	514
Other current receivables	27	2,749	2,178	2,304
Prepaid expenses and accrued revenues		560	447	521
		13,963	10,787	11,487
Short-term investments		509	420	451
Cash and bank balances		2,996	2,133	2,635
Total current assets		21,421	15,896	17,970
TOTAL ASSETS	28	44,883	38,890	52,598



SEK M	Note	1998	Pro forma 1997	Legal 1997
SHAREHOLDERS' EQUITY AND LIABILITIES				
Capital stock		1,366	1,366	1,366
Restricted reserves		3,811	4,455	4,455
Restricted equity		5,177	5,821	5,821
Unrestricted reserves		5,560	-1,130	3,574
Net profit for the year		2,782	7,126	7,522
Unrestricted equity		8,342	5,996	11,096
Total shareholders' equity	29	13,519	11,817	16,917
Minority interests		271	151	2,055
Provisions				
Provisions for pensions and similar commitments	30	2,113	1,838	2,162
Provisions for taxes	31	3,053	2,781	3,249
Other provisions	32	2,047	2,506	2,592
		7,213	7,125	8,003
Liabilities				
Bond loans	33	479	436	436
Liabilities to credit institutions	33	4,986	2,314	7,028
Advance payments from clients	33	231	20	51
Accounts payable		6,749	4,715	5,035
Liabilities to associated companies	33	131	139	149
Tax liabilities		726	2,729	2,817
Unearned revenue	34	3,987	3,111	3,141
Other liabilities	33	3,383	3,442	3,618
Accrued expenses and prepaid revenues		3,208	2,891	3,348
		23,880	19,797	25,623
TOTAL SHAREHOLDERS' EQUITY AND LIABILITIES	35	44,883	38,890	52,598
Assets pledged				
Mortgages and comparable collateral for own liabilities and provisions	36	886	1,091	6,629
Other assets pledged and comparable collateral		110	298	298
		996	1,389	6,927
Contingent liabilities	37	4,436	3,861	4,771

COMMENTS ON THE BALANCE SHEET

During 1998, the balance sheet total rose by more than 15 percent to SEK 44.9 billion, while net sales rose by 29 percent. All comparisons with 1997 refer to the 1997 pro forma accounts.

ASSETS

The assets side included a number of items that had increased in volume since 1997: intangible fixed assets, current-asset properties, short-term receivables, short-term investments and cash and bank balances.

Intangible fixed assets, which mainly consist of goodwill arising from the purchase of Skåne-Gripen in 1996, increased in connection with the acquisition of the remaining 30 percent of Skanska Oy and now amount to SEK 1.9 billion. The acquisitions of companies during 1998 in the United States did not involve any increase in the Group's goodwill.

The items making up tangible fixed assets are shown in a new way this year in order to present Skanska's real estate operations more clearly. One central element of the Group's strategy is a focus on the development of projects and properties. Investments in such projects may be both long-lasting and long-term, but Skanska's ambition is to maintain a high turnover rate by continuously realizing the value of its fully developed property holdings. In order to develop properties, Skanska itself must own a certain proportion of properties with development potential.

Even after the distribution of Drott and the reclassification of JM to an associated company, the Group has a large property portfolio. There are major differences between the various types of properties in this portfolio. "Properties in real estate operations" include investment properties, investment properties under construction and development properties. Properties in real estate operations are divided among the various business areas according to the following table.

Reporting of real estate portfolio				
Project Development				
SEK M	and Real Estate	Sweden	Other ¹⁾	Total
Investment				
properties	6,578	62	-218	6,422
Investment				
properties under				
construction	1,210		-42	1,168
Development				
properties	984	32	-9	1,007
Properties in real	8,772	94	-269	8,597
estate operations				

¹⁾ Mainly adjustments for intra-Group profits.

The residual value of properties in real estate operations was largely unchanged between 1997 and 1998, but during the year properties worth large sums changed hands. Investments in real estate operations totaled about SEK 1.2 billion, for example the Physics Center in Stockholm, Bredovsky Dvor in Prague, Czech Republic; and Atrium Plaza in Warsaw, Poland. The book value of properties sold during the year totaled about SEK 0.8 billion.

"Other buildings and land" mainly consist of business properties used in the Group's own operations. Industrial buildings, warehouses, gravel pits and Skanska offices are examples of business properties. Their distribution among business areas can be seen in the table below.

Business properties, SEK M	
Business area	
Sweden	520
Europe	1,388
USA	171
Other	20
Total	2,099

"Other buildings and land" showed a decrease of SEK 0.4 billion to SEK 2.1 billion. This was primarily due to the divestment of timberland holdings in Boxholms Skogar and the sale of Kymmens Kraftverk, a hydroelectric power plant. Machinery and equipment increased by SEK 0.4 billion to SEK 2.8 billion. Among the reasons for the increase was the acquisition of Tidewater, which added machinery and equipment worth large sums to the Group.

Financial fixed assets, which mainly refer to shares and participations, increased by about SEK 0.2 billion to SEK 8.1 billion.

This increase was attributable to enlarged shareholdings in Scancem and Pandox. In terms of value, the largest holdings are in the associated companies Scancem, JM, Piren, Norrporten and Rörvik Timber.

Current-asset properties, which comprise the Group's "short-term real estate projects," are intended to be sold close to the time of completion. These operations are undergoing strong expansion and are found in the construction-related business areas Skanska Sweden, Skanska Europe and Skanska USA. Book values can be seen in the table below.

Current-asset properties, SEK M	
Business area	
Sweden	1,321
Europe	1,114
USA	168
Total	2,603

Short-term receivables increased by nearly 30 percent as a consequence of the increase in business volume. A large proportion of the increase is attributable to Skanska's expansive U.S. operations.

SHAREHOLDERS' EQUITY AND LIABILITIES

The shareholders' equity of the Group amounted to SEK 13.5 billion at year-end, of which SEK 8.3 billion consisted of unrestricted equity. Total provisions increased marginally by SEK 0.1 billion to SEK 7.2 billion. Provisions for pensions rose by SEK 0.3 billion, to some extent due to pension packages in connection with restructuring measures undertaken during 1998. Provisions for taxes rose due to a provision of nearly SEK 0.6 billion for tax cases related to aircraft leasing operations. "Other provisions" declined, due to the withdrawal of portions of the provisions for restructuring measures. Liabilities rose by SEK 4.1 billion, with interest-bearing liabilities accounting for about SEK 2.5 billion of the increase. Interest-bearing loans increased during the year, among other things to pay the tax attributable to the 1997 sale of shares in Sandvik. Non-interest-bearing, volume-related liabilities rose by SEK 1.6 billion.

CONSOLIDATED STATEMENT OF CHANGES IN FINANCIAL POSITION



SEK M	1998	1997
The year's operations		
Net profit	2,782	7,126
Depreciation and writedowns plus reversals of writedowns	1,506	1,188
Net income from associated companies	-474	-517
Dividends from associated companies	229	212
Less gain on sale of properties, businesses and participations	-3,151	-10,034
Minority interests after taxes	40	76
Change in working capital		
Inventories and interest-free current assets	-1,681	-1,164
Interest-free liabilities and provisions	42	6,131
Cash flow from the year's operations	-707	3,018
Investments		
Investments in properties in real estate operations	-1,163	-1,029
Investments in Group companies ¹⁾	-531	
Investments in other shares and participations	-374	-1,904
Net investments in current-asset properties	-896	-163
Net investments in other fixed assets excluding receivables	-1,063	-1,191
Change in long-term non-interest-bearing borrowing and lending	-48	93
Divestments of properties in real estate operations	2,050	1,584
Divestments of businesses	1,474	670
Divestments of shares and participations	694	10,089
Other divestments ²⁾	85	2,307
Net investments	228	10,456
Cash flow after investments	-479	13,474
Dividend paid	-1,252	-1,259
Share redemption	0	-4,971
New share issue	0	124
Change in minority interests	48	-27
Other changes ³⁾	131	372
Change in net indebtedness⁴⁾	-1,552	7,713
Interest-bearing borrowing minus lending	2,504	-6,407
Change in cash and bank deposits plus short-term investments	952	1,306
Cash and bank balances plus short-term investments on January 1	2,553	1,247
Cash and bank balances plus short-term investments on December 31	3,505	2,553
	1998	1997
³⁾ Translation differences in shareholders' equity, properties and shares.		-47
Unpaid investments.	131	
Effect of pro forma accounting on shareholders' equity.		419
	131	372
⁴⁾ For 1998, excluding acquired net lending of SEK 16 M.		

PARENT COMPANY INCOME STATEMENT

SEK M	Note	1998	1997
Net sales	2	34	49
Construction, manufacturing and property management expenses		-40	-24
Gross income		-6	25
Selling and administrative expenses		-260	-340
Operating income	8, 11, 12	-266	-315
Share of income in Group companies	13	823	9,608
Share of income in associated companies	14	3	2
Income from other financial fixed assets	15	511	855
Income from financial current assets	16	141	79
Interest expenses and similar items	17	-1,063	-1,024
Income after financial items		149	9,205
Allocations	18	-20	-34
Taxes on profit for the year	19	-5	-47
NET PROFIT FOR THE YEAR		124	9,124

PARENT COMPANY BALANCE SHEET



SEK M	Note	1998	1997
ASSETS			
Intangible fixed assets	21	3	5
Tangible fixed assets			
Buildings and land	21	138	335
Machinery and equipment	21	7	7
		145	342
Financial fixed assets			
Participations in Group companies	22, 23	12,040	12,552
Receivables from Group companies	22	8,642	15,595
Participations in associated companies	22, 24	0	8
Receivables from associated companies			33
Other long-term holdings of securities	22, 25	1	1
Other long-term receivables	22	1	1
		20,684	28,190
Total fixed assets		20,832	28,537
Current receivables			
Accounts receivable		4	6
Current receivables from Group companies		29	13
Other current receivables	27	29	283
Prepaid expenses and accrued revenues		4	83
		66	385
Cash and bank balances		227	96
Total current assets		293	481
TOTAL ASSETS		21,125	29,018

PARENT COMPANY BALANCE SHEET

SEK M	Note	1998	1997
SHAREHOLDERS' EQUITY AND LIABILITIES			
Capital stock		1,366	1,366
Restricted reserves		488	488
Restricted equity		1,854	1,854
Retained earnings		6,681	2,578
Net profit for the year		124	9,124
Unrestricted equity		6,805	11,702
Total shareholders' equity	29	8,659	13,556
Untaxed reserves	18	959	939
Provisions			
Provisions for pensions and similar commitments	30	942	870
Provisions for taxes	31	111	107
Other provisions	32	209	166
		1,262	1,143
Liabilities			
Bond loans	33	478	436
Liabilities to credit institutions	33	341	316
Accounts payable		15	13
Liabilities to Group companies	33	9,318	12,556
Liabilities to associated companies		10	
Other liabilities		12	8
Accrued expenses and prepaid revenues		71	51
		10,245	13,380
SHAREHOLDERS' EQUITY AND LIABILITIES		21,125	29,018
Assets pledged		34	
Contingent liabilities	37	21,227	11,058

PARENT COMPANY STATEMENT OF CHANGES IN FINANCIAL POSITION



SEK M	1998	1997
The year's operations		
Net profit	124	9,124
Depreciation and writedowns	249	1,221
Less gain on sale of shares and participations	0	-9,291
Change in untaxed reserves	20	34
Change in working capital		
Non-interest-bearing current receivables	325	17
Non-interest-bearing operating liabilities and provisions	61	36
Cash flow from the year's operations	779	1,141
Investments		
Investments in shares and participations	-6,496	-11,331
Net investments in other fixed assets excluding receivables	182	7
Change in long-term non-interest-bearing borrowing and lending	0	0
Divestments of shares and participations	6,784	10,887
Net investments	470	-437
Cash flow after investments	1,249	704
Dividend paid	-6,379	-1,259
Share redemption		-4,971
New share issue		124
Group contributions/shareholder contributions	1,358	856
Change in net indebtedness	-3,772	-4,546
Interest-bearing borrowing minus lending	3,903	4,322
Change in cash and bank deposits plus short-term investments	131	-224
Cash and bank balances plus short-term investments on January 1	96	320
Cash and bank balances plus short-term investments on December 31	227	96

NOTES TO THE FINANCIAL STATEMENTS

Amounts in SEK M unless otherwise specified.

NOTE 1 INCOME STATEMENT BY BRANCH OF OPERATIONS

Branch of operations	1998	1997
<i>Construction</i>		
Net sales	56,906	42,990
Operating expenses	-53,164	-39,979
Selling and administrative expenses	-2,744	-2,519
Operating income, construction	998	492
<i>Industry</i>		
Net sales	5,645	5,023
Operating expenses	-4,197	-3,612
Selling expenses	-885	-789
Administrative expenses	-370	-370
Operating income, industry	193	252
<i>Real estate operations</i>		
<i>- Property management</i>		
Rental revenues	1,249	1,366
Operating expenses	-430	-474
Depreciation	-151	-204
Selling and administrative expenses	-88	-107
Operating income, property management	580	581
<i>- Other real estate operations</i>		
Rental revenues	94	104
Operating expenses	-140	-86
Depreciation	-17	-13
Selling and administrative expenses	-59	-19
Operating income, other real estate operations	-122	-14
Gain on sale of properties	1,266	423
Share of income in associated companies	684	674
Writedowns/reversals of writedowns	-14	8
Items affecting comparability	1,033	-944
<i>Other</i>		
Net sales	41	94
Operating expenses	1	-330
Selling and administrative expenses	-284	-440
Operating income, other	-242	-676
Operating income, Group	4,376	796
Net financial items	449	9,316
Operating income after financial items	4,825	10,112

NOTE 2 NET SALES

Skanska's own expenses of SEK 1,293 M for construction of properties in real estate operations and current-asset properties were capitalized. This amount was eliminated in "Net sales."

Distribution of net sales

A. Net sales by business area

	1998	1997
Sweden	22,677	21,528
Europe	18,560	13,493
USA	24,472	15,410
Project Development and Real Estate	1,265	1,316
Other operations, elimination of intra-Group transactions	-3,039	-2,170
Total net sales	63,935	49,577

B. Net sales by geographic area

	1998	1997
Sweden	20,260	18,958
Other Nordic countries	10,235	6,403
Other Europe	7,043	6,272
North America	24,759	15,650
Other countries	1,638	2,294
Total net sales	63,935	49,577

C. Net sales by branch of operations

	1998	1997
Construction	56,906	42,990
Industry	5,645	5,023
Property management	1,249	1,366
Other real estate operations	94	104
Other operations	41	94
Total net sales	63,935	49,577

Parent company

The amount included SEK 18 M (21) worth of sales to subsidiaries. The Parent Company's purchases from subsidiaries amounted to SEK 95 M (116).

NOTE 3 LEASING EXPENSES

The Group's future payment obligations for operating lease contracts are distributed in time as follows:

Year	Expense
1999	42
2000	42
2001	42
2002	42
2003	39
2004 and later	340

The year's expense for operating leases amounted to SEK 41 M.

NOTE 4 SELLING AND ADMINISTRATIVE EXPENSES

In compliance with an industry-wide recommendation from the Swedish Construction Federation for the 1998 accounts, the accounts of construction companies report selling and administrative expenses as one item. See "Accounting and valuation principles."

Distribution of selling and administrative expenses

A. By business area

	1998	1997
Sweden	1,597	1,663
Europe	1,752	1,498
USA	595	471
Project Development and Real Estate	142	125
Other	344	487
Total	4,430	4,244

B. By branch of operations

	1998	1997
Construction	2,744	2,519
Industry ¹⁾	1,255	1,159
Property management	88	107
Other real estate operations	59	19
Other operations	284	440
Total	4,430	4,244

¹⁾ Industry

	1998	1997
Selling expenses	885	789
Administrative expenses	370	370
Total	1,255	1,159

NOTE 5 DISTRIBUTION OF INCOME FROM ASSOCIATED COMPANIES

Skanska's share of the income and shareholders' equity of associated companies is reported according to the equity method, as described in the accounting principles on page 48. The effect of its share of income on different items in the income statement can be seen below.

Associated company	Operating income	Taxes	Minority interests	Net
Scancem ¹⁾	513	-141	-34	338
Rörvik Timber ¹⁾	-2			-2
JM ¹⁾	68	-28		40
Piren	58	-2		56
Norrporten	24	-6		18
Others	23	1		24
Total	684	-176	-34	474

¹⁾ Scancem, Rörvik Timber and JM are reported with a delay of one quarter.

NOTE 6 ITEMS AFFECTING COMPARABILITY

	1998	1997
Gain on sale of forest operations	1,090	
Loss on sale of Kymmen hydroelectric plant	-57	
Restructuring expenses related to reorganization		-1,226
Gain on sale of participations in associated company JM		147
Gain on sale of participations in associated company Pandox		135
Total	1,033	-944

NOTE 7 WRITEDOWNS/REVERSALS OF WRITEDOWNS ON PROPERTIES IN REAL ESTATE OPERATIONS

	Writedowns 1998	Reversals 1998	Total 1998	Writedowns 1997	Reversals 1997	Total 1997
Investment properties	-12	0	-12	-22	29	7
Other properties	-2	0	-2	-9	10	1
Total	-14	0	-14	-31	39	8

NOTE 8 GAIN ON SALE OF PROPERTIES IN REAL ESTATE OPERATIONS

	Investment properties		Other properties		Total	
	1998	1997	1998	1997	1998	1997
Sales revenues	1,981	1,473	69	111	2,050	1,584
Book value	-720	-1,082	-64	-79	-784	-1,161
Capital gain	1,261	391	5	32	1,266	423

NOTE 9 DEPRECIATION

A. By business area

	Construction, manufacturing and property management		Selling and administration		Total	
	1998	1997	1998	1997	1998	1997
Sweden	353	355	52	53	405	408
Europe	251	245	205	149	456	394
USA	74	30	34	31	108	61
Project Development and Real Estate	169	207	1	2	170	209
Other	-1	2	10	15	9	17
Total	846	839	302	250	1,148	1,089

B. By type of asset

	1998	1997
Intangible assets	176	124
Investment properties	151	204
Investment properties under construction	4	6
Development properties	13	6
Business properties	95	104
Machinery and equipment	709	645
Total	1,148	1,089

Depreciation in the Parent Company amounted to SEK 16 M (17).



NOTE 10 DISTRIBUTION OF CONSOLIDATED OPERATING INCOME

A. By business area

Business area	1998	1997
Sweden	496	485
Europe	370	358
USA	398	321
Project Development and Real Estate	1,585	780
Other	1,527	-1,148
Total	4,376	796

B. By branch of operations

	1998	1997
Construction	998	492
Industry	193	252
Property management	580	581
Other real estate operations	-122	-14
Participations in associated companies	684	674
Sale of properties	1,266	423
Writedowns/reversals of writedowns	-14	8
Items affecting comparability	1,033	-944
Other operations	-242	-676
Total	4,376	796

NOTE 11 PERSONNEL EXPENSES

Wages, salaries and other remuneration by geographic area and divided between Board members etc. and other employees

	1998			1997		
	Board members Presidents and Executive Vice		Other Total	Board members Presidents and Executive Vice		Other Total
	Presidents	employees		Presidents	employees	
<i>Parent Company</i>						
Sweden	14	69	83	15	71	86
(of which, bonuses)	1		1	1		1
<i>Subsidiaries</i>						
Sweden	30	4,000	4,030	20	3,679	3,699
(of which, bonuses)	6		6	8		8
Other Nordic countries	28	1,368	1,396	19	1,030	1,049
(of which, bonuses)	1		1	1		1
Other European countries	29	966	995	33	909	942
(of which, bonuses)	4		4	5		5
North America	6	2,401	2,407	6	1,309	1,315
(of which, bonuses)	2		2	0		0
Other countries	2	353	355	2	378	380
(of which, bonuses)	0		0	0		0
Total	109	9,157	9,266	95	7,376	7,470
(of which, bonuses)	14	0	14	15	0	15

The amount related to Board members, Presidents and Executive Vice Presidents includes compensation to former Board members, Presidents and Executive Vice Presidents during the financial year.

Wages, salaries, other remuneration and social welfare contributions

	1998		1997	
	Wages, salaries, other remuneration	Social welfare contributions	Wages, salaries, other remuneration	Social welfare contributions
Parent Company ¹⁾	83	120	86	56
(of which, non-statutory pensions)		79		26
Subsidiaries	9,183	2,940	7,384	2,377
(of which, non-statutory pensions)		786		535
Total	9,266	3,060	7,470	2,433
(of which, non-statutory pensions)		865		562

¹⁾ Excluding long-term bonus (see point D).

Of the Parent Company's non-statutory pension expenses, SEK 37.0 M (6.3) were related to the category "Board members, Presidents and Executive Vice Presidents." This amount includes payments to former Board members, Presidents and Executive Vice Presidents. The Company's outstanding non-statutory pension commitments to these persons amounted to SEK 25.4 M (36.8). Of the Group's non-statutory pension expenses, SEK 43.0 M (19.4) were related to the category "Board members, Presidents and Executive Vice Presidents." This amount includes payments to former Board members, Presidents and Executive Vice Presidents. The expense for a provision to the employee profit-sharing foundation amounted to SEK 26.0 M (26.3).

Terms of employment and remuneration to the Chairman of the Board, President, Executive Vice Presidents and other members of Group Management

A. Chairman of the Board

During 1998 the Chairman of the Board, Bo Rydin, received a director's fee of SEK 750,000. The Board approved this amount as part of the total amount of directors' fees adopted by the Annual Meeting of Shareholders.

The former Chairman of the Board, Melker Schörling, received a salary, fees and other remuneration from Group companies in the amount of SEK 1,283,000 for 1998, plus a bonus of SEK 709,000. Mr. Schörling also has the opportunity to earn a long-term bonus as specified in point D below. Mr. Schörling's employment in the Company ended on April 28, 1998. At that time, according to his employment contract, Mr. Schörling was entitled to a termination payment equivalent to 12 months of his salary/bonus, with the possibility of an additional 12 months of salary/bonus if no other employment had been obtained by the end of the first period. Beyond this, there was no obligation to subtract any other income from these benefits. When his employment ended, the termination payment was converted into a pension entitlement that was secured by the purchase of endowment insurance.

B. The Company's President and Chief Executive Officer

During 1998, Claes Björk received a salary, fees and other remuneration from Group companies in the amount of SEK 3,744,000, plus a bonus of SEK 4,880,000. Mr. Björk also has the opportunity to earn a long-term bonus as specified in point D below. Mr. Björk is covered by Skanska USA's general pension plan, where after 30 years' employment he will receive a lump sum with a current value (1998) of about SEK 4,700,000. Under certain conditions, this general pension benefit can be increased by payment of special pension premiums totaling about USD 900,000. In case of termination of his employment contract by the Company, Mr. Björk is entitled to his salary and other employment benefits for 24 months.



Former Group Chief Executive

The Company has a life-long pension obligation to Lars-Ove Håkansson, former Group Chief Executive, in the amount of SEK 160,000 per month, with certain reductions from the age of 65. This obligation includes entitlement to a survivors' pension of 50 percent of the retirement pension. The capitalized value of this pension obligation totals about SEK 23 M.

C. Executive Vice Presidents and other members of Group Management

Members of Group Management are normally entitled to annual pension premium payments, mainly according to the applicable ITP occupational pension plan. This plan guarantees a pension entitlement based on final salary. The pension entitlement is 10 percent of final salary for portions of salary up to SEK 273,000, 65 percent of final salary for portions of salary between SEK 273,000 and SEK 728,000 and 32.5 percent of final salary for portions of salary between SEK 728,000 and SEK 1,092,000. Members of Group Management also have an agreement with the Company entitling them to a pension from the age of 60. This pension benefit applies between the ages of 60 and 65 and amounts to 70 percent of salary. From age 65, a pension is payable according to an ITP plan in the above-mentioned amounts. In case of termination by the Company, notice periods range from six months to twelve months, with entitlement to salaries and benefits that vary from 18 to 24 months. When benefits are paid after the notice period, other income must normally be subtracted from the amount payable.

D. Long-term bonus

Group Management and about 240 other senior executives in the Group are entitled to a long-term bonus based on the price level of Series B Skanska and Drott shares over the five-year period 1995-1999. This possible bonus would be paid in the year 2000 and is calculated by multiplying 10 percent of 1-2 months' salary by the difference between the average market price of a Series B share during June-November 1999 (plus dividends approved during the years 1995-1999) and SEK 185.

Eighty percent of a bonus expense calculated mainly as the difference between the market price of a Skanska Series B share on December 31, 1998 and the initial price of SEK 185 adjusted for approved dividends, including the dividend portion when redeeming shares, was charged to the 1998 accounts. After this, the total provision amounted to SEK 175 M (143.1), including social welfare contributions of SEK 43.2 M (36.1).

NOTE 12 AVERAGE NUMBER OF EMPLOYEES

	Of whom		Of whom	
	1998	men	1997	men
<i>Parent Company</i>				
Sweden	127	73	156	90
<i>Subsidiaries</i>				
Sweden	14,839	13,087	15,174	13,338
Other Nordic countries	4,718	4,290	3,803	3,496
Other European countries	5,166	4,127	4,549	3,645
North America	6,697	5,942	3,778	3,304
Other countries	7,699	7,306	7,575	7,270
Total	39,246	34,825	35,035	31,143

NOTE 13 SHARE OF INCOME IN GROUP COMPANIES

<i>Parent Company</i>	1998	1997
Dividends	1,055	1,513
Capital gains	0	9,291
Writedowns	-232	-1,196
Total	823	9,608

NOTE 14 SHARE OF INCOME IN ASSOCIATED COMPANIES

	Group		Parent Company	
	1998	1997	1998	1997
Dividends			3	3
Proportion of equity	4	-1		
Writedowns	-35			-1
Total	-31	-1	3	2

NOTE 15 INCOME FROM OTHER FINANCIAL FIXED ASSETS

	Group		Parent Company	
	1998	1997	1998	1997
Dividends	57	363	30	11
Interest revenues	146	104	481	851
Exchange differences	316	382		
Capital gains	646	9,126		
Writedowns		-7		-7
Other income		42		
Total	1,165	10,010	511	855

In the Parent Company accounts, SEK 478 M (849) of interest revenues were related to Group companies.

NOTE 16 INCOME FROM FINANCIAL CURRENT ASSETS

	Group		Parent Company	
	1998	1997	1998	1997
Interest revenues	271	209	143	78
Exchange differences	52	6	0	1
Other income	-2	77	-2	0
Total	321	292	141	79

NOTE 17 INTEREST EXPENSES AND SIMILAR ITEMS

	Group		Parent Company	
	1998	1997	1998	1997
Interest expenses	-614	-602	-842	-819
Exchange differences on liabilities	-392	-383	-221	-205
Total	-1,006	-985	-1,063	-1,024

In the Parent Company accounts, SEK 644 M (726) of interest expenses were related to Group companies.

NOTE 18 ALLOCATIONS AND UNTAXED RESERVES

Parent Company	Allocations		Untaxed reserves	
	1998	1997	1998	1997
<i>Extra depreciation</i>				
Buildings and land	167	12	23	190
Tax allocation reserve	-233		936	703
Foreign exchange reserve	46	-46	0	46
Total	-20	-34	959	939

NOTE 19 TAXES ON PROFIT FOR THE YEAR

	Group		Parent Company	
	1998	1997	1998	1997
Change in provision for taxes	-644	-14		
Taxes in associated companies	-176	-161		
Income taxes	-1,145	-2,689	-5	-47
Total	-1,965	-2,864	-5	-47

The year's tax expenses, SEK 1,965 M, amounted to 41 percent (28) of consolidated income after financial items. Nominal tax rates in the Group's domestic markets are at least 28 percent. The year's comparatively high relative tax expense is mainly explained by the provision of SEK 586 M for tax cases related to depreciation deductions in partly owned limited partnerships engaged in aircraft leasing.

SEK 263 M in taxes in the Parent Company accounts, which were attributable to SEK 1,647 M in Group contributions received, were subtracted directly from retained earnings.

NOTE 20 EARNINGS OF ACQUIRED COMPANIES

This refers mainly to earnings of SEK 4 M prior to the acquisition of assets and liabilities of the Polar Group.

NOTE 21 FIXED ASSETS AND CURRENT-ASSET PROPERTIES

A. Properties in real estate operations and current-asset properties

Group	Investment properties	Investment properties under construction	Development properties	Total properties in real estate operations	Current-asset properties
<i>Accumulated acquisition value</i>					
On January 1	24,836	1,150	1,093	27,079	2,275
Deconsolidation of JM	-7,660	-58		-7,718	-839
Distribution of Drott AB	-6,263	-42	-12	-6,317	
New acquisitions	90	62	331	483	1,219
Capitalized expenses for materials and own labor	117	540	23	680	613
Divestments	-1,055		-66	-1,121	-558
Reclassifications	272	-454	-229	-411	169
Translation differences for the year	233	7	43	283	91
	10,570	1,205	1,183	12,958	2,970

Group	Investment properties	Investment properties under construction	Development properties	Total properties in real estate operations	Current-asset properties
<i>Accumulated depreciation</i>					
On January 1	3,073	6	44	3,123	
Deconsolidation of JM	-626			-626	
Distribution of Drott AB	-1,076			-1,076	
Divestments and disposals	-270			-270	
Reclassifications	17	-8	-18	-9	
Depreciation for the year	151	4	13	168	
Translation differences for the year	18		1	19	
	1,287	2	40	1,329	0

Group	Investment properties	Investment properties under construction	Development properties	Total properties in real estate operations	Current-asset properties
<i>Accumulated writedowns</i>					
On January 1	3,307	35	169	3,511	137
Deconsolidation of JM	-349			-349	-2
Distribution of Drott AB	-119			-119	
Divestments and disposals	-67			-67	
Reclassifications			-35	-35	18
Writedowns for the year	12		2	14	200
Translation differences for the year	77			77	14
	2,861	35	136	3,032	367

Group	Investment properties	Investment properties under construction	Development properties	Total properties in real estate operations	Current-asset properties
Residual value on December 31					
Residual value on January 1	6,703	1,009	868	8,580	1,301
Assessed value for tax purposes, Sweden	5,288	272	346	5,906	700
Corresponding residual value, Sweden	4,342	814	557	5,713	1,292

Group	Investment properties	Investment properties under construction	Development properties	Total properties in real estate operations	Current-asset properties
<i>Residual value, current-asset properties</i>					
Directly owned, buildings and land					2,538
Indirectly owned, participations in companies with current-asset properties					65
Total residual value, current-asset properties					2,603

Group	Intangible fixed assets	Other buildings and land	Machinery and equipment	Other construction in progress
<i>Accumulated acquisition value</i>				
On January 1	1,956	3,609	7,441	33
Deconsolidation of JM		-20	-227	
Distribution of Drott AB			-14	
New acquisitions	429	122	1,068	16
Capitalized expenses for materials and own labor			107	
Divestments	-3	-668	-430	
Disposals/Writeoffs	-53	-2	-149	
Reclassifications	13		-20	-17
Translation differences for the year	46	92	146	1
	2,388	3,133	7,922	33



Group	Intangible fixed assets	Other buildings and land	Machinery and equipment	Other construction in progress
<i>Accumulated depreciation</i>				
On January 1	340	1,045	4,955	
Deconsolidation of JM		-1	-176	
Distribution of Drott AB			-8	
New acquisitions		1	2	
Divestments and disposals	-12	-174	-434	
Reclassifications	17	19	-1	
Depreciation for the year	176	95	709	
Translation differences for the year	14	24	87	
	535	1,009	5,134	0
<i>Accumulated revaluations</i>				
On January 1	0	8		
Revaluations for the year		5		
	0	13	0	0
<i>Accumulated writedowns</i>				
On January 1		49		
Reclassifications		-12		
Translation differences for the year		1		
	0	38	0	0
Residual value on December 31	1,853	2,099	2,788	33
Residual value on January 1	1,616	2,504	2,428	33
Assessed value for tax purposes, Sweden		1,050		
Corresponding residual value, Sweden		587		

The item "Intangible assets" consists mainly of goodwill. "Other construction in progress" mainly includes machinery under construction.

C. Parent Company

Parent Company	Intangible assets	Business properties	Machinery and equipment
<i>Accumulated acquisition value</i>			
On January 1	10	597	76
New acquisitions			4
Divestments		-255	-66
Disposals			-1
Reclassifications		-1	
	10	341	13
<i>Accumulated depreciation</i>			
On January 1	5	260	69
Divestments and disposals		-71	-65
Depreciation for the year	2	12	2
	7	201	6
<i>Accumulated writedowns</i>			
On January 1		2	
	0	2	0
Residual value on December 31	3	138	7
Residual value on January 1	5	335	7
Assessment value for tax purposes		470	
Corresponding book value, Sweden		138	

The item "Intangible assets" consists of extraction rights.

NOTE 22 FINANCIAL FIXED ASSETS

Participations	GROUP		PARENT COMPANY		
	In associated companies	Other long-term holdings of securities	In Group companies	In associated companies	Other long-term holdings of securities
<i>Accumulated acquisition value</i>					
On January 1	5,527	918	14,100	8	432
Deconsolidation of JM	953	-2			
Distribution of Drott AB	-51		-5,127		
Purchases	338	12	401		
Sales	-15	-55	-2,201	-8	
Reduction in capital stock	-63				
Shareholder contribution	1		5,762		
New share issues	2	21	333		
Reclassifications	-51	58			
Exchange rate/translation differences for the year	3				
Change in share of income of associated companies for the year	312				
	6,956	952	13,268	0	432
<i>Accumulated revaluations</i>					
On January 1			12		
Sales			-12		
Revaluations for the year	0	0	0	0	0
<i>Accumulated writedowns</i>					
On January 1	1	440	1,560		431
Deconsolidation of JM	208				
Sales			-564		
Writedowns for the year	35	67	232	0	
Reclassifications	-1	1			
Exchange rate/translation differences for the year					
	243	508	1,228	0	431
Residual book value on December 31	6,713	444	12,040	0	1
Receivables	GROUP		PARENT COMPANY		
	From associated companies	Other long-term receivables	From Group companies	From associated companies	Other long-term receivables
<i>Accumulated acquisition value/book value</i>					
On January 1	538	984	15,595	33	1
Deconsolidation of JM		-50			
Distribution of Drott AB	-319	-15			
Additional/settled receivables	-46	-157	-6,953	-33	
Residual book value on December 31	173	762	8,642	0	1
of which, deferred tax claims		230			

Deferred tax claims declined by SEK 280 M during 1998, primarily due to withdrawal of provisions for restructuring measures in the consolidated accounts.

NOTE 23 PARTICIPATIONS IN GROUP COMPANIES

Specification of the Group's and the Parent Company's holdings of shares and participations in Group companies.

Company	Corporate identity number	Registered office	Number of participations	% if <100 of capital stock	Currency if not SEK	Book value
<i>Swedish subsidiaries</i>						
AB Fakiren	556002-8937	Stockholm	3,000,000			95
AB Gadus	556047-4974	Danderyd	10,000			1
AB Hexabar Gredelin AB	556556-6659	Danderyd	1,000			0
AB Hexabar Kornblå AB	556556-6642	Danderyd	1,000			0
AB Hexabar Ljusgrön AB	556556-6519	Danderyd	1,000			0
AB Hexabar Mörkgrå AB	556556-6626	Danderyd	1,000			0
AB Perukmakaren	556077-4035	Gothenburg	250,000			1
AB Svenska Aktier	556104-7589	Danderyd	1,000			0
Skanska Allemansfond Förvaltnings AB	556036-3128	Malmö	500			1
Skanska Anläggning AB	556033-9086	Malmö	600,000			521
Skanska Entreprenad AB	556011-4208	Danderyd	125,923,860			2
Skanska Export AB	556171-6290	Danderyd	1,000			12
Skanska Financial Services AB	556106-3834	Danderyd	500,000			65
Skanska Förvaltnings AB	556242-4688	Danderyd	1,000			0
Skanska Group Purchasing AB	556528-3826	Danderyd	1,000			0
Skanska Holding AB	556075-7939	Danderyd	1,000			0
Skanska Kraft AB	556118-0943	Danderyd	1,000			10,500
Skanska Projektutveckling och Fastigheter AB	556556-6493	Danderyd	1,000			34
Skanska Service AB	556242-4696	Danderyd	1,000			0
Skanska Teknik AB	556045-5007	Malmö	20,000			2
Skanska Turbo AB	556353-0293	Danderyd	1,000			0
SCG Byggnads AB	556250-4224	Danderyd	1,000			0
						11,235
<i>Foreign subsidiaries</i>						
Skanska (USA) Inc.		United States	22,298		USD	221
Skanska Property GmbH		Germany	10,000		DEM	584
						805
						12,040
<i>Major indirectly owned Swedish subsidiaries</i>						
AB Gustaf Kähr	556017-3600	Nybro	550,000			256
Anders Magnusson Entreprenad AB	556078-8357	Gothenburg	1,000			0
Bjursell i Jönköping AB	556081-7164	Jönköping	10,000			28
Börje Larsson Bygg i Nyköping AB	556334-9074	Nyköping	1,000			5
Elit Fönster AB	556007-3073	Vetlanda	80,000			100
Flexator AB	556089-9766	Nässjö	9,000			1
Grus & Betong i Norrland AB	556058-5563	Sundsvall	10,000			3
Grus & Makadamprodukter AB	556067-4342	Angered	1,000			0
Göinge Mekaniska AB	556054-7621	Hässleholm	5,000			8
Harry Olofsson AB	556071-2993	Nättraby	1,000			0
Industriventilation Produkt AB	556129-1559	Växjö	3,600			6
Industriventilation Svenska AB	556106-4121	Växjö	2,000			12
Jönköpings Betong AB	556060-2871	Jönköping	2,000			6
Kallax Betong och Grus AB	556057-6232	Luleå	20,000			50
Myresjöhus AB	556031-7702	Vetlanda	30,000			5
Nordisk Kartro AB	556030-8578	Stockholm	-100,000			18
Nordiska Trähus AB	556120-9189	Sävsjö	20,000			17
Prisma Sign Technology AB	556234-6501	Malmö	450,000			15
Ralling AB	556049-6936	Malmö	10,000			1



Company	Corporate identity number	Registered office	Number of participations	% if <100 of capital stock	Currency if not SEK	Book value
Schakt & Transport AB	556054-8751	Växjö	2,000			1
Sektions Byggarna AB	556071-9824	Nässjö	12,000			10
Skanska BOT AB	556359-0701	Danderyd	10,000			1
Skanska Data AB	556037-8399	Danderyd	5,000			1
Skanska Europe AB	556002-0835	Malmö	33,418,851			3,961
Skanska Fastigheter Göteborg AB	556043-9415	Gothenburg	10,000			1
Skanska Fastigheter Stockholm AB	556046-6582	Danderyd	160,000			16
Skanska Försäkrings AB	516401-8664	Danderyd	50,000			50
Skanska Installation AB	556224-0944	Växjö	20,000			2
Skanska International Building AB	556133-9424	Malmö	500,000			50
Skanska International Civil Engineering AB	556032-3486	Danderyd	80,000			12
Skanska Invest AB	556079-8216	Danderyd	125,923,860			10,500
Skanska Mark & Exploatering AB	556060-3259	Danderyd	1,000			3
Skanska Maskin AB	556090-9037	Danderyd	100			3
Skanska Prefab AB	556045-2848	Malmö	30,000			7
Skanska Stålteknik AB	556071-5244	Kalmar	10,000			0
Skanska Öresund AB	556050-9308	Malmö	50,000			5
Stabilator AB	556049-7587	Danderyd	20,000			42
Stenbergs Elektriska AB	556041-7205	Malmö	2,000			0
<i>Major indirectly owned foreign subsidiaries</i>						
Albert Schlotterer GmbH & Co. KG		Germany	0	99	DEM	115
Asfaltti Tekra Oy		Finland	200		FIM	4
Atrium Plaza Sp z o o		Poland	969,785	80	PLN	123
Barney Skanska Construction Co.		United States	100		USD	20
Bayshore Concrete Products Chesapeake		United States	5,000		USD	2
Beacon Skanska Construction Co.		United States	100		USD	17
Beers Inc		United States	500		USD	228
CDK Contracting Corporation		United States	8,360		USD	13
Ecodis SA		France	9,992		FRF	46
Goldreif Möbelfabrik GmbH		Germany	1		DEM	44
Heinz Essmann GmbH		Germany	5		DEM	110
Karl Koch Erecting Co Inc.		United States	100		USD	164
Nielsons Inc.		United States	43,195		USD	9
Optifit Jaka-Möbel GmbH		Germany	1		DEM	97
Poggenpohl Möbelwerke GmbH		Germany	6	99	DEM	453
Pro-norm Gieschwa Möbel GmbH		Germany	1		DEM	81
SCEM Reinsurance S.A		Luxembourg	749		LUF	14
Skanska AS		Norway	2,000		NOK	0
Skanska Holding A/S		Denmark	1		DKK	512
Skanska Holding GmbH		Germany	0		DEM	347
Skanska Jensen A/S		Denmark	195		DKK	278
Skanska Oy		Finland	670		FIM	353
Slattery Associates Inc. (NY)		United States	90		USD	136
Sordoni/Skanska Construction Co Inc.		United States	1,000		USD	21
Spectrum Bellfair Corp.		United States	100		USD	0
Tidewater Skanska Inc		United States	1,000		USD	51

NOTE 24 PARTICIPATIONS IN ASSOCIATED COMPANIES

Specification of the Group's and the Parent Company's holdings of shares and participations in associated companies.

Company	Unlimited liability	Corporate identity number	Registered office	Number of participations	% of capital stock	% voting power (if different from % of capital stock)	Market value	Book value in consolidated accounts
Group								
<i>Swedish listed associated companies</i>								
Fastighetsaktiebolaget Norrporten		556458-6138	Sundsvall	2,113,300	25		264	168
JM Byggnads och Fastighets AB		556045-2103	Stockholm	8,960,100	27	45	1,120	738
Piren AB		556201-8654	Danderyd	16,154,746	49		832	636
Rörvik Timber AB		556541-2086	Vetlanda	5,545,402	40		57	57
Scancem AB		556000-6057	Malmö	21,557,463	40	49,7	6,245	4,774
							8,518	6,373

Company	Unlimited liability	Corporate identity number	Registered office	Number of participations	% of capital stock	% voting power (if different from % of capital stock)	Market value	Book value in consolidated accounts
<i>Other Swedish associated companies</i>								
AB Lomma Industricentrum		556137-6483	Lomma	48	48			0
AB Sydsten		556108-2990	Malmö	150,000	50			54
Arlandastad KB		916626-5240	Sigtuna		50			1
Armstrong World Industries AB		556084-4242	Holmsund	49,000	49			21
Gamla Filmstaden Exploatering KB		916639-5104	Stockholm	1	50			77
Grisslingehöjden KB		916623-8627	Lidingö	1	33			4
Kalmar Familjebad KB		916529-4969	Kalmar	1	40			0
KB Air Preca		916579-2541	Danderyd	1/3	33			1
KB Metro-Flyg		916447-3564	Härbyda	330	33			0
Kopparlunden Development AB		556164-1274	Västerås	250	50			13
Mega-Carrier KB		916751-1097	Stockholm	330	33			0

Company	Unlimited liability	Corporate identity number	Registered office	Number of participations	% of capital stock	% voting power (if different from % of capital stock)	Market value	Book value in consolidated accounts
Mega-Flight KB		916579-2558	Danderyd	–	50			4
Polaris Aircraft Leasing KB		916609-6967	Stockholm		99 ¹⁾			0
Retail Parks AB		556528-3859	Järfälla	5,000	50			0
Råsjö Torv AB		556151-6708	Hudiksvall	26,236	22			26
Sickla Sjöstad AB		556535-1680	Stockholm	333	33			0
Sundlink Contractors HB	X	969620-7134	Malmö		37			0
Swedish Aircraft FOUR KB		916694-4372	Linköping	100	100 ¹⁾			37
Swedish Aircraft TWO KB		916691-8194	Linköping	50	50 ¹⁾			20
Other Swedish associated companies								26

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¹⁾ Participation as limited partner.



Company	Unlimited liability	Country of registration	Number of participations	% of capital stock	Currency	Book value in consolidated accounts
<i>Foreign associated companies</i>						
A/O Dom Shvetsii		Russia	2,563,778	49	RUR	6
Bridgend Custodial Services Limited		Great Britain	50,000	20	GBP	0
Dansk Betonelementfabrik I/S	X	Denmark		50	DKK	1
Deyhle / Viering GbR	X	Germany	1	50	DEM	1
Ejendomsselskabet af 30/12 1993 A/S		Denmark	753	50	DKK	8
Honkavaaran Maastorakennus Oy		Finland	90	45	FIM	9
K & K Jespersen A/S		Denmark	1,000	50	DKK	6
RE Beton A/S		Denmark	5,000	50	DKK	17
Tieyhtiö Nelostie Oy		Finland	205	41	FIM	0
Østhavnskonsortiet I/S	X	Denmark		50	DKK	5
Others						3
						56

Company	Book value
Parent Company	
<i>Swedish associated companies</i>	
Sundlink Contractors HB	0
See Note 22 on fixed assets.	

NOTE 25 SPECIFICATION OF OTHER LONG-TERM HOLDINGS OF SECURITIES

Company	Number of participations	% of capital stock	% voting power (if different from % of capital stock)	Market capitalization	Book value
<i>Swedish listed companies</i>					
Sweco AB	8,000	<1		0	0
Pandex Hotellfastigheter AB	1,500,000	10		87	78
OM Gruppen AB	258,324	<1		26	0
Humlegården Fastigheter AB	8,000	<1	<1	0	0
SKF AB	9,870,000	9	20	908	269
				1,021	347
<i>Foreign listed companies</i>					
Costain Group PLC	25,562,500	8		60	60
				60	60
				1,081	407
<i>Unlisted companies</i>					
					37
Total				1,081	444

NOTE 26 INVENTORIES ETC.

	1998	1997
Raw materials and supplies	566	513
Products being manufactured	192	183
Finished products and merchandise	585	519
Advance payments to suppliers	7	40
Total	1,350	1,255

NOTE 27 INVENTORIES ETC.

Other current receivables	1998	Group 1997	Parent Company 1998	1997
Short-term portion of long-term receivables	12	28		
Tax claim	93	378	11	253
Other short-term receivables	2,644	1,772	18	30
Total	2,749	2,178	29	283

NOTE 28 DISTRIBUTION OF INTEREST-BEARING AND NON-INTEREST-BEARING RECEIVABLES AMONG BALANCE SHEET ASSETS

Group	1998			1997		
	Interest-bearing	Non-interest-bearing	Total	Interest-bearing	Non-interest-bearing	Total
Financial fixed assets	589	7,503	8,092	558	7,275	7,833
Current receivables	1,783	12,180	13,963	1,532	9,255	10,787
Short-term investments	509		509	420		420
Cash and bank balances	2,996		2,996	2,133		2,133
Other fixed and current assets		19,323	19,323		17,717	17,717
Total	5,877	39,006	44,883	4,643	34,247	38,890

NOTE 29 CHANGE IN SHAREHOLDERS' EQUITY

Parent Company	Capital stock	Statutory reserve	Retained earnings	Net profit for the year	Total shareholders' equity
Year-end 1997 balance	1,366	4,456	3,591	7,505	16,918
Effect of changes in consolidation principles		-1	-17	17	-1
Opening balance, Jan. 1, 1998 - legal	1,366	4,455	3,574	7,522	16,917
Change to associated company reporting of JM with one-quarter delay			-23	21	-2
Distribution of Drott AB			-4,681	-417	-5,098
Opening balance, Jan. 1, 1998 - pro forma	1,366	4,455	-1,130	7,126	11,817
Transfer of net profit for 1997			7,126	-7,126	0
Dividend			-1,252		-1,252
Translation differences etc.			111		111
Change in shareholders' equity of associated companies, excluding net profit for the year		61			61
Transfer between restricted and unrestricted equity		-705	705		0
Net profit for 1998				2,782	2,782
Closing balance, Dec. 31, 1998	1,366	3,811	5,560	2,782	13,519

Parent Company	Capital stock	Statutory reserve	Retained earnings	Net profit for the year	Total shareholders' equity
Year-end 1997 balance	1,366	488	1,722	9,980	13,556
Effect of change in principle for reporting of Group contributions and shareholder contributions			856	-856	0
Opening balance, Jan. 1, 1998	1,366	488	2,578	9,124	13,556
Transfer of net profit for 1997			9,124	-9,124	0
Group contributions/ shareholder contributions			1,358		1,358
Cash dividend			-1,252		-1,252
Distribution of Drott AB			-5,127		-5,127
Net profit for 1998				124	124
Closing balance, Dec. 31, 1998	1,366	488	6,681	124	8,659

The number of shares was 113,854,968, divided into 9,102,530 Series A shares and 104,752,438 Series B shares. The par value per share is SEK 12.

After subtracting taxes, SEK 1,647 M in Group contributions received, along with SEK 26 M in shareholder contributions provided, were reported directly under retained earnings.

NOTE 30 PROVISIONS FOR PENSIONS AND SIMILAR COMMITMENTS

	1998	Group 1997	Parent Company 1998	Parent Company 1997
PRI liability	1,950	1,750	878	849
Other pension obligations	163	88	64	21
Total	2,113	1,838	942	870

The interest on the PRI liability has been calculated on the basis of 4.9 percent (3.7).

NOTE 31 PROVISIONS FOR TAXES

	1998	Group 1997	Parent Company 1998	Parent Company 1997
Deferred taxes on untaxed reserves etc.	1,760	1,722		
Deferred taxes on surplus values	162	198		
Other provisions for taxes	1,131	861	111	107
Total	3,053	2,781	111	107

During 1988-1990 the Skanska Group, through partly owned companies, purchased participations in aircraft. The tax authorities questioned the depreciation deductions related to most of these transactions. In June 1998 the Supreme Administrative Court issued rulings on two of these cases. The rulings mean that the depreciation deductions already made, which had been approved in earlier adjudication, have now been declared invalid. In light of the uncertainty caused by the rulings of the Supreme Administrative Court, Skanska made a provision for the estimated effect on income of a ruling that might invalidate the deductions in three pending cases.

After conducting an audit, the local tax authority appealed the 1988 and 1989 tax assessments regarding the Parent Company. Because of this, a provision has been made for possible additional taxes totaling SEK 43 M, based on claims primarily related to accrual accounting issues, which have been deemed to entail some risk of a higher tax assessment. No provision has been made, however, for tax claims of about SEK 695 M, mainly related to the question of a merger loss and provision for indirect costs of work in progress. Following a verdict in the Administrative Court of Appeal, the 1987 and 1988 tax assessments regarding the subsidiary Skanska Europe AB (formerly Skåne-Gripen AB) were appealed by the company to the Supreme Administrative Court, which announced that it would hear the case. The case involves a dividend from the company's then-subsiidiary AB Järnbron, which the company deemed tax-exempt. In the event of an unfavorable ruling, the company would be charged approximately SEK 342 M in additional taxes plus fees and interest, which was taken into account when Skanska's consolidated financial statements were drawn up.

NOTE 32 OTHER PROVISIONS

	1998	Group 1997	Parent Company 1998	Parent Company 1997
Warranty obligations	177	97		
Other provisions	1,870	2,409	209	166
Total	2,047	2,506	209	166

NOTE 33 MATURITY DATES OF LIABILITIES

Group	> 5 years		< 5 years > 1 year		< 1 year		Total	
	1998	1997	1998	1997	1998	1997	1998	1997
Bond loans			479	436			479	436
Liabilities to credit institutions								
Construction loans	163	6	80	38	0	69	243	113
Mortgage loans	164	187	275	310	75	70	514	567
Overdraft facilities			83	141			83	141
Other liabilities	369	89	19	962	3,758	442	4,146	1,493
	696	282	457	1,451	3,833	581	4,986	2,314
Advance payments from clients	4				227	20	231	20
Liabilities to associated companies	3		11	56	117	83	131	139
Other liabilities								
Convertible debenture loans			0	1	0	9	0	10
Other liabilities	103	45	256	294	3,024	3,093	3,383	3,432
	103	45	256	295	3,024	3,102	3,383	3,442
Parent Company								
Bond loans			479	436			479	436
Liabilities to credit institutions								
Other liabilities	341	306				10	341	316
	341	306	0	0	0	10	341	316
Liabilities to Group companies	9,318	12,545		0		11	9,318	12,556

The Parent Company's other liabilities mainly fall due for payment within one year. Covenants have been provided for the Parent Company's credit facilities.

NOTE 34 UNEARNED REVENUE

Group	1998	1997
Invoiced sales	64,359	33,974
Unearned revenue	-60,372	-30,863
Balance	3,987	3,111

NOTE 35 DISTRIBUTION OF INTEREST-BEARING AND NON-INTEREST-BEARING LIABILITIES AND PROVISIONS

Group	1998			1997		
	Interest-bearing	Non-interest-bearing	Total	Interest-bearing	Non-interest-bearing	Total
Liabilities to credit institutions	4,986		4,986	2,314		2,314
Other liabilities	821	18,073	18,894	987	16,496	17,483
Provisions	2,048	5,165	7,213	1,784	5,341	7,125
Minority interests and shareholders' equity		13,790	13,790		11,968	11,968
Total	7,855	37,028	44,883	5,085	33,805	38,890

NOTE 36 ASSETS PLEDGED FOR LIABILITIES

Group	Property mortgages	Chattel mortgages	Restricted bank deposits	Total
	Own obligations			
Liabilities to credit institutions	647	37	59	743
Other liabilities	26	23	94	143
Total own obligations	673	60	153	886
Other obligations			110	110
Total	673	60	263	996

NOTE 37 CONTINGENT LIABILITIES

	Group	Parent Company
Pension commitments not included among liabilities/provisions		20
Contingent liabilities on behalf of Group companies		20,337
Other contingent liabilities	4,416	890
Total	4,436	21,227

Of the Group's contingent liabilities, about SEK 1.5 billion consisted of the portion of the joint and several liability of outside members of consortia for the obligations of construction consortia. Such liability is often required by the client and normally poses no major risk to Skanska because as a rule, the consortium members are financially stable companies.

Of the Parent Company's contingent liabilities, more than SEK 14 billion was related to contracting obligations made by subsidiaries. To the Group, commitments issued by the Parent Company do not comprise any greater liability than the contracting obligations. The increase in contingent liabilities on behalf of subsidiaries was due primarily to guarantees issued in connection with the JFK contract, which is being carried out in collaboration with the train and aircraft manufacturer Bombardier (market capitalization about SEK 75 billion), partly with borrowings by Skanska Financial Services AB.

Like Bombardier Inc., Skanska is jointly and severally liable to the client, the Port Authority of New York and New Jersey, for the Air Rail Transit Consortium's completion of the JFK contract. Bombardier Inc., whose subsidiary Bombardier Transit Co. is responsible for the portion of the contract related to trains and operation, has issued a guarantee to Skanska that releases Skanska from liability in relation to Bombardier Inc. for this portion of the contract, which totals more than SEK 2.2 billion, excluding any five- or ten-year extension. Given Bombardier Inc.'s commitment, no contingent liability for this portion of the contract has been reported in the accounts. In corresponding fashion, Skanska AB has released Bombardier Inc. of liability for the construction portion.

Skanska has issued call options for shares in the real estate companies Fastighetsbolaget Norrporten (36,000), Piren AB (80,000) and Pandox Hotellfastigheter AB (79,920) to senior executives in each respective company. The options have a life of five years and entitle the holders to buy shares at a price of SEK 145, SEK 75 and SEK 67.30, respectively, no later than September 2, 2002.

PROPOSED ALLOCATION OF EARNINGS

The Board of Directors and the President of Skanska AB propose that the net profit for 1998, SEK 124,599,760 plus the retained earnings of SEK 6,680,629,900 carried forward from the preceding year, totaling SEK 6,805,229,660, be allocated as follows:

A dividend to the shareholders of SEK 12 per share	SEK 1,366,259,616
To be carried forward	SEK 5,438,970,044
Total	SEK 6,805,229,660

Danderyd, Sweden, February 25, 1999

Bo Rydin
Chairman

Per-Olof Eriksson Roger Flanagan Sören Gyll

Finn Johnsson Clas Reuterskiöld

Bengt Järrestedt Ivan Karlsson Nils-Erik Pettersson

Claes Björk
President

AUDITORS' REPORT

*To the Annual Meeting of Shareholders in Skanska AB (publ.)
Swedish corporate identity number 556000-4615*

We have examined the Parent Company and consolidated financial statements, the accounts and the administration of the Board of Directors and the President of Skanska AB for 1998. These accounts and the administration of the Company are the responsibility of the Board of Directors and the President. Our responsibility is to express an opinion on the financial statements and the administration based on our audit.

We conducted our audit in accordance with generally accepted auditing standards in Sweden. These standards require that we plan and perform the audit to obtain reasonable assurance that the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and their application by the Board of Directors and the President, as well as evaluating the overall presentation of information in the financial statements. We examined significant decisions, actions taken and circumstances of the Company in order to be able to determine the possible liability to the Company of any Board member or the President, or whether they have in some other way acted in contravention of the Swedish Companies Act, the Annual Accounts Act or the Articles of Association. We believe that our audit provides a reasonable basis for our opinion set out below.

The Parent Company and consolidated financial statements have been prepared in accordance with the Annual Accounts Act. We therefore recommend

that the income statements and the balance sheets of the Parent Company and the Group be adopted, and

that the profit of the Parent Company be distributed in accordance with the proposal in the Report of the Directors.

In our opinion, the Board members and the President have not committed any act, or been guilty of an omission, which could give rise to any liability to the Company. We therefore recommend

that the members of the Board of Directors and the President be discharged from liability for the financial year.

Danderyd, Sweden, March 3, 1999

Anders Scherman
Authorized Public Accountant

Bernhard Öhrn
Authorized Public Accountant

PROPERTY LIST¹⁾

INVESTMENT PROPERTIES ON DECEMBER 31, 1998

County, municipality, property designation, street address	Year built/ renovated	Leasable space, sq m				Rental value 1999, SEK M	Site leasehold	Loca- tion ²⁾
		Residential	Retail	Office	Other			
STOCKHOLM								
Stockholm County								
Botkyrka								
Trädgårdsmästaren 14, Gröndalsv 20	1978			4,926	336	5,262	4.8	S
Danderyd								
Trekanten 3, Vendev 85 A-B	1989			9,272	475	9,747	11.8	N
Huddinge								
Myren 1, Häradsv 253	1993			950	5,460	6,410	9.5	S
Järfälla								
Jakobsberg 2:1907, Vibblabyv 1-3	1981			5,071	220	5,291	5.2	N
Jakobsberg 2:2583, Järfällav 102-104	1982			17,559	5,049	22,608	16.9	N
Nacka								
Sicklaön 354:1-2, Ektorp Centrum, Ektorpsv 2-6	1979		3,003	13,065	2,518	18,586	15.2	S
Nynäshamn								
Alkotten 2, Lövlundsv 3	1984			1,792	2,232	4,024	5.8	S
Solna								
Apelsinen 5, Vretenv 13	1972			12,709	8,213	20,922	17.2	N
Puman 1, Bang 21, Storg 28	1972			1,784	406	2,190	1.7	N
Gelbjutaren 3, 14, 17, Industriv, Åldermansv	1946/-89			8,342	4,405	12,747	8.9	S N
Stockholm								
Blekkholmen 1, Klara Strand, Klarastrandsviadukten 90	1994		1,157	21,591	11,336	34,084	61.1	S C
Grävlingen 12, Regeringsg 57-59, Mäster Samuelsg 34-36, Malmskillnadsg 1, Malmskillnadsg 42-46	1977		3,197	16,704	7,124	27,025	58.4	C
Gångaren 11, Lindhagensg 80	1989			11,295	3,028	14,323	24.0	S C
Görväln 2, Bränningev 10-24	1963				7,279	7,279	4.6	S S
Hantverkaren 24, S:t Göransg 55-57	1989			2,895		2,895	3.3	S C
Instrumentet 17, Jakobsdalsv 13-15	1948			686	3,938	4,624	2.9	S
Järnplåten 29, Malmskillnadsg 35	1971		634	2,439	160	3,233	5.2	S C
Lagern 11, Klara Norra Kyrkog 27-29 Kungsg 64-66	1898/-87		552	8,881	116	9,549	20.0	C
Prästgårdsängen 3, Götalandsv 218, Älvsjö	1986		112	6,237	53	6,402	4.6	S S
Python 6, Skeppsbron 16	1920			1,081	178	1,259	2.0	C
Singeln 4, Sorterarg 14-16, Vällingby	1964			2,225	1,061	3,286	2.2	S N
Singeln 9, Sorterarg 8, Vällingby	1970			3,869	1,463	5,332	2.9	S N
Skalholt 1, Isafjordsg 23-25, Kista	1985		2,950	32,453	4,198	39,601	58.6	S N
Storsåtra 1, Storsåtragr 4-26	1972			16,811	15,161	31,972	21.0	S S
Torkhuset 1, Hammarbyv 76				1,649	5,187	6,836	2.5	S S
Trumman 2, Vattenpasset 11, 12 Rosenlundsg 29-31, Magnus Ladulåsg 1-5, 2-10	1949/-65	4,866	2,330	29,138	4,707	41,041	71.2	C
Trädgården 8, 9, Sköldungag 1-5	1910			1,544		1,544	2.8	S C
Valnöten 8, Scheeleg 1, Hantverkarg 26	1930	325	761	1,543	292	2,921	3.9	C
Vattenkraften 1, Skrubba, Solkraftsv 13, Skrubba Malmv	1990			4,928	5,495	10,423	10.0	S S
Vinkelhaken 12, Drottning 80	1929/-86	269	318	900	40	1,527	2.0	C
Årstaäng 4, Sjöviksbacken 4-26, Förmansv 24-26	1968			17,988	15,414	33,402	26.5	S S
Sundbyberg								
Eken 6, Allén 5	1997			24,835		24,835	37.8	N
Sprängaren 8, Vinterg 1	1970			6,307	5,559	11,866	8.6	N
Upplands Väsby								
Vilunda 16:57, Korpulla, Centralv 1	1990		923	5,889	336	7,148	8.0	N
Stockholm Arlanda								
Arlanda 2:1, Helikopterv 1	1997			8,900		8,900	5.7	N
TOTAL STOCKHOLM		5,460	15,937	306,258	121,439	449,094	546.8	

Total book value on December 31, 1998: SEK 2,297 M. Projected rents for 1999 include SEK 503 M in contracted rents and SEK 44 M in estimated market rents for unoccupied commercial and residential premises.

¹⁾ Refers to Skanska Project Development and Real Estate.

²⁾ Location refers to central Stockholm (C), north of central Stockholm (N) or south of central Stockholm (S).

County, municipality, property designation, street address	Year built/ renovated	Leasable space, sq m				Rental value 1999, SEK M	Site leasehold	Loca- tion ²⁾
		Residential	Retail	Office	Other			
ØRESUND								
Kronoberg County								
Växjö								
Tips- och mässhallen, Hejareg, Bollg	1990			650	14,900	15,550	5.8	O
Skåne County								
Klippan								
Hjälmen 22, Storg 24-26, N Skolg 2, Stenbocksg 2	1977/-91			3,566	94	3,660	3.4	C
Ängelholm								
Örnen 28, Storg 20-28, Laxg 2-4	1975	1,083	1,853	2,334	352	5,622	5.3	C
Helsingborg								
Danmark 29, Söderg 39	1970	1,898	3,070	5,448	570	10,986	9.3	C
Fyrkanten 17, Thure Röings g 6, Söderg 2	1909/-86	54	154	657	40	905	0.6	C
Kolonien 27, Carl Krooksg 30-32, Wetterlingsg 2	1988	2,666	3,078	3,237	260	9,241	8.9	C
Lund								
Flintan 3, Skifferv 24	1985				5,979	5,979	3.2	O
Väduren 9, Dalbyv 22, Jupiterv 4, Tellusg 5	1963/-92	115		748	838	1,701	1.1	O
Välten 10, Traktorv 4	1991		2,344			2,344	2.7	O
Vätet 3, Ole Römers v 5A	1991				335	335	0.6	O
Malmö								
Bohus 7, Per Albin Hanssons v 4-14	1966	8,672	500	4,251	4,798	18,221	11.7	C
Fersen 1, Österg 21, N Vallg 28, St Gertrudsg 1	1700/1868/1930		405	539	1,086	2,030	1.3	C
Flintkärnan 5, Trehögsg 8	1976			1,005	2,855	3,860	1.8	O
Flygbasen 1, Höjdroderg 23	1989			1,125	1,631	2,756	1.3	O
Gamen 15, Ö Kanal g 6, Storg 5	1981			4,128	191	4,319	4.4	C
Gäddan 2, Citadellsv 17, S Neptunig 16	1962/-81			1,398	945	2,343	1.4	S O
Gäddan 5, Citadellsv 15 A	1961			488	489	977	0.7	O
Hans Michelsen 10, Adelg 5, N Vallg 54	1903/-88		400	2,831	394	3,625	3.1	C
Husaren 9, Husarg 5, Ö Promenaden 3-5, Ö Tullg 1-3	1957/-80	4,397	691	5,515		10,603	8.4	C
Landshövdingen 1, RoCent, Wachtmeisters väg 5	1970/-87		19,653	2,008	5,794	27,455	20.0	S O
Lybeck 6, Hansacompagniet, S Promenaden 67-69, St Nyg 46-50, Studentg 1-5, Malmborgsg 2-8	1964/-92	4,907	8,736	7,140	10,520	31,303	32.0	C
Mercurius 3, Adelg 21, Frans Suellg 4	1532/1993		85	1,049		1,134	1.1	C
Residenset 3, Adelg 8	1879/1981			1,200		1,200	1.2	C
St Jörgen 21, del av Baltzarsg 24	1750/1986		140	240		380	0.5	C
Sirius 1 och 2, Jörgen Kocksg 9	1992			7,215	251	7,466	8.8	O
Smörbollen 21, Cypressv 10	1969/-72			693	2,716	3,409	2.1	S O
Spinneriet 8, Baltzarsg 20-22, Kalendeg 22-30, Djäkneg 29-31, St Nyg 29-31	1957		2,372	12,883	26,223	41,478	31.1	C
Trollhättan 4 and 7, Nordenskiöldsg, Ankargripsg 4, Beijerskajen 6	1959/-66/-98			9,568		9,568	15.2	S C
Trollhättan 6, Nordenskiöldsg, Ankargripsg 4, Beijerskajen 6	1959/-66/-98			5,065	10,377	15,442	4.9	S C
Väktaren 3, Scandinavian Center, Hjälmareg 3	1991			8,131		8,131	14.8	C
Ängslätt 1, Klagshamnsv 40, Vintrie	1987		2,006		12	2,018	1.8	O
Denmark								
Ballerup								
Baltorpvej 154-158	1969/-76/-80/-89			10,758	2,196	12,954	11.5	O
Copenhagen								
Holbergsgade	1908/-46/-96			7,485	1,792	9,277	12.5	C
Midtermolen EX, Midtermolen 1-3	1994			13,014	1,871	14,885	27.9	C
Tordenskiöldsgade	1870/-71/1996			5,643	1,112	6,755	6.9	C
Rungstedt								
Rungsted Bytorv	1992	3,456	3,902	240	828	8,426	10.5	C
Helsingör								
Borupgård Butikscnter	1978		1,620		443	2,063	1.5	O
TOTAL ØRESUND		27,248	51,009	130,252	99,892	308,401	279.3	

Total book value on December 31, 1998: SEK 1,560 M. Projected rents for 1999 include SEK 262 M in contracted rents and SEK 17 M in estimated market rents for unoccupied commercial and residential premises.

¹⁾ Refers to central (C) or other (O) locations.

County, municipality, property designation, street address	Year built/ renovated	Leasable space, sq m				Rental value 1999, SEK M	Site Loca- leasehold tion ¹⁾
		Residential	Retail	Office	Other		
GOTHENBURG							
Västra Götaland County							
Gothenburg							
Inom Vallgraven 4:5, Stora Nyg 23-25	1906/-89		2,735	665	3,400	3.8	C
Inom Vallgraven 8:19, Kungsg 56	1950		218	880	1,281	2.3	C
Inom Vallgraven 16:6, Södra Hamng 17-23	1892/1907/1920		180	4,866	309	5,355	C
Masthugget 10:16, Första Långg 24-26	1962/-91		575	6,444	363	7,382	C
Masthugget 10:19, Värmlandsg 16	ca 1900/-91		270	1,360	40	1,670	C
Gullbergsvass 1:5-6, Lilla Bommen	1990		660	26,625	5,575	32,860	C
Gullbergsvass 703:52-53, P-huset Silvret, Lilla Bommen	1991				19,000	19,000	C
Kobbegården 6:732, Askim Domarringsv 97	1984	223			223	0.2	O
Krokslätt 185:1 (67%) (I+II), Sven Hultins gata 9	1986/-97		123	8,861	1,506	10,490	O
Backa 30:3, Importgatan 23-33	1969/-96		740	2,395	38,432	41,567	O
Möndal							
Kryptongasen 4, Kryptogatan 20	1982			1,700	6,500	8,200	O
Borås							
Kyllared 1:101, 1:126 (50%), Tvinnareg 4	1979			700	6,300	7,000	O
Ventilen 1, Industrig 4	1975			1,420	5,880	7,300	O
Armbåga 3 - Evedal, Ålgårdsv 11	1965/-98		12,948	700	6,815	20,463	O
Trollhättan							
Oden 8, Kungsg 30	1976		9,201	98	6,443	15,742	C
Nohab 4 (Film i Väst), Nohab Industriområde	1950/-97			1,431	726	2,157	O
Nohab 1, part of (Innovatum), Nohab Industriområde	1913/-98			1,618	7,931	9,549	O
Nohab 1, part of (Wärtsilä), Nohab Industriområde	1949/-97			2,345	15,358	17,703	O
Skåne County							
Helsingborg							
Marknaden 2, Björka vägen Väla	1995/-98			6,389		6,389	O
Marknaden 3, Björka vägen Väla	1996			8,619		8,619	O
TOTAL GOTHENBURG		223	39,923	64,178	122,026	226,350	172.4

Total book value on December 31, 1998: SEK 867 M. Projected rents for 1999 include SEK 163 M in contracted rents and SEK 9 M in estimated market rents for unoccupied commercial and residential premises.

¹⁾ Refers to central (C) or other (O) locations.

EUROPE

Great Britain

London

Thomas More Square	1991		364	44,863	2,174	47,401	108.0	O
55, King William Street	1991		298	5,281	339	5,918	31.9	S C

Hungary

Budapest

East West Business Center, Rákóczi ut 1-3	1991		855	18,255	1,083	20,193	52.0	C
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Austria

Vienna

Holiday Inn Crown Plaza Hotel	1989				19,460	19,460	22.3	S O
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TOTAL EUROPE		0	1,517	68,399	23,056	92,972	214.2	
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Total book value on December 31, 1998: SEK 1,635 M. Projected rents for 1999 include SEK 209 M in contracted rents and SEK 5 M in estimated market rents for unoccupied premises.

¹⁾ Refers to central (C) or other (O) locations.

GRAND TOTAL, INVESTMENT PROPERTIES	32,931	108,386	569,087	366,413	1,076,817	1,212.7	
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Total book value on December 31, 1998: SEK 6,359 M. Projected rents for 1999 include SEK 1,137 M in contracted rents and SEK 75 M in estimated market rents for unoccupied premises.

INVESTMENT PROPERTIES IN PARTLY OWNED PARTNERSHIPS AND LIMITED PARTNERSHIPS, DECEMBER 31, 1998

All figures refer to Skanska's holding.

County, municipality, property designation, street address	Year built/ renovated	Leasable space, sq m				Total	Rental value 1999, SEK M	Site location ¹⁾
		Residential	Retail	Office	Other			
Stockholm								
Tryckeriet 13 m fl (50%), Trekantsv 1,3,5	1965			15,130	9,548	24,678	17.2	S
Gothenburg								
Lorensberg 45:19 (50%), Kungsporsavenyn 10-12	1971		918	906	94	1,918	4.7	C
Total			918	16,036	9,642	26,596	21.9	

Total book value on December 31, 1998: SEK 17 M. Projected rents for 1999 include SEK 20 M in contracted rents and SEK 2 M in estimated market rents for unoccupied commercial and residential premises.

¹⁾ Refers to central (C) or other (O) locations. South of central Stockholm (S).

COMPLETED REAL ESTATE PROJECTS

Responsible unit, property designation, municipality	Leasable space, sq m				Total	Projected rental value, SEK M ¹⁾	Projected operating net, fully leased, SEK M
	Residential	Retail	Office	Other			
Øresund							
Trollhättan 4, 6, 7 (University College), Malmö ²⁾				10,757	10,757	16.9	15.1
Niels Juels Gade, Copenhagen			1,543	130	1,673	2.3	2.2
Gothenburg							
Vämmedal 2:156, Mölndal		5,150			5,150	5.8	5.5
Marknaden 2, Helsingborg ²⁾		1,137			1,137	1.0	0.9
Total, Project Development Sweden		6,287	1,543	10,887	18,717	26.0	23.7
Europe							
Atrium Plaza, Warsaw		1,516	12,534		14,050	44.9	43.3
Total, Project Development Europe		1,516	12,534		14,050	44.9	43.3
Total, completed real estate projects		7,803	14,077	10,887	32,767	70.9	67.0

	Sweden	Europe	Total
Book value, December 31, 1998, SEK M	153	259	412
Economic occupancy rate, Dec. 31, 1998, %	84	52	76

¹⁾ Projected rental value refers to estimated annual rent, fully leased, when each property is completed.

²⁾ This property is included in the list of investment properties on December 31, 1998 and has undergone extensive upgrading.

CURRENT REAL ESTATE PROJECTS

Responsible unit, property designation, municipality	Year and month of projected completion	Leasable space, sq m				Total	Projected rental value, SEK M ¹⁾	Projected operating net, fully leased, SEK M
		Residential	Retail	Office	Other			
Stockholm								
Hagalund 2:6-7, Solna	01 04			37,236	5,866	43,102	70.6	62.5
Gångaren 13, Stockholm	99 06			34,205	1,235	35,440	52.9	48.5
Gångaren 14, Stockholm	99 06			11,190		11,190	21.3	18.6
Atleten 5, Sundbyberg	99 04		132	7,013		7,145	12.2	11.2
Eken 6, Sundbyberg	99 04			6,535		6,535	10.1	8.7
Øresund								
Österport, Malmö	99 12		70	9,543	412	10,025	13.4	11.9
Kalvebod Brygge, Copenhagen ²⁾	99 07			7,740	250	7,990	14.8	13.8
St Jörgen 21 part of, Butterick's Malmö	01 03		3,906	7,364	274	11,544	22.0	18.4
Gothenburg								
Gårda 13:3, Gothenburg	99 12			20,574		20,574	33.8	29.6
Vämmedal 2:162, Källered	99 04		4,163	267	720	5,150	5.9	5.7
Total, Project Development Sweden			8,271	141,667	8,757	158,695	257.0	228.9
Europe								
West End Business Center, Budapest	99 12		862	7,540	75	8,477	17.3	16.4
Total, Project Development Europe			862	7,540	75	8,477	17.3	16.4
Total, current real estate projects			9,133	149,207	8,832	167,172	274.3	245.3

	Sweden	Europe	Total
Projected book value upon completion, SEK M	2,315	109	2,424
Book value, December 31, 1998, SEK M	956	22	978
Economic occupancy rate, Dec. 31, 1998, %	84	0	80

¹⁾ Projected rental value refers to estimated annual rent, fully leased, when each property is completed.

²⁾ This property was sold early in 1999.

The property list is continuously updated on Skanska's web site, www.skanska.se

BOARD OF DIRECTORS AND AUDITORS



Back row from the left: Per-Olof Eriksson, Clas Reuterskiöld, Bengt Järrestedt, Folmer Knudsen, Eva Elofsson-Merila, Ivan Karlsson. Middle row: Finn Johnsson, Nils-Erik Pettersson, Sören Gyll, Jörgen Persson. Front row: Roger Flanagan Claes Björk, Bo Rydén.

Bo Rydén

Stockholm, born 1932.
Chairman. Elected in 1994.
Dr.Econ. (Hon.), Dr.Eng. (Hon.) Other directorships: SCA (Chairman), Industrivärden (Chairman), Grängeverken (Chairman), Svenska Handelsbanken (Vice Chairman), SAS representenskap.
Holdings in Skanska: 2,500 Series B shares.

Claes Björk

Greenwich, Connecticut, U.S.A., born 1945.
Elected in 1997.
President and Chief Executive Officer of Skanska.
Holdings in Skanska: 4,360 Series B shares.

Per-Olof Eriksson

Sandviken, born 1938.
Elected in 1994.
Dr.Eng. (Hon.). Other directorships: Swedish National Grid (Chairman), Thermo (Chairman), Sandvik, Svenska Handelsbanken, SSAB, SKF, Volvo, Custos, Preem Petroleum, N.V. Koninklijke Sphinx, Gustavsberg, Assa Abloy, Royal Institute of Technology, Federation of Swedish Industries. Member of Royal Swedish Academy of Engineering Sciences.
Holdings in Skanska: 1,800 Series B shares.

Roger Flanagan

Henley-on-Thames, Oxon, England, born 1944.
Elected in 1998.
Holdings in Skanska: 0 shares.

Sören Gyll

Saltsjö-Duvnäs, born 1940.
Elected in 1997.
Other directorships: Pharmacia & Upjohn (Chairman), Volvo, SKF, SCA, Billia, Oresa Ventures SA.
Holdings in Skanska: 238 Series B shares.

Finn Johnsson

Gothenburg, born 1946.
Elected in 1998.
President of Mölnlycke Health Care. Other directorships: Volvo, Perstorp, Thomas Concrete Group, MVI (Chairman).
Holdings in Skanska: 1,000 Series B shares.

Clas Reuterskiöld

Stocksund, born 1939.
Elected in 1998.
President and CEO of Industrivärden. Other directorships: AGA, Ericsson, Sandvik, SCA, Svenska Handelsbanken.
Holdings in Skanska: 450 Series B shares.

Bengt Järrestedt

Spånga, born 1946.
Swedish Building Workers' Union.
Appointed in 1991. Wood worker.
Holdings in Skanska: 10 Series B shares.

Ivan Karlsson

Uddevalla, born 1937.
Union for Service and Communication (SEKO). Appointed in 1992. Rock worker.
Holdings in Skanska: 738 Series B shares.

Folmer Knudsen

Eslöv, born 1942.
Swedish Building Workers' Union.
Appointed in 1992. Wood worker.
Deputy Board member.
Holdings in Skanska: 120 Series B shares.

Eva Elofsson-Merila

Vetlanda, born 1950.
Swedish Union of Clerical and Technical Employees in Industry (SIF).
Appointed in 1992. Personnel Department.
Deputy Board member.
Holdings in Skanska: 0 shares.

Jörgen Persson

Svedala, born 1949.
Swedish Industrial Union. Appointed in 1997.
Concrete worker. Deputy Board member.
Holdings in Skanska: 0 shares.

Nils-Erik Pettersson

Hemmingsmark, born 1948.
Swedish Union of Supervisors (LEDARNA).
Appointed in 1998. Production manager.
Holdings in Skanska: 2,430 Series B shares.

AUDITORS

Anders Scherman

Malmö.
Authorized Public Accountant.

Bernhard Öhrn

Stockholm.
Authorized Public Accountant.

DEPUTY AUDITORS

Christer Ljungsten

Malmö.
Authorized Public Accountant.

George Pettersson

Stockholm.
Authorized Public Accountant.

GROUP MANAGEMENT



1. Birgitta Strömberg. 2. Rune Kjellman. 3. Anders Nyrén. 4. Cecilia Schön. 5. Einar Lundgren. 6. Claes Björk. 7. Per-Ingemar Persson. 8. Mats Wäppling. 9. Stuart E. Graham. 10. Anders C Karlsson. 11. Per Westlund.

Claes Björk
President and Chief Executive Officer
 Born 1945.
 Joined Skanska in 1967.
 Holdings in Skanska: 4,360 Series B shares.

Stuart E. Graham
Head of the Skanska USA business area
 Born 1946.
 Joined Skanska in 1990.
 Holdings in Skanska: 500 Series B shares.

Anders C Karlsson
Head of the Skanska Europe business area
 Born 1950.
 Joined Skanska in 1996.
 Holdings in Skanska: 0 shares.

Rune Kjellman
Senior Vice President, Personnel
 Born 1944.
 Joined Skanska in 1988.
 Holdings in Skanska: 0 shares.

Einar Lundgren
Chief Counsel and Secretary to the Board
 Born 1952.
 Joined Skanska in 1993.
 Holdings in Skanska: 100 Series B shares.

Anders Nyrén
Executive Vice President, Finance
 Born 1954.
 Joined Skanska in 1997.
 Holdings in Skanska: 2,000 Series B shares.

Per-Ingemar Persson
Head of the Skanska Sweden business area
 Born 1956.
 Joined Skanska in 1982.
 Holdings in Skanska: 20 Series B shares.

Cecilia Schön
Senior Vice President, Corporate Communications
 Born 1956.
 Joined Skanska in 1998.
 Holdings in Skanska: 0 shares.

Birgitta Strömberg
Senior Vice President, Information Technology
 Born 1947.
 Joined Skanska in 1998.
 Holdings in Skanska: 0 shares.

Per Westlund
Executive Vice President, Group Development.
 Born 1944.
 Joined Skanska in 1968.
 Holdings in Skanska: 1,045 Series B shares.

Mats Wäppling
Head of the Project Development and Real Estate business area
 Born 1956.
 Joined Skanska in 1979.
 Holdings in Skanska: 0 shares.

ANNUAL SHAREHOLDERS' MEETING

The Annual Shareholders' Meeting of Skanska AB will be held at 4:00 p.m. on Monday, May 3, 1999 at Malmö Konserthus (Concert Hall), Föreningsgatan 35, Malmö, Sweden.

Entitlement to participate in the Annual Meeting

To be entitled to participate in the Annual Meeting, shareholders must

- be listed in the print-out of the register of shareholders made as of April 23, 1999; thus, shareholders whose shares have been registered in the name of a trustee must have temporarily re-registered their shares no later than April 23, 1999 in their own name to be entitled to participate in the Meeting (such registration should be requested a few days in advance from the bank or brokerage house holding the shares in trust).
- notify Skanska no later than 12 noon, Wednesday, April 28, 1999 of their intention to participate in the Meeting.

Notification

Shareholders who wish to participate in the Meeting may send notification either

- by mail to Skanska AB, Group Legal Affairs, Box 1195, SE-111 91 Stockholm, Sweden.
- by telephone to +46 8-753 84 06 (Skanska Group Headquarters) or
- by fax to +46 8-753 37 52.

This notification should state the shareholder's

- name
- national registration or corporate identity number
- address and telephone number.

If participation is authorized by proxy, this must be sent to the Company before the Annual Meeting.

Shareholders who wish to participate in the Meeting must have notified the Company to this effect no later than 12 noon, Wednesday, April 28, 1999, when the notification period expires.

Shareholders who have duly notified the Company of their intention to participate in the Annual Meeting will receive an admittance card, which should be brought to the Meeting and shown at the entrance to the Meeting venue.

Dividend

For 1998, the Board of Directors proposes a dividend of SEK 12 per share to the shareholders.

The Board proposes Thursday, May 6, 1999 as the date of record to qualify for the dividend. Provided that the Annual Meeting approves this proposal, the dividend is expected to be mailed by the Swedish Securities Register Center (VPC) on Friday, May 14, 1999.

FINANCIAL INFORMATION DURING 1999

Year-End Report, 1998 Results	February 25
Annual Report for 1998	Early April (English version: mid-April)
Three Month Report	May 3
Six Month Report	August 30
Nine Month Report	November 4

As a complement to the Annual Report, Skanska is publishing a separate Environmental Report for 1998 during April.

Information can be ordered from:

Skanska AB
Corporate Communications
Box 1195
SE-111 91 Stockholm, Sweden
Telephone +46 8 753 88 00
Fax +46 8 755 12 56

Skanska's financial information is also available on its web site www.skanska.se

ADDRESSES

GROUP HEADQUARTERS

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Skanska Installation AB

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Skanska Residential Construction

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Myresjöhus AB

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Skanska Northern Sweden

SE-851 78 Sundsvall, Sweden
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Skanska Road Construction

SE-405 18 Gothenburg, Sweden
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Skanska Asphalt and Concrete

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Stabilator AB

SE-118 99 Stockholm, Sweden
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Skanska International Civil Engineering AB

SE-182 25 Danderyd, Sweden
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SE-202 11 Malmö, Sweden
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Skanska International Construction AB

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Poggenpohl Group

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Kährs Group

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Essmann Group

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Fax: +46 40 14 45 40

Elit Fönster AB

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Fax: +46 383 76 34 01

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