

SKANSKA

Review of 2007
EUR version



About Skanska

Skanska is one of the world's largest construction companies, with a leading position in a number of home markets in Europe, the United States and Latin America. Skanska also carries out project development in selected geographic markets in the residential and commercial property fields, as well as in infrastructure by means of public-private partnerships. By combining international expertise with a local presence, Skanska acts as a local company with global strength. The Skanska Group has 60,000 employees, and in 2007 its revenue totaled EUR 15.0 billion.



The President and CEO:
"We have set bold new financial targets and challenged ourselves to lead the industry in developing economical solutions to enable our customers to reduce CO₂ consumption."
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Skanska in 2007

Construction

Improved earnings in nine markets out of ten. Operating income increased by 33 percent. Operating margin reached 3.4 percent, which means that it surpassed the "Outperform" target for this business stream.
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Residential Development

Despite a downturn primarily in the Danish and Norwegian markets, the business stream ended the year close to its financial targets.
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Commercial Development

A record year, with 23 new projects started and with leases signed for more than 300,000 sq. m (3.23 million sq. ft.) of space. Investors are showing continued good demand for completed projects.
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Infrastructure Development

Value growth was good, and unrealized development gains increased by EUR 286 M.
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Home markets

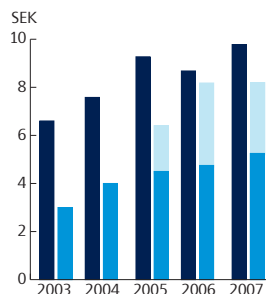


Key ratios

Highlights	EUR M	SEK M
Revenue	15,002	138,781
Operating income	584	5,406
Income after financial items	613	5,667
Earnings per share, EUR/SEK	1.06	9.78
Return on equity, %	21.1	21.1
Return on capital employed, %	25.1	25.1
Order bookings ¹	15,822	146,373
Order backlog ¹	15,468	146,154

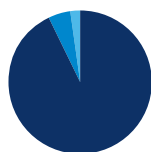
¹ Refers to Construction operations

Earnings and dividend per share



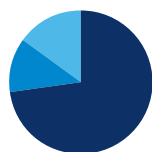
■ Earnings per share
■ Dividend per share
■ Extra dividend per share

Revenue by business stream



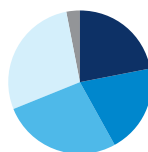
■ Construction, 93%
■ Residential Development, 5%
■ Commercial Development, 2%
■ Infrastructure Development, 0%

Operating income by business stream



■ Construction, 73%
■ Residential Development, 12%
■ Commercial Development, 15%
■ Infrastructure Development, 0%

Revenue by geographic area



■ Sweden, 22%
■ Other Nordic countries, 20%
■ Other European countries, 27%
■ United States, 28%
■ Other markets, 3%

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

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Cover photos:



The Escambia Bay Bridge in the Florida Panhandle is a new 4.2 km (2.6 mi.) long twin span across Escambia Bay on Interstate Highway 10. The Skanska-led construction team won a USD 10M bonus for completing the first span ahead of schedule. Skanska employee Leonid Stotland works on the Triborough Bridge in New York City, yet another of Skanska's many renovation projects on the city's major bridges.

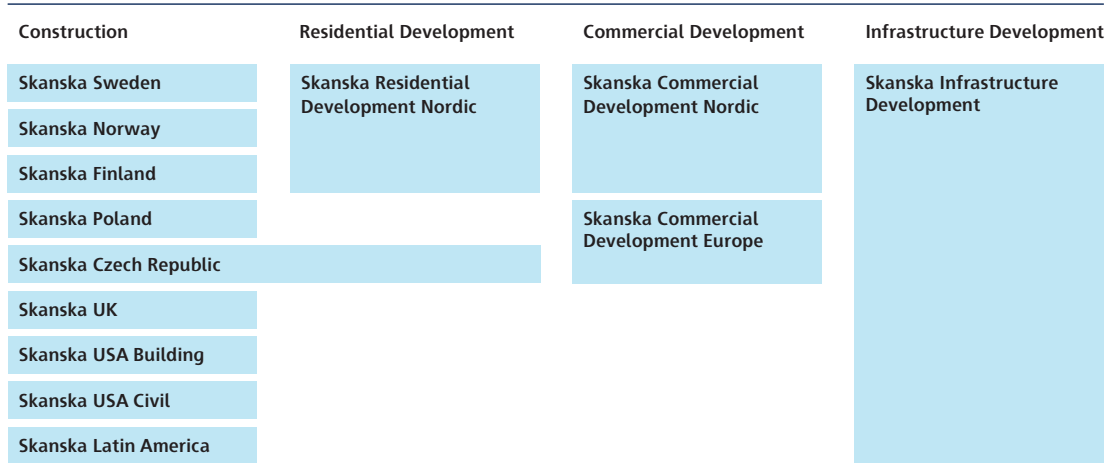
The Skanska Group

Senior Executive Team

Skanska Financial Services

Group staff units

Skanska Project Support



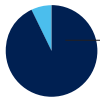
Construction refers to building construction (both non-residential and residential) and civil construction. It is Skanska's largest business stream. The Construction business stream operates through nine business units in selected home markets – Sweden, Norway, Finland and Estonia, Poland, the Czech Republic and Slovakia, the United Kingdom, the United States and Latin America.

The Residential Development business stream initiates and develops residential projects for sale. Housing units are tailored for selected customer categories. Skanska is one of the leading residential developers in the Nordic countries and also has a sizeable presence in the Czech Republic and Slovakia. The business stream operates through its own Nordic business unit and as part of Construction in the Czech Republic.

Commercial Development initiates, develops, leases and divests commercial property projects, with a focus on office buildings, shopping malls and logistics properties. The business stream works through two business units: Skanska Commercial Development Nordic and Skanska Commercial Development Europe.

Infrastructure Development develops, manages and divests privately financed infrastructure projects such as roads, hospitals, schools and power generating plants. The business stream focuses on creating new potential for projects in markets where Skanska has construction business units. It works through the Skanska Infrastructure Development business unit.

Revenue EUR 14,322 M
Share of Group 93%



Operating income EUR 480 M
Share of Group 73%



Revenue EUR 830 M
Share of Group 5%



Operating income EUR 78 M
Share of Group 12%



Revenue EUR 338 M
Share of Group 2%



Operating income EUR 98 M
Share of Group 15%



Revenue EUR 13 M
Share of Group 0%



Operating income EUR -12 M
Share of Group 0%





"Our employees are the reason this is such a great company and they are the main reason Skanska will prosper also if conditions get tougher."

Stuart E. Graham, President and CEO

Comments by the President and CEO

The year 2007 marks the end of the first phase of our "Outperform" strategy. The emphasis has been on achieving financial targets for operating margin, return on capital and return on equity as well as the now famous qualitative targets, the 4 Zeros, expanded to 5 Zeros with the inclusion of a goal of zero defects. During the same period we more than doubled the time spent on recruiting, management and leadership development.

As a result of the effort of thousands of colleagues throughout Skanska we have achieved all of our financial targets in all business streams except Residential Development, where deteriorating market conditions and our own shortcomings in certain areas caused us to finish the year just short of the targets.

Construction

I am most pleased to report that we reached 3.4 percent operating margin, exceeding the 3.3 percent margin target in the Construction business stream, which includes the lower-margin construction management business in USA Building. Particularly strong performances were turned in by Sweden with a 4.7 percent operating margin, Norway 4.3 percent, Finland 4.1 percent, Poland 4.7 percent, USA Civil 5.0 percent, and Skanska Latin America 5.0 percent. These impressive margins were reached while achieving a working capital to revenue ratio of negative 9.3 percent.

The improvement over the past three years is largely due to much better risk management, based on our principles of not taking on projects for which we do not have experienced Skanska managers,



sticking to our home markets and customer selectivity. This bodes well for 2008 as well because the order book contains higher margins than in the past.

Commercial Development

The Commercial Development business stream had its best year ever in terms of new investments, with 23 new projects started and a total investment value of EUR 560 M. The value created from these investments will be realized over the next few years. New leases signed in 2007 exceeded 300,000 square meters (3.23 million square feet) and the trend continues in the first quarter of 2008. The Skanska brand is one reason tenants and investors are attracted to our projects. Despite the fact that this was a year of heavy investment in new projects, we still realized operating income of over EUR 95 M in Commercial Development. All in all a great year for the best development team in Europe.

During 2007 we expanded our commercial development footprint to include Helsinki, Ostrava in the Czech Republic, and Wrocław in Poland. We now have commercial development activities in 11 cities in the Nordics and Central Europe.

Residential Development

Despite the severe market downturn in Denmark and Norway, the Residential Development business stream still came quite close to its operating margin target of 10 percent, with 9.4 percent on sales of 3,900 units. Return on capital employed was 14.9 percent vs. a target of 18 percent.

"We have set bold new financial targets and challenged ourselves to lead the industry in developing economical solutions to enable our customers to reduce energy consumption and CO₂ emissions."

Most importantly for the future, we invested heavily in the Skanska Xchange, a concept aimed at reducing the cost of construction of our residential units by 15 percent over three years. Smarter design, consolidated purchasing, more prefabrication and a much more efficient construction process are all part of this effort. We are also focusing more attention on the consumer of our residential units to make sure our products meet the expectation of ever more demanding customers. We are determined to reach our goal and to take market share as a result.

Infrastructure Development

The value of our portfolio of completed and in-progress Infrastructure Development projects now has an estimated market value of EUR 991 M, an increase of EUR 325 M over 2006. The valuation does not include value potential coming from future recapitalization opportunities. During 2007 we divested one small project, and late in the year we announced an agreement to sell our share

of the Ponte de Pedra hydropower station in Brazil at a gain of about EUR 59 M, to be reported in 2008.

In December the Walsall Hospital project reached financial close, where Skanska will invest EUR 11.9 M and get a construction contract worth EUR 0.3 billion.

In 2008 we will tender for some very large road concession projects in North America with an aim of achieving our goal of committing further investment in this sector of EUR 106 M a year. We also now see more public-private partnership (PPP) opportunities in Central Europe.

Skanska Group

On a Group level we achieved a return on equity of 21.1 percent, surpassing the target and ending the year with a net cash position of EUR 1.5 billion.

The 2008-2010 business plan: Outperform Phase II

Skanska is now ready for the next phase of development.

Our brand is highly regarded and our financial position is strong, but most of all our people have high expectations of themselves and their colleagues. We have set bold new financial targets and challenged ourselves to lead the industry in developing economical solutions and enable our customers to reduce energy consumption and CO₂ emissions.

Internally, we are becoming a green company as well; in our offices, our cars, our equipment, and in our personal lives. We are convinced that the substantial investment we are making in green initiatives will be good for the environment and good for our bottom line.

In 2008, we will continue our work in consolidated purchasing and initiate more productivity improvements in construction.

As I write this letter the financial markets are in turmoil. Shares, including our own, are falling and there is a great deal of worry about recession. But, in my opinion the future of Skanska has never been better. Here is why.



Johan Karlström, new President and CEO from April 3, 2008.

During 2007 I met face to face with over 7,000 Skanska colleagues in 45 locations around the world. I can assure you they are highly skilled and very committed to making Skanska a winner. I am very pleased that our shareholders have voted to incentivize all of our employees to purchase shares in Skanska. They are the reason this is such a great company and they are the main reason Skanska will prosper also if conditions get tougher. Long term, we will also benefit greatly from the world-wide trend toward urbanization. As a result, our core competence as a “City Builder” will be increasingly in demand.

I am very pleased that the Board of Directors has selected Johan Karlström to succeed me as CEO of Skanska. I have worked closely with Johan for many years and respect his ability and experience in the industry. Johan’s energy and enthusiasm for our business coupled with his knowledge of Skanska and sound judgment mean that we face a future filled with opportunity and risk with a leader who we can all count on to deliver.

Thank you all for your support during my time as CEO. It has been a privilege.

Solna, March 2008

Stuart E. Graham
President and CEO

In the “Group overview” section



Strategic focus on profitability

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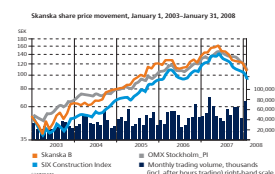
Common procedures for risk management

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Recruitment, increased diversity, management development

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Share data

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Strategic focus on profitability

Construction and project development are complex businesses. Unlike industrial production at fixed plants, in construction and project development most projects are unique. In principle, each project is implemented in a new location, in a new environment and with a unique design. Customers are usually local and many projects are carried out for completely new customers. Market conditions also vary among countries and regions within countries.

As a rule, construction projects are large. It is not unusual for them to be the customer's largest single investment. Another distinguishing feature of construction is the large number of local players involved in each project – public agencies, architects and engineers, financiers, consultants, suppliers and subcontractors. This is why Skanska consists of local units in a global network.

Skanska's core businesses

Skanska operates in four business streams.

Construction

The business includes construction of non-residential and residential buildings as well as civil construction projects. It is Skanska's largest business stream, performing construction assignments for external customers as well as for Skanska's development business streams. Operations are conducted in selected home markets – Sweden, Norway, Finland and Estonia, Poland, the Czech Republic and Slovakia, the United Kingdom, the United States and Latin America. Skanska attaches special importance to metropolitan regions, which often demonstrate higher growth than their respective country as a whole. Skanska



offers many of the products and services that are needed in growing cities – workplaces, schools, hospitals, sports and leisure facilities, as well as housing and infrastructure for transportation, energy, water and more. In individual markets, Skanska operates today in certain segments, but by taking advantage of its collective expertise, the Company can enhance its opportunities for growth and higher earnings in these markets.

Residential Development

Skanska initiates and develops residential projects for sale primarily to consumers. It operates in selected markets where Skanska has a permanent presence – Sweden, Norway, Denmark, Finland and Estonia as well as the Czech Republic and Slovakia. Skanska is one of the lead-

ing residential developers in the Nordic region. Operations focus primarily on small and medium-sized residential units in attractive locations. Nordic operations are gathered in one business unit, Residential Development Nordic. In the Czech Republic and Slovakia, the local construction business unit carries out residential development through a specialized division.

Commercial Development

Skanska initiates, develops, invests in, leases and divests commercial real estate projects, with a focus on office space, retail centers and logistics properties in Stockholm, Gothenburg, Öresund (Malmö and Copenhagen), Helsinki, Warsaw, Wrocław, Prague, Ostrava and

Mission

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

Vision

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

The construction of the new Meadowlands NFL Football Stadium has begun in New Jersey. The arena will be the home field of both the New York Giants and the New York Jets.

Budapest. These selected markets are expected to offer a continuous flow of tenants and investors, the latter as buyers of completed projects.

Infrastructure Development

Skanska develops, invests in, operates and divests privately financed infrastructure projects, for example roads, hospitals, schools and power generation plants in Skanska's home markets.

Collaboration creates leverage

Business units of the Skanska Group specialize in project development or construction but often collaborate in specific projects. This strengthens the Group's customer focus and creates the prerequisites for sharing of best practices, while ensuring efficient utilization of the Group's collective competence and financial resources. To take further advantage of synergies and bring together the Company's expertise, a number of support services are available to all units. These include the Skanska Knowledge Center, which gathers information on the intranet about approved processes for certain types of projects, other recommended methods and various collaboration networks. In addition, the Group's business units may obtain support and technical guidance for major projects through the Skanska Project Support unit.

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

Size provides competitive advantages

Being a market leader positions Skanska well with the most demanding customers. Its position also provides access to the best

Goals

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

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

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

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

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

There is great potential for improving the productivity of construction, and during 2007 Skanska took several initiatives in this field. They involve both standardization of products and improvements in planning and execution. Skanska Xchange is a pan-Nordic project aimed at improving efficiency through a higher degree of standardization and prefabrication in

residential construction. Greater use of computer-based models, such as Building Information Modeling (BIM), allows detailed planning, improved coordination and thus more efficient execution. Greater standardization also improves Skanska's potential to utilize the savings potential of its Groupwide purchasing effort.

Both a local and a global player

The Group's operations are based on local business units, which have good knowledge of their respective markets, customers and suppliers. These local units are backed by Skanska's brand, financial strength and Groupwide expertise. Skanska is thereby both a local construction company with global strength and an international builder with strong local roots. The organization works in a decentralized but integrated way, based on common goals and values. The Company's

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

- to focus on core businesses in construction and development
- to be an international company, with a leading position in selected home markets
- to take advantage of the Group's collective resources – brand, employee expertise and financial strength
- to recruit, develop and retain competent employees and to take steps to achieve increased diversity
- to identify and systematically manage risk
- to promote "green" building expertise throughout our operations
- to be an industry leader in sustainability, particularly in occupational health and safety, ethics and the environment
- to capitalize on urbanization trends and our expertise as a city builder
- to take advantage of the existing potential to coordinate the Group's purchasing
- to take advantage of efficiency gains that can be achieved through greater industrialization of the construction process.

While the steel and concrete decks of New York City's Triborough Bridge are being replaced, 200,000 vehicles per day are continuing to use the bridge throughout the project. Seven lanes are always open, while work is underway on the eighth. This is possible because for the first time, the construction team is using overhead bridge cranes spanning the entire roadway.

extensive network enables it to offer its global know-how to customers at the local level.

Skanska's strengths

Employees

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

Brand

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

Financial strength

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

Talent management vital

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

Identifying and developing the leaders of tomorrow is a core activity for both local units and the Group. For this reason the company continuously measures and assesses employees with leadership potential. A substantial proportion of executive time and resources is devoted to management development (see page 13).

To increase Skanska's attractiveness and create a closer affinity between employees and the Company, effective from 2008 it is introducing a new long-term shareholding program, the Skanska



Employee Ownership Program (SEOP), for all permanent employees.

Meanwhile Skanska is broadening its recruitment base by attaching greater importance to increasing the diversity of its workforce in terms of gender, ethnicity and educational background.

Risk management system

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

Laying the groundwork for profitability

Skanska's earnings are achieved through well-implemented, profitable projects. The right market, the right projects and the right project managers are fundamental to success. The groundwork is laid by the Group's strategic planning, which identifies selected markets and segments. Skanska continuously builds up knowledge of its customers through a

permanent presence in these markets. It ensures a highly skilled project organization by means of local and Groupwide talent management programs.

Profitability, safety, ethics and the environment

Skanska must act in ways that are sustainable and responsible in the long term and meet the demands of shareholders, customers and employees, as well as society at large. Skanska's aim is to ensure that all projects will be profitable and will also be implemented without environmental incidents, work site accidents or ethical breaches. The market- and customer-specific expertise of local units, combined with Skanska's corporate business and control systems, the Group's Code of Conduct and common risk management system, provide support for achieving both financial and qualitative targets. During 2007 Skanska expanded its qualitative targets, the Four Zeros, by adding a new target: "Zero defects". After this, it has referred to its qualitative targets as the Five Zeros. In addition, Skanska wishes to work actively to minimize climate change. Through a new "Green Construction" initiative, Skanska intends to become a leader in environ-



mentally friendly and energy-efficient construction. Its ambition, internally as well as externally, is to develop both processes and products that increase energy efficiency and reduce greenhouse gas emissions economically. This initiative should give Skanska's local units a competitive advantage.

Skanska's key stakeholders

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

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

New initiatives in 2007

During the year, Skanska took a number of new initiatives aimed at strengthening the Company's future competitiveness. They include far-reaching investments in productivity, the environment and employee support.

The city builder – an initiative to better leverage Skanska's broad expertise in urban construction. The aim is to take advantage of faster growth in certain metropolitan areas compared to other parts of each respective home market. Skanska can offer everything required in an urban built environment – workplaces, housing, schools and hospitals as well as various types of infrastructure.

Skanska Xchange – a pan-Nordic development project to reduce the cost of residential construction. It involves a thorough analysis primarily aimed at improving processes and increasing standardization and prefabrication.

Enhanced use of Building Information Modeling (BIM) – in which a project is described in its entirety in 3-D plus the time dimension. This facilitates planning and coordination of activities and supports improved logistics. BIM is used to streamline the entire construction process, from design and planning to purchasing and implementation.

Skanska's green initiative – a plan to strengthen the Company's environmental expertise and ensure it a leading role in environmental and energy conservation. The green initiative is aimed both internally and externally. Its focus is on creating both energy-efficient buildings and reduced carbon dioxide emissions.

Groupwide guidelines for the Company's vehicle fleet which are aimed at improving fuel efficiency and thereby reducing carbon dioxide emissions.

The introduction of a new qualitative target – zero defects – aimed at strengthening the Company's profitability and customer satisfaction. This brings Skanska's qualitative targets to five: Zero loss-making projects, zero work site injuries, zero environmental incidents, zero ethical breaches and zero defects.

A new Skanska Knowledge Center on the Group's intranet that includes best practices, Skanska know-how, the Project Database and collaboration networks.

A long-term shareholding program for all permanent employees – the Skanska Employee Ownership Program (SEOP) – aimed at increasing Skanska's ability to recruit and retain qualified personnel while creating closer links between employees and the Company. SEOP is being introduced starting in January 2008.

A new Global Trainee Program designed to attract and recruit employees with a variety of educational backgrounds as well as increase ethnic and gender diversity. The first program, with 13 participants, began in 2007 and will be underway for 20 months, combining work, training and mentoring.

New financial and qualitative targets

Skanska's financial targets are based on an ambition that exceeds the industry norm in the Group's respective geographic markets and within specific segments.

Each market and business unit has "Outperform" targets, which provide the basis for incentive systems at various levels of the organization. Skanska has adopted new "Outperform" targets in its business plan for 2008–2010.

Operating margin

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

Return on capital and equity

The Residential and Infrastructure Development (ID) business streams – where Skanska invests in project development – have targets for return on capital employed. The target for adjusted return on capital employed in ID includes changes in market value but not exchange rate effects. For 2008–2010, the Commercial Development target is based on value creation; i.e., accrued unrealized devel-

opment gains after subtracting the costs of the development organization. For the Group, there is a target for return on equity.

Qualitative targets – the 5 zeros vision

In addition to financial targets, Skanska has also adopted qualitative targets, based on the vision that operations shall take place with

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

Some of these targets are based on specific



levels to be achieved in a given year, while others have absolutely zero tolerance – for example, "zero ethical breaches." In addition to the five zeros visions, there are also management development targets.

Remuneration connected to financial and qualitative targets

At Skanska many employees are covered by some form of flexible salary elements or bonus. Total remuneration can be divided into fixed salary, flexible cash remuneration and the Group's long-term incentive program, based on shares. (For more information, see Note 37, page 127.) The allocation from the latter two components is based on how well Skanska's financial and qualitative targets have been met. The requirements in the Group's financial target plan have been broken down in such a way that every project, district, region etc. has targets that support Skanska's overall ambitions.

If qualitative targets are not met, any flexible remuneration based on financial targets may be reduced. Such remuneration may be reduced by up to 50 percent if none of the qualitative targets is achieved.

Capital structure

Capital requirements vary between business operations. Skanska's construction projects are mainly performed based on customer funding. As a result, in its Construction business stream, the Company can operate with negative working capital. However, the equity requirement for a construction company is substantial and is related to Skanska's large business volume and to the risks inherent in the various types of construction assignments carried out. Skanska must also take into account the financing of goodwill and the performance guarantees required in publicly procured projects in the U.S. market.

In the Board's judgment, during 2008, Group equity needs to total about EUR 1.8 billion. The ambition is to invest net cash surplus for short or long periods in the Group's three development business streams – Residential, Commercial and Infrastructure Development.

Financial "Outperform" targets, 2007

	Group			
Return on equity, target 2007	18.0%			
Return on equity, outcome 2007	21.1%			
	Construction	Residential Development	Commercial Development	Infrastructure Development
Operating margin, target 2007	3.3%	10.0%		
Operating margin, outcome 2007	3.4%	9.4%		
Return on capital employed, target 2007		18.0%	15.0% ¹	16.0% ²
Return on capital employed, outcome 2007		14.9%	15.9% ¹	58.0% ²

¹ Including unrealized development gains and change in market value.

² Including unrealized development gains and changes in market value but excluding currency rate effects.

Financial "Outperform" targets 2010

	Group			
Return on equity, target 2010	20.0%			
	Construction	Residential Development	Commercial Development	Infrastructure Development
Operating margin, target 2010	4.0%	12.0%		
Return on capital employed, target 2010		18.0%		0.0% ²
Value creation, SEK M per annum			500–700 ¹	
Corresponding to value creation, EUR M per annum			55–75 ¹	

¹ Accrued development gain minus expenses in the development organization, based on annual gross investments of SEK 4-5 billion (corresponding to EUR 430-540 M)

² Including unrealized investment gains and changes in market value, excluding currency rate effects. Invested capital/investment commitment of SEK 6 billion (corresponding to EUR 650 M) at the end of 2010.

Common procedures for risk management

Risk management is one of the cornerstones of the Company's success as a builder and project developer. The Senior Executive Team (SET) is responsible for long-term, overall management of such strategic risks as those of a political, social or macroeconomic nature.

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

Operational risks

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

Projects are Skanska's primary source of revenue. The Group's profitability is dependent on the earnings of individual projects. Unforeseen risks can cause losses. One characteristic of the construction business is that risks and opportuni-

ties are not symmetrical. A well-executed project can mean that the margin in the project may increase by one or more percentage points. A large loss-making project, however, may result in a considerably larger negative deviation in earnings.

Given the traditionally low margins in the business, several profitable projects are thus needed in order to offset a single loss-making project.

In the construction business, operational risks are substantially higher than financial risks. The Company's ability to foresee and manage operational risks is crucial in achieving good earnings.

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

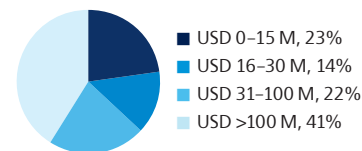
Estimated losses in ongoing projects are recognized in their entirety on the date the estimate is made. A loss-making project that previously reported a profit must expense the entire previously recognized profit. In addition, the entire estimated loss must be recognized on the same occasion. If no further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

Uniform risk management system

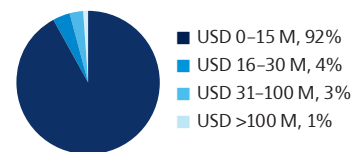
To ensure a systematic and uniform assessment of construction projects, Skanska uses a common procedure for identifying and managing potential risks throughout the Group. With the help of the Skanska Tender Approval Procedure (STAP) and the Operational Risk Assessment (ORA), Skanska evaluates construction projects continuously, from tender preparation to completion of the assignment, with regard to technical, legal and financial risks. It also analyzes a number of general "public exposure" issues – among them ethical, social and environmental aspects – in conjunction with planned projects.

Order backlog EUR 15.5 bn

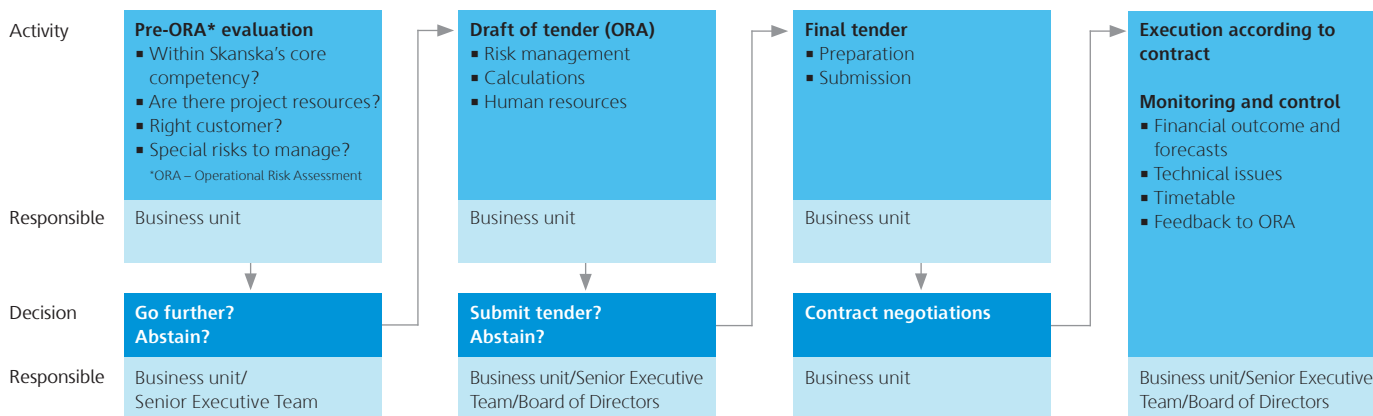
Project size



Number of projects



Skanska Tender Approval Procedure (STAP)



Analyses of earlier loss-making projects indicate that such factors as improper choices related to staffing and geographic location are often behind poor outcomes. Experience also shows that initial profitability problems tend to worsen rather than diminish over time.

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

The business unit carries out a risk assessment and identifies specific measures for limiting risks. Then the unit, in some cases after approval by the Senior Executive Team, decides whether a tender should be submitted.

Skanska's risk management system does not imply avoidance of all risks, but instead aims at identifying, managing and pricing these risks. The support unit Skanska Project Support provides business units and the Senior Executive Team with back-up in the analysis, planning, follow-up and implementation of major civil construction projects. In the early stages, for example, Skanska Project Support can make its own calculations to verify assumptions in tender calculations compiled by the various local operations. Another support unit, Skanska Financial Services, evaluates financial risks related to cash flows, customers, subcontractors and joint venture partners.

Fewer loss-making projects

In all types of major projects that continue over a long period, Skanska conducts regular follow-up of its risk assessment. In addition, the Senior Executive Team carries out quarterly reviews of a number of projects, which altogether are equivalent to about one third of total construction volume, loss-making projects and those projects deemed to involve special risks. Since systematic risk management work was introduced in 2002, the number

of new loss-making projects and their annual adverse impact on earnings has declined.

Risks related to material prices

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

But in some geographic markets, there is no such tradition; instead the contractor is bound by the quoted price even if costs increase. To protect itself against such risks, Skanska endeavors to procure materials and approved subcontractors as soon as feasible after signing a contract. In most cases, finished agreements are in place as early as the tendering phase and are conditional on Skanska signing a contract with its customer.

Financial risks

Foreign exchange risks

Project revenue and costs are normally denominated in the same currency, and transaction risks from exchanges between different currencies are thus very limited. Known and budgeted financial flows are hedged. The foreign exchange risk that arises because portions of the Group's equity are invested long-term in foreign subsidiaries is not hedged. One exception is Skanska's American operations, where half the equity is hedged. Investments in development business streams are hedged, since the intention is to sell these assets over time.

Interest rate risks

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

an increase in interest rate. At year-end 2007, the average interest refixing period for interest-bearing assets, EUR 2.1 billion, was 0.1 (0.2) years and on interest-bearing liabilities excluding pension liabilities, EUR 0.4 billion, it was 0.5 (0.9) years. The size of Skanska's interest-bearing pension liability, EUR 122 M (172), is largely connected to the interest rate on long-term central government debt. An increase or decrease in long-term interest rates leads to a decrease or increase in pension liability. Such changes are recognized directly in the equity of the Group. (see Note 28, page 114).

Refinancing risk and liquidity

Refinancing risk is the risk caused by lack of liquidity or by difficulty in obtaining or rolling over external loans.

At year end, the Group's unutilized credit facilities totaled EUR 775 M (694) and the maturity of the borrowing portfolio, including the maturity on unutilized credit facilities, was 6.5 years (5.0).

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

EUR bn	+/-10%
Revenue	+/-1.38
Operating income	+/-0.05
Equity ¹	+/-0.19

The above sensitivity analysis shows in EUR bn the Group's sensitivity to a 10% unilateral change in EUR against all currencies.

¹ Refers to amount before currency hedges.

Interest-bearing liabilities and assets

EUR bn	Dec. 31 2007	Dec. 31 2006
Interest-bearing gross liabilities	-0.5	-0.6
Cash and cash equivalents and interest-bearing receivables	2.1	1.7
Interest-bearing net receivables	1.5	1.1

Sensitivity of pension obligation to change in discount rate

EUR M	Sweden	Norway	U.K.	U.S.	Total
Pension obligations, Dec. 31, 2007	442	223	460	56	1,181
Discount rate increase/decrease ¹	+/-15	+/-10	+/-20		+/-45

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

Recruitment, increased diversity, management development

Recruitment, professional development and retention of employees are high-priority tasks for both Group executives and local business units.

In recent years, Skanska has developed processes and additional methods with a focus on recruitment, greater diversity and management development.

Human resource issues are always on the agenda and are among variables measured and used for assessing senior managers. For Skanska, it is vital to successfully recruit, develop and retain good employees at all levels. The Group's profitability rests with its thousands of projects, and their success is dependent on employee performance. The need to hire capable employees, and competition for their services, will increase in the coming years. According to Skanska's new business plan for 2008–2010, each business unit is required to plan its recruitment needs and set targets for overall recruitment as well as diversity and professional development activities for its personnel. The planning process also includes establishing guidelines on which target groups and schools to prioritize in recruitment efforts.

Skanska's improved financial results in recent years, combined with its qualitative targets, have strengthened the Group's attractiveness among university-level students and recent graduates in particular. According to national surveys, students in Norway, the Czech Republic, Poland and Sweden view Skanska as the most attractive construction company. Such aids as the Recruiting Toolbox, found on the Skanska intranet, enable units to exchange experience and share successful strategies for increasing the influx of job applicants.

Recruiting and retaining employees

Many current employees are approaching retirement and the supply of experienced management is limited. Skanska



has taken various initiatives to increase its attractiveness, including a focus on broadening its recruitment base and increasing diversity. Starting in 2008, Skanska is introducing a new long-term Skanska Employee Ownership Program (SEOP) intended for all employees, for the purpose of creating greater affinity with the Company. The Skanska Unlimited exchange program is being launched during 2008 mainly to provide professional development and stimulation to younger employees who have worked at the Company for some years. The Global Trainee Program is also continuing, with a second round of trainees accepted in 2008.

As for talent management, Skanska's annual evaluation of future managers – the Talent Review – plays a key role. This review enables the Company to examine and take steps to address both individual development needs and whether a given employee is in the right position. Meanwhile the Talent Review provides a basis for selecting candidates for higher positions. According to Skanska's Great Boss concept, good managers are a crucial factor in recruiting as well as retaining and professionally developing employees.

Senior executives visit all markets

Teamwork and the creation of closer ties among employees and affinity with Skanska are fundamental in fostering good leadership at all levels. During 2007, some 7,000 employees had the opportunity to meet and discuss various issues with the CEO as well as other members of the Senior Executive Team. Their tour brought them to 45 locations and covered all of Skanska's geographic markets.

For many years, the Company has identified and provided professional development for people in leadership

positions. Every year, more than 70 employees from throughout the Group attend the Skanska Top Executive Program (STEP), provided in collaboration with the business school IMD in Switzerland. In addition, numerous employees with leadership potential attend advanced human resource development programs at local business units.

Analyzing development needs

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

Broadened recruitment means greater diversity

The initiatives to strengthen recruitment and ensure Skanska's long-term supply of skilled personnel introduced in 2006 continued in 2007. Skanska attaches great importance to broadening its recruitment base in terms of educational or occupational background, gender and ethnicity.

For many years, male engineers have been the dominant employee category at Skanska. To harmonize with society at large and with its own customer profile, Skanska needs to increase the diversity of its workforce. This enriches the Company by adding experience from other industries, academic disciplines and cultures.

Meanwhile the Company increases its ability to build up a larger pool of employees as a base for future management development. This is why Skanska is also seeking future employees outside the traditional ranks of male engineers. In addition, a broadened recruitment base means that the Company will be less dependent on hiring new engineering graduates, who will be a shrinking resource in relation to the needs of the business sector.

Women in management positions

To meet its requirements and achieve a more even gender balance, Skanska needs more women at all levels, especially in line positions. A number of women are work-

ing at project manager level, but the proportion of women in management positions is still very low. Networks are a key instrument for strengthening underrepresented employee categories. In Sweden there is a network for exchange of experience between women project managers. Similar networks also exist in a number of other countries. During 2008, Skanska is introducing a Groupwide network for women in management positions.

Women – 40 percent of newly recruited engineers in Sweden

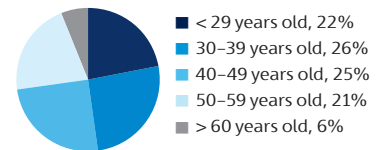
Efforts to increase the Company's diversity are being carried out at all units. In Skanska's Swedish construction opera-

tions, about 40 percent of new engineering graduates hired were women, for the second consecutive year. This exceeded the target, which had been set at 35 percent. Another target was also achieved: ensuring that the percentage of female engineers leaving Skanska of their own volition is no higher than the corresponding percentage of male engineers who do so. The initiative has now been expanded and has become part of planning at additional business units. The experience of Skanska and other companies shows that a higher percentage of women in the organization also opens the way to increased diversity in other respects. A tolerant, open environment benefits the recruitment and retention of people with different ethnic and educational backgrounds.

Employee turnover

A certain degree of employee turnover is unavoidable and is also an indication that Skanska has attractive personnel. Although the economic situation in most markets has led to tough competition for both new university-level graduates and experienced employees, the Company has successfully kept employee turnover under control. Naturally this varies from one business unit to another, but generally speaking, recruitments have increased more than departures. One challenge is to achieve a good balance in age distribution. Today numerous Skanska employ-

Age distribution 2007



Female employees at Skanska¹

%	2007	2006
Skilled workers	2	2
White collar employees	24	23
Skanska AB Board ²	11	22
Senior executives	12	11
Total	11	10

¹ These employee figures are based on annual averages.
² Refers to members elected by the Annual meeting. If employee representatives are included women account for 20 (27) percent.



Skanska's profitability is generated by its employees in thousands of projects

Each year some of Skanska's top-performing employees are honored with the Golden Hard Hat award, established in 2005 to focus attention on key individuals who not only meet but surpass "Outperform" targets.

The 2007 winners were, from the left: Tony Taddeo, Skanska USA Civil, winner in the Estimator category; Erik Olsen, Skanska Residential Development Nordic, winner in the category Project Manager Development Units; Viktor Petras, Skanska CZ, winner in the Production Manager category; and Adam Grotowski, Skanska Poland, who won in the Project Manager category.



ees are over 50 years old. If the share of employees in the 30–40 age range is too small, this may limit the supply of candidates for the next generation of managers.

Employee retention efforts

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

An initiative to retain expertise as long as possible is underway in Skanska’s Norwegian operations. A number of employees aged 60 or older with at least five years working in the Company have been offered individual solutions that enable them to keep working. The aim is to utilize their experienced strengths in various positions, especially when it comes to advising and mentoring younger employees. To make this job extension period attractive, Skanska has created specially adapted employment conditions.

Keeping the expertise in projects

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

ects. Career advancement has traditionally meant that highly skilled employees leave their jobs in the field and move into offices. This is not optimal, since many employees are both needed and enjoy working in or near projects. Meanwhile, many highly proficient employees want professional development, new challenges and a career path. In a number of geographic markets, Skanska has thus established the Dual Career Track, enabling them to combine overall responsibility for results with more direct construction responsibility. Skanska is applying such a model in the U.S. In Sweden, managers of large projects enjoy the same status as senior managers in terms of salary, title and level in the organization. In the Czech Republic, Skanska also applies a system that enables project managers to pursue a career while remaining in production.

Advanced training and safety

Efforts to retain and foster professional development of employees include both skill-enhancing specialized training and steps to safeguard employee health, safety and job satisfaction.

The zero-accident work site

During 2007 Skanska has mobilized further resources, both at the corporate level and at business units, to improve safety at

work sites. One health and safety initiative is Safety Week, which has been carried out Groupwide every autumn for the past four years. Its purpose is to focus on safety activities with a goal of zero-accident work sites. This is one of Skanska’s qualitative targets. Another example is group warm-up exercises, which take place at the beginning of the working day. In many projects, “stretch and flex” exercises have helped decrease back problems among employees, for instance.

Learning-oriented games

A project simulation game to increase awareness of the complex interrelationships in projects is one example of advanced employee training. This game was developed in Sweden but is now being used in a number of markets. Skanska also uses it to provide part of the instruction in certain courses at the Royal Institute of Technology in Stockholm. A special three-year training program called Skanska University is provided in Poland, with a focus on training in leadership, business skills and personal development. So far this initiative, which began in 2003, has involved more than 2,400 employees, who have undergone about 13,700 training days in all. The project is 50 percent financed by grants from the European Union.



Recruitment of students and trainees

Skanska has both local and international trainee programmes. Like most other units, for many years Skanska Poland has recruited employees directly from universities and institutes of technology in its local markets. In Poland there is also a local trainee program that is highly appreciated among Polish students.

Early in 2007, a new Skanska Global Trainee Program also started up. From a pool of 900 applicants, 13 trainees were selected for the 20-month long program. Of those accepted, four are women and eight have an educational background other than undergraduate engineering.

The program combines work, training and guidance by mentors at Skanska Sweden, Skanska Czech Republic, Skanska UK, Skanska USA Building, Skanska Infrastructure Development and Skanska Commercial Development Nordic. The program is continuing during 2008, with 25 new trainees being accepted for the second round.

Share data

The overall market capitalization of Skanska amounted to SEK 51.1 billion (corresponding to EUR 5.4 billion) during the year.

Skanska's Series B shares are quoted on the OMX Nordic Exchange Stockholm and are traded under the SKA B symbol in round lots of 200 shares. Current price information is available on www.skanska.com/investors, in the Reuters system under the SKAb.ST symbol or the -Bloomberg system under the SKAB SS symbol. At the end of 2007, a total of 423.1 million shares were outstanding, with a quota value (formerly par value) of SEK 3 per share (corresponding to EUR 0.32 per share).

Of the shares outstanding, 22.5 million were Series A shares with 10 votes apiece, 396.1 million were Series B shares with one vote apiece and 4.5 million were Series D shares with one vote apiece. Series D shares are held by Skanska, which may not exercise its voting right.

Of the shares in circulation, Series B shares accounted for 93.6 percent of share capital and 63.4 percent of voting power. During 2007, Skanska shares traded on the OMX Nordic Exchange Stockholm totaled 654.9 (541.4) million, at a value of SEK 92.0 billion (66.3) (corresponding to EUR 9.9 billion [7.2]). Average volume per trading day totaled 2.6 million shares, up 21 percent from an average volume of 2.2 million shares during 2006.

Trading volume during 2007 was equivalent to 165 (135) percent of the total number of Series B shares at the end of the year.

Share performance

During 2007 the market price decreased by 9.6 percent to SEK 122.00 per share (corresponding to EUR 12.91 per share) as the final price paid. The overall market capitalization of Skanska thus decreased during the year to SEK 51.1 billion (corresponding to EUR 5.4 billion). The highest price paid for a Skanska share was SEK 165.50 (corresponding to EUR 17.52) on June 4. The lowest price paid was SEK 110.25 (corresponding to EUR 11.67) on November 20. The Stockholm all share index, now called OMX Stockholm_PI (OMXSPI), decreased by 6.0 percent during 2007. The Dow Jones Titans Construction Index, which includes Skanska, rose by 8.6 percent. Skanska's Series B shares are also included in the

Dow Jones Stoxx 600, Dow Jones Stoxx 30 Nordic, S&P Global 1200 and S&P Europe 350, among others.

Ownership changes

At the close of 2007, the number of shareholders totaled 75,815 (75,763). The proportion of share capital owned by Swedish shareholders increased during the year from 69.5 percent to 73.6 percent, and their share of voting power from 75.9 percent to 78.7 percent. Of shareholders outside Sweden, U.S. residents made up the largest group, with about 44 million shares representing just above 10 percent of share capital. At year-end, Swedish institutional owners accounted for 57 percent of shares, while 16 percent were owned by Swedish private individuals. Industrivärden has the largest proportion of share capital, 8.0 percent, as well as the largest number of votes, with 27.1 percent of total voting power. The "free float" in Skanska's shares is regarded as making up 100 percent of the number of Series B shares outstanding.

Capital structure and dividend policy

Equity after the proposed dividend shall be equivalent to 13 percent of the previous year's revenue in the Construction business stream. Surplus equity may be distributed to the shareholders. It is estimated that such a dividend can amount to 50–80 percent of profit for the year. In the judgment of the Board of Directors, during 2008 the Group's equity needs to total about EUR 1.8 billion.

Dividend

The Annual Meeting adopted a regular dividend of SEK 5.25 (4.75) per share (corresponding to EUR 0.56 [0.53] per share) and an extra dividend of SEK 3.00 (3.50) per share (corresponding to EUR 0.32 [0.39] per share) for the 2007 financial year, totaling SEK 8.25 (8.25) per share (equivalent to EUR 0.88 [0.92] per share). This was equivalent to a total dividend payout of SEK 3,453 M (3,453) (corresponding to EUR 365 [382]).

Total return

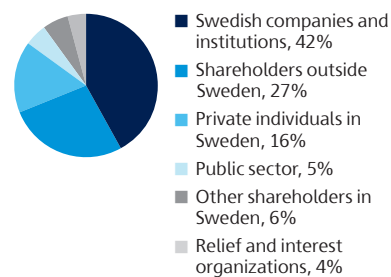
The total return of a share is calculated as the change in share price, together with the value of reinvested dividends.

During 2007, total return on a Skanska share amounted to -4.7 percent. The Stockholm Stock Exchange's SIX Return Index decreased by 2.6 percent during the year. During the five-year period January 1, 2003 to December 31, 2007, the total return on a Skanska share amounted to 203 percent. During the same period, the SIX Return Index rose by 176 percent.

Share ownership program

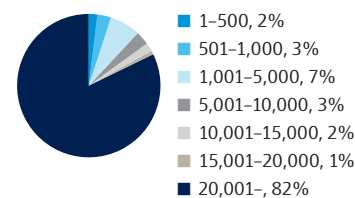
The new Skanska Employee Ownership Program (SEOP), intended for all permanent employees, is being introduced starting in 2008. The program runs for three years, 2008–2010. The program gives employees the opportunity to invest in Skanska shares while receiving incentives in the form of possible allocation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

Share capital by shareholder category

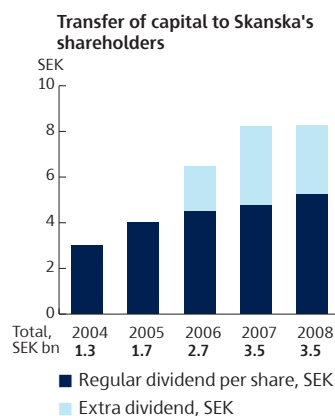


Source: VPC

Share capital by size of holdings



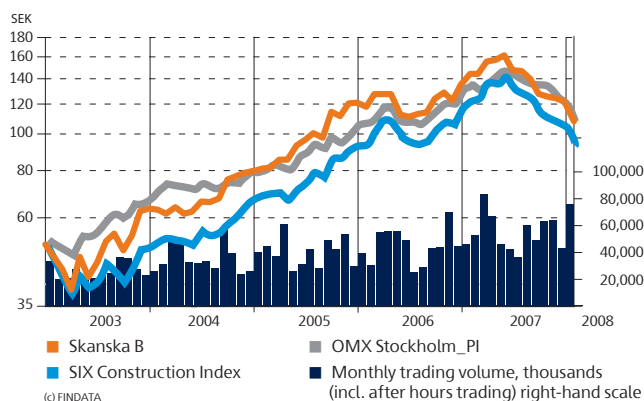
Source: VPC



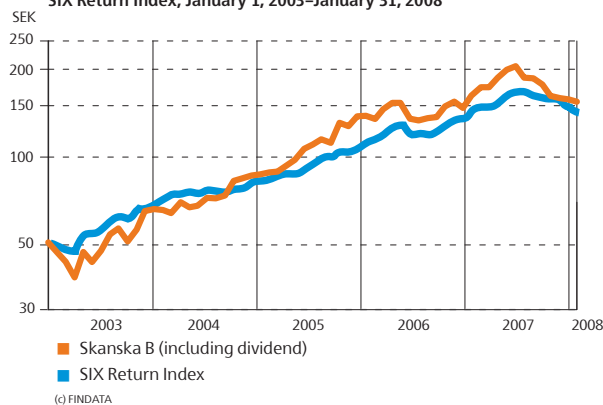
Total, SEK bn

■ Regular dividend per share, SEK
■ Extra dividend, SEK

Skanska share price movement, January 1, 2003–January 31, 2008



Total return of Skanska shares compared to the SIX Return Index, January 1, 2003–January 31, 2008



Equity and adjusted equity

EUR bn	2007	2006	2005
Equity attributable to equity holders	2.2	2.1	2.0
Unrealized Commercial Development gains ¹	0.3	0.2	0.2
Unrealized Infrastructure Development gains ¹	0.6	0.4	0.3
Adjusted equity	3.1	2.7	2.4
Equity per share, EUR	5.19	5.07	4.70
Adjusted equity per share, EUR	7.42	6.42	5.74

¹ Less 10% standard corporate tax

Skanska share history

	2007	2006	2005	2004	2003
Year-end market price, SEK	122.00	135.00	121.00	79.75	63.50
Corresponding to year-end market price, EUR	12.91	14.93	12.89	8.86	7.00
Year-end market capitalization, SEK bn	51.1	56.5	50.6	33.4	26.6
Corresponding to year-end market capitalization, EUR bn	5.4	6.2	5.4	3.7	2.9
Average number of shares for the year, million	418.6	418.6	418.6	418.6	418.6
Highest share price during the year, SEK	165.50	136.50	125.50	83.75	65.00
Corresponding to highest share price during the year, EUR	17.52	15.10	13.37	9.31	7.17
Lowest share price during the year, SEK	110.25	98.50	79.00	57.50	38.10
Corresponding to lowest share price during the year, EUR	11.67	10.89	8.41	6.39	4.20
Yield, percent ¹	6.8	6.1	5.4	5.0	4.7

¹ Dividend as a percentage of respective year-end share price.

Shares by category (series) on December 31, 2007

Series	No. of shares	% of capital	% of votes
A	22,464,731	5.3	35.9
B	396,088,341	93.6	63.4
D ¹	4,500,000	1.1	0.7
Total	423,053,072	100.0	100.0

¹ Skanska's holding.

Major listed construction companies

	Absolute return 2007, %	Total return 2007, %	Total return 2003–2007, %	Market capitalization, EUR bn	Revenue, EUR bn ¹	Income after financial items, EUR M ¹	Return on equity, % ¹	Return on capital employed, % ¹
AMEC (United Kingdom)	99	104	598	2.3	4.7	-160	44.2	9.0
ACS (Spain)	-5	-2	339	14.3	14.1	1,644	40.1	7.1
Balfour Beatty (United Kingdom)	13	16	306	1.8	6.6	183	24.5	26.1
Bilfinger Berger (Germany)	-6	-5	325	1.9	7.5	173	7.7	8.2
Bouygues (France)	17	20	232	19.8	26.4	1,655	23.3	12.1
FCC (Spain)	-33	-32	177	6.7	9.5	887	20.5	9.7
Ferrovial (Spain)	-35	-34	117	6.7	12.2	678	40.7	3.6
Fluor Corp. (USA)	79	80	456	8.8	11.2	305	15.2	19.9
Hochtief (Germany)	66	68	721	6.4	15.5	338	4.9	6.7
NCC (Sweden)	-26	-20	290	1.6	6.0	245	25.1	21.2
Royal BAM Groep (Netherlands)	7	10	626	2.1	8.6	228	19.8	11.2
Skanska (Sweden)	-10	-5	203	5.4	13.6	539	20.5	22.6
Vinci (France)	5	7	346	24.7	25.6	2,032	16.3	9.4

¹ Refers to 2006

Source: Reuters Company Views

Change in shares outstanding (millions) and capital stock

Year and event	Reduction	Stock dividend	New share issue	Shares outstanding	Par value of capital stock, EUR M
2001 cancellation of repurchased shares	-9.2	-	-	104.7	138.5
2001 split 4:1	-	314.0	-	418.6	138.5
2006 new share issue, Series D shares	-	-	4.5	423.1	139.9

The largest shareholders in Skanska AB, ranked by voting power, Dec. 31, 2007¹

Shareholders, excluding Skanska's own holdings	Series A shares	Series B shares	% of votes	% of capital
Industrivärden (investment co.)	15,010,700	18,315,000	27.1	8.0
AMF Pension and AMF Pension Funds	0	26,675,317	4.3	6.4
SHB Pension Foundation	1,600,000	2,800,000	3.0	1.1
Swedbank Robur Funds	0	14,380,094	2.3	3.4
Svenska Handelsbanken (SHB)	1,000,000	2,555,802	2.0	0.8
SEB Funds	0	11,645,477	1.9	2.8
AFA Insurance	0	11,319,405	1.8	2.7
Alecta (retirement insurance co.)	0	11,012,000	1.8	2.6
SHB Pension Fund	1,000,000	0	1.6	0.2
SHB/SPP Funds	0	9,039,679	1.5	2.2
10 largest shareholders in Sweden	18,610,700	107,742,774	47.3	30.2
Other shareholders in Sweden	1,454,579	180,417,921	31.4	43.4
Total shareholders in Sweden	20,065,279	288,160,695	78.7	73.6
Shareholders outside Sweden, of which	2,399,452	107,927,646	21.3	26.4
SIS Segaintersettle AG/Zurich	2,077,996	2,915,540	3.8	1.2
State of New Jersey Pension Fund	0	7,000,000	1.1	1.7
Total	22,464,731	396,088,341	100.0	100.0

¹ Not including Series D shares

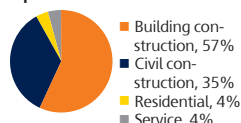
Sources: VPC AB and SIS Ägarservice.

EUR M	2007	2006
Revenue	14,322	12,829
Operating income	480	361
Operating margin, %	3.4	2.8
Capital employed	35	280
Working capital/revenue, %	-9.3	-9.5
Operating cash flow from business operations ¹	933	362
Order bookings	15,822	14,495
Order backlog	15,468	14,942
Number of employees	59,180	54,480

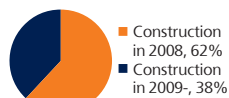
¹ Before taxes, financing operations and dividends

Construction order backlog, EUR 15.5 bn

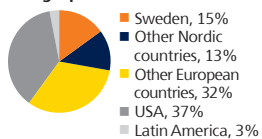
Operations



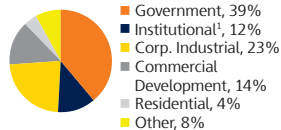
Duration



Geographic area



Customer structure



¹ Mainly private healthcare and educational institutions.

Construction
 "Outperform" target
 achieved





Worksite health and safety issues are top priorities
20



A trendy shopping mall and student residential units
22



A fresh new working environment reflecting green values
26

Construction, which is Skanska's largest business stream, achieved its "Outperform" target for 2007. The consolidated construction margin, which amounted to 3.4 percent, has increased for three consecutive years. To ensure a continued good profitability trend, the Group is implementing measures to improve planning, increase productivity and improve consolidated purchasing. Order bookings have been very good, and in most markets Skanska is close to its capacity ceiling. The supply of employees and control of price increases are pivotal issues.

Skanska's strategic focus on boosting profitability in construction operations remained successful during 2007. Strict risk management as well as analysis and careful project selection are among the important reasons behind improved profitability. The Company's earnings were thus affected to a lesser extent by project losses.

In the future, greater productivity in construction will help the business stream to improve profitability. During the year, new initiatives were taken to further improve the efficiency of the construction process. Skanska Xchange aims at increasing standardization in design and selection of methods and materials, thereby lowering construction cost. These efforts are primarily aimed at residential construction.

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

The mission of the Construction business stream is to offer services in non-residential building and civil construction as well as residential construction. The business stream also performs assignments of a service nature: construction-related services, repairs and the like as well as operation and maintenance of industrial and transportation facilities.

Operations focus on serving corporate and institutional customers as well as public agencies. By virtue of its size and leading position, Skanska can undertake the largest, most complex assignments for the most demanding customers.

Construction business units also perform contracting assignments for Skanska's other business streams, which develop commercial space, residential projects and public-private partnerships (PPP) related to infrastructure. This collaboration generates both large construction assignments and synergies.

Order backlog, totaling EUR 15 billion at the end of 2007, is divided among several thousand projects. Non-residential building construction accounts for 57 percent, civil construction 35 percent and residential construction 4 percent of order backlog for the business stream. The remaining 4 percent consists of services. At

year-end, the part of backlog that Skanska plans to execute in 2008 corresponded to 69 percent of 2007 revenue.

A leading builder in selected markets

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

In its selected markets, the Skanska Group is regarded as one of the leaders or as having the potential to become a leader in terms of size and profitability. Skanska also endeavors to be a leader in its industry in sustainable development as well as ethics, health and safety.

The Group's primary goal is to increase its profitability. Growth in its business units is prioritized only when financial targets are achieved.

Local conditions

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

Non-residential, civil and residential construction

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

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

The Company's risk management processes are aimed at identifying and managing operational risks and thereby helping ensure higher profitability. Risk analysis is carried out before deciding on a tender or commitment and then continuously during the implementation phase. This is both a matter of avoiding risks that may generate costs and of ensuring that the Company is compensated for the risks that it chooses to assume (see page 11).

During 2007, Skanska's Construction units performed EUR 378 M worth of work for projects in the Residential Development business stream. The cor-

Rapid urbanization around Atlanta, Georgia, is increasing the need for water supply and wastewater treatment. In Douglasville, Skanska is building the South Central Waste Water Treatment Plant. It is also building major water projects in New York; Tampa, Florida, and elsewhere in the U.S.

responding figure for projects in Commercial Development was EUR 162 M. For projects in Infrastructure Development in which Skanska is a co-owner, Construction units performed assignments worth EUR 778 M.

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

Size provides competitive advantages

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

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

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

Focus on safety

Workplace health and safety are extremely important areas for Skanska. Construction sites unavoidably involve various risky aspects, for example working high above the ground or with heavy lifting. The frequency of injuries in the construction industry has traditionally been higher than in manufacturing industry, which has more easily been able to build up safety systems and safe procedures.

For some years, Skanska has engaged in a focused effort to create safe working environments in order to reduce the risks of accident and injury at construction work sites. This effort includes the introduction of more systematic safety-mindedness, various types of physical safety arrangements, requirements to wear safety equipment and training of skilled workers and other personnel. The long-term target is to carry out operations entirely without accidents. The frequency of accidents has declined in recent years.

Greater efforts to improve efficiency

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



Worksite health and safety are top priorities. All Skanska business units make major efforts to minimize accidents and injuries.

The largest Nordic contractors, sales, June 30, 2007¹

Company	Country	EUR bn
Skanska	Sweden	14.2
NCC	Sweden	6.4
YIT	Finland	3.5
Peab	Sweden	3.2
Veidekke	Norway	2.2
Lemminkäinen	Finland	1.9
MT Højgaard	Denmark	1.6

¹ Rolling 12 months.

Sources: Half-year report of each respective company.

The largest global contractors¹, sales, June 30, 2007^{2, 3}

Company	Country	EUR bn
VINCI	France	28.0
Bouygues	France	27.8
Grupo ACS	Spain	18.5
Hochtief	Germany	16.5
Bechtel	USA	15.7
Skanska	Sweden	14.2
Fluor	USA	11.4
Centex, Dallas	USA	9.2

¹ Excluding Asian construction companies.

² Rolling 12 months.

³ Including non-construction-related operations.

Sources: Reuters Company Views, half-year report 2007 of each respective company.

Skanska's home markets, 2006

	GDP per capita USD	Construction per capita	Construction as % of GDP
Sweden	42,179	3,223	7.6
Norway	72,430	7,931	10.9
Denmark	50,931	6,711	13.2
Finland	39,994	5,747	14.4
Poland	8,940	900	10.1
Czech Republic	13,884	2,112	15.2
United Kingdom	39,630	4,195	10.6
United States	44,024	3,984	9.1
Argentina	5,455	224	4.1

Sources: National construction trade organizations and analysts. EcoWin. IMF



Environmentally sound construction
 While Skanska was building the Clarion Hotel Sign, Stockholm's biggest hotel, a large proportion of building materials were delivered by railroad directly to the site.

Coordinated purchasing reduces costs

Greater standardization is also an important element of purchasing work. Since a large share of project costs consist of purchased goods and services, the Group also aims at achieving economies of scale by coordinating its purchases.

Standardization of product ranges and focused purchasing work are initiatives that Skanska has taken in order to lower costs and thereby enhance competitiveness and customer benefit. Coordinated purchasing is a way of aggregating purchasing volume and enables Skanska to take advantage of its savings potential and improve quality.

Skanska has signed favorable global, national and regional purchasing contracts with selected suppliers of certain key products. During 2007, the Company signed new contracts with substantially improved conditions for such products as steel, elevators, doors, kitchen equipment and computers as well as for leasing of cars and light trucks. Global contracts for heavy vehicles, excavators and tools were signed previously. In Scandinavia, Skanska also signed a contract with four suppliers of building materials.

Percentage of completion method

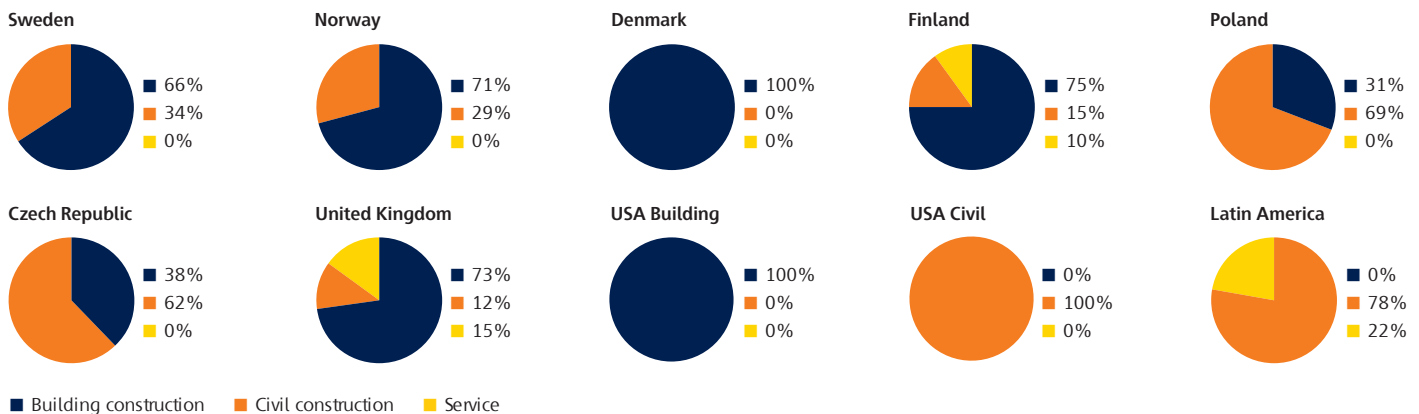
Projects are accounted for using the percentage of completion method. This means that earnings are recognized as costs are accrued. Each project is evaluated on at least a quarterly basis, with adjustments in the percentage of completion being made for any changes in the estimated project completion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

Estimated losses in ongoing projects are recognized in their entirety on the date when it becomes clear that they will occur. A loss-making project that previously report-

Markets in Construction

EUR M	Revenue		Operating income		Operating margin, %		Order bookings		Order bookings/ revenue, %		Order backlog	
	2007	2006	2007	2006	2007	2006	2007	2006	2007	2006	2007	2006
Sweden	2,961	2,607	138.8	118.9	4.7	4.6	3,168	2,973	107	114	2,333	2,179
Norway	1,379	1,149	59.9	48.1	4.3	4.2	1,434	1,337	104	116	1,180	1,074
Denmark	350	413	0.2	-34.4	0.1	-8.3	324	405	92	98	20	223
Finland	1,054	906	42.8	20.6	4.1	2.3	1,057	1,040	100	115	801	775
Poland	854	738	39.8	29.1	4.7	3.9	582	612	68	83	411	647
Czech Republic	1,233	1,219	51.8	35.9	4.2	2.9	1,010	1,262	82	104	1,265	1,448
United Kingdom	1,912	1,331	33.2	44.5	1.7	3.3	1,965	2,561	103	192	3,259	3,516
USA Building	2,938	2,998	31.9	29.9	1.1	1.0	3,740	2,712	127	90	3,336	2,889
USA Civil	1,171	1,062	58.7	49.7	5.0	4.7	1,911	1,199	163	113	2,381	1,888
Latin America	470	406	23.5	18.2	5.0	4.5	632	394	134	97	482	303
Total	14,322	12,829	480.5	360.5	3.4	2.8	15,822	14,495	110	113	15,468	14,942

Breakdown of order backlog, EUR 15.5 bn



The former Stockholm Tax Authority Skyscraper now features a trendy shopping mall and student residential units. Renovated, opened up and renamed Skrapan (The Scraper), it is topped by a restaurant and bar with one of the city's best views.



ed a profit must expense the entire previously recognized profit. The entire estimated loss must also be recognized. All else being equal, the project will then recognize zero gross profit for the remainder of the construction period.

Markets

The Nordic countries – strong earnings in Sweden and Norway

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

Skanska's Nordic construction units carry out thousands of projects each year. Many projects are small or medium-sized. But the construction units also signed a number of large contracts during 2007. The largest was for an underwater parking garage in central Oslo. The order was worth EUR 95 M. Skanska Norway also received several assignments with a contract value of about EUR 54 M, among them a railroad expansion, a combined office and residential project in Stavanger and a shopping center in Trondheim. The largest new assignments in Sweden are related to above-ground facilities at the Aitik copper mine and extensions of the correctional facilities at Kumla, Hall and Härnösand, as well as a new Marriott hotel in Stockholm. Skanska Sweden also started several large office building projects for Skanska Commercial Development Nordic, which also began construction of Skanska's first commercial project in Finland during 2007.



Improved working environment

Proper safety equipment improves the working environment. Skanska Norway uses a risk management database from the oil industry to improve worksite health and safety – reporting hazardous situations, accidents and events that might have led to accidents. Here 100 student units are being built at Nydalstoppen, Oslo, a turnkey contract worth about EUR 13 M.

Skanska's Danish construction operations were discontinued during 2007, leaving only a small number of projects that are being completed in Skanska's name. No new assignments will be accepted. Experience has shown that the conditions for achieving the Company's "Outperform" targets are less than favorable, due to the special nature of the Danish market. Most of the Danish unit's employees are continuing to work under new auspices.

Sweden, Norway and Finland achieve targets

Skanska's construction operations in Sweden, Norway and Finland all achieved very good earnings and reached their "Outperform" targets during 2007. Underlying factors are improvements in project implementation and in the market, which was strong. Because of the large quantity of projects in the market, the construction industry was working at close to its capacity ceiling.

Retailing was one of the stronger market segments in the Nordic countries during 2007. This mainly involved extensions of existing retail centers. The market for new office building construction also improved in Sweden and Norway. Residential construction, which for a time was the strongest segment in all of Skanska's Nordic construction markets, has decelerated.

Good outlook for 2008

In 2008 the markets for retail and industrial space are expected to be stable, along with demand for office buildings and various health care facilities. The underlying need for housing also remains large, but the number of units started during the year will be affected by financial market turmoil. In civil construction, the potential for an improved market is considered good. Several large transportation infrastructure projects that were delayed due to financing problems are expected to be put out for bidding during 2008.

The market for public-private partnership (PPP) projects will eventually grow in the Nordic countries, although this process will occur slowly. Interest in PPP projects is based on the fact that long-term ownership and operating responsibility create a strong incentive for economically and environmentally sustainable solutions. In Sweden, there are still hopes that portions of major transportation infrastructure needs will be solved through public-private partnerships.

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

Central Europe – strong civil construction market

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

Strong market for commercial space in Poland

The Polish business unit achieved its "Outperform" targets for 2007. In Poland, commercial space for such international companies as consumer goods manufacturer Proctor & Gamble and the retail chain Lidl is an important segment. During 2007 Skanska completed Zlote Tarasy – a major shopping mall and office center in downtown Warsaw – and the first phase of the A1 highway at Gdansk, a PPP project. The strong Polish construction market led to major price increases. Labor shortages are another risk factor, but Skanska Poland's supply of human resources is being ensured by a number

"Skanska's construction operations in Sweden, Norway and Finland all achieved very good earnings and reached their 'Outperform' targets during 2007."

of recruitment campaigns at vocational schools and in the higher education system.

Record-high sales of residential units in Czech Republic

In the Czech Republic, the number of residential units sold and started set a record because many buyers wanted to act before the value-added tax (VAT) increase that went into effect in January 2008. Transport infrastructure projects account for about half of Skanska's revenue in the Czech Republic, but during most of 2007 there were few project opportunities, with some improvement toward year-end and in preparation for 2008. Inflation was relatively high, but as a rule, contracts with public sector customers are inflation-indexed. The commercial project market was good, but competition is keen in this segment. In 2007 Skanska completed the head office of the Czech bank ČSOB in Prague. The building was the first in the Czech Republic to be certified as complying with America's Leadership in Energy and Environmental Design (LEED) standard.

Positive trend expected in 2008

The economies in Skanska's Central European markets were strong during 2007, and this positive trend is expected to continue in 2008. The new political leadership in Poland is likely to speed the pace of infrastructure expansion with the help of both EU funds and PPP solutions. Poland will host the European Football Championships in 2012, which will require various investments that will stimulate the construction market.

During 2008 the Czech Republic and Slovakia will again offer a good market for commercial projects. Due to the VAT increase, the Czech housing market will probably weaken somewhat in 2008, but the underlying need for housing remains strong. Skanska's operations in Slovakia are still relatively small but have major future potential.

Slovakia has one of the fastest-growing economies in Europe, among other things because several car companies have established production plants in the country. The construction market is expected to offer good opportunities in the next several years. Skanska's business in Slovakia is reported under its Czech business unit.

Skanska competes in Poland with Budimex (owned mainly by Ferrovial), Hochtief and Strabag. In the Czech Republic the main competitors are Metrostav and SSZ (subsidiary of VINCI). In Slovakia, Doprastav and Zipp (subsidiary of Strabag) are the largest competitors.

The U.K. – strong market with record-sized projects

The operations of Skanska UK include building and civil construction, utility networks and construction services. Skanska is also a leader in public-private partnership (PPP) projects, known in the United Kingdom as the Private Finance Initiative (PFI) program. The Company mainly operates in Greater London and southeastern England but also in a number of other local markets.

The year was characterized by a good construction market in both the private and public sectors. International financial market turmoil has yet not curbed the demand for commercial space. During 2007 Skanska UK was awarded assignments in London that included the Walbrook office and retail center, worth about EUR 0.2 billion, and the 202 m (663 ft) Heron Tower office building (one of London's tallest), worth EUR 0.4 billion. In the civil construction sector, the Docklands Light Railway extension was one of Skanska UK's largest new contracts.



In the Czech Republic, Skanska is carrying out numerous transport infrastructure projects, including major upgrades in the road network. This bridge is part of the D47 highway expansion near the eastern Czech city of Ostrava.

The market for service and construction of utility networks was good. Skanska took advantage of this through last year's acquisition of the specialist company Mc Nicholas, which was integrated into Skanska UK during 2007.

Schools and hospitals in public-private partnerships

The British market for public-private partnerships remains strong, and Skanska is one of the largest PPP/PFI construction companies. The new hospital in Coventry was completed, as well as the first of several new school buildings in Bristol and in the Midlothian area near Edinburgh. A number of large hospital projects are under construction, and during 2007 Skanska UK received an order for the Manor Hospital in Walsall. The construction contract totals about EUR 0.3 billion.

Preparations for the Olympic Games

During the next few years, preparations for the 2012 Olympic Games in London will intensify. Skanska UK is already working with certain infrastructure assignments, and additional opportunities will open up. In civil construction, there are major needs for road construction and paving, as well as water treatment and solid waste processing facilities. The market for utility networks will remain strong in energy – mainly electricity and gas – as well as telecom, water and sewage networks.

Positive outlook for 2008

The order book is good and – subject to any impact financial market trends may have on the office sector in London – the outlook for 2008 is mainly positive.

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

The U.S. – strong year in Skanska's biggest market

The American construction market is the world's largest, and Skanska is one of the leading companies in this market. The U.S. accounts for 29 percent of Skanska's revenue and is thus the Group's biggest single market. Skanska USA Building provides construction management, pre-

construction engineering and design/build services for a broad spectrum of American industries, including pharmaceuticals, healthcare, education, electronics, infrastructure, sports and entertainment.

Skanska USA Civil specializes in construction of traffic infrastructure as well as energy, water and wastewater facilities in the eastern U.S., Colorado and California.

Skanska's U.S. markets had a strong year in 2007 and the Company's business units achieved very good earnings. Skanska USA Civil reached its "Outperform" targets and Skanska USA Building reported strongly improved earnings. Financial market turmoil and the home mortgage crisis did not significantly affect the segments in which Skanska operates.

The market for building construction – including commercial space, hospitals and schools – was very good. In local currency terms, Skanska USA Building's order bookings increased by 50 percent. This included one of Skanska's largest new assignments: the new Meadowlands Stadium in New Jersey, with a contract value of about USD 1 billion. However, the renovation of the United Nations headquarters in New York is not included in 2007 order bookings. The contract, which is expected to total more than USD 1 billion, will be included in phases as the project unfolds. The project will begin during 2008.

Largest-ever order bookings

The American civil construction market was very good during 2007 and order bookings were the largest ever. Skanska is the largest civil construction company in New York City, which was Skanska USA Civil's strongest market during the year. This included being awarded various new transport infrastructure assignments, for example two major subway system expansions worth a total of EUR 381 M. Water treatment facilities are another growing segment. The Company's largest single U.S. order to date is for the Croton Water Filtration Plant in the Bronx, New York, with Skanska's contract totaling more than EUR 778 M. Skanska USA Civil is also assembling steel structures at the New Yankee Stadium in the Bronx and the new Meadowlands Stadium in New Jersey.

In 2008 the civil construction market is expected to remain very strong, with increased demand in the northeastern U.S. The Rocky Mountain region is also expected to remain a good market, while state infrastructure investments on the West Coast are expected to slow somewhat. Expansion of water treatment facilities is expected to increase, providing new opportunities in a number of states during the next few years. Various projects may be financed via federal transportation infrastructure (SAFETEA-LU) program funding, which totals nearly USD 300 billion during the period 2004–2009.

Competition is tough in all segments, but for the largest projects Skanska has a competitive advantage due to its financial strength and ability to obtain the performance guarantees that are required in bids for public sector assignments.

The market for public-private partnership (PPP) assignments remains attractive, although bidding processes tend to be prolonged. Skanska is well positioned to land road, tunnel and bridge projects.

Selected for many construction projects

The building construction market, including commercial space, hospitals and schools, is expected to remain strong, especially in the northeastern and northwestern United

States. Among important indicators is that Skanska has been selected by many customers for a number of building projects. In most cases this will turn into large contracts after completion of the preparatory phases.

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

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

Latin America – continued strong oil, gas and other energy market

Skanska Latin America is one of the leading construction companies in its region and one of Skanska's most profitable business units. Its operations focus on construction, operation and service assignments for the oil and gas industry, where the market was very good during 2007. A large number of these service assignments are small, but with long-term contracts that have continuously been renewed. Due to heavy demand for petroleum products, the business unit's services are sought-after. The Brazilian economy showed very strong growth, which is another reason behind the unit's success. During 2007 Skanska Latin America received large new assignments for various types of energy facilities in Brazil. These included a large power generating plant, two gas production facilities and expansion of a refinery. Together with USA Building, the unit also received an assignment to build a pipeline in Puerto Rico. USA Building is familiar with this market after various pharmaceutical assignments, and Skanska Latin America will contribute its energy project expertise. In 2008, Skanska Latin America's markets are expected to remain strong. This applies to both construction for the energy sector and to the operation and maintenance of oil and gas extraction facilities.



First LEED Gold-certified hospital

The Providence Newberg Medical Center near Portland, Oregon, is the first U.S. hospital to receive Leadership in Energy and Environmental Design (LEED) Gold certification. The hospital saves 26 percent in energy costs per year. LEED is the best-known American environmental and energy certification system.

The first Czech LEED office building

A fresh new working environment with green values. The employees of the Czech bank ČSOB in Prague can enjoy working in the Czech Republic's first office building that has been certified as meeting America's Leadership in Energy and Environmental Design (LEED) standard.

Among the building's environmental qualities are the heat recovery and advanced control systems that optimize its energy usage.

The green nature of the building is emphasized by plants, both indoors and on its roof. Open-plan offices characterize the working environment. Skanska was responsible for designing and constructing the 83,000 sq. m (893,400 sq. ft.) ČSOB head office building, with five floors above ground and three floors below. It accommodates three large atrium courts, two restaurants and a conference hall below its greenery-clad roof. The project offered a number of technical challenges. One was the metro rail line, which cuts diagonally through the building's footprint, only about one meter below its bottom floor. Skanska helped acquire land in a good location. The selection process was thorough. No fewer than 48 different proposals were examined by the customer. The decision took into account location, design and financing as well as environmental and work environment aspects.

Through various working groups, the 2,400 ČSOB employees had a major influence when Skanska was chosen. Skanska was able to offer seven different locations and two alternative designs.

"Skanska had the best total solution from all aspects. And for a large and important project like this, we really wanted to make sure to have a strong partner. That's another reason for choosing Skanska," says Luděk Schollar, Senior Manager Investment of ČSOB.

"We are very proud of our new building, which must be unique in Europe. The final result is very, very good and we are very satisfied," Mr Schollar says.

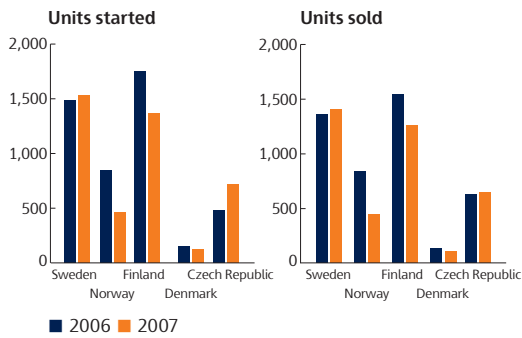
Leadership in Energy and Environmental Design (LEED) is an energy and environmental rating system for building design, construction and operation. The LEED review and certification process are performed by the U.S. Green Building Council, an independent nonprofit coalition of construction-industry leaders that advocates for environmentally responsible, profitable and healthy workplaces.





EUR M	2007	2006
Revenue	830	734
Operating income	78	92
Operating margin, %	9.4	12.6
Investments	-540	-545
Divestments	585	450
Operating cash flow from business operations ¹	41	-50
Capital employed	470	406
Return on capital employed, %	14.9	27.6
Number of employees	565	467

¹ Before taxes, financing operations and dividends



Residential Development

Improved efficiency for continued residential market expansion



A new neighborhood emerges in Stockholm
30



BIM used in planning work, Finland
31



Single-family homes in Prague's outskirts
32

The growth of the Nordic residential markets decelerated during 2007. The turmoil in the American financial market, along with a housing oversupply in Norway and Denmark, were among the reasons.

There is a great need for new housing in the Nordic countries, despite the slowdown in demand. The national economies remain strong and there is a heavy influx of people into urban areas – in Finland the largest since World War II. In Sweden, too few residential units are still being built in relation to the population. This is partly due to high costs.

Skanska is responding to this by improving the efficiency of its residential construction through higher productivity and increased standardization. The new Skanska Xchange initiative is a comprehensive strategy for achieving both competitive prices and greater profitability. Skanska Xchange is a pan-Nordic development project primarily aimed at improving processes and increasing standardization and prefabrication.

After a thorough analysis, the best methods for producing such components as outer walls, floors and stairs will be identified and form the framework of a number of project platforms. This will raise quality and efficiency and increase the potential for improving procurement efforts by boosting volume. During 2008 the first pilot projects will start, followed by gradual implementation.

This standardization mainly applies to components that are not visible to the customer. Structures beneath and behind the surface layers will be standardized in order to create a few selected, proven models and methods.

This means that, where so demanded, adaptation to local taste or requirements will continue to occur.

Building Information Modeling (BIM) – where an entire project is described in 3-D plus the time dimension – facilitates planning and coordination of activities and supports improved logistics. BIM, which Skanska introduced in 2007, is used in order to streamline the entire construction process, from design and planning to purchasing and execution.

Responsible for the entire development chain

Skanska is one of the leading residential developers in the Nordic countries. The Nordic housing markets have great similarities and are thus combined in one unit – Skanska Residential Development Nordic. Skanska Finland performs residential development in Estonia as well. Residential Development is one of Skanska's investment businesses but does not perform any construction work of its own. In the Nordic countries, it buys contracting services primarily from Skanska's construction units in each respective market.

In addition to the Nordic countries, Skanska carries out residential development in the Czech Republic and Slovakia as part of its construction operations.

The value enhancement process

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

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

Increasing the value of building rights

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

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

Projects are accounted for using the percentage of completion method. This means that earnings are recognized as costs are accrued. When applying the percentage of completion method, Residential Development also takes into account the percentage of a project that has

Silverdal, a new residential neighborhood in Sollentuna north of Stockholm, is being turned into a modern garden suburb with natural scenery and the waters of Edsviken within walking distance. Central Stockholm and the Kista and Sollentuna shopping malls are only a few minutes away by car.

To minimize risks, the goal is to completely develop and sell the units in a given project during a single economic cycle, when variations in market conditions are small or predictable.

been pre-sold. The percentage of completion is multiplied by the pre-sales percentage and the result is the percentage of earnings that can be recognized.

Risk management

There are risks in all stages of operations. Such external factors as interest rates and the willingness of customers to buy housing units are of crucial importance to all decisions in the process. Housing units are built to be sold individually. To minimize risks, the goal is to completely develop and sell the units in a given project during a single economic cycle, when variations in market conditions are small or predictable. New projects are started after a certain percentage of units is sold or pre-booked. Sales and pre-bookings are followed up monthly.

Projects are usually divided up in phases. To avoid building up an inventory of unsold units, sale of units in a new phase begins only when the preceding one is nearly sold out or pre-booked. Increased standardization, with shorter lead times, boosts efficiency while reducing tied-up capital and exposure to market fluctuations. It also leads to lower and more predictable construction costs.

Ownership mechanisms vary in different markets

In Sweden, Norway and Finland, sales occur largely in the form of cooperative housing associations, ownership titles or housing corporations, respectively. In Norway, sales of cooperative housing units rose sharply during

2007 due to a modernization of the law concerning this form of ownership. Skanska acquires land, which is then sold, usually to a cooperative housing association formed by Skanska. Construction does not normally begin until contracts have been signed for about half the units in a project phase. The cooperative housing association buys the building right and construction services from Skanska, which then invoices the customer – the cooperative housing association or housing corporation – regularly as the phases are completed.

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

Product platforms

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

Great freedom of choice

Unique design and specific customer choices are satisfied through various choices, for example different types of façades, windows, parquet floors, wet rooms and kitchen modules. A uniform technical platform allows simplified processes and shorter lead times.

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

Markets

At the end of 2007, there were about 5,600 residential units under construction. Of these, 73 percent were sold. The number of completed unsold units totaled fewer than 300, most of them in Finland. During the year, construction started on about 4,200 units. In the Nordic countries, the number of residential units started was 3,500, while in the Czech Republic they totaled more than 700. The number of residential units sold during the year was 3,858, of which 3,211 in the Nordic countries and 647 in the Czech Republic.

Big needs, but wait-and-see in Nordic markets

Residential construction in the Nordic countries decelerated in 2007, mainly due to higher prices in Norway and oversupply in Denmark and in certain regions of Finland outside Helsinki. The Swedish market was very strong, but here too, a certain slowdown occurred late in the year. The underlying need for housing units remains



A new neighborhood emerges in Stockholm

Skanska has assumed a major role in the transformation of the Snöflingan (Snowflake) city block in Stockholm's Kungsholmen district into a lively neighborhood. Skanska is constructing both apartment houses and a Marriott hotel. A new esplanade is emerging above the Drottningholmsvägen highway, which Skanska is covering with a deck. Women play leading roles in all three projects.

Every step in the Reimantorni residential project in Esbo, Finland, was planned in 15-minute sequences using Building Information Modeling (BIM). Construction was planned minute by minute using 4-D animations – 3-D plus the time dimension. Potential obstacles were discovered and removed right in the planning stage.



large throughout the Nordic countries, however, driven by greater urbanization and economies that are strong regardless of financial market turmoil. Overall, Nordic housing markets were characterized by a wait-and-see attitude, which is leading to longer sales periods.

In spite of this, the Nordic residential business unit was very close to achieving its “Outperform” targets.

Sweden achieves its targets

In Sweden, Skanska invested in new land with existing or planned building rights in Stockholm, Gothenburg and Trelleborg. The Group’s Swedish residential business achieved its highest-ever operating margin. All regions achieved their targets.

During 2008, Skanska foresees continued stable demand for good housing units in good locations. But the pace of sales is expected to be somewhat slower, determined in large part by financial market developments.

Slowdown in Norway and Finland

In Norway, the slowdown in residential demand began as early as the spring of 2007. As a consequence, new construction reached historically low levels – the number of units sold was halved from the previous year. Market prices fell by 3–4 percent. In spite of this, a number of regions were able to achieve their “Outperform” targets. During the year, 45 percent fewer units were started than in 2006. Skanska invested in new land with existing or planned building rights. The number of new projects started in the overall Norwegian residential market is expected to fall by 10–12 percent in 2008 compared to 2007. There seems to be good potential for a stabilization of prices and demand during 2008, thanks to high employment and the number of people moving to cities.

Residential Development

EUR M	Revenue		Operating income		Operating margin, %		Capital employed		Return on capital employed, %	
	2007	2006	2007	2006	2007	2006	2007	2006	2007	2006
Sweden	371	283	46.4	32.2	12.5	11.4	82	66	42.6	>100
Norway	187	170	10.7	17.6	5.7	10.4	150	152	6.6	12.9
Denmark	66	58	-2.7	10.4	-4.1	17.9	100	86	-2.2	23.3
Finland incl. Estonia	135	170	13.6	23.9	10.1	14.0	138	72	11.9	24.4
Czech Republic	71	53	10.3	8.0	14.5	15.2	1	32	32.2	26.1
Total	830	734	78.3	92.1	9.4	12.6	470	406	14.9	27.6

Number of unutilized building rights

Market	Master plan	Local plan underway	Local plan approved	Building permit stage	Total building rights ¹	Other rights
Sweden	3,300	3,800	1,600	1,200	9,900	1,800
Norway	500	400	2,400	100	3,400	1,700
Finland incl. Estonia	400	800	4,900	500	6,600	4,600
Denmark	0	100	600	0	700	100
Nordic countries	4,200	5,100	9,500	1,800	20,600	8,200
Czech Republic	0	1,900	1,100	200	3,200	500
Total	4,200	7,000	10,600	2,000	23,800	8,700

¹ Including building rights in associated companies

Residential Development, number of units

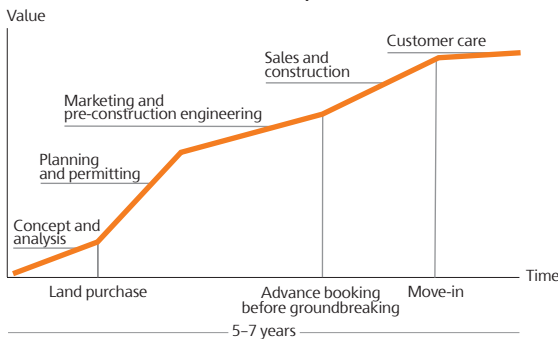
Market	Units started	Under construction	Pre-sold, %	Total units sold	Completed, unsold
Sweden	1,528	2,396	81	1,406	18
Norway	464	605	80	441	17
Finland incl. Estonia	1,365	1,538	50	1,258	233
Denmark	123	175	83	106	17
Nordic countries	3,480	4,714	71	3,211	285
Czech Republic	716	879	83	647	8
Total	4,196	5,593	73	3,858	293



In 2007 the housing market was very strong in the Czech Republic, reinforced by a value-added tax increase on homes that took effect in January 2008. In the rolling hills just southwest of Prague, Skanska built 22 single-family homes ranging from 200–300 sq. m (2,150–3,230 sq. ft.) in size. The homes in Černošice feature large lots of up to 1,500 sq. m (16,150 sq. ft.).

In Finland, the residential development business noted a market slowdown late in 2007, especially outside the Helsinki region. In Estonia, the market was relatively stable. The number of project start-ups declined by about 25 percent from 2006. None of the Finnish regions achieved its “Outperform” targets. During 2007, 30 percent fewer residential units were started than the year before. Both certain investments in new land and divestments of building rights were implemented. The outlook for 2008 is characterized by a wait-and-see approach among buyers, leading to a lower rate of sales, fewer project start-ups and falling prices. The Finnish economy

Value creation in Residential Development



Generating value, step by step

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

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

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

is showing satisfactory strength, however, and this is expected to provide continued good demand in areas such as Helsinki and vicinity in 2008.

Demand for economical BoKlok units in Denmark

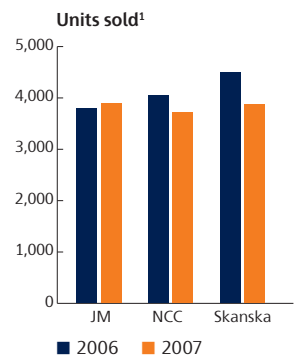
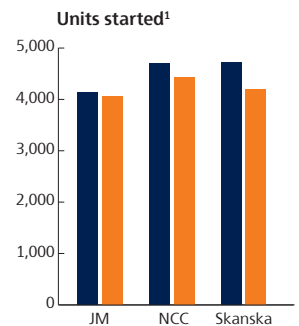
In Denmark, housing oversupply in the Copenhagen area led to a near-total halt in Skanska’s new construction. The only exception is BoKlok (LiveSmart) units and homes in lower price segments. Impairment losses and higher costs at a project in Copenhagen resulted in negative earnings. Oversupply in higher price segments in Copenhagen will also dominate the market in 2008, with continued falling prices and slower sales, but there is demand in lower price segments, for example BoKlok units.

Czech Republic – demand still heavy in Prague

Residential development in the Czech Republic and Slovakia takes place within Skanska Czech Republic, which develops, builds and sells residential units directly to private individuals.

During 2007 there was very heavy demand in the Czech Republic. Skanska sold 647 apartments, equivalent to an increase of about 4 percent compared to the preceding year. During 2007, construction began on 716 units, which represented an increase of 49 percent on 2006. Demand in the Czech Republic was driven by the country’s harmonization with EU value-added tax (VAT) rules. Starting in January 2008, VAT on home sales was raised. Many customers thus chose to make their home purchase before the tax hike. A certain deceleration will thus initially be noticeable in the Czech Republic. But both the Czech and Slovakian economies are showing growth. The housing market is thus expected to remain strong during 2008. Skanska’s residential development is concentrated in Prague, Czech Republic, and Bratislava, Slovakia, which are the main growth centers. The demand for housing is driven both by expanding population and greater consumer purchasing power in these capital city areas.

Comparison of Nordic residential developers



1 Group total
Source: Year-end report of each respective company



Residential Development 2007
 Further information about Skanska's housing development can be found in "Skanska Residential Development 2007," which can be downloaded from www.skanska.com/investors and can also be ordered from Skanska AB, Investor Relations.

By the sea

By the sea I want to live," sang rock poet Ulf Lundell. Now Skanska is making such a dream possible for others – in the open landscape of Stavstensudde, a peninsula on the Baltic Sea outside Trelleborg.

"We got what we wanted, and we are very pleased," says Linda Sernerup, who moved with husband Fredrik and sons Filip and Viggo into a new 135 sq. m (1,450 sq. ft.) one-story home, located near Sweden's southern tip.

"We got hooked on the location. Then we got a house that is flexible and perfect in every detail, with good finishes," Fredrik Sernerup says. "The builders did a good job – no cutting corners. We have found them easy to deal with the whole time. When we wanted something changed, they took care of it." In May 2007 the family moved in, and by now their outdoor environment has also become green.

Skanska based the design of their house on extensive customer surveys. The single-level home is suitable both for families with small children and for an older generation. Its bright, open feel is reinforced by a semi-open kitchen, a high living room ceiling and generous bathrooms. The layout is flexible. A garden awaits right outside a sliding door.

Attention to detail applies not only to the homes. The neighborhood has been planned to blend with its natural setting and to be aesthetically pleasing and safe. The outdoor environment has become a living room for everyone. Between houses is plenty of space with green oases, playgrounds and paved walkways.

"One important aspect when we chose our Skanska home was that it is spacious and not so densely built-up, with lots of green landscaping," says Mr. Sernerup, who rides the bus every day from right outside the neighborhood to his job at the Atkins technical consulting firm in Malmö.

The Sernerup family lives in a "village" of one-story homes. At Stavstensudde, Skanska has also developed a neighborhood of low-cost BoKlok (LiveSmart) single-family homes and apartment houses, as well as a cluster of 18 Uniqhus homes, which are a bit more luxurious and are Sweden's first home design to earn the Swan label for environmental sustainability and low energy use.

EUR M	2007	2006
Revenue	338	370
Operating income	98	131
of which gain from divestments of properties ¹	114	136
of which operating net on completed properties ²	12	11
Investment obligations, projects started during the year	560	175
Investments	-264	-181
Divestments	303	333
Operating cash flow from operating activities ³	32	134
Capital employed	770	636
Return on capital employed, %	14.2	21.2
Return on capital employed, % ⁴	16.0	17.5
Number of employees	141	135

1 Additional gain included in eliminations was

3

4

2 After selling and administrative expenses

3 Before taxes, financing activities and dividends

4 Calculated according to the definition of financial targets



Commercial Development
An intensive year with
many new projects



Commercial development in Wrocław, Poland
36



Skanska's first GreenBuilding project
37



The Nepliget Center – office building in Hungary
40

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

During 2007, Skanska intensified its investment in and development of new commercial projects. It started 23 new projects, 17 of them in the Nordic countries. Of these 23 projects, 12 were office space, among them Skanska's first commercial development projects in Helsinki, Finland; in Ostrava, Czech Republic; and in Wrocław, Poland.

Leasing work resulted in the signing of leases for more than 300,000 sq. m (3.23 million sq. ft.) – a new record. Skanska divested projects for a total of EUR 303 M, with a capital gain of EUR 114 M.

The Commercial Development business stream has established aggressive value creation targets for the period 2008–2010, based on estimated annual investments.

The conditions for developing commercial space were very favorable during 2007 in Skanska's markets in the Nordic countries and Central Europe. There was strong interest both from tenants and investors.

The good market situation for Skanska's products – modern and functional premises in the right locations – is expected to continue during 2008. This provides the basis for new project starts and for the acquisition of building rights. During 2007, Skanska invested a total of EUR 264 M in new commercial development projects and building rights.

Decades of larger divestments

During the past 20 years, Skanska's development of commercial projects has generated yearly capital gains averaging about EUR 95 M. The annual value creation – the difference between accrued development gains and costs to the internal organization – and during the period 1997 to 2007, amounted to about EUR 42 M.

The strategic focus on core business that began in 2002 implies that the Company primarily concentrates its property operations on developing, leasing and divesting new projects. Skanska aims at a high turnover rate for completed properties. In recent years, major divestments have taken place. Today Skanska's portfolio thus has relatively few completed properties for sale. During 2007, operations concentrated on investing in new commercial projects that will generate future capital gains. This concentration also applies to the new business plan for 2008 through 2010.

In Commercial Development, Skanska takes overall responsibility for the whole project development cycle – land purchase, the planning and permitting process,

design, leasing, construction, property management and divestment.

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

Selected markets

Skanska performs commercial project development in selected markets in Scandinavia and Central Europe – Stockholm and Gothenburg (Sweden); the Öresund region (Malmö and Lund, Sweden/Copenhagen, Denmark); Helsinki (Finland); Warsaw, Wrocław, (Poland); Prague and Ostrava (Czech Republic) and Budapest (Hungary).

A local presence in the various markets is necessary in order to identify both tenants and investors, the latter as future owners of projects.

Operations take place in two business units: Skanska Commercial Development Nordic and Skanska Commercial Development Europe. About 77 percent of capital employed is attributable to project development in the Nordic countries and 23 percent in Central Europe. Skanska's commercial development focuses on three types of projects – office space, retail centers and logistics properties or distribution centers. The allocation between them varies with economic cycles and demand for each respective type of product.

Tenants and investors – two customer categories

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

Focus on value creation

The Group's new business plan for the three-year period 2008 through 2010 budgets for gross investments in commercial space amounting to EUR 423–529 M annually. The target is to achieve value creation in new projects amounting to an estimated EUR 53–74 M per year during the period.

Emerging at Norra Bantorget is Skanska's Swedish answer to New York City's historic Flat Iron Building: 14,000 sq. m (150,000 sq. ft.) of modern, flexible office space. A more central location is hard to find in Stockholm.

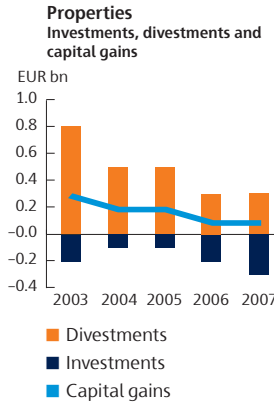
Skanska starts new projects at the pace the market situation allows and when the risk-return ratio is deemed to fulfill the requirements established for these operations.

Commercial development is a continuous process in which the developer has full responsibility during all phases. The focus is on those stages of the process that create the greatest value, that is, planning, leasing and divestment. Land and building rights are the basis for commercial development operations. A supply of land suitable for development is essential for a continuous flow of projects. Due to lengthy planning and permitting processes, ample lead time is required to ensure a supply of building rights (a "land bank") that will meet demand.

The average development cycle – from planning to divestment of the fully developed project – is 18 to 36 months. In order to reduce tied-up capital and enable the development of new projects, a rapid pace of sales is sought.

Value increases

The value of land and building rights varies with demand, i.e. rental trends and the returns demanded by property investors. Land value also increases as permitting risks diminish. A major step in value enhancement occurs when a parcel of undeveloped land is transformed into a building right. The process leading up to an approved commercial development plan may take several years. Skanska plays a proactive role, working closely with local government bodies in planning processes for land use, zoning and commercial development. Large-scale leasing sharply increases the value of the



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

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

Close collaboration

To ensure that the development process results in appropriate and efficient commercial space, Skanska collaborates closely in its design and planning work with tenants and potential buyers.

Carrying out commercial development work successfully on a long-term basis is also facilitated by a limited portfolio of completed projects. Managing these properties provides daily contact with the leasing market. This, in turn, offers insights about changes in customer preferences and also generates new projects. Owning a portfolio of completed properties also lends flexibility to the divestment process, because it enables Skanska to time the divestment of these properties based on market conditions.

Energy-efficient solutions

Buildings are estimated to account for more than 30 per cent of carbon dioxide emissions in the EU.

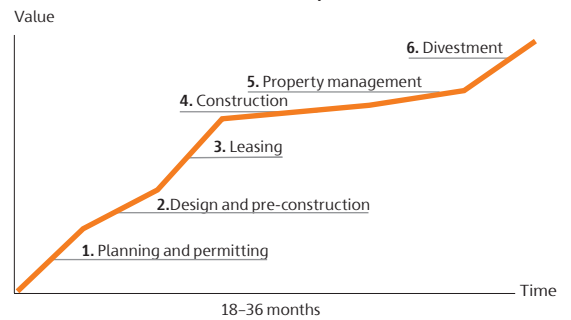
Skanska's sustainability efforts are positive for our climate and lead to added value for both users and investors.



The first project in Wrocław

In Poland, Skanska started four commercial projects during 2007. Two – Atrium City and Marynarska Point – are in Warsaw. The others are two phases of Grunwaldzki Center, Skanska's first project in the regional hub of Wrocław with several universities and colleges. The Polish projects now underway range from 11,000–20,000 sq. m (118,000–215,000 sq. ft.). Reflecting the good market situation, the projects that Skanska has started are well on their way toward being fully pre-leased.

Value creation in Commercial Development



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

Generating value, step by step

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



Skanska's first GreenBuilding
Skanska is helping reduce the energy usage and climate impact of properties developed under its own auspices. Hagaporten III, a commercial project in Solna, near Stockholm, has been approved according to the EU's GreenBuilding classification. The office building, which is being developed for the engineering consultancy Ångpanneföreningen (ÅF), is a full 25 percent more energy-efficient than prescribed by Swedish standards for newly built properties. Skanska is a partner in the EU's GreenBuilding project.

For some years, Skanska has worked to develop energy-efficient solutions. As a result, by using such techniques as improved insulation and heat recycling, Skanska can lower energy consumption by 20–30 percent and by at least 30 percent compared to Nordic standards for new construction. Through its green initiative, the Group is beginning an effort to make its products even more competitive from an environmental standpoint (see page 9).

Risk management

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

Ongoing projects

	Type of project	City	Leasable area 000 sq.m	Completion year	Occupancy rate, %
Nordic					
Stora Frösunda, Hagaporten phase III	Office	Stockholm	44	2008	64
Norra Bantorget	Office	Stockholm	15	2008	25
Sturegatan 1	Office	Sundbyberg	14	2009	0
Gångaren 16, building 17	Office	Stockholm	18	2009	60
Gångaren 11	Office	Stockholm	32	2009	92
Sunnanå	Logistics	Malmö	15	2008	100
Högsbo 27:8	Logistics	Gothenburg	10	2008	100
Backa 30:3	Logistics	Gothenburg	20	2009	100
Scylla 3:1	Office	Malmö	11	2008	52
Scylla 3:2	Office	Malmö	6	2009	0
Stora Bernstorp 1, Burlöv	Retail	Malmö	11	2008	91
Stora Bernstorp 2, Burlöv	Retail	Malmö	8	2008	100
Stora Bernstorp 3, Burlöv	Retail	Malmö	9	2009	89
Forskaren E 1	Office	Lund	5	2009	0
Lintolahti	Office	Helsinki	16	2009	25
Europe					
Marynarska Point, phase 1	Office	Warsaw	17	2008	98
Marynarska Point, phase 2	Office	Warsaw	20	2008	51
Atrium City	Office	Warsaw	26	2009	69
Grunwaldzki Ctr, phase 1	Office	Wroclaw	16	2008	63
Grunwaldzki Ctr, phase 2	Office	Wroclaw	21	2008	0
Vysehrad	Office	Prague	6	2008	44
Nordic Center	Office	Ostrava	15	2008	0
Total			354		58

In 2007 Skanska started 23 commercial projects, 17 of them in the Nordic countries, and signed new leases for over 300,000 sq. m. (3.23 M sq. ft.)

Capital at risk

Risks are limited because the business stream has an established ceiling on capital exposure in projects that have not been pre-leased. Capital at risk is measured in carrying amount for completed projects and is based on completion cost for projects that have been started but are not yet fully leased. Capital at risk is limited to a maximum amount approved by the Board of Directors.

Markets

Record leasing volume in the Nordic countries

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

Commercial Development projects 2007

	Commercial Development Nordic	Commercial Development Europe	Total
Number of projects started	17	6	23
Total investment, EUR M	362	198	560
Number of ongoing projects	15	7	22
Leasable space, sq.m.	233	121	354
Economic occupancy rate, %	62	50	58
Ongoing projects sold	9	1	10
Leasable space, sq.m.	70	14	84

opment of logistics and high-volume retail properties at strategic locations in Sweden, Denmark and Finland. It operates via three regional companies – Gothenburg, Stockholm and Öresund (Malmö/Copenhagen).

The business unit achieved its “Outperform” targets for 2007. The demand for modern, purpose-built premises was very good. The unit signed leases for 250,000 sq. m (2.69 million sq. ft.) of space, thereby setting a record. This large leasing volume was based on its efforts in recent years to acquire land in good locations and develop modern, energy-efficient premises. The largest contracts were with the insurance company Skandia, energy producer Vattenfall and logistics company DHL.

Investors also showed great interest. Nine completed properties and nine projects were sold, of which six before completion. In all, the business unit had 15 on-going projects at year-end 2007. During the year, Skanska began its first commercial project in Finland. The project, which will be completed during 2009, is about 25 percent pre-leased.

Hagaporten III, an office building being developed for the Swedish engineering consultancy

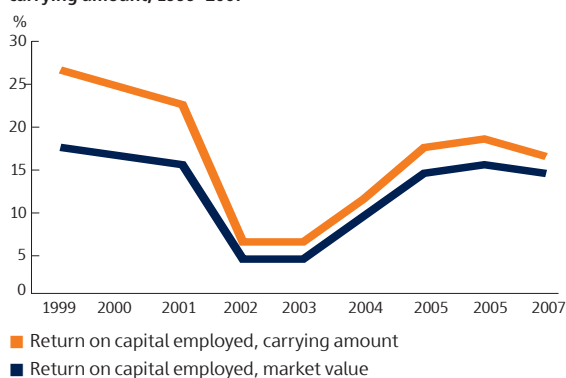
Ångpanneföreningen (ÅF), has been approved according to the EU’s GreenBuilding classification. The requirement is 25 percent lower energy use and climate impact than the standard for new properties in compliance with the construction rules of the Swedish National Board of Housing, Building and Planning. This is Skanska’s first commercial development project to achieve GreenBuilding status.

Positive trends have also characterized early 2008. The outlook for the year remains good, both for leasing activity and divestments. Low or declining unemployment will mean continued demand for premises, with falling vacancies and rising rent levels. Investors’ yield requirements for projects in good locations are expected to remain stable.

Strong market in Central Europe

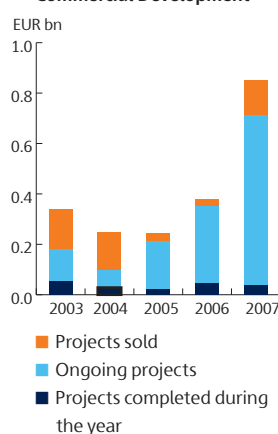
Skanska Commercial Development Europe initiates and develops real estate projects, with a focus on office and logistics buildings. Its operations are concentrated in major cities in Poland, Hungary and the Czech Republic. The Central European markets were generally strong in

Adjusted return on capital employed at market value and carrying amount, 1999–2007¹

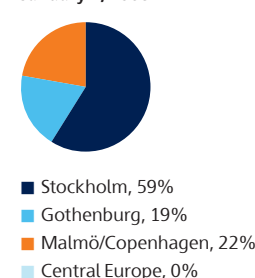


¹ Including operating net, accrued unrealized development gains as well as changes in market value.

Volume of Commercial Development¹



Completed properties, carrying amount, January 1, 2008



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

Commercial Development

EUR M	Revenue		Operating income		Gain from divestments of properties		Capital employed		Return on capital employed, % ¹	
	2007	2006	2007	2006	2007	2006	2007	2006	2007	2006
Nordic	307	292	97	115	100	118	596	549	16.9	18.3
Europe	32	78	2	15	13	18	174	86	11.6	13.0

¹ Calculated in accordance with the definition of financial targets.

Carrying amounts and market values

EUR M	Carrying amount, Dec 31, 2007	Carrying amount upon completion	Market value, Dec 31, 2007	Surplus value	Leasable space, 000 sq m	Economic occupancy level, %	Operating net	Yield on carrying amount, %	Yield on market value, %	Projected rental value fully leased	Average lease, years
Completed projects	237	237	339	102	234	90	13 ³	5.5	3.9	35 ⁵	4.0
Completed projects in 2007	37	37	47	10	16	82	3 ⁴	7.1	5.6	3 ⁵	5.8
Ongoing projects	227	675	859 ²	184	354	58	55 ⁴	8.0	6.3	59 ⁶	11.7
Total	502	949	1 245	295	604		71				
Development properties ¹	161	161	215	54							
Total	663	1,110	1,459	349							

¹ “Development properties” refers to land with building rights for commercial use, totaling about 980,000 sq.m. (10.55 million sq.ft.) and described below.

² Internal appraisal on each respective completion date. Accrued market value at year-end totaled EUR 265 M.

³ Estimated operating net before corporate and business area overhead in 2007 on annual basis assuming current occupancy rate.

⁴ Estimated operating net before corporate and business area overhead fully leased in year 1 when the properties are completed.

⁵ Total of contracted rents and estimated rent for unoccupied space.

⁶ Estimated rental value fully leased in year 1 when the property is completed.

2007. Poland showed the highest activity both in terms of project start-ups and leasing. Investor interest was also strong. The business unit achieved its “Outperform” targets.

Six new projects were started during the year. Four of these investments were made in Poland: two in Warsaw – Atrium City and Marynarska Point – plus two phases of Grunwaldzki Center, Skanska’s first project in Wrocław. Generally speaking, Skanska’s Polish projects are relatively large, between 11,000–20,000 sq. m (118,000–215,000 sq. ft.). Reflecting the good market situation, the projects that Skanska has started are well on their way toward being fully pre-leased. Skanska’s strong position in Poland is based on its efforts during the past several years to acquire building rights and to start projects. In the Czech Republic, two small projects were started: the Vysehrad Victoria office building project in Prague and the business unit’s first project in Ostrava.

In Budapest, Hungary, where the demand for commercial space is relatively good but the supply of space is larger, Skanska started no new projects during 2007. The ongoing Nepliget office building project was sold,

however. The first phase was completed early in 2008, and the two following phases are being started. All three phases were sold in the same transaction, and Skanska will be responsible for leasing the premises.

The outlook for 2008 is good in Skanska’s Polish and Czech operations, both when it comes to leasing and interest in investment projects. In Budapest, tenants’ need for modern space remains large but supply and vacancies also higher than in Poland and the Czech Republic. Energy-efficient, modern premises in good locations are expected to remain attractive to international investors during 2008.

In Copenhagen, Atrium is the first office project in Havneholmen that is ready for occupancy. It is a 12,500 sq. m (135,000 sq. ft.) building whose tenants include the Danish headquarters of Svenska Handelsbanken, a major Swedish bank. During 2007 Skanska sold the Havneholm Atrium property to the real estate company Norrporten. Skanska has another 40,000 sq. m (430,000 sq. ft.) of building rights in Havneholmen.

Commercial Development 2007

Further information about Skanska’s Commercial Development operations and about the property portfolio can be found in “Skanska Commercial Development 2007,” which can be downloaded from www.skanska.com/investors. The publication can also be ordered from Skanska AB, Investor Relations.



New projects being started in Central Europe

The pace is fast in the real estate markets of the new EU member countries in Central Europe. Their strong economic growth is reflected in heavy demand for new, modern commercial space. In preparation for this large upturn, Skanska had six office building projects ready for start-up to meet customer needs. New leases for a total of 52,000 sq. m (560,000 sq. ft.) of space were signed in 2007.

In Warsaw, Prague and Budapest, Skanska has been well established for years. Skanska is now expanding its radius of activity to regional growth centers in Central Europe. During 2007 it took its first steps as a commercial developer in Wrocław, Poland and in Ostrava, Czech Republic. These are administrative and commercial hubs, which also have a number of higher educational institutions and occupy central locations in the heart of Europe.

Among the companies that have signed leases with Skanska in Central Europe are the professional services provider Deloitte and the financial services groups Credit Suisse and DnB Nord. Office projects dominate so far, but the market for logistics space is expected to offer new opportunities in the future.

Activity was also high among investors. One measure of confidence in Skanska is that even ongoing, uncompleted projects attract investor interest. Late in 2007 the Nepliget Center office project (photo) in Budapest was sold to an international real estate fund.

The project comprises a total of 26,000 sq. m (280,000 sq. ft.) of space and is being built in three phases. The first was completed early in 2008, and the two following phases will be completed during 2008 and 2009, respectively. Skanska will remain responsible for leasing of space in the project during a two-year period after completion.

The climate change issue is vital, and energy efficiency is an increasingly important factor when tenants choose their premises. Skanska is in the forefront in offering solutions that save energy and minimize greenhouse gas emissions during a property's operational phase.

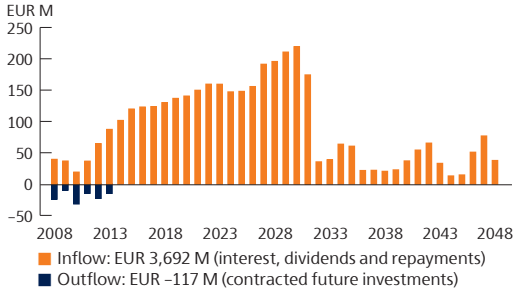




EUR M	2007	2006
Revenue	13	16
Operating income	-12	-1
Investments	-8	-31
Divestments	19	21
Operating cash flow from operating activities ¹	-1	-9
Capital employed	267	267
Gross present value, project portfolio	991	695
Return on capital employed, % ²	58	34
Number of employees	121	103

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

Estimated annual cash flow in Skanska ID's project portfolio, December 2007¹



¹ Cash flows have been translated into EUR at the exchange rates prevailing on December 31, 2007.

Infrastructure Development
 Public-private partnership
 projects growing in value





New schools in Bristol, United Kingdom
43



Finnish highway built as a public-private partnership project
47



Skanska sells its holding in Brazil's Ponte de Pedra hydropower plant
48

The estimated unrealized development gain in Skanska's project portfolio increased by EUR 286 M during 2007, totaling EUR 643 M (357) at year-end.

During 2007 Skanska divested its remaining stake in Maputo Port, Mozambique with a capital gain of EUR 8 M. At the end of the year, Skanska also signed an agreement to divest its 50 percent holding in the Ponte de Pedra hydropower plant in Brazil. A capital gain of about EUR 60 M was recognized in early 2008 when the transaction received the approval of public agencies. Skanska reached financial close for its British hospital project in Walsall. The investment amounts to EUR 12 M, and Skanska UK's construction contract totals EUR 0.3 billion.

The Infrastructure Development business stream, through the Skanska Infrastructure Development (Skanska ID) business unit, works in the public-private partnership (PPP) field, or with privately financed infrastructure.

Public-private partnerships

Public-private partnerships mean that private market players provide facilities and buildings to public agencies. This often implies a number of macroeconomic advantages for customers, taxpayers, users and builders. The model makes more room for investments in public facilities by spreading large public investments over longer time periods. It lowers life-cycle costs and also increases the benefit to users because the service or facility becomes available earlier than would be the case with traditional procurement and financing. Public-private partnership projects create value-added for Skanska by generating large construction assignments as well as continuous revenue and cash flows during the lengthy operation phase. In addition to construction contracts, in many cases Skanska is also responsible for long-term service and maintenance assignments.

From an investor perspective, Skanska ID creates assets characterized by reliable cash flows over a service life lasting many years, once the operation phase begins.

The development process

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

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

Risk management – generating value-added

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

Thorough selection process

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

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

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

Integrated model

As a rule, Skanska's local construction company carries out most of the construction project as a design-build contract with a fixed price and completion date. The margin potential in these projects can, if risks are managed, be higher than is the case in traditionally procured projects. This is mainly because Skanska is involved in the entire process and can thus influence planning and design from the very beginning. The local construction

The U.K. is an international leader in public-private partnership (PPP) projects, and Skanska is a leading player in this market. Aside from major hospital projects, Skanska is developing and managing a number of school facilities. The first, in Bexleyham, has been in operation for several years. In 2007 the first of several new school buildings opened in Bristol (photo), along with the first two of eight schools including in a PPP project in the Midlothian area of Scotland.

company is often also contracted to operate and maintain the completed facility. The greatest risk from an investor perspective is that the asset cannot go into service on schedule and that quality standards are not met. When Skanska participates in the construction assignment, this risk is regarded as substantially lower.

Once the construction phase ends, the ramp-up phase begins, that is, the time it takes for the project to achieve the expected utilization levels and degrees of functionality. Its length varies depending on the type of project and the payment model.

Two different compensation models

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

The availability model

In the availability model, compensation is based on providing a given amenity and agreed services at a predetermined price. Compensation, which is adjusted for inflation, is payable regardless of the extent to which the facility is utilized. The project company is exclusively responsible for keeping the services and facilities available, functioning smoothly and up to the agreed standard. Shortcomings may result in deductions from payments. Because the customer in availability model projects is normally a national or local government, the

project company's credit and payment risk is low. In this model, an overwhelming proportion of Skanska's investment consists of subordinated debenture loans. The availability model is more common in Skanska's project portfolio and is the most prevalent model in Europe.

The market risk model

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

Financing of projects

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

Phases in the development process

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

Appraisal methodology

Category	Steady state methodology	Steady-state discount rate	Risk premium during development phase	ID projects
U.K. hospitals, availability	Secondary market yields where a deep market exists.	8%	Add 1–2 percentage point when financial close has been reached. This premium is reduced on a linear basis including the first year of steady state. Barts hospital project includes a 2 percentage point premium due to the long ramp-up until the asset is in full operation.	Barts, Coventry, Derby, Mansfield and Walsall
Other U.K. projects, availability	As above.	8%	As above.	Bexley, Bristol and Midlothian
Other European projects, availability	As above.	8%	As above. The A1 project has a higher base rate due to some traffic risk plus 2 percentage points in risk premium during ramp-up due to some traffic volume risk.	A1, E18, E39 and Nelostie
Highways, market risk, Chile	Based on long-term government borrowing cost plus risk premium. Test against listed companies with highway holdings and completed divestments.	11%	Add 3–4 percentage point when financial close has been reached. This is reduced on a linear basis until steady state is reached.	Autopista Central
Other projects, Latin America	Based on long-term government borrowing cost plus risk premium. Test against listed companies with similar holdings and completed divestments.	13%	Add 2–4 percentage points at financial close. This is reduced on a linear basis until steady state is reached.	Manaus/Breitener

to Skanska ID consist of interest and principal repayments on subordinated loans issued by Skanska and of dividends from the project company's profits and, finally, repayment of share capital.

In today's project portfolio, Skanska's share of ownership in project companies never exceeds 50 percent, and Skanska thus does not exercise dominant ownership control.

Appraisal methodology

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

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

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

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

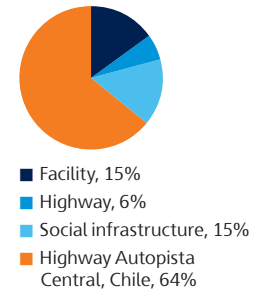
Differences in the appraisal over time are due to changes in estimated future cash flow, in time value (the closer the cash flow is in time, the larger its value) and in the yield requirement used. Since all investments are denominated in currencies other than Swedish kronor, there is a currency translation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

The 2007 appraisal

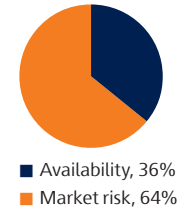
At year-end 2007, the estimated gross present value of cash flows from projects totaled EUR 991 M (695). Estimated unrealized development gains in Skanska ID increased during 2007 by EUR 286 M and thus amounted to EUR 643 M (357). This sharply higher value is largely due to Skanska's active management of the portfolio and to higher estimated future cash flow, including its time value.

Most of the increase was due to the fact that dividends between Sweden and Chile will be taxed at a lower tax rate than previously estimated. In the same way as other projects in the portfolio are handled, the tax effect has been entirely excluded. Future cash flows from the Autopista Central highway will thus be larger. This increases value by EUR 106 M. Otherwise the increases in cash flow are connected, among other things, to the expectation that highway toll income from Autopista Central will increase more and that the operational expenses to achieve this will be lower. The appraisal includes the Ponte de Pedra hydropower plant at its

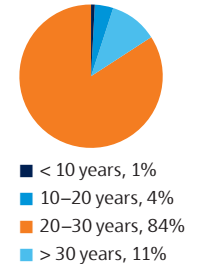
Estimated gross present value by Category



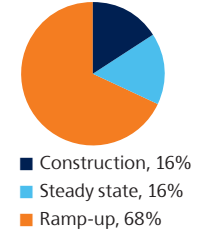
Payment type



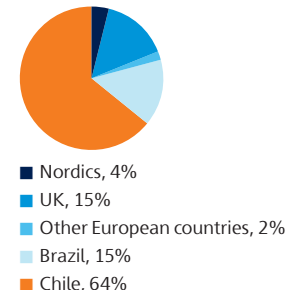
Remaining concession



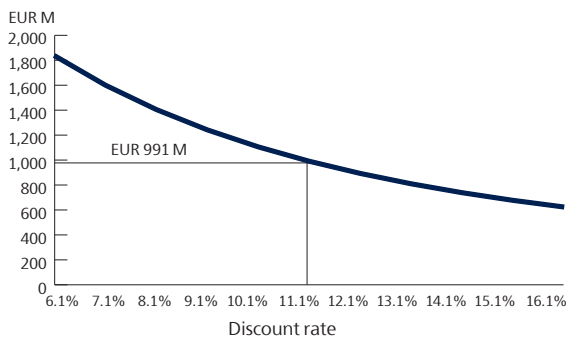
Phase



Location



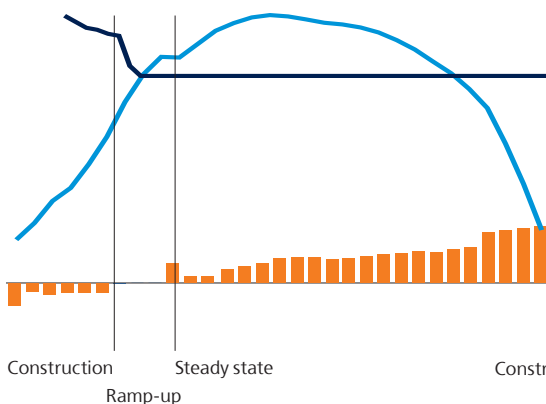
Sensitivity analysis, Gross present value of cash flow from projects, EUR 991 M



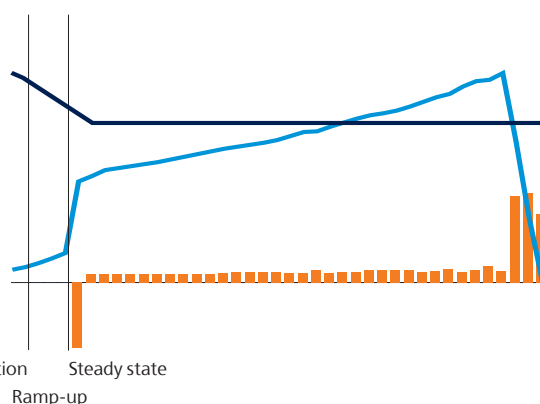
Sensitivity analysis EUR M

	Change	
Discount rate (-/+ 1 percentage point)	116.4	-95.2
Autopista cash flow (+/-10%)	63.5	-63.5

Market risk concession, example



Availability project, example



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

sale price of about EUR 110 M. This sale price exceeds the previous year's internal appraisal estimate by about EUR 59 M.

Interest in PPP projects as an asset class remains intensive, and a large number of major projects changed owners during 2007. Increasing interest is reflected in generally higher price levels and lower yield requirements. The weighted discount rate used in the appraisal was 11.1 (11.7) percent. Underlying yield requirements did not change compared to 2006. The lower discount rate reflects lower risk in the portfolio because projects have entered or are approaching their operating phase. Positive currency translation effects increased unrealized development gains by EUR 19 M.

In the consolidated accounts, elimination of intra-Group profits totaled EUR 43 M (44), which meant that

unrealized development gains at Group level amounted to EUR 686 M (401) at year-end.

A well-reputed investment bank conducted its own assessment of the value of Skanska ID's portfolio and found that Skanska's appraisal reflects a cautious but realistic assessment.

Markets

Increase in project portfolio value

The operations of Skanska ID focus on three segments – highways, social infrastructure such as hospitals and schools, and facilities.

At year-end 2007, the project portfolio consisted of a total of 15 projects in Europe and Latin America. The estimated market value of the portfolio of completed and ongoing Infrastructure Development projects is now

Valuation in 2007 by category, EUR M

Category	Gross present value, Dec 2007	Discount rate, 2007, %	NPV, remaining investments ¹	Carrying amount, Dec 2007 ²	Unrealized development gain, 2007
Highways	63	8.8%	7	26	30
Highway Autopista Central, Chile	635	11.5%	0	134	501
Social infrastructure	149	9.0%	64	36	49
Facilities	143	n.a. ⁴	17	64	62
Total	991	11.1%	87	261	643³
Accumulated development gain, 2006					357
Change, 2007					286

¹ Nominal value EUR 117 M.

² Invested capital plus accrued value of participations in project companies corresp. to Skanska's ownership.

³ Eliminations at Group-level reduces the book value and hence increases the accumulated development profit with EUR 43 M to EUR 686 M.

⁴ Not applicable, since Ponte de Pedra is included at sale price.

Definitions, Skanska ID's appraisal model

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

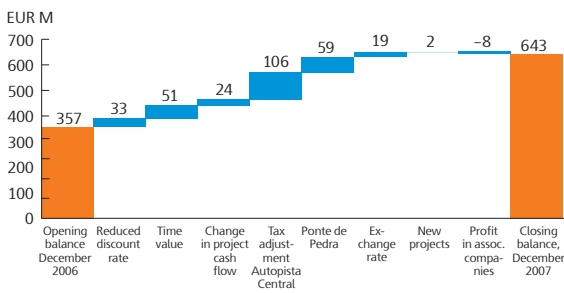
Project portfolio, EUR M

	Type	Category	Payment type	Country	Ownership	Invested capital, Dec 31, 2007	Total commitment	Year of operation/full operation	Concession ends
In operation, fully or partially, December 2007									
Nelostie	Highway	Highway	Availability	Finland	50%	3.4	3.4	1999	2012
E39	Highway	Highway	Availability	Norway	50%	7.5	7.5	2005	2028
Autopista Central	Highway	Highway	Market risk	Chile	48%	119.8	119.8	2004/2006	2031
Coventry	Hospital	Social infrastructure	Availability	U.K.	25%	11.7	11.7	2005/2007	2035
Bexley schools	Schools	Social infrastructure	Availability	U.K.	50%	2.4	2.4	2005	2030
Ponte de Pedra	Power	Facility	Availability	Brazil	50%	43.5	43.5	2005	2036
(Manaus) Breitener	Power	Facility	Availability	Brazil	35%	18.4	39.3	2006	2025
Midlothian	Schools	Social infrastructure	Availability	U.K.	50%	2.1	2.1	2007/2008	2037
A1	Highway	Highway	Availability	Poland	30%	4.1	10.3	2007/2010	2032
Mansfield	Hospital	Social infrastructure	Availability	U.K.	50%	0.0	20.3	2006/2011	2043
Derby	Hospital	Social infrastructure	Availability	U.K.	25%	0.0	13.3	2006/2008	2043
Ongoing projects									
E18	Highway	Highway	Availability	Finland	41%	7.8	9.1	2010	2031
Barts and London	Hospital	Social infrastructure	Availability	U.K.	38%	10.3	54.5	2006/2016	2048
Bristol	Schools	Social infrastructure	Availability	U.K.	50%	5.9	5.9	2007/2008	2034
Walsall	Hospital	Social infrastructure	Availability	U.K.	50%	0.0	11.2	2007/2010	2041
Total, Skanska ID						237.1	354.4		
Accumulated share of earnings in joint ventures						23.7			
Carrying amount, Skanska ID						260.8			

EUR 991 M, equivalent to an increase of EUR 286 M compared to the 2006 appraisal.

A number of completed and operating projects are generating a revenue stream. The Autopista Central highway in Santiago, Chile and the E39 highway near Trondheim, Norway have been in operation for a few years, and traffic volume is increasing. The first schools in the large Bristol and Bexleyham school projects in the U.K. are also in operation. During 2007 the first two of a total of eight schools opened as part of a PPP project in the Midlothian district of Scotland. The hospital in Coventry, England also opened.

Changes in unrealized development gain, 2007



In Poland, late in 2007 the first phase of about 25 km (16 mi.) of the A1 expressway opened. This is Skanska's first PPP project in Central Europe.

Heavy interest in PPP solutions continuing in 2008

International interest in PPP solutions remains strong in 2008. Most project volume is in the United Kingdom. A continuous flow of new project opportunities is expected there, including plans for bids on additional hospital projects.

In other European and Nordic markets, the selection is more limited. Meanwhile the outlook has brightened in Central Europe. A number of potential infrastructure development projects will probably emerge in the next few years in the Czech Republic and Slovakia.

North America has the greatest expansion potential, but lead times are long. In 2008 Skanska plans to submit bids on some very large highway concessions in North America. The Group intends to increase its investments in this sector by some EUR 100 M per year.



For the Finnish Road Administration, the company Tiejhtiö Ykköstie is building and will manage a 51 km (32 mile) long section of the E18 highway between Helsinki and Turku, Finland. Skanska Infrastructure Development has a 41 per cent shareholding in Tiejhtiö Ykköstie. The contract period is 21 years, counting from the end of 2008 when the road will open up to traffic.

Energy and sustainable development in Brazil

Ponte de Pedra, located in the Mato Grosso region, was developed by Skanska Infrastructure Development and built by Skanska Latin America and Impregilo of Italy. Skanska has also been in charge of operation and maintenance since the generating plant went into service in 2005.

The generating plant, with a capacity of 176 MW, can supply about 700,000 people with electric power. The electricity produced is sold to CEMIG, which is one of Brazil's largest electric power distributors. A natural 242 m (794 ft.) drop in the Correntes River allows efficient utilization of the water.

The Brazilian economy is experiencing robust growth, and such regions as Mato Grosso have large energy needs. The hydroelectric plant not only supplies sustainable energy but also supports a school and an activity center for both young people and the elderly in the area.

In addition, the project has generated jobs, improved such local infrastructure as the healthcare system and increased tax revenue. Last year the nearby cities of Sonora and Itiquira collected about EUR 2 M for the right to utilize the water. Before construction of the generating plant and its associated dam, Skanska conducted the appropriate environmental impact assessment, and the project was approved by Brazilian environmental authorities.

Late in 2007, Skanska signed an agreement to divest its 50 percent stake in the Ponte de Pedra hydropower plant. The sale price for its shares totaled about EUR 110 M, and the capital gain was about EUR 59 M. The capital gain on the sale is being recognized in the accounts early in 2008 when the appropriate public agencies have approved the transaction.





Sustainable development

Always thinking ahead

Skanska's commitment to sustainable development and the contribution made thus far to improving the Group's environmental, social and economic performance are well known to many stakeholders. This is the twelfth year that Skanska has reported publicly on achievements relating to these important aspects of business. Initially, the focus was on the environment. In more recent years, this has been expanded to include all three areas of sustainable development – social, environmental and economic – proof in itself that Skanska operates well ahead of most of the construction industry in terms of this commitment.

Skanska has made significant progress since it published its first Environment Report for 1996. Some of this is evident from the many successful projects completed around the world, using innovative approaches to overcome a variety of challenges related to sustainability. Improved gathering and interpretation of appropriate data – on accident statistics, training, recycling rates and even the evaluation of chemical products – has also contributed to a greater understanding of Skanska's real impact – socially, environmentally and economically. Companies today, across all sectors, operate in a rapidly changing landscape. Ideas and actions regarded as showing environmental initiative a few years ago are now an integral part of most organizations' daily activity. However, the construction industry in particular occupies an unusual position in terms of sustainability.

Meaningful measurement and reporting

Construction is a project-based business. Buildings are designed, financed, built, commissioned and leased or sold in a complex series of interrelated transactions. The project list is always changing and, as a consequence, Skanska and its workforce is always in flux. This makes measurement of many of the conventional reporting parameters for sustainability, which work satisfactorily in other business sectors, difficult if not impossible in this industry. Where performance data can be gathered, it frequently provides a meaningless comparison for year-on-year improvements because baselines are constantly moving. Skanska believes that further work is required by major players in construction and related areas, to ensure that where data is used for reporting, it is both meaningful and accurate.

With leadership comes responsibility

The construction industry is ideally placed to make a significant contribution to the sustainable development agenda. Skanska's position of leadership carries with



Making sure the workforce lives and breathes its philosophy on sustainability is vital for Skanska in order to achieve its goals. To this end, during 2007 the company produced a number of publications to help and guide employees, from a booklet of practical energy tips to a comprehensive range of energy efficiency best practice guides on operating construction machinery in ways that reduce greenhouse gas emissions.

its responsibilities. Not only does the company need to constantly improve its own performance in all three areas – society, environment and economy – it must also contribute to raising standards throughout the entire building sector. The purpose of this Sustainability Review is to report on the achievements made in the past year, as well as highlighting areas of business where further work is still required. Many of the initiatives that began during the year will form the foundation for an even stronger, sustainable future for Skanska, its workforce and customers.

Through its Environmental Policy, published this year, and a three-year Environmental Strategy taking the company to 2010, Skanska has made several public commitments about its strategic objectives, key performance indicators (KPI) and targets. These will form the basis of future reporting, both internally and externally, using the annual Sustainability Review and the Skanska Group website.

Social aspects, important to Skanska's future development, are also the focus of programs which were implemented in 2007 and will take the business forward to the end of the decade. Health and safety are Skanska's single most important social responsibility. To this end, during 2007 a revised Safety Policy, Guidelines and Standards were put in place throughout all of Skanska's home markets. In support of this policy, there is a monthly, company-wide Safety Statistics Reporting Protocol supported by a global reporting database for collection and analysis.

Economically, the future focus for Skanska will be on developments in major cities and conurbations. By 2030, an estimated 60 percent of the world's population will be living in urban areas. It is Skanska's objective in its home markets to ensure that it contributes to the quality of life of city dwellers, not only through the construction of new office buildings but also by providing infrastructure development, including new hospitals and schools.

Gas plant exceeds targets

The construction of the El Casquete gas plant in a desolate part of Argentina some 1,300 km (800 mi.) west of Buenos Aires was a major challenge, which was performed so well that the project received the internal award Best Project of the Year in the Civil Engineering category. The customer benefited from completion of the project ahead of schedule.

Skanska fulfilled both its financial and quality targets. The margin was above average, and the job was carried out entirely without accidents.



Skanska's 5 zero visions – zero loss-making projects, zero environmental incidents, zero work site accidents, zero ethical breaches and zero defects – are closely aligned with the concept of sustainable development. They continue to be central to the company's philosophy.

Management systems, reporting structures and training procedures have been in place for several years to ensure that Skanska operates all of its business units, in every home market, to ensure compliance with all relevant laws, regulations and standards. Skanska will continue to work with regulators, quality assurance bod-

ies and many other stakeholders to understand fully the particular challenges and opportunities facing the construction industry, and to encourage the adoption of measurement tools that are more meaningful to project-based activities than heretofore. The result will be improved accuracy and relevance of the reporting and benchmarking of environmental, social and economic impacts – not only for Skanska, or for the construction industry, but also for other sectors that are project-, rather than manufacturing, focused.

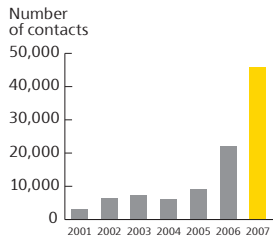


Six Skanska business units (Skanska UK, Skanska Norway, Skanska Sweden, Skanska Commercial Development Nordic, Skanska Residential Development Nordic and Skanska USA Building) actively contributed to the Sustainable City Development Conference in Malmö, Sweden in September 2007. This Nordic event was one of a number held regionally around the world, culminating in a global conference during 2008 in Melbourne, Australia. Best practices and advice on the correct selection and use of sustainable construction techniques and materials were shared with delegates.

Gaining independent recognition is an important part of demonstrating that a business is on the right track. Here is a selection of Skanska's achievements this year:

- Skanska UK won the 2007 award for Best Sustainable Contractor/Construction Manager of the Year from Business Sustainability Awards.
- Skanska Latin America won the Latin American Safety Award from the Latin American Association of Occupational Safety and Hygiene (ALASEHT).
- Skanska USA Building was rated the Top Green Contractor in the Green Contractors Survey.
- In Poland, Skanska is the highest ranked construction company in corporate social responsibility (CSR), according to German publication Manager Magazin 2007 Good Company ranking and Skanska was rated general contractor with the highest economic value-added in a list of 50 companies with the highest EVA published in 2007 by the Rzeczpospolita daily.
- Skanska Finland earned first prize in all categories of Going Safely in the 21st Century – the annual occupational safety competition in the Uusimaa region in southern Finland. Skanska won the awards for the Espoo Reimantorni residential project and for a civil project in Ilves and was named best company in both the residential and civil construction categories. The annual trophy was presented by the Uusimaa Occupational Safety Inspectorate.

Spreading the word (Code of Conduct)



Throughout 2007, 45,000 suppliers and sub-contractors were informed about the Skanska Code of Conduct using a variety of communication methods.

One example of how corporate control is implemented comes from Skanska's operations in the Far East

In China it is a mandatory requirement for all manufacturers and suppliers doing business with Skanska to meet all elements of the Code of Conduct. Operating locally in the region, Skanska staff carry out environmental and social audits, as well as providing a corporate resource for the centralized purchasing operations of Skanska Sweden.

Some important factors in performance include:

- Complying with legal requirements that apply to the countries where Skanska does business.
- Respecting the United Nations Universal Declaration of Human Rights and to recognizing the Group's responsibility to observe those rights.
- Being committed to doing business with a high standard of integrity and ethics.
- Having an open-minded dialogue with those affected by its operations.



Michael Yue is Skanska's chief representative in Shanghai and in charge of the Group's procurement work in the Chinese market.

Social agenda

Health and safety

Employees, understandably, play a key role in health and safety. Recognizing the high accident rate for drivers in Skanska Latin America, Skanska took the bold step of installing on-board tachographs in thousands of road vehicles in a bid to make driving safer for workers. Drivers are now more aware of their behavior, which has resulted in a significant reduction in incidents. This dedication to safety contributed to the Latin American Safety Award won by Skanska in 2007.

Skanska Norway also has an excellent safety record, encouraged by its extensive work for the oil and gas sector. Oil sector risk management software has been adopted by Skanska Norway to aid its work toward continuous improvement in this area. This tool allows the reporting of dangerous conditions, accidents and near misses. It also provides supervisors access to corrective actions and shared best practice responses. The reporting element of Synergi produces monthly and quarterly statistics and trends, with data exports being made available to major clients.

Skanska is fully aware that its safety record will only be acceptable when it can record zero fatalities and accidents. Until then, the Company continues to aim for the highest possible safety standards including a zero tolerance policy on any behavior construed as dangerous in the workplace.

Throughout 2007, an increasing number of line managers have been given responsibility with training and competency as key aspects of their role. They are supported by safety experts within the organization.

During 2007, one employee and seven subcontractors sadly lost their lives as a result of accidents. This is clearly unacceptable; when a fatality occurs the Fatality Accident Protocol provides a clear procedure for reporting, investigating and communicating the incident irrespective whether it is a Skanska employee, a subcontractor or a

member of the public. An initial report is submitted to Skanska AB within 48 hours and appropriate actions are undertaken by business unit management in conjunction with external agencies. A final report is submitted to Skanska AB when the investigation is concluded, generic learning is extracted and shared via the Skanska Safety Alert briefing and the Skanska Safety Performance Network reviews each fatality at its half-yearly meetings to identify ways to try to eliminate the risk that similar incidents will occur in the future.

Business ethics

Based on periodic research by Transparency International, ethical behavior is particularly open to abuse in the construction sector. This presents a constant challenge for responsible companies like Skanska. In 2002 the Company published its Code of Conduct and in 2003 separate Compliance Guidelines were produced to support implementation of this Code. A revised version of the Code will be published in 2008 and the Compliance Guidelines will be updated during the year. Skanska was instrumental in the development of the original United Nations Business Principles for Countering Bribery in the Engineering & Construction Industry. These have now become the Partnership Against Corruption Initiative (PACI) principles – endorsed by over 110 companies employing more than 1.5 million employees worldwide, with annual revenues of USD 500 billion. In an industry which has not enjoyed the most exemplary record, Skanska operates a zero tolerance approach to bribery. Any breaches are dealt with promptly and severely.

Supply chain

An estimated 75 percent of the costs of Skanska's projects relate to the purchase of goods or services. The procurement processes across all business units involve thousands of suppliers and subcontractors. All must be properly screened and evaluated with regard to national



One health and safety initiative is group warm-up exercises, which take place at the beginning of the working day. In many projects, “stretch and flex” exercises have helped decrease back problems among employees.

legislation, as well as environmental and human rights aspects. The vast majority of purchases are currently handled locally in each project. Procurement is governed by regional management systems adapted to each specific home market. In 2007, Skanska made increasing use of centralized purchasing functions. As this resource is developed, the company will benefit from long-term global agreements with suppliers. As a direct consequence of increased centralized purchasing, further improvements in chain of custody and other international environmental and social initiatives protecting people, natural resources and raw materials will be achievable. Skanska’s procurement team encourages the purchase of materials from sustainable sources wherever possible and is mindful of the need to select suppliers through Pre-Qualifying Questionnaires that assess safety and environmental criteria as part of the prerequisites for being allowed to submit a tender.

Training

Every method of teaching and communicating must be used, every opportunity taken, to make construction a safer profession. Proper training of everyone involved in a project is crucial. It also plays an important role in educating employees, suppliers and subcontractors about safety and environmental best practices.

Up to 250,000 subcontractors work for Skanska in any given year. They make up a significant proportion of the workforce, and it is important that each of them complies with Skanska’s own stringent health and safety requirements.

As part of the Young Offenders Training and Employment Program, Skanska UK is working in partnership with its customer, National Grid – which manages the country’s gas and electricity infrastructure. This is an example of new initiatives to address the shortage of personnel. A 13-week course is run in prisons to identify and employ future team leaders to work on gas mains replace-

ment. During the training program the trainees are still in prison but are released daily under license. A total of 71 young offenders have commenced the program since July 2005, of whom 28 are now employed full-time by Skanska UK and 5 are still trainees.

During 2007 Skanska further developed an ongoing recruitment program aimed at attracting university-level graduates and, in particular, women, to work for the Company. Skanska is not immune to the skills shortage that faces the global construction industry. However, using innovative recruitment and training techniques both to attract new employees and to ensure better retention of existing personnel, the Company continues to make good progress.

All training is normally delivered throughout Skanska at a business unit level. One exception is a Groupwide program for Skanska’s top 250 executives. The Skanska Top Executive Programme (STEP) focuses on strategy, change and leadership and is delivered in partnership with the IMD business school in Lausanne, Switzerland. Participants also work in project teams that perform assignments for the Group. The result of one of the projects is a new Corporate Citizenship program. This lays out a strategy which links Skanska more effectively, and meaningfully, to the communities in which it operates.

Diversity

Diversity is about embracing and utilizing the different talents and viewpoints that individuals bring to a team, regardless of their background. Skanska is working hard to ensure that it encourages employees from all walks of life and maximizes its use of the skills they bring with them.

With customer encouragement, Skanska USA Building has developed a Diversity Program at the new Meadowlands Stadium. The goal is to achieve a participation in the project of at least 20 percent from minorities,

Skanska Commercial Development Europe used a range of energy conservation solutions, during the construction of the Nepliget Center in Hungary. Solar panels provide 60 percent of the building's requirements for hot water. Liquid chillers, designed to reduce energy consumption and operating costs, have been installed and automated low energy lighting prevents unnecessary use of electricity. When Skanska Infrastructure Development undertook the construction of Bristol Brunel Academy, carbon emissions of 40 percent less than the required standard were achieved. Sustainable building methods, including the use of recycled materials, sustainable urban drainage systems and the re-use of rainwater were employed throughout the project.

Lowering energy consumption plays a crucial role in reducing carbon dioxide emissions. Analyzing the energy used during the entire life cycle of a typical building, as little as five percent is consumed during construction. Up to 15 percent is embedded in the materials used for its construction (many of which could ultimately be reused or recycled). The remaining 80+ percent is then consumed by occupants during the building's useful operating life. By constructing homes and offices that are energy-efficient, Skanska contributes far more to the reduction of global carbon emissions than the Company could ever achieve at the point of construction, even if total energy consumption during construction were reduced to almost zero.

women and small business enterprises (MWBE). A key aspect of the program is developing and maintaining dialogue and action that promotes the utilization and mentoring of MWBE firms and creates opportunities for them to participate in the project. Using a variety of online media channels, Skanska reached out to over 8,000 minority businesses, encouraging them to contact the Company to learn more about opportunities to become suppliers and subcontractors. Skanska also held sponsored procurement fairs to inform potential MWBE partners about the opportunities for working on the Meadowlands Stadium project and to introduce them to prime contractors.

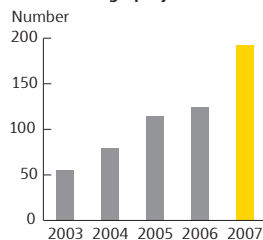
Environmentally certified office building in Seattle

The Alley24 office and retail project in downtown Seattle, WA, U.S.A. has received Leadership in Energy and Environmental Design (LEED) Gold certification. Alley24 met LEED Gold standards for both the building and its interior.

Together with the NBBJ architectural firm, Skanska designed and built the project. Both companies now have offices there. For Skanska, it meant about 40 percent less energy consumption than at its previous office. The move to a healthy new environment helped lower employee absences considerably. The customer, Vulcan Real Estate, was also pleased that Skanska completed the building below budget.

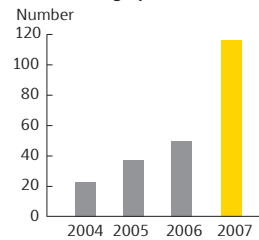


Eco design projects



A wide range of Eco Design tools are available throughout Skanska's home markets and business units. The number of projects undertaken during 2007 has risen for the fifth consecutive year.

Eco design professionals



The number of trained or accredited professionals available within Skanska increased 6 fold in the past four years.

Environmental agenda

Energy and climate

The four environmental priority areas in which efforts will be made in the coming years to consolidate Skanska's position as a leading, environmentally responsible business are energy and climate, materials, ecosystems and local impacts.

Skanska's knowledge and experience of sustainable building practices is helping its clients to mitigate climate change. The construction of energy-efficient public, commercial and residential buildings will continue to play a big part in delivering local, national and international targets for reduced carbon dioxide emissions. Although the initial investment can sometimes be higher at the construction phase, properly managed buildings incorporating energy-efficient materials and design ultimately cost much less, both in terms of the total energy consumption, (reductions of 30–40 percent are possible), and their carbon dioxide footprint. However, higher initial cost is not always the case. ModernaHus, a new development in prefabricated housing, is a good example of how Skanska Sweden is building homes which are both more affordable to buy and less expensive to run. Another excellent demonstration of low energy construction is the Holstetin Center for Sustainable Rural Development in the Czech Republic. Built to extremely low energy consumption specifications using traditional techniques and local resources, this project was the first non-residential, passive energy building in Europe to receive EU funding.

Not all projects involve new construction. Skanska Sweden's transformation of existing apartment houses demonstrates how entire communities can be enhanced through the improvement of living conditions. Using sustainable solutions to update residences, Skanska is undertaking more than property renovation – it is looking at ways to create a safe and healthy living environment, both inside buildings and outside. Using environmentally friendly materials and techniques, the trans-



Earthquake relief

Skanska personnel are closely involved with the construction and operation of coastal installations for the Camisea gas project, a major development situated near Pisco in Peru. The facility is used to separate liquefied natural gas drawn from the Malvinas Gas Plant, which was built by Skanska Latin America.

In August 2007, the region was hit by a major earthquake and the city of Pisco was severely damaged, along with neighboring towns. Thousands of Peruvians were left homeless as a result of the disaster, hospitals and other public buildings were badly damaged, with communication systems and the regional airport also being affected.

A large number of Skanska personnel were in the area at the time of the earthquake, having been given ongoing responsibility for the maintenance of the Camisea plant. Immediately after the earthquake struck, a Crisis Committee was mobilized. Skanska employees and their families were accounted for and moved initially into an emergency center before being relocated to safe, temporary accommodation. A team of volunteers ensured that food, clothing and clean water were delivered to the Skanska families, as well as many of their neighbors. Meanwhile, the condition of the Camisea installation was carefully checked and work began on restarting the liquid fractioning systems. Emergency lighting was also provided to Pisco's town square and to the airport. In the days and weeks following the earthquake, Skanska provided much needed expertise and equipment to help with the disaster relief. In particular, six schools which were severely damaged were quickly demolished, so that temporary accommodation could be erected, enabling classes to continue with a minimum of disruption.

formed apartments will benefit from lower energy consumption and operating costs. Elsewhere, in Norway, the reconstruction of an existing building as part of the UN Environment Program saw the GRID-Arendal offices equipped with solar collectors for water heating, flexible internal wall positioning, the use of advanced insulation materials and other energy-saving measures.

Transporting material, equipment and plant to and from construction sites is an inevitable part of Skanska's activities. To minimize the environmental impact of traffic movements, both in terms of carbon dioxide emissions and local disruption, at the Clarion Sign Hotel in Stockholm, large building components were brought in by rail from Slovakia, in cooperation with Green Cargo (a Swedish environmentally certified freight transportation organization) and the Swedish Rail Administration. Significantly reducing both the carbon dioxide footprint of the project and shipping costs, it is estimated that Skanska Sweden's actions saved the equivalent road miles of 30 truck journeys around the world.

Reducing emissions due to vehicle operations is part of Skanska's Environmental Strategy (2008–2010). The role that vehicle management can play in improving sustainability is recognized by Skanska's new global Green Car policy, introduced to improve fuel efficiency and thus to reduce carbon dioxide emissions throughout the group. All cars owned or leased by Skanska will be categorized according to carbon dioxide emissions. In the short term, new vehicles emitting from 260 to 130 grams per kilometer will be acceptable only when vehicles with lower emissions are not available in local markets. In the medium term, a target of 50 percent of the entire fleet will be replaced by cars that emit less than 130 grams/kilometer, well ahead of the EU target date of 2012.

Materials

As well as using materials from local sources wherever possible, the reuse, recycling and minimization of final

waste streams are important aspects of all Skanska projects. At the Corona Train Maintenance Facility, constructed by Skanska USA Civil, site redevelopment was undertaken in accordance with the Leadership in Energy and Environmental Design (LEED) certification process. During construction, local suppliers were favoured and 24 percent of the total building supplies used were manufactured from raw materials that were harvested, extracted or recovered from within 800 km (500 miles) of the project site. The priority for the Skanska team was to use sources with low embodied energy or high recycled content. In all, 13 percent of the supplies used were manufactured from recycled material.

Ecosystems

For many years, Skanska has been actively involved in ecosystem protection, as part of its commitment to reduce the impact of its operations on local flora and fauna. Indirect improvements are best made through considered use of the supply chain. With the trend toward more centralized purchasing, potential exists for more careful selection of major suppliers, to ensure that resources such as timber and quarry products like dimensional stone are only obtained from properly recognized, approved systems. Direct improvements in Skanska's activities are also an important part of current and future operations, particularly where large infrastructure development projects involve the construction of highways or waterways.

Skanska Poland operates a chain-of-custody policy to ensure that wood is only purchased from sustainable sources. Certificates of conformity from recognized forestry plans, along with invoices, are tracked and recorded by the purchasing department to ensure that materials meet the required environmental standards. Further work has been done to educate employees on the verification methods developed by the Forest Stewardship Council (FSC) and the Program for the Endorsement of Forest

Skanska was the first Swedish company to sign up to the EU Corporate Leaders Group on Climate Change. It was also the first company in the construction sector to do so. The Group's recent initiatives include the Bali Communiqué, a call by 150 business leaders for a legally binding UN framework for tackling climate change. Skanska's active involvement in the UN Sustainable Buildings and Construction Initiative, its membership in the World Business Council for Sustainable Development and external relationships with influential groups including the UN Global Compact and UN COP reinforces the Company's position and commitment in terms of sustainability.

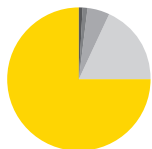


Choosing a sounder environmental solution

Skanska assumed its environmental responsibility beyond the requirements of the law when manufacturing prefabricated concrete elements in Fredrikstad, Norway.

Shipping the large elements to Oslo required dredging a channel with polluted sediment on the bottom. Public agencies said that this mud could have been dumped at sea. But after a dialogue with various environmental organizations, Skanska chose to solve the problem by depositing the material at a landfill, at its own expense.

Value-added to society



- Suppliers, 74%
- Employees, 18%
- Retained earnings, 5%
- Dividends, 2%
- Income tax, 1%

Certification Schemes (PEFC). Not only has the initiative raised awareness internally of the importance of verifiable chains of custody, it also ensures that customers can be confident that materials originate from well managed, sustainable supplies.

In Peru, Skanska led a consortium of businesses which provided upstream and downstream process infrastructure for a major gas installation. Designed to reduce the country's dependence on oil, the Camisea plant was built in close consultation with the Peruvian government, as well as local, national and international NGOs. Extensive stakeholder dialogue was undertaken throughout the project in order to carefully manage the social and environmental impacts. The related biodiversity monitoring work was undertaken in collaboration with over 100 local guides, government agencies, educational institutions and scientists and researchers from South America and elsewhere. Strict provisions for erosion control and immediate reforestation formed an important aspect of the overall system.

Local impacts

Considering the impacts on the local community and their environment is a high priority for Skanska. The company regularly operates above and beyond its legislated obligation, if there is a cost effective alternative that will benefit the local population. One example of going beyond compliance is provided by Skanska Norway. Concrete elements fabricated in Fredrikstad were destined for use in a parking lot deck to be built underwater, to provide the foundations for a new housing project in Tjuvholmen, Oslo. Once completed, the elements were to be transported by barge. However, dredging was necessary to increase the depth of the channel.

Investigations showed that the material on the bed of the waterway was contaminated. An environmental assessment proved that there was minimal risk and a proposal was put to the customer and the local govern-

ment to deposit the dredged material in an approved area of the sea bed. Local media and NGOs were concerned about possible contamination and unhappy with the local government's decision, so Skanska volunteered a more sustainable solution and undertook, at its own expense, to deposit all the contaminated material in a depot facility on land. Skanska consulted closely with local environmental organizations during the work.

Economic agenda

Sharing benefits – adding value to society

Sustainable societies need strong foundations built on sound legal systems, good social services, effective infrastructure and a high quality environment. All of this takes money, usually derived from companies and individuals in the form of taxes, which ideally are redistributed in an equitable way for the benefit of the whole society. The taxes paid by Skanska and those collected from its employees on behalf of governments are important contributors to the creation of well-being in the markets in which we operate. In 2007 the Company reported income tax expenses totaling EUR 167 M, up 16 percent over 2006. Likewise, of the 92 percent of 2007 revenue paid to employees in salaries and to subcontractors and suppliers in contracts, a significant amount will find its way back into society in the form of direct and indirect taxes paid by Skanska's workforce and commercial partners.

While fulfilling its financial responsibilities to the shareholders, Skanska believes it is important to balance these with ensuring that business decisions are made only when all the risks have been assessed. These risks are not purely financial. They also take into account unacceptable social or environmental issues. Proprietary risk assessment tools such as the Skanska Tender Approval Process (STAP) and the Skanska Operational Risk Assessment (ORA), allow the efficient and accurate screening of all projects.

Skanska Financials 2007

The financial statements presented in this review have been prepared in EUR (euro) as the presentation currency.

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

Financial Review

The strong construction climate continued during 2007. The Group and its business streams surpassed all their financial targets, with the exception of Residential Development, where the situation in several markets deteriorated.

The currently prevailing turbulence in financial markets has not yet had a major impact on the Group's operations. If the trend moves toward an economic downturn, Skanska will naturally also be affected.

Most business units in the Construction business stream showed good earnings, with historically very high margins. The "Outperform" earnings targets established by the Board of Directors three years ago were surpassed by Construction. The business stream's improvement over time is the result of a strong construction climate but also largely the result of improved risk management and selectivity in bidding. Order bookings increased from an already high level.

In Residential Development, there was a general slowdown in both the rate of price increases and sales, especially in the Norwegian and Danish markets. In spite of this, the year ended close to the business stream's financial "Outperform" targets, with an operating margin of 9.4 percent compared to a target of 10 percent and a return on capital employed of 14.9 percent compared to a target of 18 percent. In Sweden, Finland and the Czech Republic, Residential Development reported good earnings. Capacity shortages and higher material prices had a restraining effect on new project start-ups. The Group's initiatives in industrialization and coordinated purchasing will be increasingly important in enabling it to reduce the costs of residential construction.

In Commercial Development there was continued good demand from the investor market, both in the Nordic countries and in Central Europe, for properties with efficient space in good locations and with a good occupancy rate. This provided a strong market for new development. Twenty-three new projects were started, equivalent to an investment totaling EUR 0.6 billion. Divestments of completed properties were made at prices that exceeded the Group's market appraisals by an average of about 20 percent. The Group increased its investment activity, and the number of project start-ups was large during 2007. Commercial Development signed leases for more than 300,000 sq. m (3.23 million sq. ft.) of space.

The market value of the project portfolio in the Infrastructure Development business stream increased to EUR 0.99 billion (0.70).

The Group's Danish construction operations again showed a negative trend. After a thorough evaluation of the conditions for pursuing successful construction operations in Denmark, Skanska decided to discontinue these operations. By year-end, most of them had been divested or transferred to another unit of Skanska. The phase-out is expected to be completed in 2009. The Group's residential development and commercial development operations in Denmark are not affected.

Order bookings and backlog

EUR M	Order bookings		Order backlog	
	2007	2006	2007	2006
Sweden	3,167.8	2,973.3	2,333.3	2,179.3
Norway	1,434.0	1,337.1	1,179.6	1,074.2
Denmark	323.6	404.7	19.7	222.6
Finland	1,057.2	1,040.3	801.0	775.2
Poland	581.8	612.0	410.6	646.8
Czech Republic	1,010.1	1,261.8	1,264.7	1,448.0
United Kingdom	1,965.1	2,561.2	3,259.3	3,516.1
USA Building	3,740.4	2,711.8	3,336.4	2,889.3
USA Civil	1,910.7	1,199.0	2,380.9	1,887.6
Latin America	631.8	394.1	482.2	302.9
Other	34.1	28.9	1.4	8.1
Total	15,856.4	14,524.2	15,469.0	14,950.1

Order bookings and backlog

Order bookings increased by 9 percent and amounted to EUR 15.8 billion (14.5). Adjusted for currency rate effects, order bookings increased by 13 percent, of which 1 percentage point was acquired order bookings.

Currency rate effects were mainly attributable to the weakening of the American dollar against the euro.

During 2007, order bookings increased primarily in Skanska's U.S. and Nordic units.

In the U.S., building construction and civil construction operations increased their order bookings by 51 and 74 percent, respectively, in local currency.

Among major orders received, it is worth mentioning Skanska's largest U.S. order to date, which was signed by the Skanska USA Civil business unit. This contract was for a water treatment plant in New York City. Skanska's share of the contract value was about EUR 0.8 billion.

Skanska USA Building was selected to renovate the United Nations headquarters in New York. This assignment has an expected order value of about EUR 0.7 billion and will be completed in phases. The same business unit was commissioned to build a stadium for two NFL football teams, the New York Jets and New York Giants. The contract value totaled about EUR 0.8 billion.

In central London, Skanska was awarded a number of large construction assignments, including the Walbrook office and retail center, with a contract value of about EUR 0.2 billion, and the Heron Tower office project, worth about EUR 0.4 billion.

Skanska reached financial close for the Manor Hospital project in Walsall, England, which is a public-private partnership project. Skanska is investing EUR 11.9 M, equivalent to a 50 percent share in the project company. The consortium is responsible for financing, design, construction and facility management during a 33-year contract period. As a result, Skanska UK received a construction contract worth EUR 0.3 billion.

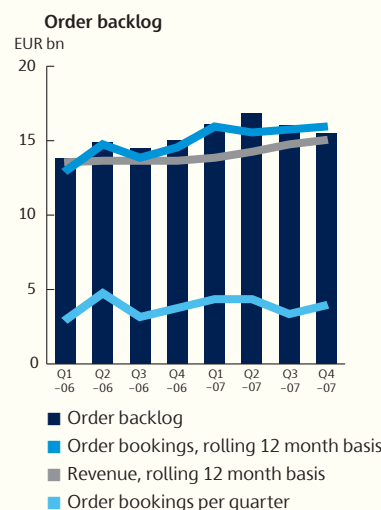
In Norway, Skanska was commissioned to build an underwater parking garage in central Oslo, an assignment worth about EUR 95.1 M.

In Brazil, Skanska signed a contract to build a power generating plant outside São Paulo worth about EUR 102.7 M as well as a contract to build a steam pipeline with an expected order value of about EUR 84.3 M.

Order backlog amounted to EUR 15.5 billion (15.0), equivalent to an increase of 3 percent. Excluding negative currency rate effects of EUR -1.0 billion, the increase amounted to 10 percent. The currency rate effect was mainly attributable to the weakening of the American dollar and the British pound against the Euro.

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

Of order backlog, an estimated 62 (60) percent will be completed during 2008.



Revenue

EUR M	2007	2006
Revenue by business stream		
Construction	14,322.2	12,829.4
Residential Development	830.1	733.6
Commercial Development	338.3	370.2
Infrastructure Development	12.5	16.3
Central and eliminations	-501.5	-375.1
Skanska Group	15,001.7	13,574.3

Revenue increased by 11 percent and totaled EUR 15.0 billion (13.6). Adjusted for negative currency rate effects of EUR 0.3 billion, revenue rose by 13 percent, of which 2 percentage points consisted of acquired growth.

In the Construction business stream, revenue increased by 14 percent in local currencies.

Income

Operating income

Operating income amounted to EUR 584.4 M (514.6). Given unchanged exchange rates compared to the previous year, operating income would have been EUR 6.2 M higher.

Construction

In the Construction business stream, operating income rose by 33 percent and amounted to EUR 480.5 M (360.5). The operating margin increased to 3.4 (2.8) percent. Margins and earnings rose in most business units and stood at a historically very high level. Six out of ten business units achieved or surpassed the "Outperform" targets they had established.

In the United Kingdom, however, both earnings and operating margin declined as a consequence of cost increases that have affected a few long-term projects with fixed-price commitments.

During 2007, the Group discontinued most Construction operations in Denmark. After provisions for estimated expenses, however, these operations showed a positive operating income for the year.

Residential Development

In Residential Development, operating income declined to EUR 78.3 M (92.1). The operating margin in this business stream amounted to 9.4 (12.6) percent.

A general slowdown in both price increases and the pace of sales led to lower margins, since the costs of materials and subcontracting services meanwhile continued to rise. In Sweden, Finland and the Czech Republic, the business stream nevertheless reported good earnings. In Norway, Skanska reported some impairment losses for land and provisions for increased construction costs.

Earnings in Danish residential development operations were also affected by poorer earnings in a large ongoing project.

Commercial Development

Operating income in the Commercial Development business stream totaled EUR 98.4 M (130.8). Operating income in the business stream included capital gains from property divestments amounting to EUR 113.6 M (136.2), with a total sale price of EUR 302.2 M (320.5). Of this, EUR 28.7 M (15.1) is attributable to ongoing projects that were divested ahead of completion. For these projects, Skanska applies the percentage of completion method.

Divestments of completed properties were made at prices that averaged about 20 percent above the estimated market values assigned at the end of 2006.

Infrastructure Development

Operating income amounted to EUR -11.6 M (-0.9). Higher bidding costs for new projects and lower divestment volume explain the lower earnings. Operating income included EUR 7.9 M (12.7) in capital gains on the divestment of project holdings. This was related to the sale of Skanska's remaining share of Maputo Port, Mozambique.

Central

Central expenses increased to EUR -60.5 M (-55.5).

This item included Group headquarters and central companies as well as provisions in the consolidated financial statements. The amount included infringement fines of EUR 18.4 M for anti-competitive activities levied as a result of court rulings in Sweden and EUR 1.4 M for such fines in Finland. The International unit, with a number of businesses that are being phased out or shut down, accounted for EUR +12.3 M of this item.

Eliminations of intra-Group profits

In the consolidated financial statements, Skanska eliminates such items as profits in Construction operations related to property and infrastructure projects equivalent to the Group's share of ownership of these projects. These eliminations are reversed over the depreciation/contract period or when the projects are divested.

The year's elimination of intra-Group profits amounted to EUR -0.6 M (-12.3).

EUR M	2007	2006
Operating income		
Construction	480.5	360.5
Residential Development	78.3	92.1
Commercial Development	98.4	130.8
Infrastructure Development	-11.6	-0.9
Central	-60.5	-55.5
Eliminations	-0.6	-12.3
Operating income	584.4	514.6
Net interest items	49.9	32.3
Change in fair value	-11.2	-12.8
Other financial items	-10.5	4.5
Net financial items	28.2	24.1
Income after financial items	612.6	538.7
Taxes	-167.1	-143.7
Profit for the year	445.5	395.0
Profit for the year attributable to		
Equity holders (shareholders)	442.8	392.8
Minority interest	2.7	2.2
Earnings per share for the year, EUR	1.06	0.94

Income after financial items

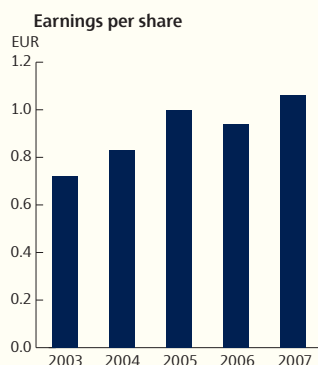
Net financial items totaled EUR 28.2 M (24.1).

Net interest income improved to EUR 49.9 M (32.3). Due among other things to higher average interest rates and improved financial items related to defined-benefit pension plans, interest income rose to EUR 67.8 M (43.9).

Capitalization of interest expenses in ongoing projects for Skanska's own account totaled EUR 6.6 M (3.7). The net change in the fair value of financial instruments amounted to EUR -11.2 M (-12.8). These were mainly related to negative interest rate differences in currency hedging of investments in Infrastructure Development in Latin America as well as currency hedging of Skanska's equity denominated in American dollars. Other financial items amounted to EUR -10.5 M (4.5) and mainly consisted of currency rate differences plus various financial fees, mainly related to Latin American operations.

Profit for the year

After subtracting the year's tax expenses of EUR –167.1 M (–143.7), profit for the year attributable to equity holders amounted to EUR 442.8 M (392.8). The effective tax rate was 27 (27) percent. Earnings per share amounted to EUR 1.06 (0.94).



Residential, Commercial and Infrastructure Development

Breakdown of carrying amount, current-asset properties, Dec 31, 2007

EUR M	Residential Development	Commercial Development	Construction	Total
Completed projects	36.1	237.0	12.8	285.9
Ongoing projects ¹	93.8	264.7	11.5	370.0
Undeveloped land and development properties	525.2	160.9	54.8	740.9
Total	655.1	662.5	79.2	1,396.8

¹ The amount EUR 264.7 M includes projects completed in 2007 totaling EUR 37.3 M.

Residential Development

At the end of 2007, the Group had 5,593 (6,487) residential units under construction. Of these, 73 (81) percent were sold. The number of completed unsold residential units totaled 293 (119).

During the year, construction began on 4,196 (4,715) units. In the Nordic countries, the number of residential units started was 3,480 (4,234), while in other markets (the Czech Republic and Slovakia) they totaled 716 (481). The number of residential units sold was 3,858 (4,486). In the Nordic countries, the number of units sold totaled 3,211 (3,862), while sales in other markets rose to 647 (624) units.

The carrying amount of current-asset properties in Residential Development totaled EUR 0.66 billion (0.59). Of this, undeveloped land and development properties (the "land bank") were reported at EUR 0.53 billion (0.48). This was equivalent to building rights for about 21,700 residential units. In addition, under certain circumstances Skanska has options to acquire a further 8,700 building rights. There were also about 2,100 building rights in associated companies.

Commercial Development

EUR M	Carrying amount, end of period	Carrying amount upon completion	Market value, Dec 31, 2007	Occupancy rate, %	Degree of completion, %
Completed projects	237.0	237.0	338.9	90	100
Projects completed in 2007	37.3	37.3	46.9	82	100
Undeveloped land and development properties (land bank)	160.9	160.9	214.8		
Subtotal	435.1	435.1	600.6		
Ongoing projects ¹	227.4	674.9	264.6	58	35
Total	662.5	1,110.0	865.2		

¹ Market value refers to accrued market value

The carrying amount of current-asset properties in Commercial Development was EUR 0.67 billion (0.62).

Commercial Development had 22 projects underway, 15 of them in the Nordic countries. Ongoing projects represented leasable space of about 354,000 sq. m (3.81 million sq. ft.), of which 58 percent was pre-leased. In addition to these projects, 10 projects with 84,000 sq. m (904,000 sq. ft.) of leasable space were sold before completion, with a pre-leasing level of 100 percent on the divestment date.

At year-end, the carrying amount for ongoing projects was EUR 0.22 billion (0.09). The carrying amount upon completion is expected to total EUR 0.68 billion, with an estimated market value of EUR 0.86 billion, of which EUR 0.26 billion had been accrued at the end of 2007. The degree of completion in ongoing projects was about 35 percent.

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

The carrying amount of Skanska's portfolio of completed properties amounted to EUR 0.23 billion (0.28), with an estimated market value of about EUR 0.34 billion (0.39). This estimate was partially made in collaboration with external appraisers. The occupancy rate, measured in rent, amounted to 90 (70) percent.

Including properties that were recognized as completed on January 1, 2008, estimated total market value amounted to some EUR 0.38 billion (0.45), with a corresponding carrying amount of EUR 0.28 billion (0.32).

The change in market value of an identical portfolio of completed properties, adjusted for investments, amounted to about EUR 5.3 M, which was equivalent to an increase of about 1 percent.

The carrying amount of undeveloped land and development properties (building rights) totaled about EUR 0.16 billion (0.20), with an estimated market value of EUR 0.21 billion.

Other commercial properties

"Other commercial properties" are part of the Construction business stream. The gain on property divestments, including reversals of intra-Group profits, totaled EUR 23.5 M (10.7). The carrying amount at year-end was EUR 79.2 M (105.7).

Infrastructure development

The Infrastructure Development business stream is part owner of 15 projects, of which 11 are fully or partially in operation. At year-end 2007, the carrying amount of shares, participations, subordinated loans and concessions in the business stream totaled about EUR 0.26 billion (0.26).

Remaining investment obligations related to ongoing projects nominally amounted to about EUR 0.12 billion (0.10), with a present value of about EUR 0.08 billion (0.07). The gain on divestments made during the year, including reversals of intra-Group profits, amounted to EUR 8.2 M (13.5).

Skanska conducts an annual appraisal of the Infrastructure Development project portfolio. The appraisal that was carried out at year-end 2007 encompassed an update of the financial models and a review of the yield requirements applied. The assessment of market value was made in collaboration with external appraisal expertise. Market value consists of estimated present value of cash flow in the form of dividends and repayments of loans and equity from projects and amounted to about EUR 0.99 billion (0.70) on the appraisal date. The appraisal does not take into account the potential for future refinancing of projects. The weighted discount rate used in the appraisal was 11.1 (11.7) percent, as a consequence of reduced risk premiums. The long-term discount rates were left unchanged compared to the preceding year. The appraisal includes the Ponte de Pedra project, which was divested after year-end, at its sale price. The increase in the present value of cash flows was attributable to time value as well as higher cash flows in absolute numbers than were estimated a year earlier. A change related to taxation of project dividends resulted in an increase in present value totaling about EUR 0.11 billion.

Investments

The Group's investments totaled EUR –1,059.6 M (–1,059.3). Divestments totaled EUR 1,059.9 M (935.5). On a net basis, the Group divested EUR 0.3 M (–123.9).

Investments in property, plant and equipment, which were mainly related to continuous replacement investments in operations, increased to EUR –204.7 M (–186.8). Depreciation on property, plant and equipment during the year amounted to EUR –127.6 M (–115.8).

Investments in the form of equity and subordinated loans in the Infrastructure Development business stream amounted to EUR –7.9 M (–30.9). The same business stream sold EUR 19.2 M (20.8) in assets.

Divestments consisted of Skanska's holding in Maputo Port, Mozambique and repayments of subordinated loans.

Skanska made net divestments in current-asset properties totaling EUR 127.7 M (80.7). Projects were sold for EUR 958.2 M (844.2), while investments amounted to EUR –830.5 M (–763.4).

This included projects carried out in the Residential Development and Commercial Development business streams and "Other commercial properties."

In Residential Development, investments declined to EUR –538.6 M (–556.9), of which about EUR 0.19 billion was related to purchases of land equivalent to about 6,600 building rights. The net increase in the number of building rights during the year was about 2,300 units. Residential units were sold for an amount of EUR 583.0 M (481.5). Net divestments were EUR 44.3 M (–75.4) in Residential Development operations.

Investments/Divestments

EUR M	2007	2006
Operations – Investments		
Intangible assets	–4.1	–4.1
Property, plant and equipment	–204.7	–186.8
Assets in Infrastructure Development	–7.9	–30.9
Shares	–4.3	–0.3
Current-asset properties	–830.5	–763.4
of which Residential Development	–538.6	–556.9
of which Commercial Development	–255.3	–177.1
of which other commercial properties	–36.5	–29.4
Investments	–1,051.6	–985.5
Operations – Divestments		
Intangible assets	0.2	0.2
Property, plant and equipment	54.8	53.6
Assets in Infrastructure Development	19.2	20.8
Shares	6.7	0.4
Current-asset properties	958.2	844.2
of which Residential Development	583.0	481.5
of which Commercial Development	302.2	320.5
of which other commercial properties	73.0	42.1
Divestments	1,039.1	919.2
Net investments in operations	–12.4	–66.4
Strategic Investments		
Acquisitions of businesses	–8.0	–73.8
Strategic investments	–8.0	–73.8
Strategic Divestments		
Divestments of businesses	20.8	15.1
Shares	0.0	1.2
Strategic divestments	20.8	16.3
Net strategic investments¹	12.8	–57.5
Total investments¹	0.4	–123.9
Depreciation/amortization, non-current assets	–139.1	–124.0

1 Positive figures are divestments.

In Commercial Development, investments increased to EUR –255.3 M (–177.1). Of this, about EUR 35.1 M was related to investments in land for new development. Divestments in the form of sale of completed properties and ongoing projects decreased to EUR 302.2 M (320.5). Commercial Development carried out net divestments of EUR 46.9 M (143.4).

Strategic net divestments amounted to EUR 12.8 M (–57.5). Companies were acquired at a cost of EUR 8.0 M. Companies, shares and other assets were divested in the amount of EUR 20.8 M. The Slovakian company Stamart Martin s.r.o. was consolidated during the year.

Most of Skanska's Danish construction operations were discontinued during the latter part of 2007. The sale price was about EUR 20.5 M.

Cash flow

The Group's operating cash flow

EUR M	2007	2006
Cash flow from business operations before change in working capital	463.3	376.3
Change in working capital	479.1	9.7
Net investments in the business	–12.4	–66.4
Adjustments in payment dates of net investments	31.6	44.1
Taxes paid in business operations	–121.9	–112.4
Cash flow from business operations	839.6	251.4
Net interest items and other financial items	18.6	9.7
Taxes paid in financing activities	–5.6	–2.9
Cash flow from financing activities	13.0	6.8
Cash flow from operations	852.6	258.2
Net strategic investments	12.8	–57.5
Taxes paid on strategic divestments	–1.8	0.0
Cash flow from strategic investments	10.9	–57.5
Dividend etc.	–373.8	–293.1
Cash flow before change in interest-bearing receivables and liabilities	489.7	–92.4
Change in interest-bearing receivables and liabilities	–169.8	–160.8
Cash flow for the year	319.9	–253.2
Cash and cash equivalents, January 1	1,213.2	1,456.3
Reclassifications in cash and cash equivalents	43.2	0.0
Exchange rate differences in cash and cash equivalents	–72.6	10.1
Cash and cash equivalents, December 31	1,503.8	1,213.3

Cash flow for the year amounted to EUR 319.9 M (–253.2).

Cash flow from business operations increased to EUR 839.6 M (251.4).

Stronger earnings in Construction are the main explanation as to why cash flow from business operations before change in working capital increased to EUR 463.3 M (376.3). Reduced tied-up working capital in Construction was the primary reason that working capital contributed EUR 479.1 M (9.7) to positive cash flow. The underlying causes included a sharply higher invoicing surplus compared to project costs. However, sizable invoiced amounts related to project costs were paid early in 2008.

Net investments in the business affected cash flow in the amount of EUR –12.4 M (–66.4). In Residential Development, cash flow increased as a consequence of higher divestment volume in relation to investment volume, while Commercial Development decreased its cash flow as an effect of lower divestment volume of projects and completed properties, as well as higher investments in ongoing projects.

The positive cash flow from net strategic divestments was attributable to divestments of businesses and shares in a net amount of EUR 10.9 M (–57.5).

Taxes paid amounted to EUR –129.4 M (–115.3).

Dividends and adjustments of minority interest amounted to EUR –373.8 M (–293.1). The item "Changes in interest-bearing receivables and liabilities" showed a negative cash flow of EUR –169.8 M (–160.8).

Financing and liquidity

At year-end 2007, the Group had interest-bearing net receivables, including provisions, amounting to EUR 1,543.1 M (1,147.6).

The proportion of interest-bearing net assets in foreign currencies, after taking derivatives into account, increased to 76 (43) percent. A large part of this increase was attributable to higher financial assets in North American operations.

Interest-bearing assets rose to EUR 2,054.7 M (1,707.7). The average interest rate refixing period for all of the Group's interest-bearing assets was 0.1 (0.2) years, and the interest rate averaged 4.01 (3.26) percent at year-end.

Change in interest-bearing assets and liabilities

EUR M	2007	2006
Net receivables (+)/Net debt (-), January 1	1,147.6	1,183.0
Cash flow from business operations	839.6	251.4
Cash flow from financing activities excluding changes in interest-bearing liabilities and receivables	13.0	6.8
Cash flow from strategic investments	10.9	-57.5
Dividend etc.	-373.8	-293.1
Acquired/divested interest-bearing liabilities	0.4	2.4
Exchange rate differences	-48.3	18.3
Change in pension liability	12.2	70.4
Reclassifications	-43.0	-27.2
Other changes	-15.6	-6.8
Net receivables (+)/Net debt (-), December 31	1,543.1	1,147.6

The Group's interest-bearing liabilities and provisions decreased to EUR 511.6 M (560.0). The average interest rate refixing period for all interest-bearing liabilities, excluding pension liability, was 0.5 (0.9) years, and the average maturity amounted to 2.3 (2.4) years.

The average interest rate for all Group interest-bearing liabilities, excluding pension liability, amounted to 3.84 (4.00) percent at year-end. The proportion of loans in foreign currencies decreased to 49 (53) percent.

At year-end, the Group's unutilized credit facilities amounted to EUR 774.5 M (694.1).

Return on equity and capital employed

The equity of the Group attributable to equity holders amounted to EUR 2,171.0 M (2,122.3). Return on equity increased to 21.1 (20.5) percent.

Aside from profit for the year, EUR 442.8 M, the change in equity is explained by disbursement of a dividend of EUR 373.3 M to the shareholders as well as negative currency translation differences of about EUR 25 M.

Capital employed amounted to EUR 2,704.8 M (2,698.6) at year-end. Return on capital employed increased to 25.1 (22.6) percent.

Equity/assets and debt/equity ratio

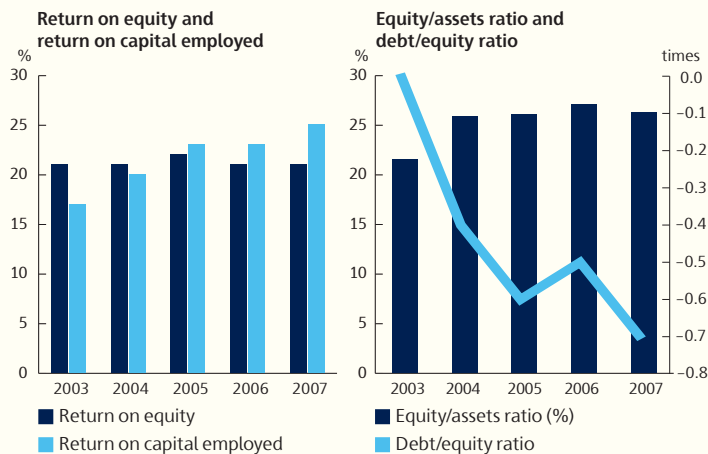
The equity/assets ratio decreased to 26.3 (27.1) percent. The net debt/equity ratio was -0.7 (-0.5).

Principal risks and uncertainties

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

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

Sharp increases in material prices may pose a risk, especially in long-term projects with fixed-price commitments. Shortages of human resources as well as certain input goods may also adversely affect



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

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

In Residential Development operations, there are risks in all stages from concept to completed project. Such external factors as interest rates and the willingness of customers to buy housing units are of crucial importance to all decisions in the process. Housing units are built to be sold individually. To minimize risks, the goal is to completely develop and sell the units in a given project during a single economic cycle, when variations in market conditions are small and predictable. New projects are started after a predetermined percentage of units is sold or pre-booked. Greater standardization, with shorter lead times, reduces the period of exposure and thus the risk of fluctuations in market demand.

Due to lengthy planning and permitting processes, ample lead time is required to ensure a supply of building rights (a "land bank") that will meet demand.

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

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

Investments made in Infrastructure Development operations require efficient risk management during the development phase, that is, before and after financial close. During the construction phase, the greatest risk is that the asset cannot go into service on schedule and that quality standards are not met. When Skanska performs the construction assignment itself, this risk is substantially lower.

Depending on the type of asset, there are risks during the entire implementation phase, which may extend over decades. Examples of such risks are external factors – demographic, environmentally related and financial – that are managed during the service life of a project.

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

Ongoing litigation

In the Swedish Competition Authority's suit requesting infringement fines, Stockholm City Court issued a ruling in July 2007. According to the ruling, all seven companies that were involved in the case – which concerns alleged collusive anti-competitive practices in the asphalt and civil construction sectors – were ordered to pay infringement fines. Skanska's portion of these fines amounted to EUR 18.4 M. The Competi-

tion Authority had requested that Skanska's portion should total EUR 60.2 M. Skanska has decided not to appeal the City Court's ruling, and the case is thus over as regards Skanska.

Skanska and another company have been sued by a number of Swedish municipalities that maintain that they have suffered damage in procurements alleged to have been the object of collusive cartels between the contractors. Skanska has been sued for a total of EUR 6.0 M. Skanska denies the allegations.

In Finland, the Market Court issued a ruling in December 2007 in the Finnish Competition Authority's suit against a number of companies in the civil construction sectors, among them Skanska, concerning alleged collusive anti-competitive activities. The Market Court ordered Skanska to pay the equivalent of EUR 1.4 M in infringement fines. The Competition Authority had sued for about EUR 10.8 M. Skanska decided to appeal the ruling after the Competition Authority had appealed the ruling.

In October 2006, Slovakia's competition authority decided to fine six companies that had participated in tendering for a road project. Skanska was part of a joint venture led by a local Slovakian company. The fine in Skanska's case is the equivalent of EUR 7.2 M and was charged to 2006 earnings. Skanska denied the Authority's allegations and has requested that the decision be reviewed by a court of law. The court case is underway.

Changes in the Board of Directors and Senior Executive Team

At the Annual Shareholders' Meeting in April 2007, Board members Roger Flanagan and Ulrika Francke resigned. Sir Adrian Montague and Matti Sundberg were elected as new Board members. The Annual Meeting re-elected Sverker Martin-Löf as Chairman of the Board. Among the Board members appointed by employee organizations, Folmer Knudsen resigned as a regular member and was replaced by Inge Johansson. Richard Hörstedt was appointed as a new deputy member.

No changes occurred in the Senior Executive Team during 2007.

At its meeting on February 6, 2008, the Board of Directors appointed Johan Karlström as the new President and CEO of Skanska. He succeeded Stuart Graham, who had previously notified the Board that he would step down as President and CEO during 2008. Mr. Karlström assumed his new position on April 3, 2008 in conjunction with the Annual Shareholders' Meeting of Skanska.

Sustainable development

During 2007 Skanska carried out numerous activities to adapt its sustainable development work to best practices. One starting point was the Triple Bottom Line concept, which means that companies generate financial results that are sustainable in the long term by reducing their environmental impact and acting in accordance with the expectations of society at large. Another is the international sustainability reporting guidelines published by the Global Reporting Initiative (GRI).

The task of contributing to the creation of sustainable development is challenging, given the Group's decentralized business model and project-based working methods. Based on the GRI guidelines for sustainability reporting, during 2007 Skanska prioritized between activities of a general nature and such activities that are of a more local nature and that must be decided upon by individual business units.

For a project-based company like Skanska, it is difficult to manage operations using conventional sustainability-related targets and key figures, because its operations are constantly changing shape as projects are completed and started. During 2008 the task of better identifying and developing suitable key figures will continue.

The task of analyzing operations in light of the GRI guidelines for sustainability reporting has led to the identification of areas where further efforts are needed. One of the most important new activities was an emphasis on greater social commitments.

A new policy document was introduced during 2007 and will mean an increased focus on training and safety.

During 2007 Skanska continued to play an internationally proactive role by promoting good practices in a number of fields – such as supporting the development of ISO 26000, an new international standard for social

responsibility, providing economic support and taking other steps to promote energy efficiency in buildings, through the influential New York Academy of Sciences and by being the first construction company and the first Swedish-based company to join the respected EU Corporate Leaders Group on Climate Change (EU CLG). One important contribution from EU CLG during the year was the Bali Communiqué, a report supporting the EU and its progressive policy on climate change in the run-up to the global governmental meeting in Indonesia. The report was signed by more than 150 of the largest companies in the world. With support from Skanska, together with a group of leading companies from other industries, the international secretariat of ChemSec (a non-government organization, or NGO) is continuing its work to reach agreement on a list of harmful substances that should be phased out. The list is being compiled by affected parties worldwide. Skanska's commitment to the UN Global Compact and Global Compact Nordic Network also continued during 2007.

A safe working environment for all Skanska employees and subcontractors is a top priority. During the year, 57 percent of the workforce worked according to an occupational health and safety management system certified under OHSAS 18000 standards. The Safety Performance Network, which consists of highly qualified safety experts at Skanska, met twice during the year. In 2007 this network developed a new safety policy document, new safety guidelines and four new safety standards, which will strengthen and improve current practices. The common monthly reporting system developed during 2006 also went into full operation during the year, and further improvements were made in reporting and presenting data on the number of accidents and fatalities.

As during the previous two years, Skanska held its Safety Week in October, whose theme was the importance of always being well-prepared. The total frequency of accidents during 2007 was more or less unchanged and stood at 5.9 (5.8) per 1,000,000 hours worked. The number of work-related fatalities increased to 8 (6), of whom 7 were subcontractors.

During the past two years (2006–2007), the number of work-related fatalities was sharply lower than during the preceding four years (2002–2005). This trend can be ascribed, among other things, to the work performed by the safety network, which was established late in 2005. During 2008 further efforts are planned in order to achieve the zero-accidents vision.

No serious violations were reported during 2007 related to the section of the Skanska Code of Conduct that deals with business ethics. During the year, the Code of Conduct published in 2002 was revised. The updated Code reflects changes and best practice developments that occurred in the preceding five years, among other things coordination with the GRI international guidelines for sustainability reporting. The revised Code of Conduct will be published in early 2008.

Skanska is continuing to work on behalf of responsible environmental management and toward its goal of zero environmental incidents. During the year, 95 percent of Skanska's employees worked in accordance with environmental management systems certified as meeting ISO 14001 standards. In response to requirements for carrying out certain projects, Skanska obtained environmental permits from the appropriate public agencies. Implementation and monitoring then took place within the Group's environmental management system.

During the year, many changes were introduced in local, regional, national and international environmental legislation. These changes are identified and administered within the environmental management systems of each respective business unit. At the international level, it is worth mentioning the continuously ongoing improvements and development of legislation and other regulatory instruments – among them emission trading systems – that affect energy efficiency and climate change. For a company like Skanska, these changes are generally positive, because they lead to demands for more efficient buildings. This gives Skanska an opportunity to adapt its products and services to the new markets that will arise on the basis of this, while requiring reductions in the environmental impact of travel, vehicles, heavy equipment and offices.

A new environmental policy document was approved by Skanska's Senior Executive Team and a new three-year strategy was adopted, for the first time including a number of global key figures. This strategy is especially formulated to operate side by side with the 2008–2010 business plan and to be better integrated with important business functions.

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

The number of construction projects with externally certified environmental assessment tools, for example LEED (United States) and BREEAM (United Kingdom), increased to 141 (124), which indicates that "green building" is a growing market for Skanska. For this purpose, late in 2007 Skanska decided to establish a unit that will promote green building throughout the Group and in each respective home market. Meanwhile the number of employees accredited to handle these environmental assessment tools rose to 116 (50).

During 2007 no serious environmental incidents were reported by Skanska's business units. A total of 135 (167) environmental management audits were performed by external ISO 14001 certification organizations. In addition to these, 1,019 (1,177) internal audits took place.

Human resources

The average number of employees during 2007 was 60,435 (56,085), including 10,963 (10,631) in Sweden. Employee turnover was at a normal level, and the number of employees who left the Group of their own volition (excluding retirements) was kept below the 10 percent target.

The overall goals of the Group's human resource work are to recruit, develop and retain employees as well as to increase diversity and achieve more even gender allocation among the Group's employees. During 2007 Skanska focused especially on recruitment and diversity issues.

Goal-oriented recruitment is vital in order to secure a supply of capable employees in the future. Each business unit has worked out its own recruitment plans to ensure that recruitment goals are achieved. The need for recruitment is expected to increase by 50 percent compared to the previous three-year period. To support local activities, in 2007 the Group developed a new offer to potential employees to increase its attractiveness. This includes a program called Skanska Unlimited, in which new employees are offered 6-months of practical training at a Skanska unit in another country.

Developing and retaining Group employees includes working with annual employee surveys in order to obtain a picture of job satisfaction, morale and professional development needs.

The 2007 employee survey showed that these efforts have had an impact. Employee satisfaction reached a new peak during the year.

One of the most important elements of employee satisfaction is the degree of professional development that an employee experiences. This is why the Group focuses on creating a positive learning climate between supervisor and employee, giving employees opportunities for new, growth-stimulating assignments and providing special training to hone their skills. At the Group level, this includes the Skanska Top Executive Program (STEP), provided in collaboration with the business school IMD in Switzerland. There are also other management training programs at large business units, which enable employees at various levels to obtain relevant training.

To strengthen opportunities for an international career, Skanska also initiated an international program aimed at making it easier for employees to obtain short- or long-term assignments in another business unit.

Annual employee development dialogues are another important component in efforts to retain and develop employees. The Group also monitors long periods of absence from work due to illness.

Increasing diversity implies, among other things, seeking new employees outside the traditional pool of male engineers. Each business unit has targets for diversity in terms of gender, ethnicity and educational background. Skanska has also created a Groupwide diversity team that will document and monitor best practices for achieving these targets.

For Swedish operations, the target has been that 35 percent of all newly recruited engineers should be women. This target was achieved during 2007. Another important issue has been to ensure that the percentage of female engineers who leave the Group of their own volition should not be higher than the corresponding percentage for male engineers. Activities carried out to achieve a more even gender balance include continuous monitoring of efforts to achieve this target, establishment of a network for women in construction and intensified efforts in the Senior Executive Team to stimulate a change of attitudes and behaviors in the Group.

Remuneration to senior executives

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

Guidelines for determining salary and other remuneration to the CEO and other senior executives

On April 3, 2008, the Annual Meeting approved the following guidelines for salary and other remuneration to senior executives.

Remuneration to the CEO and other senior executives shall consist of fixed salary, variable remuneration if any, other customary benefits and pension. The other senior executives include the CFO and other Executive Vice Presidents. The combined remuneration for each executive must be competitive in the labor market in which the executive is active, and distinguished performance shall be reflected in the total remuneration.

Fixed salary and variable remuneration shall be related to the senior executive's responsibility and authority. The variable remuneration shall be payable in cash and/or shares and it shall be capped and related to the fixed salary. Distribution of shares shall have a vesting period of three years and be part of a long-term incentive program. The variable remuneration must be based on results in relation to targets and must be aligned with the interests of the shareholders.

In case of employment termination, the normal period of notice is six months. Severance pay may correspond to a maximum of 24 months of fixed salary, with the exception of the CEO, to whom a maximum of 30 months of severance pay is payable.

Pension benefits should be either defined-benefit or defined-contribution schemes, or a combination of these, and should entitle the executive to the right to receive a pension from the age of 65. However, a pension age of earliest 60 years may be granted under special circumstances. For defined-benefit plans, years of service required for fully earned benefits shall normally correspond to the years of service required for general pension plans in the same jurisdiction. Variable salary shall not be included in pensionable salary except when it follows from the rules under a general pension plan.

The Board of Directors may under special circumstances deviate from these principles in individual cases.

Matters related to remuneration to senior executives are decided by the Compensation Committee and, when it comes to the CEO, are decided by the Board of Directors.

Long-term share incentive program, 2005–2007

The Skanska Share Award Plan applied during 2005–2007, with disbursements in the form of Skanska shares during 2009–2011, and covers about 300 managers.

Aside from financial targets, the Plan includes targets for health and safety, environmental impact, business ethics, fewer loss-making projects and management development as criteria for share award allocation. The Plan may provide a maximum 30 percent addition to fixed annual salary.

A reconciliation of how financial and qualitative targets were met led to an average outcome in addition to fixed salary of about 15 percent for 2005, about 18 percent for 2006 and about 18 percent for 2007 in allocations to those managers included in the Plan. The allocation for 2007 will be established and finally approved in April 2008.

The cost for the Plan excluding social insurance contributions amounted to about EUR 17.7 M, allocated over four years, equivalent to 1,244,860 shares.

The cost during 2007 of the 2005–2007 program amounted to EUR 4.2 M.

To receive share awards, those included in the Plan must be employees of the Skanska Group for three years after the end of the measurement period.

The dilution effect during 2007 is estimated at 527,392 shares or 0.13 percent of the number of shares outstanding. The maximum dilution for the Plan at the end of the vesting period in 2011 will total 1,244,860 shares or 0.3 percent.

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

New long-term Employee Ownership Program, 2008–2010

In November 2007, an Extraordinary Shareholders' Meeting approved the introduction of a long-term share ownership program for all permanent employees of the Skanska Group.

The program replaces the three-year share incentive program for senior executives, which expired during 2007. The share ownership program also replaces the Profit Sharing Foundation for the employees of the Swedish companies in the Skanska Group and the incentive program for certain employees active in Skanska's American operations.

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

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

The program is proposed to contain no more than 13,500,000 Series B shares and will be aimed at the approximately 47,000 permanent employees in the Group, including some 2,000 key employees and about 300 executives.

These employee groups will be offered an opportunity to invest in Skanska shares. The investment is maximized at 5, 7.5 and 10 percent, respectively of gross salary for these employee groups. For each four Series B shares acquired, the employee will be offered one "matching" share free of charge. In addition, for every four Series B shares the employee may receive an additional 3–15 "performance" shares in the Company, depending on job position and based on how earnings-based performance conditions are met. These are based on the "Outperform" targets that Skanska's Board of Directors decides yearly. The Board also has the option of reducing the allocation of shares.

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

The total cost of the program will be limited by a cost ceiling, meaning that Skanska's total cost for each year's program may not exceed 15 percent of operating income or a maximum of EUR 66.7 M.

The programs now being replaced had a total maximum annual cost of EUR 52.4 M.

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

Repurchases of shares

The Board of Directors has decided to exercise its authorization by the Extraordinary Shareholders' Meeting for Skanska to acquire its own Series B shares. The Meeting's authorization may be exercised on one or more occasions, but no later than before the Annual Shareholders' Meeting in 2008. The maximum acquisition is 4,500,000 shares and the purpose of the acquisition is to ensure delivery of shares to the participants in the Skanska Employee Ownership Program. Acquisition may only

occur at a price within the applicable share price interval on the OMX Nordic Exchange Stockholm on each occasion.

The Board of Directors proposed that the Shareholders' Meeting in 2008 authorize the Board to decide on acquisition of 4,500,000 Series B shares under the same conditions. This authorization may be exercised no later than before the Annual Shareholders' Meeting in 2009.

Skanska has held 4,500,000 of its own Series D shares since an earlier date.

Annual Meeting

The Annual Meeting was held on April 3, 2008 in Stockholm, Sweden.

Dividend

The Annual Meeting adopted a regular dividend of SEK 5.25 (4.75) per share (corresponding to EUR 0.56 [0.53] per share) and an extra dividend of SEK 3.00 (3.50) per share (corresponding to EUR 0.32 [0.39] per share) for the 2007 financial year, totaling SEK 8.25 (8.25) per share (equivalent to EUR 0.88 [0.92] per share). This was equivalent to a total dividend payout of SEK 3,453 M (3,453) (corresponding to EUR 365.4 [381.9]).

Market outlook

Construction

The outlook for building construction has continued to be positive in Skanska's main markets and especially in the Nordic markets and in Central Europe even though the growth rate is expected to decrease. In these markets, retail space and office buildings are among the stronger segments. In the United Kingdom, the market in Skanska's segments also remains stable. In the American building construction market, Skanska's largest segments – healthcare and education – remain strong, so far without signs of any slowdown.

The market outlook in the Nordic as well as Central European civil construction markets remains positive. The outlook for American civil construction is stable and especially good in New York.

The financial market turmoil around the world has not yet resulted in any noticeably change in requests for proposals from customers.

Residential Development

The underlying demand for residential units remains good in Sweden, Norway and Finland but housing markets are slowing down due to uncertain economic conditions. In several markets, home prices have leveled off or even fallen. Due to interest rate hikes and stricter lending practices, fewer people have an opportunity to buy a new home, which is leading to downward pressure on prices. A number of submarkets have had an oversupply for some time, for example Copenhagen. In Norway, because of higher interest rates and very high prices – driven by increased construction costs – the market will see fewer project start-ups and longer sales periods. In the Czech Republic and Slovakia, the housing market is showing continued good demand.

Commercial Development

Vacancy rates in modern properties in the office markets of Scandinavia and parts of Central Europe are declining, and rents are rising. As a consequence of increasing project activity, investments are growing. In Scandinavia as well as Central Europe, there is continued good demand from the investor market for properties with efficient space in the right locations.

Infrastructure Development

The volume of public-private partnership (PPP) projects in the United Kingdom is still large. In Skanska's other European markets, the supply of projects is more limited, although interest in PPP solutions has increased in Skanska's Central European markets. The lead times for PPP projects in the U.S. remain difficult to predict.

Events after the end of the financial year

Late in 2007 the Group signed an agreement to sell its 50 percent holding in the Ponte de Pedra hydropower plant in Brazil. The sale price for these shares totals about EUR 110 M, and the gain on the sale is about EUR 60 M.

The transaction was conditional upon approval by the appropriate public agencies, which was received during the first quarter of 2008. The transaction will also be recognized in the financial statements in the same quarter.

At its meeting on February 6, 2008, the Board of Directors appointed Johan Karlström as the new President and CEO of Skanska. He succeeded Stuart Graham, who had previously notified the Board that he would step down as President and CEO during 2008. Mr. Karlström assumed his new position on April 3, 2008 in conjunction with the Annual Shareholders' Meeting of Skanska.

Consolidated income statement

EUR M	Note	2007	2006
Revenue	8, 9	15,001.7	13,574.3
Cost of sales	9	-13,599.3	-12,344.1
Gross income		1,402.4	1,230.2
Selling and administrative expenses	11	-861.5	-754.9
Income from joint ventures and associated companies	20	43.5	39.3
Operating income	10, 12, 13, 22, 36, 38, 40	584.4	514.6
Financial income		69.8	50.4
Financial expenses		-41.6	-26.4
Income from associated companies		0.0	0.1
Net financial items	14	28.2	24.1
Income after financial items	15	612.6	538.7
Taxes	16	-167.1	-143.7
Profit for the year		445.5	395.0
Profit for the year attributable to			
Equity holders		442.8	392.8
Minority interest		2.7	2.2
Earnings per share, EUR	26, 44		
before dilution		1.06	0.94
after dilution		1.06	0.94
Average number of shares	26		
before dilution		418,553,072	418,553,072
after dilution		419,080,464	418,827,470

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

Consolidated balance sheet

EUR M	Note	2007	2006
ASSETS			
Non-current assets			
Property, plant and equipment	17, 40	632.1	603.5
Goodwill	18	485.1	496.6
Other intangible assets	19	69.6	81.8
Investments in joint ventures and associated companies	20	205.8	209.5
Financial non-current assets	21	77.0	165.9
Deferred tax assets	16	101.2	218.5
Total non-current assets		1,571.0	1,775.8
Current assets			
Current-asset properties	22	1,396.8	1,308.0
Inventories	23	81.4	53.5
Financial current assets	21	495.9	348.8
Tax assets	16	43.5	36.5
Gross amount due from customers for contract work	9	598.6	577.5
Trade and other receivables	24	2,663.6	2,572.8
Cash equivalents	25	55.1	235.7
Cash		1,448.6	977.5
Total current assets		6,783.5	6,110.4
Total assets	32	8,354.4	7,886.2
of which interest-bearing non-current assets	31	67.1	158.5
of which interest-bearing current assets	31	1,987.6	1,549.2
		2,054.7	1,707.7

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

Consolidated balance sheet

EUR M	Note	2007	2006
Equity	26		
Share capital		139.9	139.9
Paid-in capital		34.8	34.8
Reserves		63.7	95.7
Retained earnings		1,931.9	1,852.0
Equity attributable to equity holders		2,170.2	2,122.4
Minority interest		23.0	16.2
Total equity		2,193.2	2,138.6
Liabilities			
Non-current liabilities			
Financial non-current liabilities	27	101.1	225.5
Pensions	28	121.6	172.1
Deferred tax liabilities	16	219.0	319.8
Non-current provisions	29	10.2	13.2
Total non-current liabilities		451.8	730.6
Current liabilities			
Financial current liabilities	27	286.1	154.4
Tax liabilities	16	94.3	80.5
Current provisions	29	385.9	384.4
Gross amount due to customers for contract work	9	1,666.6	1,256.0
Trade and other payables	30	3,276.5	3,141.7
Total current liabilities		5,709.4	5,017.0
Total liabilities		6,161.2	5,747.6
Total equity and liabilities	32	8,354.4	7,886.2
of which interest-bearing financial liabilities	31	377.7	372.6
of which interest-bearing pensions and provisions	31	133.9	187.5
		511.6	560.1

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

Consolidated statement of recognized income and expenses

EUR M	2007	2006
Translation differences for the year	-47.2	-14.1
Hedging of exchange rate risk in operations outside Sweden	23.0	19.0
Cash flow hedge		
Recognized directly in equity	0.5	2.5
Transfer to income statement	-8.6	-4.9
Change in pension liability		
Changed assumptions	19.3	50.5
Difference between expected and actual return on plan assets	-6.9	19.9
Social insurance contributions	-1.0	7.2
Share-based payment	3.0	1.9
Other transfers of assets recognized directly in equity	3.6	-0.1
Tax attributable to items recognized directly in equity	-2.6	-23.0
Changes in assets recognized directly in equity, excluding transactions with the Company's owners	-16.9	58.9
Profit for the year	445.5	395.0
Total changes in assets, excluding transactions with the Company's owners	428.6	453.9
Attributable to:		
Equity holders	421.1	452.1
Minority	7.5	1.8

See also Note 26.

Consolidated cash flow statement

EUR M	2007	2006
Operating activities		
Operating income	584.4	514.6
Adjustments for items not included in cash flow	-121.1	-138.3
Income tax paid	-118.0	-109.2
Cash flow from operating activities before change in working capital	345.3	267.2
Cash flow from change in working capital		
Investments in current-asset properties	-779.3	-729.3
Divestments of current-asset properties	938.5	854.1
Changes in inventories and operating receivables	-249.4	-133.4
Change in operating liabilities	728.5	143.1
Cash flow from change in working capital	638.3	134.6
Cash flow from operating activities	983.6	401.7
Investing activities		
Acquisitions of businesses	-8.0	-73.8
Investments in intangible assets	-4.1	-4.1
Investments in property, plant and equipment	-204.7	-186.8
Investments in Infrastructure Development assets	-7.9	-30.9
Investments in shares	-4.3	-0.3
Increase in interest-bearing receivables, loans provided	-346.0	-223.5
Disposals of businesses	20.8	15.1
Divestments of intangible assets	0.2	0.2
Divestments of property, plant and equipment	54.8	53.6
Divestments of Infrastructure Development assets	19.2	20.8
Divestments of shares	6.7	1.6
Decrease in interest-bearing receivables, payments of loans provided	214.7	85.5
Income tax paid	-5.7	-3.2
Cash flow from investing activities	-264.4	-345.8
Financing activities		
Net interest items	40.0	29.8
Other financial items	-21.4	-20.1
Borrowings	64.3	98.6
Repayment of debt	-102.8	-121.4
Dividend paid	-373.3	-294.1
Dividend to/Contribution from minority	-0.5	1.0
Income tax paid	-5.6	-2.9
Cash flow from financing activities	-399.3	-309.1
Cash flow for the year	319.9	-253.2
Cash and cash equivalents, January 1	1,213.2	1,456.3
Reclassifications	43.2	0.0
Translation differences in cash and cash equivalents	-72.6	10.1
Cash and cash equivalents, December 31	1,503.8	1,213.2

Change in interest-bearing net receivables

EUR M	2007	2006
Interest-bearing net receivables, January 1	1,147.6	1,183.0
Cash flow from operating activities	983.6	401.7
Cash flow from investing activities excluding change in interest-bearing receivables	-133.1	-207.8
Cash flow from financing activities excluding change in interest-bearing liabilities	-360.8	-286.3
Change in pension liability	12.2	70.4
Reclassifications ¹	-43.0	-27.2
Net receivable/liability acquired/divested	0.4	2.4
Translation differences	-48.3	18.3
Other items	-15.6	-6.8
Interest-bearing net receivables, December 31	1,543.1	1,147.6

1 The EUR -43.0 M amount consisted of discounting of advance payments from customers. In 2006 the amount included EUR -14.4 M due to reclassification to a financial lease on cars in Sweden and EUR -9.7 M due to discounting of debt to sellers upon the purchase of properties.

Consolidated operating cash flow statement

EUR M	2007	2006
Cash flow from business operations before change in working capital and taxes paid	463.3	376.3
Change in working capital excluding current-asset properties	479.1	9.7
Net investments in operations	-12.4	-66.4
Cash flow adjustment, net investments ¹	31.6	44.1
Taxes paid in business operations	-121.9	-112.4
Cash flow from business operations	839.6	251.4
Net interest items and other net financial items	18.6	9.7
Taxes paid in financing items	-5.6	-2.9
Cash flow from financing activities	13.0	6.8
Cash flow from operations	852.6	258.2
Net strategic investments	12.8	-57.5
Taxes paid on net strategic investments	-1.8	0.0
Cash flow from strategic investments	10.9	-57.5
Dividend etc.	-373.8	-293.1
Cash flow before changes in interest-bearing receivables and liabilities	489.7	-92.4
Change in interest-bearing receivables and liabilities	-169.8	-160.8
Cash flow for the year	319.9	-253.2

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

See also Note 35.

Notes including accounting and valuation principles

Amounts in million Euro (EUR M) unless otherwise specified. Income is reported in positive figures and expenses in negative figures. Both assets and liabilities are reported in positive figures. Interest-bearing net receivables/liabilities are reported in positive figures if they are receivables and negatives figures if they are liabilities.

Accumulated depreciation/amortization and accumulated impairment losses are reported in negative figures. Generally speaking, in the Annual Report, financial statements for 2007, 2006, 2005 and 2004 have been prepared in compliance with IFRSs and 2003 financial statements according to previous Swedish generally accepted accounting principles (SWGAAAP).

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Note 01 Consolidated accounting and valuation principles

Conformity with laws and standards

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

These financial statements were approved for publication by the President and CEO on April 3, 2008. The statutory annual report was adopted by the Annual Meeting on the same day.

Conditions when preparing the Group's financial statements

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

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

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

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

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

New standards and interpretations

Of the standards and interpretations that entered into force starting in 2007, IFRS 7 and IFRIC 10 have been of significance in preparing the 2007 financial statements.

IFRS 7, "Financial Instruments: Disclosures" and related amendments to IAS 1, "Presentation of Financial Statements" require extensive disclosures on the significance that financial instruments have for the Company's financial position and earnings as well as qualitative disclosures of the nature and scale of risks. Disclosures must also be provided on the Group's financial goals and capital management.

IFRIC 10, "Interim Financial Reporting and Impairment," prohibits reversal of an impairment loss recognized in a previous interim report is respect of goodwill, an investment in an equity instrument or in a financial asset carried at cost.

Application in advance of IFRSs and interpretations newly published or revised during 2007

Newly issued IFRSs or interpretations have not been applied in advance.

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

IFRS 8, "Operating Segments," states what an operating segment is and what information shall be provided about such segments in financial statements. The standard will be applied to financial years that begin on January 1, 2009 or later.

Amendments to IAS 23, "Borrowing Costs," Borrowing costs that are directly attributable to the acquisition, construction or production of an asset that takes a substantial period of time to complete shall be capitalized. The amendment will be applied to financial years that begin on January 1, 2009 or later. The amendment has not yet been adopted by the EU. Because Skanska already applies this principle now, the amendment of the standard will mean nothing new for Skanska.

IFRIC 11, "IFRS 2 – Group and Treasury Share Transactions," clarifies how a transaction settled with equity instruments shall be classified in a company that receives services from employees. The interpretation went into effect on March 1, 2007 and is applied to

financial years that begin on that date or later.

IFRIC 12, "Service Concession Arrangements," deals with the question of how a service concession operator should account for the infrastructure as well as the rights they receive and the obligations they undertake under these arrangements. It cannot yet be stated how the interpretation will affect the accounting of earnings and financial position in the Group's infrastructure projects. The interpretation has not yet been adopted by the EU.

IFRIC 14, "IAS 19 – The Limit of a Defined Benefit Asset, Minimum Funding Requirements and their Interaction," deals with how certain funding requirements interact with the rules in IAS 19 about ceilings on a defined-benefit asset. The interpretation has not yet been adopted by the EU.

IFRIC has issued a draft interpretation, "IFRC D21, Real Estate Sales," that deals with the timing of revenue recognition for the sale of real estate (IAS 18) and what can be included in the concept of "construction contract" and thus be recognized in compliance with IAS 11. If the draft is not amended and leads to an interpretation, real estate sales will no longer be recognized on the contract date, but instead normally when the buyer takes possession. In addition, sales of residential units built at the Group's own initiative will no longer be recognized as revenue according to the percentage of completion method, adjusted for the degree of sales. According to the draft interpretation, this revenue will be recognized only when the buyer takes possession of the residential unit. Skanska has chosen to wait for IFRIC's interpretation (and the EU's adoption of this) of what standard shall be applied, and in what way. Until this has occurred, the effect on the Group's earnings and financial position cannot be assessed.

IAS 1, "Presentation of Financial Statements"

Income statement

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

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

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

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

Share of income in partnerships and limited partnerships, including their foreign equivalents, is recognized in its entirety as operating income.

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

Assets

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

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

In other cases, cash and cash receivables are reported as non-current assets. Cash and cash equivalents that belong to a construction consortium are cash and cash equivalents with restrictions if they may only be used to pay the debts of the consortium.

Assets that meet the requirements in IFRS 5, "Non-current Assets Held for Sale and Discontinued Operations" are accounted for as a separate item among current assets.

Note 31, "Specification of interest-bearing receivables per asset and liability," shows the allocation between interest-bearing and non-interest-bearing assets.

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

Equity

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

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

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

A description of equity, the year's changes and disclosures concerning capital management are provided in Note 26, "Equity/Earnings per share."

Liabilities

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

In Note 32, "Expected recovery periods of assets and liabilities," liabilities are allocated between amounts for liabilities to be paid within twelve months of the balance sheet date and liabilities to be paid after twelve months from the balance sheet date. Note 31, "Specification of interest-bearing receivables per asset and liability," also provides information about the allocation between interest-bearing and non-interest-bearing liabilities.

IAS 27, "Consolidated and Separate Financial Statements"

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

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

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

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

Goodwill is expressed in the functional currency of the business it is related to. Translation to EUR complies with IAS 21, "The Effects of Changes in Foreign Exchange Rates."

IFRS 3, "Business Combinations"

This accounting standard deals with business combinations, which refers to mergers of separate companies or businesses. If an acquisition does not relate to a business, which is normal when acquiring properties, IFRS 3 is not applied. In such cases, the cost is allocated among the individual identifiable assets and liabilities based on their relative fair values on the acquisition date, without recognizing goodwill and any deferred tax assets/liability as a consequence of the acquisition.

Acquisitions of businesses, regardless of whether the acquisition concerns holdings in another company or a direct acquisition of assets and liabilities, are reported according to the purchase method of accounting. If the acquisition concerns holdings in a company, the method implies that the acquisition is regarded as a transaction through which the Group indirectly acquires the assets of a subsidiary and assumes its liabilities and contingent liabilities. Cost in the consolidated accounts is determined by means of an acquisition analysis in conjunction with the business combination. The analysis establishes both the cost of the holdings or the business and the fair value of acquired identifiable assets plus the liabilities and contingent liabilities assumed. The difference between the cost of holdings in a subsidiary and the fair value of acquired assets and liabilities and contingent liabilities assumed is goodwill on consolidation. In compliance with IFRS 3, it is not permitted to recognize restructuring reserves in connection with the acquisition.

Goodwill is carried at cost less accumulated impairment losses. Goodwill is allocated among cash-generating units and subjected to annual impairment testing in compliance with IAS 36, "Impairment of Assets."

In case of business combinations where the cost of acquisition is below the net value of acquired assets and the liabilities and contingent liabilities assumed, the difference is recognized directly in the income statement.

If a business combination occurs in several stages, revaluation of previous acquisitions occurs to the extent there has been a change in the fair value of assets and liabilities in the acquired business. This revaluation is recognized directly in equity.

As for goodwill acquired before January 1, 2004, in transitioning to IFRS the Group has not applied IFRS 3 retroactively. Instead the carrying amount as of that date serves as the Group's cost.

As provided by IFRS 1, acquisitions of businesses that occurred before 2004 were not restated when establishing the Group's opening balance in compliance with IFRS on January 1, 2004.

IAS 21, "The Effects of Changes in Foreign Exchange Rates"

Foreign currency transactions

Foreign currency transactions are translated into an entity's functional currency at the exchange rate prevailing on the transaction date. Monetary assets and liabilities in foreign currency are translated to the functional currency at the exchange rate prevailing on the balance sheet date. Exchange differences that arise from translations are recognized in the income statement. Non-monetary assets and liabilities recognized at historic cost are translated at the exchange rate on the transaction date.

Functional currency is the currency of the primary economic environment where the companies in the Group conduct their business.

Financial statements of foreign operations

Assets and liabilities in foreign operations, including goodwill and other consolidated surpluses and deficits, are translated to euros at the exchange rate prevailing on the balance sheet date. Revenue and expenses in foreign operations are translated to euros at the average exchange rate. If a foreign operation is located in a country with hyperinflation, revenue and expenses are to be translated in a special way. In the year's financial statements, it has not been necessary to do this. Translation differences that arise from currency translation of foreign operations are recognized directly in equity as a translation reserve.

Net investment in foreign operations

Translation differences that arise in connection with translation to euros of an investment in another currency and accompanying effects of hedging of net investments are recognized directly in the translation reserve in equity. When divesting an operation with a functional currency other than euros, accumulated translation differences attributable to the operation are realized in the consolidated income statement after subtracting any currency hedging. As for accumulated translation differences attributable to the period before January 1, 2004, these are stated at zero upon transition to IFRS.

Foreign currency loans and currency derivatives for hedging of translation exposure (equity loans) are carried at the exchange rate on the balance sheet date. Exchange rate differences are recognized, taking into account the tax effect, in the equity of the Group.

Hedging of translation exposure reduces the exchange rate effect when translating the financial statements of foreign operations to the functional currency of the respective unit. Any forward contract premium is accrued until maturity and is recognized as interest income or an interest expense.

IFRS 5, "Non-current Assets Held for Sale and Discontinued Operations"

A discontinued operation is a portion of a company's operations that represents a separate line of business or a major operation in a geographic area and is part of a single coordinated plan to dispose of a separate line of business or a major operation carried out in a geographic area, or is a subsidiary acquired exclusively with a view to resale.

Classification as a discontinued operation occurs upon divestment, or at an earlier date when the operation meets the criteria to be classified as held for sale. A disposal group that is to be shut down can also qualify as a discontinued operation if it meets the above size criteria.

If a non-current asset or disposal group is to be classified as held for sale, the asset (disposal group) must be available for sale in its present condition. It must also be highly probable that the sale will occur. In order for a sale to be highly probable, a decision must have been made at management level, and active efforts to locate a buyer and complete the plan must have been initiated. The asset or disposal group must be actively marketed at a price that is reasonable in relation to its fair value, and it must be probable that the sale will occur within one year. Skanska also applies the principle that with regard to a single noncurrent asset, its value must exceed EUR 20 M.

Depreciation or amortization of a non-current asset is not made as long as it is classified as held for sale.

Non-current assets classified as held for sale as well as disposal groups and liabilities attributable to them must be presented separately in the balance sheet.

IAS 28, "Investments in Associates"

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

The equity method

From the date when Skanska obtains a significant influence, holdings in associated companies are included in the consolidated financial statements according to the equity method. Any difference upon acquisition between the cost of the holding and the owner company's share of net fair value of the associated company's identifiable assets, liabilities and contingent liabilities is recognized in compliance with IFRS 3, "Business Combinations." The equity method implies that the carrying amount of the Group's shares in associated companies is equivalent to the Group's proportion of their share capital as well as goodwill in the consolidated accounts and any other remaining consolidated surpluses and deductions of internal profits. The consolidated income statement includes the Group's share of the associated company's income after financial items, adjusted for any depreciation/amortization, impairment losses or withdrawal of acquired surpluses or deficits as well as internal profits, among "Income from joint ventures and associated companies." The Group's proportion of the tax expense of an associated company is included in "Taxes." Dividends received from an associated company reduce the carrying amount of the investment.

When the Group's share of recognized losses in an associated company exceeds the carrying amount of the holdings in the consolidated financial statements, the value of the holding is reduced to zero. Settlement of losses also occurs against long-term unsecured financial assets which, in substance, form part of Skanska's net investment in the associated company and are thus recognized as shares. Continued losses are not recognized unless the Group has provided guarantees to cover losses arising in the associated company.

Internal profits

When profits arise from transactions between the Group and an associated company, the portion equivalent to the Group's share of ownership is eliminated. If the carrying amount of the Group's holding in the associated company is below the elimination of internal profit, the excess portion of the elimination is recognized among provisions. The elimination of the internal profit is adjusted in later financial statements based on how the asset is used or when it is divested. If a loss arises from a transaction between the Group and an associated company, the loss is eliminated only if it does not correspond to an impairment loss on the asset.

The equity method is applied until the date when significant influence ceases.

Note 20, "Investments in joint ventures and associated companies," provides information about associated companies.

IAS 31, "Interests in Joint Ventures"

Companies operated jointly with other companies, and in which control is exercised jointly according to agreement, are reported as joint ventures.

The equity method, which is described in the section on associated companies, is applied when preparing the consolidated financial statements. The consolidated income statement recognizes the Group's share of the income in joint ventures before taxes, adjusted for any depreciation/amortization, impairment losses or withdrawals of acquired surplus or deficit amounts as well as internal profits, among "Income from joint ventures and associated companies." The Group's share of the tax expense of a joint venture is included in "Taxes."

In connection with infrastructure projects, the Group's investment may include either holdings in or subordinated loans to a joint venture. Both are treated in the accounts as holdings.

Internal profits

Internal profits that have arisen from transactions between the Group and a joint venture are eliminated based on the Group's share of ownership. If the carrying amount of the Group's holding in a joint venture is below the elimination of internal profit, the excess portion of the elimination is recognized among provisions. The elimination of the internal profit is adjusted in later financial statements based on how the asset is used or when it is divested. If a loss instead arises from a transaction between the Group and a joint venture, the loss is eliminated only if it does not correspond to an impairment loss on the asset.

Note 20, "Investments in joint ventures and associated companies," provides information about joint ventures.

IAS 11, "Construction Contracts"

Project revenues are reported in compliance with IAS 11, "Construction Contracts." This implies that the income from a construction project is reported successively as the project accrues. The degree of accrual is mainly determined on the basis of accumulated project expenses in relation to estimated accumulated project expenses upon completion. If the outcome cannot be estimated in a satisfactory way, revenue is reported as equivalent to accumulated expenses on the balance sheet date (zero recognition). Anticipated losses are immediately reported as expenses. If the construction project also includes liability to the customer for divestment of completed housing units, the number of unsold units is taken into account when recognizing the earnings of the construction project, by recognizing a profit that is proportional to both the degree of accrual and the degree of sales. This means that if the degree of accrual is 50 percent and the degree of sales likewise is 50 percent, 25 percent of forecasted final profit is reported (forecasted loss is reported immediately as an expense at 100 percent).

Recognized as project revenue are the originally agreed contract amount as well as additional work, claims for special compensation and incentive payments, but normally only to the extent that these have been approved by the customer. All services that are directly related to the construction project are covered by IAS 11. Other services are covered by IAS 18, "Revenue."

If substantial non-interest-bearing advance payments have been received, the advance payment is discounted and recognized as an interest-bearing liability. The difference between a nominal amount and a discounted amount constitutes project revenue and is recognized as revenue according to the percentage of completion method. The upward adjustment in the present value of the advance payment in subsequent financial statements is reported as an interest expense.

The difference between accrued project revenue and a not yet invoiced amount is recognized as an asset (gross amount due to customers for contract work) according to the percentage of completion method. Correspondingly, the difference between an invoiced amount and not yet accrued project revenue is reported as a liability (liabilities to the customer as provided in the construction contract). Income on the sale of land in conjunction with residential projects is included in project reporting. Major machinery purchases that are intended only for an individual project and significant start-up expenses are included to the extent they can be attributed to future activities as claims on the customer and are included in the asset or liability amount stated in this paragraph, however without affecting accrued project revenue.

Tendering expenses are not capitalized, but instead are recognized on a continuous basis. Tendering expenses that arose during the same quarter that the order was received, and that are attributable to the project, may be treated as project expenditures. In the case of infrastructure projects, instead of the quarter when the order was received, this applies to the quarter when the Group receives the status of preferred bidder. Tendering expenses that were recognized in prior interim or annual financial statements may not be recognized as project expenses in later financial statements.

Unrealized gains and losses on forward contracts related to hedging of operating transaction exposure are included, to the degree of completion, in the reporting of

the respective project. If hedge accounting is not applicable, the liquidity effect when extending a forward contract that will meet future cash flow shall be included among operating expenses. If the amount has a significant impact, it shall be excluded when determining degree of completion.

A construction consortium that has been organized to perform a single construction assignment is not an independent legal entity, since the participating co-owners are also directly liable for its obligations. Skanska's share of the construction assignment is thus recognized as an independent operation.

Most construction contracts contain clauses concerning warranty obligations on the part of the contractor, with the contractor being obliged to remedy errors and omissions discovered within a certain period after the property has been handed over to the customer. Such obligations may also be required by law. The main principle is that a provision for warranty obligations must be calculated for each individual project. Provision must be made continuously during the course of the project and the estimated total provision must be included in the project's expected final expenses. For units with similar projects, the provision may occur in a joint account instead and be calculated for the unit as a whole with the help of ratios that have historically provided a satisfactory provision for these expenses.

IAS 18, "Revenue"

Revenue other than project revenue is recognized in compliance with IAS 18. For lease income, this means that the revenue is divided evenly over the period of the lease. The total cost of benefits provided is recognized as a reduction in lease income on a straight-line basis over the lease period. Compensation for services performed that does not comprise project revenue is recognized as revenue based on the degree of completion on the balance sheet date, which is normally determined as services performed on the balance sheet date as a proportion of the total to be performed. The difference that may then arise between services invoiced and services performed is recognized in the balance sheet among "Other operating receivables" (or "Other operating liabilities"). Deliveries of merchandise are reported as revenues when the risks and rewards associated with ownership of the merchandise have been transferred to the buyer. Divestment of completed current-asset properties belonging to Commercial Development is normally reported as a revenue item during the reporting period when a binding agreement on the sale is reached. However, if the property being divested is not yet completed and the buyer will occupy it only after completion, the gain is reported at the pace that the property is completed.

A dividend is recognized as revenue when the right to receive payment has been established.

Income from the sale of financial investments is recognized when the significant risks and rewards associated with ownership of the instruments have been transferred to the buyer and the Group no longer controls the instruments.

Interest is recognized using an interest rate that provides a uniform return on the asset in question, which is achieved by applying the effective interest method. Effective interest is the interest rate at which the present value of all future payments is equal to the carrying amount of the receivable.

Revenue is carried at the fair value of what is received or will be received. This means that receivables arising at the time of divestments are regarded as having been acquired at fair value (discounted present value of future incoming payments) if the interest rate on the date of the purchase is below the market interest rate and the difference is significant. For example, discounting of a receivable may occur in connection with a property divestment if the purchase price receivable is not settled immediately. This takes into account that any operating net until the property is transferred is recognized as interest.

Revenue is recognized only if it is probable that the economic benefits will flow to the Group. If uncertainty later arises with regard to the possibility of receiving payment for an amount that has already been recognized as revenue, the amount for which payment is no longer probable is instead recognized as an expense, instead of as an adjustment of the revenue amount that was originally recognized.

A divestment of a portion of a Group company to a minority interest is recognized directly in equity.

IAS 17, "Leases"

The accounting standard distinguishes between finance and operating leases. A finance lease is characterized by the fact that the economic risks and rewards incidental to ownership of the asset have substantially been transferred to the lessee. If this is not the case, the agreement is regarded as an operating lease.

Finance leases

Finance lease assets are recognized as an asset in the consolidated balance sheet. The obligation to make future lease payments is recognized as a non-current or current

liability. Leased assets are depreciated during their respective useful life. When making payments on a financial lease, the minimum lease payment is allocated between interest expense and retirement of the outstanding liability. Interest expense is allocated over the lease period in such a way that each reporting period is charged an amount equivalent to a fixed interest rate for the liability recognized during each respective period. Variable payments are recognized among expenses in the periods when they arise.

Assets leased according to finance leases are not recognized as property, plant and equipment, since the risks incidental to ownership have been transferred to the lessee. Instead a financial receivable is recognized, related to future minimum lease payments.

Operating leases

As for operating leases, the lease payment is recognized as an expense over the lease term on the basis of utilization, and taking into account the benefits that have been provided or received when signing the lease.

The Commercial Development business stream carries out operating lease business. Information on future minimum lease payments (rents) is provided in Note 40, "Leases," which also contains other information about leases.

IAS 16, "Property, Plant and Equipment"

Property, plant and equipment are recognized as assets in the balance sheet if it is probable that the Group will derive future economic benefits from them and the cost of an asset can be reliably estimated. Property, plant and equipment are recognized at cost minus accumulated depreciation and any impairment losses. Cost includes purchase price plus expenses directly attributable to the asset in order to bring it to the location and condition to be operated in the intended manner. Examples of directly attributable expenses are delivery and handling costs, installation, ownership documents, consultant fees and legal services. Borrowing costs are included in the cost of self-constructed property, plant and equipment. Impairment losses are applied in compliance with IAS 36, "Impairment of assets."

The cost of self-constructed property, plant and equipment includes expenditures for materials and compensation to employees, plus other applicable manufacturing costs that are considered attributable to the asset.

Further expenditures are added to cost only if it is probable that the Group will enjoy future economic benefits associated with the asset and the cost can be reliably estimated. All other further expenditures are recognized as expenses in the period when they arise.

What is decisive in determining when a further expenditure is added to cost is whether the expenditure is related to replacement of identified components, or their parts, at which time such expenditures are capitalized. In cases where a new component is created, this expenditure is also added to cost. Any undepreciated carrying amounts for replaced components, or their parts, are disposed of and recognized as an expense at the time of replacement. If the cost of the removed component cannot be determined directly, its cost is estimated as the cost of the new component adjusted by a suitable price index to take into account inflation. Repairs are recognized as expenses continuously.

Property, plant and equipment that consist of parts with different periods of service are treated as separate components of property, plant and equipment. Depreciation occurs on a straight-line basis during the estimated period of service, taking into account any residual value at the end of the period.

Office buildings are divided into foundation and frame, with a depreciation period of 50 years; installations, depreciation period 35 years; and non-weight-bearing parts, depreciation period 15 years. Generally speaking, industrial buildings are depreciated during a 20-year period without allocation into different parts. Stone crushing and asphalt plants as well as concrete mixing plants are depreciated over 10 to 25 years depending on their condition when acquired and without being divided into different parts. For other buildings and equipment, division into different components occurs only if major components with divergent useful lives can be identified. For other machinery and equipment, the depreciation period is normally between 5 and 10 years. Minor equipment is depreciated immediately. Gravel pits and stone quarries are depreciated as materials are removed. Land is not depreciated. Assessments of an asset's residual value and period of service are performed annually.

The carrying amount of a property, plant and equipment item is removed from the balance sheet when it is disposed of or divested, or when no further economic benefits are expected from the use or disposal/divestment of the asset.

Provisions for the costs of restoring an asset are normally made in the course of utilization of the asset, because the prerequisites for an allocation at the time of acquisition rarely exist.

IAS 38, "Intangible Assets"

This accounting standard deals with intangible assets. Goodwill that arises upon acquisition of companies is recognized in compliance with the rules in IFRS 3, "Business Combinations."

An intangible asset is an identifiable non-monetary asset without physical substance that is used for producing or supplying goods or services or for leasing and administration. To be recognized as an asset, it is necessary both that it be probable that future economic advantages that are attributable to the asset will benefit the company and that the cost can be reliably calculated. It is especially worth noting that expenditures recognized in prior annual or interim financial statements may not later be recognized as an asset.

Research expenses are recognized in the income statement when they arise. Development expenses, which are expenses for designing new or improved materials, structures, products, processes, systems and services by applying research findings or other knowledge, are recognized as assets if it is probable that the asset will generate future revenue. Other development expenses are expensed directly. Expenses for regular maintenance and modifications of existing products, processes and systems are not recognized as development expenses. Nor is work performed on behalf of a customer and recognized in compliance with IAS 11, "Construction Contracts," recognized as development expenses.

Intangible assets other than goodwill are recognized at cost minus accumulated amortization and impairment losses. Impairment losses are applied in compliance with IAS 36, "Impairment of Assets."

Amortization is recognized in the income statement on a straight-line basis over the period of service of intangible assets, to the extent such a period can be determined. Consideration is given to any residual value at the end of the period. Concession fees are amortized on a straight-line basis over the part of the concession period that occurs after the building or facility has gone into service for its intended purpose. Purchased service agreements are depreciated over their remaining contractual period (in applicable cases 3–6 years). Purchased software (major computer systems) is amortized over a maximum of five years.

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

Accrued expenses for internally generated goodwill are recognized in the income statement when the expense arises.

IAS 36, "Impairment of Assets"

Assets covered by IAS 36, "Impairment of Assets," must be tested on every balance sheet date for indications of impairment. The valuation of exempted assets, for example inventories (including current-asset properties), assets arising when construction contracts are carried out and financial assets included within the scope of IAS 39, "Financial Instruments: Recognition and Measurement," is tested according to the respective accounting standard.

Impairment losses are determined on the basis of the recoverable amount of assets, which is the higher of fair value less costs to sell and value in use. In calculating value in use, future cash flows are discounted using a discounting factor that takes into account risk-free interest and the risk associated with the asset. Estimated residual value at the end of the asset's useful life is included as part of value in use. For an asset that does not generate cash flows that are essentially independent of other assets, the recoverable amount is estimated for the cash-generating unit to which the asset belongs. A cash-generating unit is the smallest group of assets that generates cash inflows that are independent of other assets or groups of assets. For goodwill, the cash-generating unit is mainly the same as the Group's business unit or other unit reporting to the Parent Company. Exempted from the main rule are operations that are not integrated into the business unit's other operations. The same business unit may also contain a number of cash-generating units if it works in more than one segment.

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

Goodwill impairment is not reversed. According to IFRIC 10, "Interim Financial Reporting and Impairment," this also applies within the same financial year. A goodwill-related impairment loss recognized in a previous interim report may not be reversed in a later interim report.

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

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

IAS 23, "Borrowing Costs"

Borrowing costs are capitalized provided that it is probable that they will result in future economic benefits and the costs can be measured reliably. Generally speaking, capitalization of borrowing costs is limited to assets that take a substantial period of time for

completion, which in the Skanska Group's case implies that capitalization mainly covers the construction of current-asset properties and properties for the Group's own use (non-current-asset properties). Capitalization occurs when expenditures included in cost have arisen and activities to complete the building have begun. Capitalization ceases when the building is completed. Borrowing costs during an extended period when work to complete the building is interrupted are not capitalized. If separate borrowing has occurred for the project, the actual borrowing cost is used. In other cases, the cost of the loan is calculated on the basis of the Group's borrowing cost.

IAS 12, "Income Taxes"

Income taxes consist of current tax and deferred tax. Taxes are recognized in the income statement except when the underlying transaction is recognized directly in equity, in which case the accompanying tax effect is recognized in equity. Current tax is tax to be paid or received that is related to the year in question, applying the tax rates that have been decided or in practice have been decided as of the balance sheet date; this also includes adjustment of current tax that is attributable to earlier periods.

Deferred tax is calculated according to the balance sheet method, on the basis of temporary differences between carrying amounts of assets and liabilities and their values for tax purposes. The amounts are calculated based on how the temporary differences are expected to be settled and by applying the tax rates and tax rules that have been decided or announced as of the balance sheet date. The following temporary differences are not taken into account: for a temporary difference that has arisen when goodwill is first recognized, the first recognition of assets and liabilities that are not business combinations and on the transaction date affect neither accounting profit nor taxable profit. Also not taken into account are temporary differences attributable to shares in subsidiaries and associated companies that are not expected to reverse in the foreseeable future. Offsetting of deferred tax assets against deferred tax liabilities occurs when there is a right to settle current taxes between companies.

Deferred tax assets related to deductible temporary differences and loss carry-forwards are recognized only to the extent that they can probably be utilized. The value of deferred tax assets is reduced when it is no longer considered probable that they can be utilized.

IAS 2, "Inventories"

Aside from customary inventories of goods, the Group's current-asset properties are also covered by this accounting standard. Both current-asset properties and inventories of goods are measured item by item at the lower of cost and net realizable value. Net realizable value is the estimated selling price in the ordinary course of business less the estimated costs for completion and the estimated costs necessary to make the sale.

When item-by-item measurement cannot be applied, the cost of inventories is assigned by using the first-in, first-out (FIFO) formula and includes expenditures that have arisen from acquisition of inventory assets and from bringing them to their present location and condition. For manufactured goods, cost includes a reasonable share of indirect costs based on normal capacity utilization. Materials not yet installed at construction sites are not recognized as inventories, but are included among project expenses.

Except for properties that are used in Skanska's own business, the Group's property holdings are reported as current assets, since these holdings are included in the Group's operating cycle. The operating cycle for current-asset properties amounts to about 3 to 5 years.

Acquisitions of properties are recognized in their entirety only when the conditions exist for completion of the purchase. If advance payments related to ongoing property acquisitions have been made, these are recognized under the balance sheet item for current-asset properties. Property acquisitions through purchases of property-owning companies are recognized when the shares have been taken over by Skanska. Current-asset properties are allocated between Commercial Development, Other commercial properties and Residential Development. Note 22, "Current-asset properties/Project development," provides information about these properties.

Before impairment loss, properties both completed and under construction are carried at directly accumulated costs, a reasonable proportion of indirect costs and interest expenses during the construction period.

Information on customary inventories of goods is found in Note 23, "Inventories etc."

IAS 37, "Provisions, Contingent Liabilities and Contingent Assets" Provisions

A provision is recognized in the balance sheet when the Group has a present legal or constructive obligation as a result of a past event, and it is probable that an outflow of economic resources will be required to settle the obligation and a reliable estimate of the amount can be made.

Skanska makes provisions for future expenses due to warranty obligations according

to construction contracts, which imply a liability for the contractor to remedy errors and omissions that are discovered within a certain period after the contractor has handed over the property to the customer. Such obligations may also exist according to law. More about the accounting principle applied can be found in the section on IAS 11, "Construction Contracts," in this note.

A provision is made for disputes related to completed projects if it is probable that a dispute will result in an outflow of resources from the Group. Disputes related to ongoing projects are taken into consideration in the valuation of the project and are thus not included in the balance sheet item "Reserve for legal disputes," which is reported in Note 29, "Provisions."

Provisions for restoration expenses related to stone quarries and gravel pits does not normally occur until the period that materials are being removed.

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

Contingent liabilities

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

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

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

Note 33, "Assets pledged, contingent liabilities and contingent assets," presents information about contingent liabilities.

Contingent assets

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

In the Group's construction operations, it is not unusual that claims for additional compensation from the customer arise. If the right to additional compensation is confirmed, this affects the valuation of the project when reporting in compliance with IAS 11, "Construction Contracts." As for claims that have not yet been confirmed, it is not practicable to provide information about these, unless there is an individual claim of substantial importance to the Group.

IAS 19, "Employee Benefits"

This accounting standard makes a distinction between defined-contribution and defined-benefit pension plans. Defined-contribution pension plans are defined as plans in which the company pays fixed contributions into a separate legal entity and has no obligation to pay further contributions even if the legal entity does not have sufficient assets to pay all employee benefits relating to their service until the balance sheet date. Other pension plans are defined-benefit. The calculation of defined-benefit pension plans uses a method that often differs from local rules in each respective country. Obligations and costs are to be calculated according to the "projected unit credit method." The purpose is to recognize expected future pension disbursements as expenses in a way that yields more uniform expenses over the employee's period of employment. Expected future wage or salary increases and expected inflation are taken into account in the calculation. The present value of the obligations is to be discounted primarily on the

basis of the market return on high quality corporate bonds (United Kingdom), or government bonds (Norway and Sweden), with maturities matching the pension obligations, on the balance sheet date. The fair value of plan assets, for example in pension funds, is to be subtracted from the estimated value of the obligations. The pension expense and the return on plan assets recognized in the income statement refer to the pension expense and return estimated on January 1. Divergences from actual pension expense and return comprise actuarial gains and losses. These are recognized directly in equity and do not have any impact on earnings.

When there is a difference between how pension expense is determined in a legal entity and the Group, a provision or receivable is recognized concerning the difference for taxes and social insurance contributions based on the Company's pension expenses. The provision or receivable is not calculated at present value, since it is based on present-value figures. Social insurance contributions on actuarial gains and losses are recognized directly in equity.

Obligations related to contributions to defined-contribution plans are recognized as expenses in the income statement as they arise.

The Group's net obligation related to other long-term employee benefits, aside from pensions, amounts to the value of future benefits that employees have earned as compensation for the services they have performed during the current and prior periods. The obligation is calculated using the projected unit credit method and is discounted at present value, and the fair value of any plan assets is subtracted. The discount rate is the interest rate on the balance sheet date for high quality corporate bonds, or government bonds, with a maturity matching the maturity of the obligations.

A provision is recognized in connection with termination of employees only if the Company is obligated to end employment before the normal retirement date or when benefits are offered in order to encourage voluntary termination. In cases where the Company terminates employees, the provision is calculated on the basis of a detailed plan that at least includes the location, function and approximate number of employees affected as well as the benefits for each job classification or function and the time at which the plan will be implemented.

IFRS 2, "Share-based Payment"

The Share Award Plan that was introduced during 2005 is recognized as share-based payments that are settled with equity instruments, in compliance with IFRS 2. This means that fair value is calculated on the basis of estimated fulfillment of established income targets during the measurement period. After the end of the measurement period, fair value is established. This value is allocated over the four-year vesting period. There is no reappraisal after fair value is established during the remainder of the vesting period except for changes in the number of shares because the condition of continued employment during the vesting period is no longer met.

IAS 7, "Cash Flow Statements"

In preparing its cash flow statement, Skanska applies the indirect method in compliance with the accounting standard. Aside from cash and bank balance flows, cash and cash equivalents are to include short-term investments whose transformation into bank balances may occur in an amount that is mainly known in advance. Short-term investments with maturities of less than three months are regarded as cash and cash equivalents. Cash and cash equivalents that are subject to restrictions are reported either as current receivables or as non-current receivables.

In addition to the cash flow statement prepared in compliance with the standard, the Report of the Directors presents an operating cash flow statement that does not conform to the structure specified in the standard. The operating cash flow statement was prepared on the basis of the operations that the various business streams carry out.

IAS 33, "Earnings per Share"

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

For the Share Award Plan that was introduced during 2005, the dilution effect is calculated by dividing potential ordinary shares by the number of shares outstanding. The calculation of potential ordinary shares occurs in two stages. First there is an assessment of the number of shares that may be issued when established targets are fulfilled. The number of shares for the respective year covered by the Plan is then determined the following year, provided that the condition of continued employment is met. In the next step, the number of potential ordinary shares is reduced by the value of the consideration that Skanska is expected to receive, divided by the average market price of a share during the period.

IAS 24, "Related Party Disclosure"

According to this accounting standard, information must be provided about transactions and agreements with related companies and physical persons. In the consolidated financial statements, intra-Group transactions fall outside this reporting requirement. Note 36, "Personnel," Note 37, "Remuneration to senior executives and Board members," and Note 39, "Related party disclosures," provide disclosures in compliance with the accounting standard.

IAS 40, "Investment Property"

Skanska reports no investment properties. Properties that are used in the Group's own operations are reported in compliance with IAS 16, "Property, Plant and Equipment." The Group's holdings of current-asset properties are covered by IAS 2, "Inventories" and thus fall outside the application of IAS 40, "Investment Property."

IAS 14, "Segment Reporting"

A segment is a distinguishable portion of the Group that is either engaged in providing products or services (business streams) or goods and services within a particular economic environment (geographic area) that is subject to risks and returns that are different from other segments. The division into business streams and markets reflects the internal organization of the Company and its reporting system.

Skanska's business streams are its primary segment reporting format. Skanska carries out its operations in four business streams: Construction, Residential Development, Commercial Development and Infrastructure Development. Skanska's geographic markets are its secondary segment reporting format. The markets are Sweden, the Nordic countries excluding Sweden, Europe excluding the Nordic countries, the United States and, finally, other markets. Infrastructure Development has consistently been reported as "Other markets."

The geographic division in the secondary segment reflects the division of Skanska's business into different home markets.

In transactions between business streams, pricing occurs on market terms.

IAS 10, "Events After the Balance Sheet Date"

Events after the balance sheet date may, in certain cases, confirm a situation that existed on the balance sheet date. According to the standard, such events shall be taken into account when financial statements are prepared. Information is provided about other events after the balance sheet date that occur before the signing of the financial statements if its omission would affect the ability of a reader to make a correct assessment and a sound decision.

As stated earlier, divestment of a property is normally reported as income during the period when a binding agreement is signed, even if necessary regulatory approvals have not yet been received. Contractual terms that in some way are at the disposition of the counterparty may cause the reporting of income to be postponed while waiting for the terms to be fulfilled. In some cases this also applies to regulatory approvals.

Information about events after the balance sheet date is provided in Note 41, "Events after the balance sheet date."

IAS 32, "Financial Instruments: Presentation"

Offsetting of financial assets and financial liabilities occur when a company has a legal right to offset items against each other and intends to settle these items with a net amount or, at the same time, divest the asset and settle the liability.

Prepaid income and expenses as well as accrued income and expenses that are related to the business are not financial instruments. Pension liabilities and receivables from or liabilities to employees are not financial instruments either. Nor are assets and liabilities not based on contracts, for example income taxes, financial instruments.

Information in compliance with the accounting standard is provided mainly in Notes 6, "Financial instruments," Note 21, "Financial assets" and Note 27, "Financial liabilities."

IAS 39, "Financial Instruments: Recognition and Measurement"

The accounting standard deals with measurement and recognition of financial instruments. Excepted from application in compliance with IAS 39 are, among others, holdings in subsidiaries, associated companies and joint ventures, leases, the rights under employment contracts, the Company's own shares and financial instruments to which IFRS 2, "Share-based Payments" applies. All financial instruments covered by this standard, including all derivatives, are reported in the balance sheet.

A derivative is a financial instrument whose value changes in response to changes in an underlying variable, that requires no initial investment or one that is small and that is settled at a future date. An embedded derivative is a contract condition that causes the value of the contract to be affected in the same way as if the condition were an independent derivative. This is the case, for example, when a construction contract is

expressed in a currency which is a foreign currency for both parties. If it is customary for the foreign currency to be used for this type of contract, the embedded derivative will not be separated. According to IFRIC 9, "Reassessment of Embedded Derivatives," a reassessment of whether embedded derivatives shall be separated from the host contract is needed only if the host contract is changed.

A financial asset or financial liability is recognized in the balance sheet when the Group becomes a party to the contractual provisions of the instrument. Trade accounts receivable are recognized in the balance sheet when an invoice has been sent. A liability is recognized when the counterparty has performed and there is a contractual obligation to pay, even if the invoice has not yet been received. Trade accounts payable are recognized when an invoice has been received.

A financial asset is derecognized from the balance sheet when the contractual rights are realized, expire or the Group loses control of them. The same applies to a portion of a financial asset. A financial liability is derecognized from the balance sheet when the contractual obligation is fulfilled or otherwise extinguished. The same applies to a portion of a financial liability.

Acquisitions and divestments of financial assets are recognized on the transaction date, which is the date that the Company undertakes to acquire or divest the asset.

Financial instruments are initially recognized at cost, equivalent to the instrument's fair value plus transaction costs, except instruments in the category "assets at fair value through profit or loss," which are recognized exclusive of transaction costs. Recognition then occurs depending on how they are classified as described below.

Financial assets, including derivatives, are classified as "assets at fair value through profit or loss," "held-to-maturity investments," "loans and receivables" and "available-for-sale assets."

"Assets at fair value through profit and loss," and "available-for-sale financial assets" are measured at fair value in the balance sheet. Change in value of "assets at fair value through profit or loss" is recognized in the income statement, while change in value of "available-for-sale assets" is recognized directly in equity. When the latter assets are divested, accumulated gains or losses are transferred to the income statement. Also in the latter category are shares carried at cost. "Held-to-maturity investments" and "loans and receivables" are measured at accrued cost.

Financial liabilities including derivatives are classified as "liabilities at fair value through profit and loss" and "other financial liabilities."

"Liabilities at fair value through profit and loss" are measured at fair value in the balance sheet, with change of value recognized in the income statement. "Other financial liabilities" are measured at accrued cost.

Skanska uses currency derivatives and foreign currency loans to hedge against fluctuations in exchange rates. Recognition of derivatives varies depending on whether hedge accounting in compliance with IAS 39 is applied or not.

Unrealized gains and losses on currency derivatives related to hedging of operational transaction exposure are measured in market terms and recognized at fair value in the balance sheet. The entire change in value is recognized directly in the income statement, except in those cases that hedge accounting is applied. In hedge accounting, unrealized gain or loss is recognized in the income statement according to a project's degree of completion, while the remainder is recognized in equity. When the hedged transaction occurs and is recognized in the income statement, accumulated changes in value are transferred from equity to the income statement.

Unrealized gains and losses on embedded currency derivatives in commercial contracts are measured and recognized at fair value in the balance sheet. Changes in fair value are recognized in the income statement.

Currency derivatives and foreign currency loans for hedging translation exposure are carried at fair value in the balance sheet. Because hedge accounting is applied, exchange rate differences after taking into account tax effect are recognized in consolidated equity. If an operation in a country that has a functional currency other than the euro is divested, accumulated exchange rate differences attributable to hedging of that operation are transferred from equity to the income statement. The interest component and changes in the value of the interest component of currency derivatives are recognized as financial income or expenses.

Skanska uses interest rate derivatives to hedge against fluctuations in interest rates. Hedge accounting in compliance with IAS 39 is not applied, however.

Unrealized gains and losses on interest rate derivatives are recognized at fair value in the balance sheet. Changes in value excluding the current interest coupon portion, which is recognized as interest income or an interest expense, are recognized as financial income or expenses in the income statement.

IFRS 7, "Financial Instruments: Disclosures"

This standard supplements the principles for recognizing, measuring and classifying financial assets and liabilities in IAS 32 and IAS 39. According to this standard, the Company must provide disclosures that make it possible to evaluate the significance

Note 01 Continued

of financial instruments for its financial position and performance as well as provide disclosures that make it possible to evaluate the nature and extent of risks arising from financial instruments to which the Company is exposed on the balance sheet date.

Disclosures in compliance with this accounting standard are presented in Note 6, "Financial instruments."

The note shows how financial instruments have been grouped into classes and includes a reconciliation with the income statement.

IAS 20, "Accounting for Government Grants and Disclosure of Government Assistance"

"Government assistance" refers to action by government designed to provide an economic benefit specific to one company or a range of companies that qualify under certain criteria. Government grants are assistance by government in the form of transfers of resources to a company in return for past or future compliance with certain conditions relating to its operations.

Government grants are recognized in the balance sheet as prepaid income or reduction in the investment when it is reasonable assurance that the grants will be received and that the Group will meet the conditions associated with the grant.

Order bookings and order backlog

In Construction assignments, an order booking refers to a written order confirmation or signed contract. This also includes orders from Residential Development and Commercial Development. For services related to fixed-price work, the order booking is recorded when the contract is signed, and for services related to cost-plus work, the order booking coincides with revenue. In Residential Development and Commercial Development, no order bookings are reported.

Order backlog refers to the difference between order bookings for a period and accrued revenue (accrued project expenses plus accrued project income adjusted for loss provisions) plus order backlog at the beginning of the period.

The order backlog in the accounts of acquired subsidiaries on the date of acquisition is not reported as order bookings, but is included in order backlog amounts.

Market appraisal

Commercial Development

Note 22, "Current-asset properties/Project development" states estimated market values for Skanska's current-asset properties. For completed properties that include commercial space and for development properties, market values have been partly calculated in cooperation with external appraisers.

Infrastructure Development

Skanska obtains an estimated market value for infrastructure projects by discounting estimated future cash flows in the form of dividends and loan repayments and equity by a discount rate based on country, risk model and project phase for the various projects. The discount rate chosen is applied to all future cash flows starting on the appraisal date. The most recently updated financial model is used as a base. This financial model describes all cash flows in the project and serves as the ultimate basis for financing, which is carried out with full project risk and without guarantees from Skanska.

A market value is assigned only to projects that have reached financial close. All flows are appraised – investments in the project (equity and subordinated debenture loans), interest and principal payments on subordinated loans as well as dividends to and from the project company. Today substantially all investments are denominated in currencies other than euros. This means there is also an exchange rate risk in market values.

Market values have been partly calculated in cooperation with external appraisers.

Exchange rates, euros (EUR) per currency unit

Currency	Country/zone	Year-end exchange rate		Average exchange rate	
		Dec 31 2007	Dec 31 2006	Jan-Dec 2007	Jan-Dec 2006
ARS	Argentina	0.216	0.247	0.235	0.259
CZK	Czech Republic	0.038	0.036	0.036	0.035
DKK	Denmark	0.131	0.134	0.134	0.134
EUR	EU euro zone	1.000	1.000	1.000	1.000
GBP	U.K.	1.360	1.490	1.461	1.467
NOK	Norway	0.125	0.121	0.125	0.124
PLN	Poland	0.278	0.261	0.265	0.257
SEK	Sweden	0.106	0.111	0.108	0.108
USD	U.S.	0.680	0.759	0.731	0.797

Note 02 Key estimates and judgments

Key estimates and judgments

The Senior Executive Team has discussed with the Board of Directors and the Audit Committee the choices and disclosures related to the Group's important accounting principles and estimates, as well as the application of these principles and estimates.

Certain important accounting-related estimates that have been made when applying the Group's accounting principles are described below.

Goodwill impairment testing

In calculating the recoverable amount of cash-generating units for assessing any goodwill impairment, a number of assumptions about future conditions and estimates of parameters have been made. A presentation of these can be found in Note 18, "Goodwill." As understood from the description in this note, major changes in the prerequisites for these assumptions and estimates might have a substantial effect on the value of goodwill.

Pension assumptions

Skanska recognizes defined-benefit pension obligations according to the alternative method in IAS 19, "Employee Benefits." In this method, actuarial gains and losses are recognized directly in equity and thus give rise to no effect on income. The consequence is that future changes in actuarial assumptions, both positive and negative, will have an immediate effect on recognized equity and on interest-bearing pension liability.

Note 28, "Pensions," describes the assumptions and prerequisites that provide the basis for recognition of pension liability, including a sensitivity analysis.

Percentage of completion

Skanska applies the percentage of completion method, i.e. using a forecast of final project results, income is recognized successively during the course of the project based on the degree of completion. This requires that the size of project revenue and project expenses can be reliably determined. The prerequisite for this is that the Group has efficient, coordinated systems for cost estimating, forecasting and revenue/expense reporting. The system also requires a consistent judgment (forecast) of the final outcome of the project, including analysis of divergences compared to earlier assessment dates. This critical judgment is performed at least once per quarter according to the "grandfather principle," i.e. the immediate superior examines the project in a number of reviews at successively higher levels of the organization.

Disputes

Management's best judgment has been taken into account in reporting disputed amounts, but the actual future outcome may diverge from this judgment. See Note 33, "Assets pledged, contingent liabilities and contingent assets," and Note 29, "Provisions."

Investments in Infrastructure Development

Estimated market values are based on discounting of expected cash flows for each respective investment. Estimated yield requirements on investments of this type have been used as discount rates. Changes in expected cash flows, which in a number of cases extend 20–30 years ahead in time, and/or changes in yield requirements, may materially affect both estimated market values and carrying amounts for each investment.

Current-asset properties

The stated total market value is estimated on the basis of prevailing price levels in the respective location of each property. Changes in the supply of similar properties as well as changes in demand due to changes in targeted return may materially affect both estimated fair values and carrying amounts for each property.

In Residential Development operations, the supply of capital and the price of capital for financing residential unit buyers' investments are critical factors.

Prices of goods and services

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

Sharp increases in prices of materials may pose a risk, especially in long-term projects with fixed-price obligations. Shortages of human resources as well as certain input goods may also adversely affect operations. Delays in the design phase or changes in design are other circumstances that may adversely affect projects.

Note 03 Effects of changes in accounting principles

Due to the introduction of IFRS 7, "Financial Instruments: Disclosures," effective on January 1, 2007, the Group has revised Note 6, "Financial instruments."

Note 04 Segment reporting

The division into business streams and markets reflects the Company's internal organization and reporting system.

Skanska's business streams are reported as primary segments. Skanska carries out its operations in four business streams: Construction, Residential Development, Commercial Development and Infrastructure Development.

Geographic markets are reported as secondary segments. The market division that is used is based on the natural delimitations between markets in the Group. "Other markets" refers to Latin America and the markets where the Infrastructure Development business stream operates.

Intra-Group pricing between business streams occurs on market terms.

A. Primary segment – Business streams

Construction is the Group's largest business stream. Construction includes both building and civil construction.

Residential Development creates residential projects for immediate sale. Housing units are adapted to selected customer categories. The business units are responsible for planning and selling the projects. Construction assignments are performed by Skanska's construction units in each respective market.

Commercial Development initiates, develops, leases and divests commercial property projects.

Project development in this business stream focuses on office buildings, shopping malls and logistics properties located in Stockholm, Gothenburg, the Öresund region of southern Sweden and eastern Denmark, Warsaw and Wrocław (Poland), Budapest

(Hungary); and Prague and Ostrava (Czech Republic). Construction assignments are performed in most markets by Skanska's construction units.

Infrastructure Development specializes in identifying, developing and investing in privately financed infrastructure projects, such as highways, hospitals and power generating plants. The business stream focuses on creating new potential projects in the markets where the Group has operations. Construction assignments are performed in most markets by Skanska's construction units.

"Central and eliminations" includes the cost of Group headquarters and earnings of central companies. The International unit, with a number of businesses that are being discontinued, is also part of this item. In the consolidated financial statements, profits in Construction related to property and infrastructure projects equivalent to the Group's ownership stake in the projects are eliminated. These eliminations are reversed as the depreciation/contract period progresses or when projects are divested.

Assets and liabilities by business stream

Each business stream has operating responsibility for its capital employed. The capital employed by each business stream consists of its total assets minus tax assets and intra-Group receivables invested in Skanska's treasury unit ("internal bank") less non-interest-bearing liabilities excluding tax liabilities. Acquisition goodwill has been reported in the business stream to which it belongs.

Revenue and expenses by business stream

Each business stream has operating responsibility for its income statement down to and including operating income. If its assets include interest-bearing receivables and cash and cash equivalents other than funds invested in the Group's treasury unit, the company is also responsible for the interest income that these assets earn. No interest expenses or taxes are included in the income statements of the respective business streams.

Note **04** Continued

	Construction		Residential Development		Commercial Development		Infrastructure Development		Central and eliminations		Group total	
	2007	2006	2007	2006	2007	2006	2007	2006	2007	2006	2007	2006
Income statement												
External revenue	13,782.7	12,356.9	830.1	733.6	337.2	357.4	12.4	16.3	39.3	110.1	15,001.7	13,574.3
Intra-Group revenue	539.5	472.5			1.2	12.8	0.1		-540.8	-485.2	0.0	0.0
Total revenue	14,322.3	12,829.4	830.1	733.6	338.3	370.2	12.5	16.3	-501.5	-375.1	15,001.7	13,574.3
Cost of sales	-13,176.7	-11,857.1	-704.9	-600.6	-214.0	-216.5	-22.5	-19.0	518.9	349.1	-13,599.3	-12,344.1
Gross income	1,145.5	972.2	125.2	133.0	124.3	153.7	-9.9	-2.7	17.4	-26.0	1,402.4	1,230.2
Selling and administrative expenses	-673.3	-618.4	-59.3	-46.7	-27.7	-25.4	-20.3	-20.2	-80.9	-44.2	-861.5	-754.9
Income from joint ventures and associated companies	8.3	6.7	12.4	5.7	1.7	2.5	18.7	22.0	2.3	2.4	43.5	39.3
Operating income¹	480.5	360.5	78.3	92.1	98.4	130.8	-11.6	-0.9	-61.2	-67.9	584.4	514.6
Interest income	14.9	9.6	1.4	0.6	2.4	2.3	0.1		49.0	31.3	67.8	43.9
Interest expenses									-17.8	-11.6	-17.8	-11.6
Change in fair value									-11.2	-12.8	-11.2	-12.8
Other financial items									-10.5	4.5	-10.5	4.5
Income after financial items	495.4	370.1	79.7	92.7	100.7	133.0	-11.5	-0.9	-51.8	-56.3	612.6	538.7
Taxes									-167.1	-143.7	-167.1	-143.7
Profit for the year	495.4	370.1	79.7	92.7	100.7	133.0	-11.5	-0.9	-218.9	-200.0	445.5	395.0
Profit for the year attributable to												
Equity holders											442.8	392.8
Minority											2.7	2.2
1 of which depreciation/amortization	-135.2	-118.0	-0.2	-0.5	-0.3	-0.1	-2.4	-2.3	-1.0	-3.0	-139.1	-124.0
of which impairment losses/reversals of impairment losses goodwill	-0.9										-0.9	0.0
other assets	-0.8	-10.3	-1.2	-0.5	-3.8						-5.7	-10.8
of which gains from divestments of residential units			120.5	113.2					-0.5	-1.1	120.0	112.1
of which gains from commercial property divestments	24.9	13.2			113.6	136.2			1.7	1.8	140.2	151.2

Note 04 Continued

	Construction		Residential Development		Commercial Development		Infrastructure Development		Central and eliminations		Group total	
	2007	2006	2007	2006	2007	2006	2007	2006	2007	2006	2007	2006
Assets												
Property, plant and equipment	627.1	597.9	0.4	0.9	1.1	1.0	1.9	2.1	1.7	1.7	632.1	603.5
Intangible assets	455.6	476.6	50.9	49.4			45.9	49.9	2.3	2.5	554.8	578.4
Investments in associated companies and joint ventures	18.6	17.3	9.3	11.3	5.8	4.3	214.8	220.1	-42.8	-43.5	205.8	209.5
Other shares and participations	5.4	5.3	3.2	1.4					1.2	-0.2	9.7	6.5
Interest-bearing assets ¹	511.0	395.6	12.7	-20.1	124.7	41.5	14.0	1.8	1,392.4	1,288.9	2,054.7	1,707.7
Current-asset properties	79.3	105.6	655.3	583.2	682.2	630.7			-20.0	-11.5	1,396.8	1,308.0
Tax assets									144.7	255.0	144.7	255.0
Non-interest-bearing assets	3,121.7	2,936.8	158.4	188.3	29.3	27.9	4.6	5.8	41.8	58.8	3,355.8	3,217.6
Total assets	4,818.6	4,535.0	890.3	814.5	843.1	705.4	281.2	279.6	1,521.3	1,551.8	8,354.4	7,886.2
Liabilities												
Tax liabilities									313.3	400.4	313.3	400.4
Trade and other payables and non-interest-bearing provisions	4,783.7	4,255.1	420.8	408.4	72.7	69.5	14.0	12.6	45.2	41.6	5,336.3	4,787.2
	4,783.7	4,255.1	420.8	408.4	72.7	69.5	14.0	12.6	358.5	441.9	5,649.6	5,187.6
Capital employed	34.9	279.8	469.5	406.1	770.3	635.9	267.2	267.0	1,162.9	1,109.8	2,704.8	2,698.6
Operating cash flow²												
Cash flow from operations before investments	1,056.0	482.8	-25.5	9.4	-33.3	-28.6	-12.8	1.1	-42.0	-78.6	942.4	386.0
Net investments in operations	-107.9	-120.2	45.7	-94.9	39.7	152.7	11.4	-10.2	-1.3	6.2	-12.4	-66.4
Cash flow adjustment, net investments	-15.3	-0.8	21.1	35.1	25.8	9.7				0.0	31.6	44.1
Taxes paid in operating activities									-121.9	-112.4	-121.9	-112.4
Cash flow from business operations	932.8	361.8	41.3	-50.4	32.2	133.8	-1.4	-9.1	-165.3	-184.8	839.6	251.4
Net strategic investments	12.8	-63.0								5.5	12.8	-57.5
Taxes paid on strategic divestments									-1.8	0.0	-1.8	0.0
Cash flow from strategic investments	12.8	-63.0	0.0	0.0	0.0	0.0	0.0	0.0	-1.8	5.5	10.9	-57.5
Cash flow before financing operations and dividends	945.5	298.8	41.3	-50.4	32.2	133.8	-1.4	-9.1	-167.1	-179.3	850.5	193.9
Net investments												
Investments	-252.4	-291.7	-539.7	-545.2	-263.8	-180.6	-7.9	-30.9	4.2	-10.9	-1,059.6	-1,059.3
Divestments	157.3	108.5	585.5	450.3	303.4	333.3	19.2	20.8	-5.5	22.6	1,059.9	935.5
Net investments	-95.1	-183.2	45.7	-94.9	39.7	152.7	11.4	-10.2	-1.3	11.7	0.3	-123.9
Order bookings	15,822.4	14,495.3							34.1	28.9	15,856.4	14,524.2
Order backlog	15,467.7	14,942.0							1.4	8.1	15,469.0	14,950.1
Employees	59,180	54,480	565	467	141	135	121	103	428	900	60,435	56,085

1 Including external cash and cash equivalents, excluding deposits in Skanska's treasury unit.

2 Taxes paid by the Group are included in the item "Central and eliminations."

Note 04 Continued

B. Secondary segment – Geographic markets

	Sweden	Other Nordic countries	Other Europe	United States	Other markets	Central and eliminations	Total
2007							
External revenue	3,262.5	3,021.8	4,086.2	4,109.3	482.7	39.3	15,001.7
Internal revenue	323.9	201.1	15.8		0.1	-540.8	0.0
Total revenue	3,586.3	3,222.9	4,101.9	4,109.3	482.8	-501.5	15,001.7
Total assets	2,393.1	2,083.6	2,737.5	1,699.2	537.9	-1,096.9	8,354.4
Investments in non-current assets and businesses	-59.1	-48.8	-56.5	-37.1	-25.2	-2.4	-229.1
Investments in current-asset properties	-265.4	-431.3	-140.5			6.7	-830.5
Total investments	-324.5	-480.1	-197.1	-37.1	-25.2	4.3	-1,059.6
Divestments of non-current assets and businesses	17.1	29.3	19.5	14.9	21.1	-0.1	101.7
Divestments of current-asset properties	429.9	434.8	99.0			-5.5	958.2
Total divestments	447.0	464.1	118.5	14.9	21.1	-5.6	1,059.9
2006							
External revenue	2,875.2	2,699.4	3,407.5	4,059.7	422.3	110.1	13,574.3
Internal revenue	260.8	213.9	10.6			-485.2	0.0
Total revenue	3,136.0	2,913.3	3,418.1	4,059.7	422.3	-375.1	13,574.3
Total assets	2,218.5	1,914.4	2,448.5	1,462.2	460.8	-618.2	7,886.2
Investments in non-current assets and businesses	-42.7	-28.2	-143.7	-37.4	-42.4	-1.5	-295.9
Investments in current-asset properties	-267.8	-396.7	-89.5			-9.4	-763.4
Total investments	-310.5	-424.9	-233.2	-37.4	-42.4	-10.9	-1,059.3
Divestments of non-current assets and businesses	17.2	5.5	27.8	10.4	23.3	7.1	91.3
Divestments of current-asset properties	322.5	377.3	128.9			15.5	844.2
Total divestments	339.7	382.8	156.7	10.4	23.3	22.6	935.5

Note 04 Continued

C. Other information by business stream/reporting unit and breakdown of eliminations

Group	Revenue		Operating income		Operating margin, %		Return on capital employed, %		Order backlog		Order bookings	
	2007	2006	2007	2006	2007	2006	2007	2006	2007	2006	2007	2006
Construction ¹												
Sweden	2,960.7	2,607.0	138.8	118.9	4.7	4.6			2,333.3	2,179.3	3,167.8	2,973.3
Norway	1,378.8	1,149.5	59.9	48.1	4.3	4.2			1,179.6	1,074.2	1,434.0	1,337.1
Denmark	349.9	413.4	0.2	-34.4	0.1	-8.3			19.7	222.6	323.6	404.7
Finland	1,054.0	906.2	42.8	20.6	4.1	2.3			801.0	775.2	1,057.2	1,040.3
Poland	854.0	738.0	39.8	29.1	4.7	3.9			410.6	646.8	581.8	612.0
Czech Republic	1,233.1	1,219.0	51.8	35.9	4.2	2.9			1,264.7	1,448.0	1,010.1	1,261.8
United Kingdom	1,912.3	1,330.6	33.2	44.5	1.7	3.3			3,259.3	3,516.1	1,965.1	2,561.2
USA Building	2,938.5	2,997.6	31.9	29.9	1.1	1.0			3,336.4	2,889.3	3,740.4	2,711.8
USA Civil	1,170.8	1,062.0	58.7	49.7	5.0	4.7			2,380.9	1,887.6	1,910.7	1,199.0
Latin America	470.2	406.0	23.5	18.2	5.0	4.5			482.2	302.9	631.8	394.1
	14,322.2	12,829.4	480.5	360.5	3.4	2.8	>100	>100	15,467.7	14,942.0	15,822.4	14,495.3
Residential Development												
Sweden	370.9	283.2	46.4	32.2	12.5	11.4	42.6	>100				
Norway	187.4	169.9	10.7	17.6	5.7	10.4	6.6	12.9				
Denmark	66.0	57.9	-2.7	10.4	-4.1	17.9	-2.2	23.3				
Finland	134.9	170.1	13.6	23.9	10.1	14.0	11.9	24.4				
Czech Republic	70.8	52.5	10.3	8.0	14.5	15.2	32.2	26.1				
	830.1	733.6	78.3	92.1	9.4	12.6	14.9	27.6				
Commercial Development	338.3	370.2	98.4	130.8			14.2	21.2				
Infrastructure Development	12.5	16.3	-11.6	-0.9			-4.2	0.6				
Central	52.1	122.9	-60.5	-55.5					1.4	8.1	34.1	28.9
Eliminations												
Intra-Group construction for Residential Development ²	-382.6	-362.6										
Commercial Development	-162.3	-96.2	-9.3	-3.7								
Infrastructure Development ¹			-1.3	-13.3								
Intra-Group property divestments	-9.3	-15.7	-2.2	-2.6								
Divestments, Commercial Development			4.0	4.3								
Divestments, Infrastructure Development			0.3	0.8								
Dissolution over useful life Infrastructure Development			1.9	1.7								
Other	0.5	-23.6	5.8	0.4								
	-553.6	-498.0	-0.6	-12.3								
Total	15,001.7	13,574.3	584.4	514.6			25.1	22.6	15,469.0	14,950.1	15,856.4	14,524.2

1 Construction included EUR 773.0 M (582.9) in intra-Group construction for Infrastructure Development. Elimination does not occur, since this revenue comprises invoicing to joint ventures, which are not consolidated but are instead recognized according to the equity method of accounting.

2 Because the Group applies the percentage of completion method, taking into account the degree of sales and completion, no intra-Group gains arise in the consolidated financial statements that need to be eliminated. Elimination is done in Residential Development. See Note 1, "Accounting and valuation principles," and IAS 11, "Construction Contracts."

Note 05 Non-current assets held for sale and discontinued operations

Non-current assets held for sale and discontinued operations are recognized in compliance with IFRS 5. See "Accounting and valuation principles," Note 1. During 2007 and 2006, no units were recognized as discontinued.

Nor were any non-current assets recognized as held for sale.

Note 06 Financial instruments

Financial instruments are reported in compliance with IAS 39, "Financial Instruments: Recognition and Measurement," IAS 32, "Financial Instruments: Presentation" and IFRS 7, "Financial Instruments: Disclosures."

The importance of financial instruments for the financial position and earnings of the Group

Financial instruments in the balance sheet

The following table presents the recognized and fair value of financial instruments by category as well as a reconciliation with total assets and liabilities in the balance sheet. See also Note 21, "Financial assets," Note 24, "Trade and other receivables," Note 27, "Financial liabilities" and Note 30, "Trade and other payables."

	Financial assets at fair value through profit or loss	Hedge accounted derivatives	Held to maturity investments	Available for sale financial assets	Loans and receivables	Total carrying amount	Fair value
2007							
Financial instruments							
Interest-bearing assets and derivatives							
Financial assets ¹							
Financial investments at fair value	8.8	3.5		84.1		96.4	96.4
Financial investments at amortized cost			62.7			62.7	62.7
Financial interest-bearing receivables					404.2	404.2	404.3
	8.8	3.5	62.7	84.1	404.2	563.2	563.3
Cash equivalents at fair value				55.1		55.1	55.1
Cash					1,448.6	1,448.6	1,448.6
	8.8	3.5	62.7	139.3	1,852.8	2,067.0	2,067.1
Trade accounts receivable ²					2,139.0	2,139.0	2,139.0
Other operating receivables including shares							
Shares recognized as available-for-sale assets ³				9.7		9.7	9.7
Other operating receivables ^{2,4}					20.2	20.2	20.2
	0.0	0.0	0.0	9.7	20.2	29.9	29.9
Total financial instruments	8.8	3.5	62.7	149.0	4,012.0	4,235.9	4,236.0
2006							
Financial instruments							
Interest-bearing assets and derivatives							
Financial assets ¹							
Financial investments at fair value	26.0	10.1		182.0		218.1	218.1
Financial investments at amortized cost			72.4			72.4	72.4
Financial interest-bearing receivables					217.7	217.7	217.7
	26.0	10.1	72.4	182.0	217.7	508.2	508.2
Cash equivalents at fair value				235.7		235.7	235.7
Cash					977.5	977.5	977.5
	26.0	10.1	72.4	417.7	1,195.2	1,721.4	1,721.4
Trade accounts receivable ²					2,121.1	2,121.1	2,121.1
Other operating receivables including shares							
Shares recognized as available-for-sale assets ³				6.5		6.5	6.5
Other operating receivables ^{2,4}					25.3	25.3	25.3
	0.0	0.0	0.0	6.5	25.3	31.9	31.9
Total financial instruments	26.0	10.1	72.4	424.2	3,341.6	3,874.4	3,874.4

¹ The carrying amount for financial assets excluding shares, totaling EUR 387.1 M (379.9), can be seen in Note 21, "Financial assets."

Financial non-current assets		
Financial investments excluding shares	41.3	100.3
Financial receivables	26.0	59.1
Financial current assets		
Financial investments	117.8	190.2
Financial receivables	378.1	158.6
	563.2	508.2

² See Note 24, "Trade and other receivables."

³ The shares are measured at cost. The shares are reported in the consolidated balance sheet among financial assets. See also Note 21, "Financial assets."

⁴ In the consolidated balance sheet, EUR 2,663.6 M (2,572.8) is reported as "Trade and other receivables." See Note 24, "Trade and other receivables." Trade account receivables of EUR 2,139.0 M (2,121.1) and other operating receivables of EUR 20.2 M (25.3), totaling EUR 2,159.2 M (2,146.4) are reported as financial instruments. The remaining amount in the balance sheet item, EUR 504.4 M (426.3), is reported below in the reconciliation with the balance sheet. Accrued interest income, deposits, receivables on divested properties etc. are reported as financial operating receivables. Non-financial other operating receivables include, for example, interim items other than accrued interest, VAT receivables, pension-related receivables and other employee-related receivables.

Note 06 Continued

Reconciliation with balance sheet	2007	2006
Assets		
Financial instruments	4,235.9	3,874.4
Other assets		
Property, plant and equipment and intangible assets	1,186.9	1,181.9
Investments in joint ventures and associated companies	205.8	209.5
Tax assets	144.7	255.0
Current-asset properties	1,396.8	1,308.0
Inventories	81.4	53.5
Gross amount due from customers for contract work	598.6	577.5
Trade and other receivables ^{4 above}	504.4	426.3
Total assets	8,354.4	7,886.2

Liabilities	Financial liabilities at fair value through profit or loss	Hedge accounted derivatives	Financial liabilities at amortized cost	Total carrying amount	Fair value
2007					
Financial instruments					
Interest-bearing liabilities and derivatives					
Financial liabilities ¹					
Financial liabilities at fair value	3.0	6.5		9.4	9.4
Financial liabilities at amortized cost			377.7	377.7	378.8
	3.0	6.5	377.7	387.1	388.2
Operating liabilities					
Trade accounts payable			1,577.8	1,577.8	1,577.8
Other operating liabilities ²			186.4	186.4	186.4
	0.0	0.0	1,764.2	1,764.2	1,764.2
Total financial instruments	3.0	6.5	2,141.9	2,151.3	2,152.4
2006					
Financial instruments					
Interest-bearing liabilities and derivatives					
Financial liabilities ¹					
Financial liabilities at fair value	4.9	2.4		7.3	7.3
Financial liabilities at amortized cost			372.6	372.6	374.1
	4.9	2.4	372.6	379.9	381.4
Operating liabilities					
Trade accounts payable			1,533.6	1,533.6	1,533.6
Other operating liabilities ²			155.9	155.9	155.9
	0.0	0.0	1,689.6	1,689.6	1,689.6
Total financial instruments	4.9	2.4	2,062.2	2,069.5	2,071.0

1 The carrying amount for financial liabilities totaling EUR 387.1 M (379.9) can be seen in Note 27 "Financial liabilities."

2 Other operating liabilities, totaling EUR 1,698.7 M (1,608.1) are reported in the balance sheet together with trade accounts payable of EUR 1,577.8 M (1,533.6). The total balance sheet item "Trade and other payables" amounts to EUR 3,276.5 M (3,141.7). See Note 30. Accrued interest expenses, checks issued but not cashed liabilities for unpaid properties etc. are reported as other financial operating liabilities. Other non-financial operating liabilities are, for example, interim items other than accrued interest, VAT liabilities, pension-related liabilities and other employee-related liabilities.

Note 06 Continued

Reconciliation with balance sheet	2007	2006
Equity and liabilities		
Financial instruments	2,151.3	2,069.5
Other liabilities		
Equity and liabilities	2,193.2	2,138.6
Pensions	121.6	172.1
Tax liabilities	313.3	400.4
Provisions	396.0	397.6
Gross amount due to customers for contract work	1,666.6	1,256.0
Trade and other payables ² above	1,512.3	1,452.1
Total equity and liabilities	8,354.4	7,886.2

Financial assets and liabilities at fair value through profit or loss

"Financial assets and liabilities at fair value through profit or loss" belong to the category that has been identified as such on the first recognition date or consist of derivatives.

Assets

The Group has EUR 8.8 M (26.0) in financial assets at fair value through profit or loss.

The entire 2007 amount is attributable to derivatives. In 2006, EUR 22.3 M consisted of an investment in a Swedish liquidity fund.

Liabilities

The Group has EUR 3.0 M (4.9) in financial liabilities at fair value through profit or loss.

The entire amount is attributable to derivatives.

Fair value

Fair value of financial instruments in the consolidated accounts can be seen in the table above.

In setting fair value, the official price quotation in an active market is primarily used. If this does not exist, fair value is calculated by discounting future cash flows based on quoted market interest rates for each respective maturity and currency. This method is the one most commonly used. A few transactions with option elements have been calculated using the Black-Scholes model. In calculating fair value in the borrowing portfolio, Skanska takes into account current market interest rates, which include the credit risk premium that Skanska is estimated to pay for its borrowing.

The total change in fair value of financial assets and liabilities calculated according to the Black-Scholes model amounts to EUR 0.2 M (0), which is recognized in the income statement.

The accumulated change in value of available-for-sale assets amounts to EUR 0 M (0).

Note 06 Continued

Impact of financial instruments on the consolidated income statement and consolidated equity

Income and expenses from financial instruments recognized in the income statement	2007	2006
Recognized in operating income		
Interest income on loan receivables	0.9	1.8
Interest expenses on financial liabilities at cost	-0.2	-0.1
Impairment loss/reversal of impairment loss on loan receivables	-3.6	-1.0
Cash flow hedge removed from equity and recognized in income statement	8.6	4.9
Total income and expenses in operating income	5.7	5.6
Recognized in financial items		
Interest income on financial assets at fair value through profit or loss	5.8	0.2
Interest income on available-for-sale assets	12.9	12.0
Interest income on held-to-maturity investments	1.2	2.1
Interest income on loan receivables	8.6	5.5
Interest income on cash	28.1	23.7
Divestments of available-for-sale financial assets	0.1	
Changes in market value of financial assets at fair value through profit or loss	0.1	
Changes in market value of financial liabilities at fair value through profit or loss	0.3	0.2
Net exchange rate differences		4.0
Income on financial liabilities at amortized cost ¹		3.7
Income from equity swaps		2.8
Total income in financial items	57.2	54.1
Interest expenses on financial liabilities at fair value through profit or loss ²	0.1	3.0
Interest expenses on financial liabilities at amortized cost	-16.1	-16.0
Changes in market value of financial assets at fair value through profit or loss	-0.3	-0.9
Changes in market value of financial liabilities at fair value through profit or loss		-0.1
Net financial items from hedging of net investments in foreign subsidiaries ³	-11.4	-12.0
Impairment loss on available-for-sale financial assets	-1.2	0.0
Net exchange rate differences	-4.6	0.0
Expenses for borrowing programs	-1.2	-1.0
Bank-related expenses	-1.0	-1.3
Total expenses in financial items	-35.7	-28.2
Net income and expenses from financial instruments reported in income statement	27.2	31.6
Of which interest income on financial assets not at fair value through profit or loss	51.7	45.1
Of which interest expenses on financial assets not at fair value through profit or loss	-16.3	-16.1

¹ Refers to loan redemption discounts.

² The amounts have arisen due to positive interest rate differences in currency swaps for the Group's borrowing.

³ The amount includes interest expenses totaling EUR -10.6 M (-12.0) attributable to currency futures.

Reconciliation with financial items	2007	2006
Total income from financial instruments in financial items	57.2	54.1
Total expenses from financial instruments in financial items	-35.7	-28.2
Other interest income	11.1	0.4
Other interest expenses	-1.8	1.4
Other financial items	-2.6	-3.8
Income/loss from associated companies		0.1
Total financial items	28.2	24.1

See also Note 14. "Net financial items."

Income and expenses from financial instruments recognized directly in equity	2007	2006
Cash flow hedge recognized directly in equity	0.5	2.5
Cash flow hedge removed from equity and recognized in income statement	-8.6	-4.9
Changes in value of available-for-sale assets	0.0	0.0
Translation differences for the year	-48.4	-13.9
Minus hedging of foreign exchange risk in operations outside Sweden	23.0	19.0
Total	-33.5	2.7
of which recognized in cash flow hedge reserve	-8.1	-2.4
of which recognized in translation reserve	-25.4	5.1
	-33.5	2.7

Collateral

The Group has provided collateral (assets pledged) in the form of financial receivables amounting to EUR 47.2 M (42.6). See also Note 33. These assets may be utilized by a customer if Skanska does not fulfill its obligations according to the respective construction contract.

To a varying extent, the Group has obtained collateral for trade accounts payable in the form of guarantees issued by banks and insurance companies and, in some cases, in the form of guarantees from the parent companies of customers.

The Group did not obtain any asset during the year by taking control of collateral received.

Financial hedging

Transaction exposure occurs when expected future net payment flows are in a currency other than the functional currency of the local unit. Skanska uses currency derivatives to minimize the risks of transaction exposure.

Net investments in foreign Group companies are regarded as investments of a long-term nature and, as a rule, are not hedged.

Exceptions may occur, however, and in these cases the risks are reduced through foreign currency loans and currency derivatives. Foreign exchange risks when borrowing are reduced through currency swaps, and the risk of unfavorable interest rate refixing is reduced through interest rate swaps.

Hedge accounting

Hedge accounting occurs to a limited extent as follows.

Cash flow hedging

Hedge accounting is applied to currency derivatives for contracted future net currency flows according to the table below.

Currency derivatives for which hedge accounting is applied	2008	2009	2010 and later
EUR sold at forward rate	-155.1	-8.8	
BRL sold at forward rate	-44.8		
Total equivalent value	-199.9	-8.8	0

The fair value of currency derivatives outstanding varies with the current exchange rate. Fair value at the exchange rates on December 31 can be seen in the following table.

Fair value of currency derivatives used as hedging instruments	2008	2009	2010 and later	Total
EUR	12.4	0.5		12.9
Recognized gains	12.4	0.5	0.0	12.9
EUR	-0.2			-0.2
BRL	-0.3			-0.3
Recognized losses	-0.5	0.0	0.0	-0.5

Information on the changes recognized in the consolidated income statement and consolidated equity during the period is found in the above table with the heading "Impact of financial instruments on consolidated income statement and consolidated equity."

The hedges meet effectiveness requirements, which means that all changes due to changes in exchange rates are recognized in equity.

Hedging of net investments outside Sweden

Hedge accounting is applied when hedging net investments outside Sweden.

Net investments in North American operations are approximately 50 percent hedged by means of currency futures due to their significant impact on Group equity in relation to the Parent Company's functional currency, SEK, in case of exchange rate fluctuations.

Net investments in Commercial Development and Infrastructure Development operations are currency hedged, by means of funding in local currencies or by entering into currency futures contracts, since the intention is to sell these assets over time.

The fair value of foreign currency loans amounted to EUR 69.4 M (70.6) and the fair value of forward currency contracts amounted to EUR -3.0 M (7.6).

At year-end, Skanska had hedged net investments outside Sweden amounting to EUR 553.9 M (546.2).

Hedging of net investments outside Sweden

Currency	2007			2006		
	Net investment	Hedge ¹	Percentage hedged	Net investment	Hedge ¹	Percentage hedged
BRL	58.7	47.7	81%	48.0	39.9	83%
CLP	110.0	63.1	57%	118.3	67.3	57%
USD	365.9	191.3	52%	353.7	163.9	46%
EUR	522.1	236.5	45%	481.3	228.1	47%
GBP	107.7	9.9	9%	103.8	8.7	8%
PLN	131.5	0.0	0%	92.6	38.3	41%
NOK	358.9	5.4	2%	290.3	0.0	0%
Others	432.4	0.0	0%	410.3	0.0	0%
Total	2,087.2	553.9	27%	1,898.4	546.2	29%

1 After subtracting the tax portion.

The hedges meet effectiveness requirements, which means that all changes due to changes in exchange rates are recognized in the translation reserve in equity.

See also Note 34, "Effect of changes in foreign exchange rates."

Fair value hedges

Skanska currently has no fair value hedges.

Risks attributable to financial instruments

The risks that arise through financial instruments and to which the Group is exposed are divided into credit risk, liquidity risk and market risk.

Credit risk describes the Group's risk related to financial assets, and the risk is that a counterparty will not fulfill its contractual payment obligations toward Skanska. Credit risk is divided into financial credit risk and customer credit risk.

Liquidity risk is defined as the risk that Skanska cannot meet its payment obligations due to lack of liquidity or to difficulties in obtaining or rolling over external loans.

Market risk is the Group's risk that the fair value of or future cash flows from financial instruments will fluctuate due to changes in market prices. Market risk is divided into foreign exchange risk, interest rate risk and other price-related risks.

For example, other price-related risks include the risks of changes in share prices.

Skanska's ongoing projects are not recognized as a financial instrument and the risk in these projects is thus not reported in this note.

Disclosures concerning these risks can be read in the Report of the Directors and in Note 2, "Key estimates and judgments."

Objectives and policy

The Group's Financial Policy states guidelines, objectives and limits for financial management and administration of financial risks in the Group.

This policy document regulates the allocation of responsibility among Skanska's Board, the Senior Executive Team, Skanska Financial Services and the business units.

The purpose is to achieve a systematic assessment of both financial and business risks, using a Groupwide risk management model.

The risk management model does not imply avoidance of risks, but is instead aimed at identifying and managing these risks.

Within the Group, Skanska Financial Services has operational responsibility for ensuring Group financing and for managing liquidity, financial assets and financial liabilities.

The objectives and policy for each type of risk are described in the respective sections below.

Credit risk

The maximum credit exposure for financial assets on the balance sheet date is equivalent to their fair value. This credit risk is divided below into financial credit risk, which refers to risk in interest-bearing assets, and customer credit risk, which refers to the risk in trade accounts receivable. The risk in other operating receivables is also described.

Financial credit risk – Risk in interest-bearing assets and derivatives

This is the risk that the Group runs in its relations with financial counterparties in the case of deposits of surplus funds, bank account balances and investments in financial assets. Credit risk also arises when using derivatives and consists of the risk that a potential gain will not be realized in case the counterparty does not fulfill its part of the contract.

In order to reduce the credit risk in derivatives, Skanska has signed standardized netting agreements with all financial counterparties with which it enters into derivative contracts.

Skanska endeavors to limit the number of financial counterparties, which must possess a rating at least equivalent to BBB+ at Standard & Poor's or the equivalent rating at Moody's. The permitted exposure volume per counterparty is dependent on the counterparty's credit rating and the maturity of the exposure.

Exposure was EUR 2,067.0 M and maturity mainly within 3 months, as indicated by the table headed "Liquidity reserve and maturity structure."

At year-end, past-due interest-bearing assets and derivatives were EUR 0 M (0).

Impairment losses on interest-bearing receivables were EUR 0 M (0).

Customer credit risk – Risk in trade accounts receivable

Skanska's credit risk with regard to trade receivables has a high degree of risk diversification, due to the large number of projects of varying sizes and types with numerous different customer categories in a large number of geographic markets.

The portion of Skanska's operations related to construction projects extends only limited credit, since projects are invoiced in advance as much as possible. In other operations, the extension of credit is limited to customary invoicing periods.

Trade, accounts, receivable	2007	2006
Carrying amount	2,139.0	2,121.1
Impairment losses	29.3	27.1
Cost	2,168.3	2,148.2
Changes in impairment losses, trade accounts receivable	2007	2006
January 1	27.1	29.0
Acquisitions of companies		0.4
Impairment loss/reversal of impairment loss	3.9	1.5
Impairment losses settled	-1.9	-4.1
Exchange rate differences	0.3	0.3
December 31	29.3	27.1

Risk in other operating receivables including shares

Other financial operating receivables consist of accrued interest income, deposits, receivables for properties divested etc. No operating receivables became past-due and there were no impairment losses on operating receivables.

Other financial operating receivables are reported by time interval with respect to when the amounts fall due in the future.

	2007	2006
Due within 30 days	2.6	5.6
Due in over 30 days but no more than 1 year	17.1	17.4
Due in more than 1 year	0.4	2.3
Total	20.2	25.3

Holdings of less than 20 percent of voting power in a company are reported as shares. Their carrying amount is EUR 9.7 M (6.5).

Shares are subject to changes in value. Impairment losses on shares total EUR 2.5 M (1.5), of which EUR 1.2 M (0) during the year.

Liquidity risk

Liquidity risk is defined as the risk that Skanska cannot meet its payment obligations due to lack of liquidity or to difficulties in obtaining or rolling over external loans.

The Group uses liquidity forecasting as a means of managing the fluctuations in short-term liquidity. Surplus liquidity shall, if possible, primarily be used to repay the principal on loan liabilities.

Funding

Skanska has several borrowing programs, which provide good preparedness for temporary fluctuations in the Group's liquidity requirements.

Bank credit facilities

Skanska's committed bank credit facilities consist of:

- A syndicated bank loan with a ceiling of EUR 750 M and a final due date of June 30, 2014. On December 31, 2007, the degree of utilization was 0 percent, since the loan facility had not yet been used.
- Two bilateral loan agreements with the Nordic Investment Bank amounting to EUR 40 M and EUR 30 M, respectively.

These loans fall due in 2012. The Group's unutilized credit lines at year-end amounted to EUR 774.5 M (694.1).

Market funding program

Skanska has two market funding programs.

- Commercial paper (CP) program related to short-term borrowing for maturities of up to one year. The loan ceiling in the CP program amounts to SEK 6,000 M (corresponding to about EUR 630 M). On December 31, 2007, the borrowed amount was SEK 0 M.
- Medium Term Note (MTN) program for borrowing with maturities between 1–10 years. The loan ceiling in the MTN program amounts to SEK 8,000 M (corresponding to about EUR 850 M) On December 31, 2007, the borrowed amount was SEK 665 M (939) (corresponding to about EUR 70 M [100]) with an average maturity of 0.6 (1.3) years.

These borrowing programs are mainly intended for borrowing in the Swedish credit market, but it is possible to borrow in EUR within the framework of these programs.

Liquidity reserve and maturity structure

The objective is to have a liquidity reserve of at least SEK 4 billion (corresponding to about EUR 0.42 billion) available within one week in the form of cash equivalents or committed credit facilities. At year-end 2007, this amounted to about SEK 21 (14) billion (corresponding to about EUR 2.22 billion [1.55]). The maturity structure of financial interest-bearing assets and liabilities and derivatives, was distributed over coming years according to the following table.

Maturity period by asset class	Maturity				Total
	Within 3 months	Over 3 months, within 1 year	Over 1 year, within 5 years	More than 5 years	
2007					
Financial investments at fair value		55.5	41.0		96.4
Financial investments at amortized cost		62.3		0.3	62.6
Financial interest-bearing assets	269.0	109.1	25.0	1.1	404.2
Cash equivalents at fair value	55.1				55.1
Cash	1,448.6				1,448.6
Total	1,772.8	226.9	65.9	1.3	2,066.9
2006					
Financial investments at fair value		112.5	105.6		218.1
Financial investments at amortized cost		72.4			72.4
Financial interest-bearing assets	111.6	9.1	92.1	4.9	217.7
Cash equivalents at fair value	235.7				235.7
Cash	977.5				977.5
Total	1,324.8	194.0	197.7	4.9	1,721.4

The maturity structure of financial interest-bearing liabilities and derivatives was distributed over coming years according to the following table.

Maturity period by liability class	Maturity				Total
	Within 3 months	Over 3 months, within 1 year	Over 1 year, within 5 years	More than 5 years	
2007					
Financial liabilities at fair value		9.4			9.4
Financial liabilities at amortized cost	42.1	140.4	188.6	6.6	377.7
Total	42.1	149.9	188.6	6.6	387.1
2006					
Financial liabilities at fair value		7.3			7.3
Financial liabilities at amortized cost	40.4	46.1	210.4	75.8	372.6
Total	40.4	53.4	210.4	75.8	379.9

Of total interest-bearing financial liabilities, 42 (65) percent carried fixed interest rates and 58 (35) percent carried variable interest rates. The allocation between fixed and variable interest rate fixing has been adjusted, taking into account interest rate swap contracts. The Group's interest rate swap portfolio on December 31 amounted to a nominal EUR 116.4 M (215.4). A net amount of EUR 10.6 M of liabilities were swapped from fixed to variable interest rates; in 2006 the net amount was EUR 38.5 M from variable to fixed interest rates.

On December 31, 2007, the average maturity of the borrowing portfolio was 2.3 (2.4) years.

The Group's most commonly occurring payment terms for trade accounts payable, by market, can be seen in the following table.

	Number of days from invoicing to due date
Sweden	30
Norway	30
Denmark	30
Finland	14
Poland	30
Czech Republic	90
United Kingdom	30
United States	45
Latin America ¹	39

¹ This figure is a weighted average for the various countries of the region where the Group has operations.

Note 06 Continued

Other operating liabilities that consist of financial instruments fall due for payment according to the table below.

Other operating liabilities	2007	2006
Due within 30 days	97.8	112.6
Due in over 30 days but no more than 1 year	45.6	10.7
Due in more than 1 year	43.0	32.6
	186.4	155.9

Market risk

The Group uses various derivative instruments, mainly interest rate swaps and currency futures, to control and adapt its risk exposure to fluctuations in interest rates and foreign exchange rates.

Derivative contracts, including derivatives that are embedded in other not closely related instruments or in commercial contracts, are continuously recognized at fair value in the balance sheet. Their change in fair value is recognized in the income statement, except for hedges of net investments outside Sweden and part of the cash flow hedges of transaction exposure for which hedge accounting is applied.

Interest rate risk

Interest rate risk is the risk that changes in interest rates will affect the Group's future earnings and cash flow.

Interest rate risk is defined as the possible negative impact on net financial items in case of a sudden one percentage point increase in interest rates across all maturities. The risk may never exceed EUR 10.6 M.

Various forms of derivative contracts, mainly interest rate swaps and currency swaps, are used in order to adapt the interest rate refixing period and currency.

Interest rate risk (excluding pension liability)

The average interest rate refixing period for all interest-bearing liabilities was 0.5 (0.9) years. The average interest rate for these amounted to 3.84 (4.00) percent at year-end.

The average interest rate refixing period for all interest-bearing assets was 0.1 (0.2) years. The average interest rate for these was 4.01 (3.26) percent at year-end.

The objective of Skanska's financial asset management is to achieve a satisfactory return, given a relatively low risk level. The average maturity of interest-bearing assets may not exceed 12 months. The fair value of the Group's portfolio of derivatives related to borrowing was EUR 5.8 M (-1.2), of which EUR 0.3 M (0.2), can be related to changes in market interest rates.

The fair value of interest-bearing financial assets and liabilities, plus derivatives, would change by about EUR 4.8 M in case of a one percentage point change in market interest rates across the yield curve, given the same volume and interest rate refixing period as on December 31, 2007.

Foreign exchange risk

Foreign exchange risk is defined as the risk of negative impact on the Group's earnings due to fluctuations in exchange rates. This risk can be divided into transaction exposure, i.e. net operating and financial (interest/principal payment) flows, and translation exposure related to net investments in subsidiaries outside Sweden.

Transaction exposure

Although the Group has a large international presence, its operations are of a local nature in terms of foreign exchange risks. Project revenue and costs are mainly denominated in the same currency, and transaction risks from exchanges between different currencies are thus very limited.

The objective is that all transaction exposures for each respective business unit shall be currency hedged. The foreign exchange risk for the Group may amount to a total of EUR 5.3 M, with risk calculated as the effect on earnings of a five percentage point shift in exchange rates. As of December 31, 2007, foreign exchange risk accounted for EUR 4.2 M of transaction exposure.

Expected contracted net flows in currencies that are foreign to the respective Group company are distributed among currencies and maturities as follows.

The Group's expected net foreign currency flow	2008	2009	2010 and later
USD	12.7		
EUR	244.0	30.6	0.2
BRL	44.8		
CAD	5.7		
JPY	6.9		
MTL	-4.2		
NOK	3.6		
PLN	-3.9		
SKK	-3.8		
Other currencies	-0.2		
Total equivalent value	305.5	30.6	0.2

The fair value of outstanding currency derivatives varies with the current exchange rate. Fair value using the exchange rates prevailing on December 31, 2007 can be seen in the following table, which shows fair value related to the Group's currency hedges of transaction exposure for which hedge accounting is not applied, and fair value of embedded derivatives.

Fair value of derivatives related to transaction exposure for which hedge accounting is not applied	2008	2009	Total
EUR	4.6	0.4	5.0
PLN	0.1		0.1
JPY ¹	1.1		1.1
Other currencies	0.2		0.2
Recognized gains	5.9	0.4	6.3
EUR	-3.2	-0.3	-3.5
JPY ¹	-1.1		-1.1
Other currencies	-0.3		-0.3
Recognized losses	-4.6	-0.3	-4.9

¹ Flows in JPY are attributable to a road project in Slovakia.

Skanska applies hedge accounting mainly in its Polish operations for contracted flows in EUR.

The effects of these hedges are reported above in the "Hedge accounting" section.

Translation exposure

Net investments in subsidiaries outside Sweden are generally not hedged. There are exceptions, however. See the "Hedge accounting" section.

The translation difference in the equity of the Group may be significant for certain periods of major exchange rate fluctuations. The largest exposures on December 31, 2007 aside from the Parent Company's functional currency, SEK, were in USD, NOK and CZK.

An exchange rate shift where the euro falls/rises by 10 percent would have an effect of EUR 0.19 bn against other currencies after taking hedges into account.

See also the table under the section "Hedging of net investments outside Sweden" above as well as Note 34, "Effect of changes in foreign exchange rates."

Note 07 Business combinations

Business combinations (acquisitions of businesses) are reported in compliance with IFRS 3, "Business Combinations." See "Accounting and valuation principles," Note 1.

Acquisitions of Group companies

During the year, four small acquisitions were made. The total investment was EUR -8.0 M (-73.8).

At the end of 2006, Skanska signed an agreement to acquire the construction company Stamart Martin s.r.o. in Slovakia. In organizational terms, Stamart is part of Skanska's Czech operations. The company was consolidated as of January 1, 2007. The purchase price amounted to EUR 5.5 M. EUR 0.5 M was allocated to property, plant and equipment in the form of buildings and land.

Deferred tax on the amount comprises EUR 0.2 M. EUR 4.1 M was allocated to goodwill, which largely refers to access to a growing market, the skills of employees and synergies.

In the first quarter of 2007, Skanska acquired Wexio AB in Sweden for EUR 0.5 M. The company holds a patent related to electrical installations and was consolidated from January 1. The purchase price was allocated in its entirety to the patent, less tax of EUR 0.1 M.

In the second quarter, Skanska made a 10 percentage point supplementary acquisition from the minority owner of the Finnish company Rakennus Vuorenpää Oy, which belongs to the Skanska Group. In connection with the purchase, EUR 0.8 M was allocated to goodwill.

In the third quarter, Skanska acquired the remaining 50 percent of Forserumsten HB, a company that includes a gravel pit, for EUR 0.6 M. In connection with the purchase, EUR 0.8 M of the purchase price was allocated to property, plant and equipment and was for land. Deferred tax on the amount totals EUR 0.2 M. The company was consolidated effective on July 1 and was recognized in the accounts according to the equity method during January 1-June 30.

No contingent liabilities are included in the year's acquisitions. All acquisitions are in the Construction business stream. There are no plans to divest any portion of the acquired businesses.

The acquired units, including McNicholas, accounted for EUR 283.2 M of Group revenue and EUR 4.4 M of Group earnings.

McNicholas was acquired on December 31, 2006 and was thus not included in reported revenue for 2006. If all of the year's acquired units had been consolidated from January 1, Group revenue would have increased by EUR 0.5 M and Group earnings by EUR 0 M.

In 2006, Skanska made three acquisitions. McNicholas Holding PLC in the United Kingdom, a company specializing in servicing distribution networks for electricity, gas and water, was consolidated effective on December 31, 2006. Skanska also made two small acquisitions from minority shareholders.

Acquisitions of shares	Country	Ownership percentage ¹	Purchase price	Investment
2007				
Stamart Martin s.r.o.	Slovakia	100	5.5	5.5
Rakennus Vuorenpää Oy (bought from minority shareholder)	Finland	100	1.3	1.3
Forserumsten HB (purchase of 50%)	Sweden	100	0.6	0.6
Wexio AB	Sweden	100	0.5	0.5
Total			8.0	8.0

2006

Maarakennus Lantman Oy (bought from minority shareholder)	Finland	100	0.5	0.5
Jedynka Projekt Poznańskie Przedsiębiorstwo Projektowe S.A (bought from minority shareholder)	Poland	95	1.0	1.0
McNicholas Holdings PLC	U.K.	100	73.6	72.3
Total			75.1	73.8

1 Refers to both voting power and percentage of share capital unless otherwise stated.

The net assets of the acquired companies on the acquisition date

2007	Carrying amount in acquired companies before acquisition	Fair value adjustment	Fair value recognized by Skanska Group
Property, plant and equipment	0.8	1.3	2.1
Intangible assets	0.0	0.6	0.6
Interest-bearing receivables	1.1		1.1
Current-asset properties	0.4		0.4
Non-interest-bearing receivables	8.0		8.0
Interest-bearing liabilities	-0.1		-0.1
Non-interest-bearing liabilities including deferred tax liabilities	-9.0	-0.5	-9.5
Net identifiable assets and liabilities	1.2	1.4	2.6
Acquired minority interest			0.5
Group goodwill			4.9
Purchase price paid¹			8.0
Less cash and cash equivalents in acquired companies			0.0
Effect on consolidated cash and cash equivalents, investment			8.0

1 Purchase price is stated including EUR 0.1 M in acquisition-related expenses.

2006	Carrying amount in acquired companies before acquisition	Fair value adjustment	Fair value recognized by Skanska Group
Property, plant and equipment	6.4		6.4
Intangible assets		12.1	12.1
Interest-bearing receivables	5.1		5.1
Non-interest-bearing receivables	67.4		67.4
Cash and cash equivalents	1.3		1.3
Interest-bearing liabilities	-5.1		-5.1
Non-interest-bearing liabilities including deferred tax liabilities	-69.1	-3.7	-72.7
Net identifiable assets and liabilities	6.1	8.4	14.5
Acquired minority interest			1.2
Group goodwill			59.4
Purchase price paid¹			75.1
Less cash and cash equivalents in acquired companies			1.3
Effect on consolidated cash and cash equivalents, investment			73.8

1 Purchase price is stated including EUR 2.5 M in acquisition-related expenses.

Note 08 Revenue

Projects in Skanska's contracting operations are reported in compliance with IAS 11, "Construction Contracts." See Note 9.

Revenue other than project revenue is recognized in compliance with IAS 18, "Revenue." See "Accounting and valuation principles," Note 1.

"Other markets" refers to Latin America and those markets where the Infrastructure Development business stream operates.

Revenue by primary and secondary segment

Primary segment – Business streams	Secondary segment – Geographic markets					Central and eliminations	Total revenue
	Sweden	Other Nordic countries	Other Europe	United States	Other markets		
2007							
Construction	2,960.7	2,782.7	3,999.4	4,109.3	470.2		14,322.2
Residential Development	370.9	388.4	70.8				830.1
Commercial Development	254.8	51.8	31.8				338.3
Infrastructure Development					12.5		12.5
Other							
Central						52.1	52.1
Eliminations ¹	-323.9	-201.1	-15.8		-0.1	-12.8	-553.6
Total	3,262.5	3,021.8	4,086.2	4,109.3	482.7	39.3	15,001.7
2006							
Construction	2,607.0	2,469.0	3,287.6	4,059.7	406.0		12,829.4
Residential Development	283.2	397.9	52.5				733.6
Commercial Development	245.8	46.4	78.0				370.2
Infrastructure Development					16.3		16.3
Other							
Central						122.9	122.9
Eliminations ¹	-260.8	-213.9	-10.6			-12.8	-498.0
Total	2,875.2	2,699.4	3,407.5	4,059.7	422.3	110.1	13,574.3

Revenue by category

	2007	2006
Construction contracts	13,049.1	12,063.2
Services ²	854.3	534.1
Sales of goods	91.8	81.6
Rental income	48.4	51.2
Divestments of properties	958.2	844.2
Total	15,001.7	13,574.3

¹ For allocation of eliminations, see Note 4, "Segment reporting," Point C.

² EUR 260.6 M of the increase is explained by the acquisition of McNicholas in the United Kingdom, which occurred on December 31, 2006 and was thus not included in reported revenue during the comparative year. As for other types of revenue, dividends and interest income are recognized in financial items. See Note 14, "Net financial items."

Other matters

Invoicing to associated companies and joint ventures amounted to EUR 760.0 M (631.5).

For other related party transactions, see Note 39, "Related party transactions."

Note 09 Construction contracts

Construction contracts are recognized as revenue at the pace of project completion. See "Accounting and valuation principles," Note 1.

Information from the income statement

Revenue recognized during the year amounted to EUR 13,049.1 M (12,063.2).

Information from the balance sheet

Gross amount due from customers for contract work	2007	2006
Accrued revenue	8,966.8	9,014.7
Invoiced revenue	-8,368.2	-8,437.2
Total, asset	598.6	577.5

Gross amount due to customers for contract work	2007	2006
Invoiced revenue	17,794.4	17,149.4
Accrued revenue	-16,127.7	-15,893.4
Total, liability	1,666.6	1,256.0

Recognized revenue in ongoing projects including recognized gains minus recognized loss provisions amounted to EUR 25,094.5 M (24,908.1).

Advance payments received totaled EUR 46.5 M (92.0).

Amounts retained by customers, which have been partly invoiced according to an established plan and which the customer is retaining in accordance with contractual terms until all the conditions specified in the contract are met, amounted to EUR 302.8 M (280.9).

Note 10 Operating income

Operating income by business stream

	Operating income	
	2007	2006
Construction	480.5	360.5
Residential Development	78.3	92.1
Commercial Development	98.4	130.8
Infrastructure Development	-11.6	-0.9
Central	-60.5	-55.5
Eliminations	-0.6	-12.3
Total	584.4	514.6

The Parent Company and other corporate units are reported as "Central." Competition infringement fines of EUR 19.8 M in Sweden and Finland are included. Also included is EUR 12.3 M (-19.8) for the International unit, which has a number of operations that are being shut down or phased out.

Eliminations of profits from intra-Group sales and transfers of these are reported as "Eliminations." The amounts are explained in the following table:

	2007	2006
Intra-Group profits carried as investments in joint ventures related to contracting work for Infrastructure Development		
Provision for the year	-1.3	-13.3
Transfers for the year over service life	1.9	1.7
Transfers for the year through divestments	0.3	0.8
Intra-Group profits carried as current-asset properties		
Provision for the year related to contracting work	-9.3	-3.7
Provision for the year related to intra-Group divestments	-2.2	-2.6
Transfers for the year through divestments	4.0	4.3
Other	5.8	0.4
Total	-0.6	-12.3

Operating expenses by category of expenses

During 2007, revenue increased by EUR 1,427.4 M to EUR 15,001.7 M (13,574.3). Operating income increased by EUR 69.7 M to EUR 584.4 M (514.6). Personnel expenses for the year amounted to EUR -2,761.2 M (-2,452.3).

Other operating expenses adjusted for current-asset properties divested, income in joint ventures and associated companies and gain on divestments of Group companies amounted to EUR -10,855.9 M (-9,931.0).

	2007	2006
Revenue	15,001.7	13,574.3
Personnel expenses ¹	-2,761.2	-2,452.3
Depreciation/amortization	-139.1	-124.0
Impairment losses	-6.6	-10.8
Other operating expenses ²	-11,510.4	-10,472.6
Operating income	584.4	514.6

¹ Recognized as personnel costs are wages, salaries and other remuneration plus social insurance contributions, recognized according to Note 36, "Personnel," and non-monetary remuneration such as free healthcare and car benefits.

² Other operating expenses are allocated according to the following table.

	2007	2006
Carrying amount of current-asset properties divested	-698.0	-580.9
Income from joint ventures and associated companies	43.5	39.3
Other	-10,855.9	-9,931.0
Total other operating expenses	-11,510.4	-10,472.6

Analysis of operating income

	2007	2006
Impairment losses		
Goodwill impairment losses	-0.9	
Impairment losses on other intangible assets	-1.6	
Impairment losses/reversals of impairment losses on property, plant and equipment	0.3	-2.5
Impairment losses/reversals of impairment losses on current-asset properties	-4.4	-8.3
	-6.6	-10.8
Gains from divestments of current-asset properties		
Commercial Development	116.7	140.5
Other commercial properties	23.5	10.7
Residential Development	120.0	112.1
	260.2	263.3
Income from joint ventures and associated companies	43.5	39.3
Income/loss in Denmark	0.2	-34.4
Other operating income	287.1	257.2
Total according to the income statement	584.4	514.6

Using the exchange rates prevailing in 2006, operating income would have been EUR 6.2 M higher in 2007. See also Note 34, "Effect of changes in foreign exchange rates."

Disclosures on revenue and expenses from financial instruments are provided in Note 6, "Financial instruments."

Note 11 Selling and administrative expenses

Selling and administrative expenses are recognized as one item. See "Accounting and valuation principles," Note 1.

Distribution of selling and administrative expenses by primary and secondary segment

Primary segment – Business streams	Secondary segment – Geographic markets					Central and eliminations	Total
	Sweden	Other Nordic countries	Other Europe	United States	Other markets		
2007							
Construction	-175.0	-141.4	-220.9	-106.3	-29.7		-673.3
Residential Development	-22.9	-29.8	-6.6				-59.3
Commercial Development	-16.8	-2.4	-8.5				-27.7
Infrastructure Development					-20.3		-20.3
Central and eliminations						-80.9	-80.9
Total	-214.7	-173.6	-236.1	-106.3	-50.0	-80.9	-861.5
2006							
Construction	-150.9	-130.4	-214.2	-99.4	-23.5		-618.4
Residential Development	-18.5	-22.8	-5.4				-46.7
Commercial Development	-15.5	-1.9	-8.0				-25.4
Infrastructure Development					-20.1		-20.1
Central and eliminations						-44.3	-44.3
Total	-184.8	-155.2	-227.6	-99.4	-43.6	-44.3	-754.9

Note 12 Depreciation/amortization

Depreciation and amortization are carried out in compliance with IAS 16, "Property, Plant and Equipment," and IAS 38, "Intangible Assets." See Note 1, "Accounting and valuation principles."

Depreciation and amortization are presented below by business stream.

For further information on depreciation and amortization, see Note 17, "Property, plant and equipment," and Note 19, "Intangible assets."

Depreciation/amortization by asset class and business stream

	Construction	Residential Development	Commercial Development	Infrastructure Development	Central and eliminations	Total
2007						
Intangible assets	-9.2	-0.1		-2.1	-0.2	-11.6
Property, plant and equipment						
Property	-5.6					-5.6
Plant and equipment	-120.3	-0.1	-0.3	-0.4	-0.8	-121.9
Total	-135.1	-0.2	-0.3	-2.5	-1.0	-139.1
2006						
Intangible assets	-5.4	-0.4		-1.9	-0.3	-8.1
Property, plant and equipment						
Property	-7.6					-7.6
Plant and equipment	-105.1	-0.1	-0.1	-0.3	-2.7	-108.3
Total	-118.1	-0.5	-0.1	-2.3	-3.0	-124.0

Note 13 Impairment losses/Reversals of impairment losses

Impairment losses are recognized in compliance with IAS 36, "Impairment of Assets." See Accounting and valuation principles, Note 1.

Impairment losses on current-asset properties are recognized in compliance with IAS 2, "Inventories," and are presented in Note 22.

Impairment losses/reversals of impairment losses are presented below by business stream.

For further information on impairment losses/reversals of impairment losses, see Note 19, "Intangible assets, Note 17,

"Property, plant and equipment" and Note 22, "Current-asset properties/Project development."

Impairment losses/reversals of impairment losses by asset class and business stream

	Construction	Residential Development	Commercial Development	Infrastructure Development	Central and eliminations	Total
2007						
Recognized in operating income						
Goodwill	-0.9					-0.9
Other intangible assets	-1.6					-1.6
Property, plant and equipment						
Property	-0.6					-0.6
Plant and equipment ¹	1.5	-0.5				1.0
Current-asset properties						
Commercial Development			-3.8			-3.8
Residential Development		-0.6				-0.6
	-1.6	-1.2	-3.8	0.0	0.0	-6.6
Recognized in financial items						
Financial assets	-0.4	-0.8				-1.2
Total	-2.1	-1.9	-3.8	0.0	0.0	-7.8
2006						
Recognized in operating income						
Property, plant and equipment						
Property	0.1					0.1
Plant and equipment	-2.6					-2.6
Current-asset properties						
Other commercial properties	-7.8					-7.8
Residential Development		-0.5				-0.5
	-10.3	-0.5	0.0	0.0	0.0	-10.8
Recognized in financial items						
Financial assets						0.0
Total	-10.3	-0.5	0.0	0.0	0.0	-10.8

¹ The amount includes EUR 2.2 M in reversals of impairment losses on plant and equipment in Czech operations divested during the year.

Note 14 Net financial items

	2007	2006
Financial income		
Interest income	67.8	43.9
Gain on divestments of shares	0.1	
Change in fair value	0.4	0.2
Net exchange rate differences		4.0
Net other financial items	1.5	2.3
	69.8	50.4
Financial expenses		
Interest expenses	-17.8	-11.6
Change in fair value	-11.7	-13.0
Net exchange rate differences	-4.6	
Impairment losses	-1.2	
Net other financial items	-6.3	-1.8
	-41.6	-26.4
Income from associated companies		0.1
Total	28.2	24.1

Disclosures on how large a portion of income and expenses in net financial items comes from financial instruments are presented in Note 6, "Financial instruments."

Net interest items

In 2007, net interest items amounted to EUR 49.9 M (32.3). Interest income improved by EUR 23.9 M to EUR 67.8 M (43.9), as a consequence of higher average interest rates during 2007 as well as higher net financial items related to defined-benefit pension plans. Interest expenses meanwhile increased by EUR -6.3 M to EUR -17.8 M (-11.6). One reason for this was higher average interest rates on borrowing.

Interest income was received at an average interest rate of 3.63 (2.81) percent. Interest expenses, excluding interest on pension liability, were paid at an average interest rate of 3.73 (3.74) percent. During 2007, consolidated interest expenses of EUR -6.6 M (-3.7) were capitalized.

Change in fair value

Derivatives as well as certain other assets and liabilities have been carried at fair value in compliance with IAS 39, "Financial Instruments: Recognition and Measurement." The item consists mainly of negative interest rate differences on hedging of Infrastructure Development investments in Latin America as well as on currency hedging of equity in U.S. dollars.

Net other financial items

In 2007 these items included various financial fees, mainly related to Skanska Latin America. In 2006 the item consisted of financial fees in Skanska Latin America and a loan redemption discount.

Note 15 Borrowing costs

Borrowing costs related to investments that require a substantial period for completion are capitalized. See "Accounting and valuation principles," Note 1.

During 2007, borrowing costs were capitalized at an interest rate of about 4 percent.

	Interest capitalized during the year		Total accumulated capitalized interest included in cost	
	2007	2006	2007	2006
Intangible assets		0.2	9.9	10.4
Current-asset properties	6.6	3.5	20.4	18.9
Total	6.6	3.7	30.4	29.3

Note 16 Income taxes

Income taxes are reported in compliance with IAS 12, "Income Taxes." See "Accounting and valuation principles," Note 1.

Tax expenses

	2007	2006
Current taxes	-147.3	-129.3
Deferred tax expenses/benefits from change in temporary differences	-15.2	5.7
Deferred tax benefits/expenses from change in loss carry-forwards	1.0	-20.4
Taxes in joint ventures	-5.3	0.3
Taxes in associated companies	-0.2	-0.1
Total	-167.1	-143.7

Tax items recognized directly in equity

	2007	2006
Deferred taxes attributable to cash flow hedging	1.5	0.4
Deferred taxes attributable to pensions	-4.1	-23.5
Total	-2.6	-23.0

There was no deferred tax attributable to financial assets classified as held for sale.

Income taxes paid in 2007 amounted to EUR -129.4 M (-115.3).

Relation between taxes calculated at weighted average tax rate and taxes recognized

The Group's weighted average tax rate was estimated at 29 (30) percent.

The average nominal tax rate in Skanska's home markets in Europe amounted to about 26 (26) percent and in the United States about 40 (40) percent.

The relation between taxes calculated according to an aggregation of nominal tax rates and recognized taxes of 27 (27) percent is explained in the table below.

	2007	2006
Income after financial items	612.6	538.7
Taxes according to aggregation of nominal tax rates, 29 (30) percent	-177.6	-161.6
Tax effect of:		
Property/company divestments/disposal of businesses	13.1	24.4
Losses not offset by deferred tax assets	-1.1	-11.8
Other items	-1.5	5.2
Recognized tax expenses	-167.1	-143.7

The discontinuation of Construction operations in Denmark did not result in any tax expense.

Note 16 Continued

Tax assets and tax liabilities

	2007	2006
Tax assets	43.5	36.5
Tax liabilities	94.3	80.5
Net liability	50.8	44.0

Tax assets and tax liabilities refer to the difference between estimated income tax for the year and preliminary tax paid as well as income taxes for prior years that have not yet been settled.

Deferred tax assets and deferred tax liabilities

	2007	2006
Assets: Deferred tax liabilities/deferred tax assets according to the balance sheet	101.2	218.5
Liabilities: Deferred tax liabilities/deferred tax assets according to the balance sheet	219.0	319.8
Net deferred taxes	117.8	101.3

	2007	2006
Deferred tax assets for loss carry-forwards	7.7	7.1
Deferred tax assets for shares and participations	0.0	4.8
Deferred tax assets for other assets	35.2	28.2
Deferred tax assets for provisions for pensions	46.7	64.0
Deferred tax assets for ongoing projects	20.8	25.5
Other deferred tax assets	110.1	88.9
Total	220.6	218.5

	2007	2006
Deferred tax liabilities for shares and participations	32.7	34.2
Deferred tax liabilities for other non-current assets	41.2	39.2
Deferred tax liabilities for other current assets	35.2	38.7
Deferred tax liabilities for ongoing projects	133.9	113.9
Other deferred tax liabilities	95.4	93.9
Total	338.3	319.8
Net deferred tax liabilities	117.8	101.3

Change in deferred taxes

	2007	2006
Net deferred tax liabilities, January 1	101.3	58.5
Recognized in equity	2.6	23.0
Deferred tax expenses	14.3	14.7
Deferred taxes, acquisitions of companies	1.4	-0.4
Deferred taxes, divestments of companies	2.1	-0.3
Exchange rate differences	-3.8	5.9
Net deferred tax liabilities, December 31	117.8	101.3

Deferred tax assets for loss carry-forwards are expected to be mainly utilized to offset deferred tax liabilities.

Deferred tax assets other than for loss carry-forwards refer to temporary differences between carrying amounts for tax purposes and carrying amounts recognized in the balance sheet. These differences arise, among other things, when the Group's valuation principles diverge from those applied locally by a subsidiary. These deferred tax assets are mostly realized within five years.

Deferred tax assets arise, for example, when a recognized depreciation/amortization/impairment loss on assets becomes deductible for tax purposes only in a later period, when eliminating intra-Group profits, when the provisions for defined-benefit pensions differ between local rules and IAS 19, when the required provisions become tax-deductible in a later period and when advance payments to ongoing projects are taxed according to the cash principle.

Deferred tax liabilities on other assets and other deferred tax liabilities refer to temporary differences between carrying amounts for tax purposes and carrying amounts in the balance sheet. These differences arise, among other things, when the Group's valuation principles diverge from those applied locally by a subsidiary. These deferred tax liabilities are mostly realized within five years.

For example, deferred tax liabilities arise when depreciation/amortization for tax purposes in the current period is larger than the required economic depreciation/amortization and when accrued profits in ongoing projects are taxed only when the project is completed.

Temporary differences attributable to investments in subsidiaries, branches, associated companies and joint ventures for which deferred tax liabilities were not recognized totaled EUR 0 M (0). In Sweden and a number of other countries, divestments of holdings in limited companies are tax-exempt under certain circumstances. Temporary differences thus do not normally exist for shareholdings by the Group's companies in these countries.

Temporary differences and loss carry-forwards that are not recognized as deferred tax assets

	2007	2006
Loss carry-forwards that expire within one year		8.3
Loss carry-forwards that expire in more than one year but within three years	19.9	38.0
Loss carry-forwards that expire in more than three years	214.2	195.8
Total	234.1	242.1

The loss carry-forwards are found in a number of different countries. These loss carry-forwards are not recognized as deferred tax assets because the right to offset them against other income is limited or current earnings generation in some of these countries makes it impossible to assess the likelihood that a loss carry-forward can be utilized.

Note 17 Property, plant and equipment

Property, plant and equipment are reported in compliance with IAS 16, "Property, Plant and Equipment", see Note 1, "Accounting and valuation principles."

Office buildings and other buildings used in the Group's business are recognized as property, plant and equipment. Machinery and equipment are recognized as a single item ("Plant and equipment").

Property, plant and equipment by asset class

	2007	2006
Property	198.2	186.9
Plant and equipment	419.6	398.4
Property, plant and equipment under construction	14.3	18.2
Total	632.1	603.5

Depreciation of property, plant and equipment by asset class and function

	Cost of sales		Selling and administration		Total	
	2007	2006	2007	2006	2007	2006
Property	-4.8	-5.7	-1.0	-1.8	-5.7	-7.6
Plant and equipment	-103.7	-93.1	-18.2	-15.2	-121.8	-108.3
Total	-108.4	-98.8	-19.1	-17.1	-127.6	-115.9

Impairment losses/reversals of impairment losses on property, plant and equipment

During 2007, net reversals of impairment losses in the amount of EUR +0.3 M were recognized. In 2006, net impairment losses of EUR -2.5 M were recognized.

Impairment losses/reversals of impairment losses by function	Property		Plant and equipment	
	2007	2006	2007	2006
Cost of sales				
Impairment losses	-1.8	-1.1	-2.3	-2.4
Reversals of impairment losses ¹	1.2	1.8	3.2	0.3
Selling and administration				
Impairment losses		-0.6		-0.5
Total	-0.6	1.0	1.0	-2.6

Amount of impairment losses/reversals is based on	Property		Plant and equipment	
	2007	2006	2007	2006
Net realizable value ¹		0.4	2.2	-1.4
Value in use	-0.6	-0.3	-1.2	-1.2
Total	-0.6	0.1	1.0	-2.6

¹ The amount includes EUR 2.2 M in reversals of impairment losses on plant and equipment in Czech operations divested during the year.

Note 17 Continued

Information about cost, accumulated depreciation, accumulated revaluations and accumulated impairment losses

	Property		Plant and equipment		Property, plant and equipment under construction	
	2007	2006	2007	2006	2007	2006
Accumulated cost						
January 1	316.0	297.1	1,336.2	1,281.1	18.2	10.9
Transferred from assets classified as held for sale		0.1		5.1		0.2
Investments	24.8	21.0	173.4	155.5	7.2	12.4
Acquisitions of companies	1.8	5.8	0.2	0.5		
Divestments of companies		-0.6	-9.8	-5.2		
Divestments	-25.1	-16.2	-45.8	-87.0		-5.1
Reclassifications	12.0	3.5	40.3	-5.9	-11.5	-0.9
Exchange rate differences for the year	0.1	5.4	-39.0	-7.9	0.3	0.7
	329.6	316.0	1,455.5	1,336.2	14.3	18.2
Accumulated depreciation						
January 1	-94.1	-90.5	-935.0	-904.0		
Transferred from assets classified as held for sale				-0.6		
Divestments of companies		0.3	3.1	1.2		
Divestments and disposals	4.1	2.4	29.9	67.4		
Reclassifications	-0.3	2.3	-35.1	8.0		
Depreciation for the year	-5.7	-7.7	-121.8	-108.2		
Exchange rate differences for the year	0.8	-0.9	25.1	1.2		
	-95.2	-94.1	-1,033.8	-935.0		
Accumulated impairment losses						
January 1	-34.9	-34.7	-2.9	-1.6		
Transferred from assets classified as held for sale				-1.2		
Divestments	1.1	0.2		1.2		
Reclassifications	0.1			1.2		
Impairments losses/ reversals of impairment losses for the year	-0.6	0.1	1.0	-2.6		
Exchange rate differences for the year	-1.7	-0.6	-0.2	0.1		
	-36.1	-34.9	-2.1	-2.9		
Carrying amount, December 31	198.2	186.9	419.6	398.4	14.3	18.2
Carrying amount, January 1	186.9	171.8	398.4	375.5	18.2	10.9

Other matters

Information about capitalized interest is presented in Note 15. "Borrowing costs."

For information about finance leases, see Note 40. "Leases."

Skanska has obligations to acquire property, plant and equipment in the amount of EUR 0 M (3.8).

Skanska did not receive any compensation from third parties for property, plant and equipment that was damaged or lost, either in 2007 or 2006.

Note 18 Goodwill

Goodwill is recognized in compliance with IFRS 3, "Business Combinations."

See Note 1, "Accounting and valuation principles." For key judgments, see Note 2.

Goodwill according to the balance sheet amounted to EUR 485.1 M (496.6) and was mainly attributable to acquisitions during 2000, when Skanska acquired goodwill through acquisitions of businesses in Norway, the U.K. and the Czech Republic. During 2007, goodwill increased by EUR 4.9 M (59.1) through acquisitions of two small units in Slovakia and Finland. See Note 7, "Business combinations."

The goodwill acquisition in 2006 was due to the acquisition of McNicholas in the U.K. Other changes can be seen in the table below.

Goodwill value by business unit

	2007	2006	Change during the year	of which exchange rate differences	of which acquisition of companies ¹	of which divestment activities
Construction						
Norway	110.9	108.3	2.6	3.5		-0.9
Finland	42.0	41.0	1.0		0.8	
Poland	2.1	2.0	0.1	0.1		
Czech Republic	50.6	44.9	5.7	1.6	4.1	
United Kingdom	198.6	217.5	-18.9	-18.9		
USA Building	27.6	30.9	-3.2	-3.2		
USA Civil	2.4	2.8	-0.3	-0.3		
Residential Development						
Nordic countries	50.8	49.2	1.6	1.6		
Total	485.1	496.6	-11.4	-15.7	4.9	-0.9
of which acquisition goodwill in Group financial statements	2007	2006				
Construction						
Norway	109.3	106.0				
Finland	16.5	16.5				
Czech Republic	41.8	40.4				
United Kingdom	138.7	152.0				
Residential Development						
Nordic countries	49.7	48.2				
Total	356.1	363.0				

¹ See Note 7, "Business combinations."

In Construction and Residential Development, the goodwill recoverable amount is based exclusively on value in use. Goodwill value together with other non-current asset values are tested annually.

Expected cash flows are based on forecasts for each submarket in the countries where the Group has operations. For Construction, these forecasts include such variables as demand, cost of input goods, labor costs and the competitive situation. Residential Development establishes forecasts for the various segments of its operations. Important variables taken into account include demographic and interest rate trends.

The forecasts are based on previous experience, Skanska's own judgments and external sources of information. The forecast period encompasses three years. The growth rate that is used to extrapolate cash flow forecasts beyond the period covered by the three-year forecasts is the normal growth rate for the industry in each respective country. Normally, two percent has been used.

Each unit uses a unique discount factor based on weighted average cost of capital (WACC). Parameters that affect the WACC are: interest rates for borrowing, market risks and the ratio between borrowed funds and equity.

For Construction units, a WACC is stated on the basis of capital employed consisting 100 percent of equity. In Residential Development, the WACC is based on capital employed consisting of 50 percent equity and 50 percent borrowed funds. The WACC interest rate is stated before taxes.

The following table shows how the recoverable amount relates to the carrying amount for the respective business units for Skanska's largest goodwill items, which are tested at the Group level. The carrying amount is expressed as 100. The tests are based on the three-year business plan that was established during the autumn of 2007.

	Norway	Finland	Czech Republic	United Kingdom	Residential Development Nordic
Carrying amount, 100	100	100	100	100	100
Recoverable amount in relation to carrying amount	955	1,369	533	661	545
Interest rate, percent	8.9	9.2	10.3	9.1	6.8
Recoverable amount in case of increase in interest rate					
+ 1 percentage point	836	1,204	477	572	413
+ 5 percentage point	557	812	337	362	153

Note 18 Continued

Goodwill impairment losses

During 2007, the Group recognized goodwill impairment losses of EUR -0.9 M (-0).

The year's goodwill impairment losses were related to impairment losses in a small unit in Norway and were based on a calculation of value in use. The impairment loss was recognized as selling and administrative expenses in the income statement.

Information about cost and accumulated impairment losses

	Goodwill	
	2007	2006
Accumulated cost		
January 1	511.6	458.5
Acquisitions of companies	4.9	59.4
Divestments of companies		-3.6
Exchange rate differences for the year	-16.5	-2.7
	499.9	511.6
Accumulated impairment losses		
January 1	-15.0	-16.2
Impairment losses for the year	-0.9	
Exchange rate differences for the year	1.1	1.1
	-14.8	-15.0
Carrying amount, December 31	485.1	496.6
Carrying amount, January 1	496.6	442.3

Note 19 Intangible assets

Intangible assets are recognized in compliance with IAS 38, "Intangible Assets." See "Accounting and valuation principles," Note 1.

Intangible assets and useful life applied

	2007	2006	Useful life applied
Other intangible assets, externally acquired	23.7	32.0	3-50 years
Total	69.6	81.8	

The Group has no remaining carrying amount for intangible assets that were internally generated. The expressway concession in Santiago, Chile has been in full operation since 2006 and will be amortized over the concession period.

"Other tangible assets, externally acquired" includes EUR 0.6 M for a patent acquired in 2007. See Note 7, "Business combinations." It also includes acquired service contracts in the United Kingdom, extraction rights for gravel pits and rock quarries in Sweden and utilization rights for computer software. Extraction rights for rock quarries and gravel pits are amortized as material is extracted. Computer software is amortized in 3-5 years. The acquired service contracts are being amortized over a period of 3-6 years and the patent acquired in 2007 is being amortized over 10 years.

Amortization of other intangible assets by function

All intangible assets were amortized, because they have a limited useful life.

Amortization by function	2007	2006	of which amortization of internally generated assets	
			2007	2006
Cost of sales	-5.1	-3.7		-1.3
Selling and administration	-6.5	-4.4		
Total	-11.6	-8.1	0.0	-1.3

Impairment loss/reversals of impairment losses on other intangible assets

During 2007, impairment losses/reversals of impairment losses on other intangible assets were recognized in the amount of EUR -1.6 M (0). The impairment losses were attributable to the Construction business stream and were based on the value in use of the assets.

Information about cost, accumulated amortization and accumulated impairment losses

	Expressway concession		Other intangible assets, externally acquired		Intangible assets internally generated ¹	
	2007	2006	2007	2006	2007	2006
Accumulated cost						
January 1	53.1	58.8	61.7	25.1	7.1	6.8
Acquisitions of companies			0.6	12.1		
Other investments		0.2	4.0	4.0		
Divestments			-0.2	-0.2		
Reclassifications		0.1		21.9		
Exchange rate differences for the year	-2.2	-6.0	-2.8	-1.2	-0.3	0.3
	50.9	53.1	63.4	61.7	6.8	7.1
Accumulated amortization						
January 1	-3.2	-1.3	-29.5	-15.1	-7.1	-5.5
Reclassifications		0.1		-10.4		
Amortization for the year	-1.9	-1.9	-9.5	-4.9		-1.3
Exchange rate differences for the year	0.2	-0.1	1.2	0.8	0.3	-0.2
	-5.0	-3.2	-37.9	-29.5	-6.8	-7.1
Accumulated impairment losses						
January 1			-0.2	-0.2		
Impairment losses for the year			-1.6			
Exchange rate differences for the year			0.0	0.0		
	0	0	-1.8	-0.2	0	0
Carrying amount, December 31	45.9	49.9	23.7	32.0	0.0	0.0
Carrying amount, January 1	49.9	57.5	32.0	9.8	0.0	1.3

1 Internally generated intangible assets consisted of computer software.

Other matters

Information about capitalized interest is presented in Note 15. "Borrowing costs." Direct research and development expenses amounted to EUR 8.1 M (7.8).

Note 20 Investments in joint ventures and associated companies

Investments in joint ventures and associated companies are reported according to the equity method of accounting. Income from joint ventures and associated companies is reported on a separate line in operating income. This income consists of the Group's share of the income in joint venture and associated companies after financial items, adjusted for any impairment losses in goodwill on consolidated and intra-Group profits.

Income from joint ventures and associated companies is presented in the following table.

	2007	2006
Share of income in joint ventures according to the equity method ¹	28.2	22.2
Share of income in associated companies according to the equity method ¹	0.9	1.9
Divestments of joint ventures	12.1	12.8
Transfers of intra-Group profits in Infrastructure Development during useful life	1.9	1.7
Transfers of intra-Group profits in Infrastructure Development through divestments	0.3	0.8
Total	43.5	39.3

1) When calculating the income of joint ventures and associated companies according to the equity method, the Group's share of taxes is recognized on the "Taxation" line in the income statement. The Group's share of taxes in joint ventures amounted to EUR -5.3 M (0.3) and its share of taxes in associated companies amounted to EUR -0.2 M (-0.1). See also Note 16. "Income taxes."

Carrying amount according to the balance sheet and the change that occurred during 2007 can be seen in the following table.

	Joint ventures	Associated companies	Total
January 1	205.2	4.3	209.5
Investments	7.5		7.5
Divestments	-13.1		-13.1
Reclassifications	0.3	-1.5	-1.2
Exchange rate differences for the year	-0.6	0.0	-0.6
The year's provision for intra-Group profit on contracting work	-1.3		-1.3
Exchange rate differences for the year, derivatives	-0.3		-0.3
The year's change in share of income in associated companies and joint ventures after subtracting dividends received	4.6	0.8	5.4
Carrying amount, December 31	202.2	3.6	205.8

Joint ventures

Joint ventures are reported in compliance with IAS 31. "Interests in Joint Ventures." See "Accounting and valuation principles." Note 1.

The Group has holdings in joint ventures with a carrying amount of EUR 202.2 M (205.2).

Infrastructure Development included a carrying amount in joint ventures totaling EUR 214.8 M (220.1). The value of these companies in the consolidated accounts was reduced by intra-Group profits of EUR -43.2 M (-43.7), which arose due to contracting work for these joint ventures, among other things.

Income from joint ventures

Share of income in joint ventures is reported in the income statement, because these holdings are an element of Skanska's business.

Share of income in joint ventures according to the equity method comes mainly from Infrastructure Development operations.

Infrastructure Development

Infrastructure Development specializes in identifying, developing and investing in privately financed infrastructure projects, such as roads, hospitals and power generating plants. The business stream focuses on creating new project opportunities in the markets where the Group has operations.

Income from holdings in joint ventures in Infrastructure Development improved during 2007. This was entirely due to increased contribution to earnings from roads.

Skanska's largest project, and at present its only market risk project – the Autopista Central toll expressway in Chile – continued to show a very favorable trend of traffic volume and revenue as well as lower expenses. Revenue increased by a total of 37 percent compared to 2006.

During the fourth quarter Skanska sold its holding in Maputo Port Mozambique. The gain on the divestment amounted to EUR 8.2 M in the consolidated financial statements during December. Skanska also signed a contract to sell its holding in Ponte de Pedra. The transaction was conditional upon approval by the appropriate public agencies, which was received during the first quarter of 2008, when the transaction was also recognized in the financial statements.

Note 20 Continued

Specification of major holdings of shares and participations in joint ventures

Company	Operations	Country	Percentage of share capital	Percentage of voting power	Currency	Consolidated carrying amount ¹	
						2007	2006
Joint ventures in Infrastructure Development							
Autopista Central S.A. ¹	Highway	Chile	48	48	CLP	67.3	70.2
Breitener Energetica S/A	Power plant	Brazil	35	35	BRL	19.2	19.4
Bristol PFI Development Ltd	Education	U.K.	50	50	GBP	0.0	0.0
Bristol PFI (Holdings) Ltd	Education	U.K.	61	46	GBP	0.0	0.0
Bristol PFI Ltd	Education	U.K.	61	46	GBP	4.9	6.6
Capital Hospitals (Holdings) Ltd	Healthcare	U.K.	38	38	GBP	8.5	10.2
Central Nottinghamshire Hospital (Holdings) Ltd	Healthcare	U.K.	50	50	GBP	0.0	0.1
Derby Healthcare Holdings Ltd	Healthcare	U.K.	25	50	GBP	3.4	-2.0
Gdansk Transport Company S.A	Highway	Poland	30	30	PLN	4.1	1.8
Investors in Community (Bexley Schools) Ltd	Education	U.K.	50	50	GBP	1.9	3.5
Midlothian Schools Holdings Ltd	Education	U.K.	50	50	GBP	3.5	0.2
Orkdalsvegen AS	Highway	Norway	50	50	NOK	1.3	1.2
Ponte de Pedra Energetica S/A	Power plant	Brazil	50	50	BRL	41.8	38.7
The Coventry and Rugby Hospital Comp. Ltd	Healthcare	U.K.	25	50	GBP	6.7	14.0
The Walsall Hospital Company Plc	Hospital	U.K.	50	50	GBP	0.0	
Tieyhtiö Nelostie Oy	Highway	Finland	50	41	EUR	4.1	4.2
Tieyhtiö Ykköstie Oy	Highway	Finland	41	41	EUR	5.1	2.9
						171.7	171.1
Sold in 2007							
LLC Nordvod	Wastewater	Russia	14	14	EUR		2.9
Portus Indico S.A.	Port	Mozambique	24	24	EUR		2.4
							5.3
Other joint ventures						30.6	28.8
Total						202.2	205.2

¹ There is also an investment in a concession fee. Its carrying amount was EUR 45.9 M (49.9). See Note 19. "Intangible assets."

Information on the Group's share of the income statements and balance sheets of joint ventures reported according to the equity method

Income statement	2007	2006	The amounts include Infrastructure Development operations totaling		2007	2006	Reconciliation with shares in joint ventures		
			2007	2006			2007	2006	
Revenue	423.5	472.0	330.3	388.8			Skanska's portion of equity in joint ventures, adjusted for surplus value and goodwill	245,1	247,1
Operating expenses	-362.8	-431.6	-289.8	-364.3			- Intra-Group profit in consolidated financial statements	-43,2	-43,7
Operating income	60.8	40.3	40.5	24.5			+ losses in Infrastructure Development not posted because Skanska's portion is already zero	0,3	1,8
Financial items	-32.5	-18.2	-29.7	-15.3			Carrying amount of shares	202,2	205,2
Income after financial items	28.2	22.2	10.8	9.2			Assets pledged		
Taxes	-5.3	0.3	-0.4	3.1			Shares in joint ventures pledged as collateral for loans and other obligations amounted to EUR 150.0 M (148.6)).		
Profit for the year	22.9	22.5	10.4	12.3			Other matters		
Balance sheet									
Non-current assets	1,383.3	1,187.2	1,364.8	1,168.7			Skanska's portion of the total investment obligations of partly owned joint ventures amounted to EUR 1,006.3 M (1,090.7).		
Current assets	798.3	945.5	704.1	846.4			Skanska has undertaken to invest an additional EUR 117.3 M (101.0) in Infrastructure Development in the form of equity holdings and loans. The remaining portion is expected to be financed mainly in the form of bank loans or bond loans in the respective joint ventures and in the form of participations and loans from other co-owners.		
Total assets	2,181.6	2,132.7	2,068.9	2,015.0			Contingent liabilities for joint ventures amounted to EUR 68.9 M (74.5).		
Equity attributable to equity holders ¹	245.1	247.1	214.5	218.5					
Minority	0.6	1.8							
Non-current liabilities	1,744.1	1,697.6	1,673.7	1,639.7					
Current liabilities	191.8	186.2	180.7	156.8					
Total equity and liabilities	2,181.6	2,132.7	2,068.9	2,015.0					

¹ Equity exceeded the carrying amount of shares in joint ventures by consolidated intra-Group profits on contracting work for Infrastructure Development, which was not charged to income in these operations and was thus not reported in the table.

Note 20 Continued

Associated companies

Associated companies are reported in compliance with IAS 28, "Investments in Associates." See "Accounting and valuation principles," Note 1.

The carrying amount of associated companies was EUR 3.6 M (4.3).

Information on the Group's share of revenue, income, assets, liabilities and equity in associated companies

	2007	2006
Revenue	4.3	12.4
Income	0.8	1.6
Assets	8.5	25.0
Equity ¹	-111.2	-115.7
Liabilities	119.7	140.7
	8.5	25.0

1 Reconciliation between equity and carrying amount of holdings according to the equity method of accounting.

	2007	2006
Equity in associated companies	-111.2	-115.7
Adjustments for losses not recognized	114.8	120.0
Carrying amount according to balance sheet	3.6	4.3

Information on losses in associated companies not posted because the carrying amount of Skanska's holding "is already zero"

Group	2007	2006
Loss for the year	0.0	0.0
Losses in prior years	-114.8	-120.0

The losses occurred in partly owned limited partnerships that previously carried out aircraft leasing, for which the Group has no obligation to provide additional capital.

Other matters

The associate companies have no liabilities or contingent liabilities which the Group may become responsible for paying. Nor are there any obligations for further investments.

Note 21 Financial assets

Financial investments, financial receivables and shareholdings where ownership is less than 20 percent and the Group has no significant influence are recognized as financial non-current assets.

Financial investments and financial receivables are recognized as financial current assets.

See also Note 6, "Financial instruments."

Financial non-current assets

	2007	2006
Financial investments		
Financial assets at fair value through profit or loss		
Derivatives	0.2	0.9
Held-to-maturity investments	0.3	
Financial assets available for sale ¹	50.5	106.0
	51.0	106.8

Financial receivables, interest-bearing

Receivable from associated companies		1.3
Receivable from joint ventures	2.6	0.6
Restricted cash	16.9	41.0
Other interest-bearing receivables	6.5	16.1
	26.0	59.1
Total	77.0	165.9

of which interest-bearing financial non-current assets	67.1	158.5
of which non-interest-bearing financial non-current assets	9.9	7.4

Financial current assets

	2007	2006
Financial investments		
Financial assets at fair value through profit or loss		
Securities		22.3
Derivatives	8.6	2.8
Derivatives to which hedge accounting is applied	3.5	10.1
Held-to-maturity investments	62.3	72.4
Financial assets available for sale	43.4	82.6
	117.8	190.2

Financial receivables, interest-bearing

Receivable from associated companies		1.1
Restricted cash	212.5	78.3
Discounted operating receivables ²	110.2	37.6
Other interest-bearing receivables	55.5	41.6
	378.1	158.6
Total	495.9	348.8

of which interest-bearing financial current assets	483.9	336.0
of which non-interest-bearing current financial assets	12.1	12.8

Total carrying amount, financial assets	573.0	514.7
of which financial assets excluding shares	563.2	508.2

1 Including EUR 9.7 M (6.5) in shares carried at cost. During 2007, shareholdings were affected by impairment losses of EUR -1.2 M (0). Of these losses, EUR -0.4 M was charged to the Construction business stream and EUR -0.8 M to the Residential Investment business stream. The impairment losses were charged to financial items. See Note 14, "Net financial items." Of the total impairment losses, EUR -1.2 M, EUR -1.1 M was based on net realizable value and EUR -0.1 M on value in use.

2 The amount included EUR 74.8 M (0) discounted receivables on properties divested in the property business. The remainder consisted of EUR 35.3 M (37.6) in discounting of operating receivables in Czech operations.

Note 22 Current-asset properties/Project development

Current-asset properties are reported in compliance with IAS 2, "Inventories." See "Accounting and valuation principles," Note 1.

The allocation of balance sheet items among the various business streams can be seen below.

Balance sheet item	Business stream	2007	2006
Commercial Development	Commercial Development	662.5	617.5
Other commercial properties	Construction	79.2	105.7
Residential Development	Residential Development	655.1	584.8
Total		1,396.8	1,308.0

For a further description of the respective business streams, see Note 4, "Segment reporting."

Income from current-asset properties comes mainly from Commercial Development and Residential Development.

Completed properties, properties under construction and development properties are all reported as current-asset properties.

Divestments of current-asset properties

	2007	2006
Divestment proceeds		
Commercial Development	302.2	320.5
Other commercial properties	73.0	42.1
Residential Development	583.0	481.5
	958.2	844.2
Carrying amount		
Commercial Development	-185.5	-180.0
Other commercial properties	-49.5	-31.4
Residential Development	-463.0	-369.4
	-698.0	-580.9
Gross income		
Commercial Development	116.7	140.5
Other commercial properties	23.5	10.7
Residential Development	120.0	112.1
	260.2	263.3

Breakdown of divestments by Commercial Development between completed projects and properties under construction/development properties

	Completed properties		Properties under construction and development properties		Total	
	2007	2006	2007	2006	2007	2006
Divestment proceeds	148.3	217.2	153.9	103.3	302.2	320.5
Carrying amount	-90.7	-99.0	-94.8	-81.1	-185.5	-180.0
Gross income	57.6	118.2	59.1	22.3	116.7	140.5

Impairment losses/reversals of impairment losses

Current-asset properties are valued in compliance with IAS 2, "Inventories," and are this carried at cost or net realizable value, whichever is lower. Adjustments to net realizable value via an impairment loss are recognized, as are reversals of previous impairment losses, in the income statement under "Cost of sales."

Net realizable value is affected by the type and location of the property and by the yield requirement in the market.

The following table shows that during 2007, impairment losses totaling EUR 5.1 M (0.8) were reversed. The reason for this was the net realizable value increased during the year.

	Impairment losses		Reversals of impairment losses		Total	
	2007	2006	2007	2006	2007	2006
Commercial Development	-3.8				-3.8	0.0
Other commercial properties		-7.8			0.0	-7.8
Residential Development	-5.7	-1.3	5.1	0.8	-0.6	-0.5
Total	-9.5	-9.1	5.1	0.8	-4.4	-8.3

Carrying amount

	Completed properties		Properties under construction		Development properties		Total current-asset properties	
	2007	2006	2007	2006	2007	2006	2007	2006
Commercial Development	237.0	279.3	264.7	135.6	160.9	202.6	662.5	617.5
Other commercial properties	12.8	10.9	11.5	6.0	54.8	88.8	79.2	105.7
Residential Development	36.1	21.5	93.8	89.6	525.2	473.8	655.1	584.8
Total	285.9	311.7	370.0	231.1	740.9	765.2	1,396.8	1,308.0

	Commercial Development		Other commercial properties		Residential Development		Total current-asset properties	
	2007	2006	2007	2006	2007	2006	2007	2006
Carrying amount								
January 1	617.5	618.0	105.7	148.6	584.8	349.4	1,308.0	1,116.1
Acquisitions of companies			0.4				0.4	
Divestments of companies			-0.4			-16.6	-0.4	-16.6
Investments	255.3	177.1	36.5	29.4	538.6	556.9	830.5	763.4
Divestments	-185.5	-180.0	-49.5	-31.4	-463.0	-369.4	-698.0	-580.9
Impairment losses/reversals of impairment losses	-3.8			-7.8	-0.6	-0.5	-4.4	-8.3
The year's provision for intra-Group profits in contracting work	-9.3	-6.3					-9.3	-6.3
Reclassifications	10.2	-8.5	-11.7	-36.6	-2.2	60.8	-3.7	15.7
Exchange rate differences for the year, derivatives	0.1	-0.4					0.1	-0.4
Exchange rate differences for the year	-22.0	17.6	-1.9	3.6	-2.6	4.2	-26.5	25.4
December 31	662.5	617.5	79.2	105.7	655.1	584.8	1,396.8	1,308.0

The carrying amount of current-asset properties is allocated between properties carried at cost and properties carried at net realizable value, as shown in the following table:

	Cost		Net realizable value		Total	
	2007	2006	2007	2006	2007	2006
Commercial Development	644.1	598.9	18.4	18.6	662.5	617.5
Other commercial properties	76.1	104.1	3.1	1.7	79.2	105.7
Residential Development	648.5	576.1	6.6	8.7	655.1	584.8
Total	1,368.7	1,279.0	28.0	29.0	1,396.8	1,308.0

Fair value of current-asset properties

The estimated market value of completed commercial properties on December 31, 2007, partly carried out in collaboration with external appraisers, was EUR 0.34 billion (0.39), including partly owned property, with a corresponding carrying amount of EUR 0.23 billion (0.28).

Including projects recognized as completed on January 1, 2008, estimated total market value was about EUR 0.38 billion (0.45), with a corresponding carrying amount of EUR 0.28 billion (0.32).

Commercial Development

EUR M	Market value Dec 31, 2007
Completed projects	385.8
Undeveloped land and development properties	214.8
Ongoing projects ¹	264.6
Total	865.2

¹ Market value refers to accrued market value.

Assets pledged

Current-asset properties used as collateral for loans and other obligations totaled EUR 0.5 M (0.6). See Note 33, "Assets pledged, contingent liabilities and contingent assets."

Other matters

Information on capitalized interest is reported in Note 15, "Borrowing costs." Skanska has committed itself to investing EUR 91.3 M (75.9) in current-asset properties.

Note 23 Inventories etc.

Inventories are reported in compliance with IAS 2, "Inventories." See "Accounting and valuation principles," Note 1.

	2007	2006
Raw materials and supplies	58.1	33.3
Products being manufactured	19.6	16.5
Finished products and merchandise	3.7	3.8
Total	81.4	53.5

There were no significant difference between the carrying amount for inventories and their fair value.

No portion of inventories was adjusted due to an increase in net realizable value.

No merchandise was used as collateral for loans and other obligations.

Note 24 Trade and other receivables

Non-interest-bearing business receivables are reported as "Trade and other receivables." Trade and other receivables are part of the Group's operating cycle and are recognized as current assets.

	2007	2006
Trade accounts receivable from joint ventures	29.2	20.3
Other trade accounts receivable	2,109.7	2,100.8
Other operating receivables from associated companies		0.1
Other operating receivables from joint ventures	1.7	5.2
Other operating receivables	374.9	273.4
Prepaid expenses and accrued income	148.1	173.0
Total	2,663.6	2,572.8

of which financial instruments reported in Note 6, "Financial instruments"

Trade accounts receivable	2,139.0	2,121.1
Other operating receivables including accrued interest income	20.2	25.3
	2,159.2	2,146.4

of which non-financial instruments	504.4	426.3
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Note 25 Cash equivalents

Investments with an insignificant risks of fluctuations in value and which can easily be transformed into cash are reported as cash equivalents. Their maturity from the acquisition date is three months or shorter.

Cash equivalents amounted to EUR 55.1 M (235.7) and consisted entirely of financial instruments in the category "Financial assets available for sale." See also Note 6, "Financial instruments."

Note 26 Equity/Earnings per share

In the consolidated financial statements, equity is allocated between equity attributable to equity holders (shareholders) and minority interest.

Minority interest accounts for about one percent of total equity.

During the year, equity changed as follows:

	2007	2006
Opening balance	2,138.6	1,979.0
Attributable to equity holders		
Dividend	-373.3	-294.1
Translation differences	-25.4	5.1
Effect of actuarial gains and losses on pensions	7.4	54.1
Effect of share-based payment	3.0	1.9
	-6.6	-1.9
Effect of cash flow hedges		
Change in minority interest	4.1	-0.6
Profit for the year attributable to		
Equity holders	442.8	392.8
Minority	2.7	2.2
Equity	2,193.2	2,138.6

Equity attributable to equity holders is allocated as follows:

	2007	2006
Share capital	139.9	139.9
Paid-in capital	34.8	34.8
Reserves	63.7	95.7
Retained earnings	1,931.9	1,852.0
Total	2,170.2	2,122.4

The following reserves are found in the consolidated financial statements:

	2007	2006
Translation reserve	62.2	87.6
Cash flow hedge reserve	1.5	8.1
Fair value reserve	0.0	0.0
Total	63.7	95.7

Paid-in capital

Paid-in capital in excess of quota (par) value from historical issues of new shares is recognized as "Paid-in capital."

Retained earnings

Retained earnings include the profit for the year plus undistributed Group profits earned in prior years. The statutory reserve is part of retained earnings, along with actuarial gains and losses on pensions, which in compliance with IAS 19 was recognized directly in equity in the amount of EUR 7.4 M (54.1). In compliance with IFRS 2, the year's change in share-based payment was recognized directly in equity in the amount of EUR 3.0 M (1.9). See below.

Translation reserve

The translation reserve consists of accumulated translation differences from the translation of local financial statements to the presentation currency. The translation reserve also includes exchange rate differences that have arisen when hedging net investments in operations outside Sweden. The translation reserve was reset at zero upon the transition to IFRSs on January 1, 2004. Translation difference for the year amounted to EUR -48.4 M (-13.9) and consisted of positive translation differences in NOK, PLN and CZK as well as negative translation differences in USD, SEK and GBP (for currency abbreviations, see Note 34, "Effect of changes in exchange rates").

During the year, the translation reserve was affected by exchange rate differences of EUR 23.0 M (19.0) due to currency hedges. The Group has currency hedges against SEK, which is the functional currency of the Parent Company, related to net investments mainly in USD, EUR, BRL and CLP. In all, the Group was affected by USD currency hedges in the amount of EUR +0.02 billion. In 2006, the Group was affected by currency hedges in USD and CLP amounting to EUR +0.01 billion each.

Cash flow hedge reserve

Recognized in the hedge reserve are unrealized gains and losses on hedging instruments when applying hedge accounting with regard to forecasted cash flows.

Hedge accounting is applied for transaction exposure to foreign currencies, mainly for operations in Poland.

The change during 2007 amounted to EUR -6.7 M (-1.9), and the closing balance of the reserve totaled EUR 1.5 M (8.1).

Fair value reserve

The fair value reserve includes the accumulated net change in the fair value of financial assets available for sale until the asset is derecognized from the balance sheet.

IFRS 2, "Share-based Payment"

The share incentive program ("Share Award Plan") introduced during 2005 is recognized as share-based payment, which is settled with an equity instrument in compliance with IFRS 2. This implies that fair value is calculated on the basis of estimated fulfillment of financial targets during a measurement period. After the close of the measurement period, fair value is established.

This value is allocated over the four-year vesting period. There is no reappraisal after fair value is established during the remainder of the vesting period, aside from changes in the number of shares because the condition of continued employment during the vesting period is no longer met.

Dividend

After the balance sheet date, the Board of Directors proposed a regular dividend of SEK 5.25 (4.75) per share (corresponding to EUR 0.56 [0.53] per share) plus an extra dividend of SEK 3.00 (3.50) per share (corresponding to EUR 0.32 (0.39) per share). The dividend was approved by the Annual Shareholders' Meeting on April 3, 2008.

The overall proposed dividend is:

	2007	2006
Regular dividend	232.5	219.9
Extra dividend	132.9	162.0
Total	365.4	381.9

Number of shares

	2007	2006
Average number of shares		
before dilution	418,553,072	418,553,072
after dilution	419,080,464	418,827,470
Total number of shares	418,553,072	418,553,072

The number of shares amounted to 418,553,072, divided into 22,464,731 (22,502,851) Series A shares and 396,088,341 (396,050,221) Series B shares). In addition, there are 4,500,000 Series D shares in Skanska's own custody.

During 2007, 38,120 (51,212) Series A shares were redeemed for a corresponding number of Series B shares.

Each Series A share carries 10 votes and each Series B and Series D share carries one vote. D shares do not entitle the holder to a dividend from earnings. Series B shares are listed on the OMX Nordic Exchange Stockholm

Dilution effect

In the Share Award Plan introduced during 2005, the number of potential ordinary shares is calculated during the measurement period based on the estimated number of shares that will be issued due to the fulfillment of the established targets. After the end of the measurement period, Skanska establishes the number of shares that may be issued, provided that the conditions regarding continued employment are met. The number of potential ordinary shares thus calculated is then reduced by the difference between the payment Skanska is expected to receive and the average share price during the period.

The Share Award Plan introduced in 2005, with allocations for 2005, 2006 and 2007, has been estimated to have a dilution effect during 2007 of 527,392 shares or 0.13 percent of shares outstanding.

The maximum dilution effect at the close of the vesting period in 2010 amounts to 1,244,860 shares or 0.30 percent.

Capital management

Capital requirement vary between business streams. Skanska's construction projects are mainly based on customer funding. As a result, in its Construction business stream, the Company can operate with negative working capital. However, the equity requirement for a construction company is substantial and is related to large business volume and to the risks inherent in the various types of construction assignments carried out. Skanska must also take into account the financing of goodwill and the performance guarantees required in publicly procured projects in the U.S. market.

In the Board's judgment, during 2008 Group equity needs to total about SEK 17 billion (corresponding to about EUR 1.8 billion). The ambition is to use the net cash surplus to expand investments in the Group's development business streams – Residential, Commercial and Infrastructure Development. Cash and cash equivalents that are not being utilized are invested in short-term instruments such as government securities, bank-issued or corporate bonds with a credit rating no lower than BBB+.

Other matters

Disclosures on income and expenses from financial instruments recognized directly in equity are presented in Note 6, "Financial instruments."

Note 26 Continued

	Equity attributable to equity holders					Minority interest	Total equity
	Share capital	Paid-in capital	Reserves	Retained earnings	Total		
Equity, January 1, 2006	138.5	34.8	92.5	1,698.5	1,964.3	14.7	1,979.0
Change in translation reserve for the year			5.1		5.1	-0.2	4.9
Change in cash flow hedge reserve for the year			-2.4		-2.4		-2.4
Change in share-based payment for the year				1.9	1.9		1.9
Change in actuarial gains and losses on pensions for the year ¹				77.6	77.6		77.6
Other transfers of assets recognized directly in equity ²						-0.1	-0.1
Taxes attributable to items recognized directly in equity ³			0.4	-23.5	-23.0		-23.0
Changes in assets recognized directly in equity, excluding transactions with the Company's owners	0.0	0.0	3.2	56.1	59.3	-0.3	58.9
Profit for the year				392.8	392.8	2.2	395.0
Total changes in assets, excluding transactions with the Company's owners	0.0	0.0	3.2	448.9	452.1	1.8	453.9
Issue of Series D shares	1.4				1.4		1.4
Repurchase of Series D shares				-1.4	-1.4		-1.4
Dividend				-294.1	-294.1	-0.3	-294.4
Equity, December 31, 2006/ Equity, January 1, 2007	139.9	34.8	95.7	1,852.0	2,122.4	16.2	2,138.6
Change in translation reserve for the year			-25.4		-25.4	1.2	-24.2
Change in cash flow hedge reserve for the year			-8.1		-8.1		-8.1
Change in share-based payment for the year				3.0	3.0		3.0
Change in actuarial gains and losses on pensions for the year ¹				11.5	11.5		11.5
Other transfers of assets recognized directly in equity ²					0.0	3.6	3.6
Taxes attributable to items recognized directly in equity ³			1.5	-4.1	-2.6		-2.6
Changes in assets recognized directly in equity, excluding transactions with the Company's owners	0.0	0.0	-32.0	10.4	-21.6	4.8	-16.9
Profit for the year				442.8	442.8	2.7	445.5
Total changes in assets, excluding transactions with the Company's owners	0.0	0.0	-32.0	453.1	421.1	7.5	428.6
Dividend				-373.3	-373.3	-0.6	-373.9
Equity, December 31, 2007	139.9	34.8	63.7	1,931.9	2,170.2	23.0	2,193.2

1 Includes social insurance contributions in the amount of EUR -1.0 M (7.2).

2 Reported as "Other transfers of assets recognized directly in equity" was EUR +3.6 M (-0.1) in minority interest. Of this amount, EUR +4.1 M (0) was related to reclassification, EUR -0.5 M (-1.2) to purchases from minority interest, EUR 0 M (+1.5) to contributions from minority interest and EUR 0 (-0.4) to divestment of Group companies with minority interest.

3 The amount recognized among reserves, EUR 1.5 M (0.4), was related to the cash flow hedge reserve. The amount recognized in retained earnings, EUR -4.1 M (-23.5) was related to the year's change in actuarial gains and losses on pensions.

Note 26 Continued

Specification of reserves included in "Equity attributable to equity holders"

	2007	2006
Translation reserve		
January 1	87.6	82.5
Translation differences for the year	-48.4	-13.9
Less hedging of currency risks in operations outside Sweden	23.0	19.0
	62.2	87.6
Cash flow hedge reserve		
January 1	8.1	10.0
Cash flow hedges:		
Recognized directly in equity	0.5	2.5
Transferred to income statement	-8.6	-4.9
Taxes attributable to hedging for the year	1.5	0.4
	1.5	8.1
Total reserves	63.7	95.7

Fair value reserve

The fair value reserve amounted to EUR 0 M.

Note 27 Financial liabilities

Financial liabilities are allocated between non-current and current liabilities. Normally, a maturity date within one year is required if a liability is to be treated as current. This does not apply to discounted operating liabilities, which are part of Skanska's operating cycle and are consequently recognized as current liabilities regardless of their maturity date.

Regarding financial risks and financial policies, see Note 6, "Financial instruments."

Financial non-current liabilities	2007	2006
Financial liabilities at fair value through profit or loss		
Derivatives		0.7
Other financial liabilities		
Bond loans		73.5
Liabilities to credit institutions	78.4	99.6
Other liabilities	22.6	51.6
Total	101.1	225.5
of which interest-bearing financial non-current liabilities	101.1	224.8
of which non-interest-bearing financial non-current liabilities	0.0	0.7
Financial current liabilities <th>2007</th> <th>2006</th>	2007	2006
Financial liabilities at fair value through profit or loss		
Derivatives	3.0	4.2
Derivatives to which hedge accounting is applied	6.5	2.4
Other financial liabilities		
Bond loans	71.8	30.4
Liabilities to credit institutions	45.0	34.6
Liabilities to joint ventures	0.3	1.1
Discounted liabilities ¹	155.4	76.8
Other liabilities	4.2	4.9
Total	286.1	154.4
of which interest-bearing financial current liabilities	276.6	147.8
of which non-interest-bearing financial current liabilities	9.4	6.6
Total carrying amount for financial liabilities	387.1	379.9

¹ Of the total amount, EUR 155.4 M (76.8), EUR 46.5 M (0) consisted of discounted advance payments from customers, of which EUR 42.1 M was reclassified during the year from "Other operating liabilities." The amount also included EUR 63.1 M (32.3) in discounted liabilities in property operations consisting of discounted liabilities on purchases of current-asset properties. The remaining amount, EUR 45.8 M (44.5) consisted of discounted operating liabilities in the Czech Republic.

Note 28 Pensions

Provisions for pensions are reported in compliance with IAS 19, "Employee Benefits." See "Accounting and valuation principles," Note 1.

Pension liability according to the balance sheet

According to the balance sheet, interest-bearing pension liability amounts to EUR 121.6 M (172.1).

Skanska has defined-benefit pension plans in Sweden, Norway, the U.K. and the U.S. The pension in these plans is mainly based on final salary. The plans include a large number of employees, but Skanska also has defined-contribution plans in these countries. Group subsidiaries in other countries mainly have defined-contribution plans.

Defined-benefit plans

The pension plans mainly consist of retirement pensions. Each respective employer usually has obligation to pay a lifetime pension. Benefits are based on the number of years of employment. The employee must belong to the plan for a certain number of years to earn a full retirement pension entitlement. For each year, the employee earns increased pension entitlements, which are reported as pension earned during the period plus an increase in pension obligation.

Pension plans are funded by securing pension obligations with assets in pension funds and provisions in the balance sheet. The plans are funded by payments from the respective Group companies and in some cases the employees.

The plan assets in each pension plan are smaller than the pension obligation. For this reason, the difference is recognized as a liability in the balance sheet. The ceiling rule that, in some cases, limits the value of these assets in the balance sheet does not apply when plan assets are smaller than pension obligations.

On the balance sheet date, the pension obligation amounted to EUR 1,180.8 M (1,204.2). The increased obligation for pensions earned during the period was partly offset by higher long-term interest rates and thus higher discount rates, which reduced the obligation. Plan assets amounted to EUR 1,059.2 M (1,032.1).

Actuarial gains and losses may be recognized directly in equity in the balance sheet, according to the alternative rule in IAS 19. Skanska applies this alternative method. Actuarial gains and losses amounted to a net gain of EUR 12.4 M in 2007, compared to a net gain of EUR 70.4 M in 2006. The accumulated net loss amounted to EUR -140.4 M (-152.8), which is included in recognized pension liability. The accumulated net loss was mainly due to actuarial losses from lower discount rates and was offset to some extent by actuarial gains on plan assets.

The return on plan assets recognized in the income statement amounted to EUR 61.5 M (50.8), while actual return amounted to EUR 54.6 M (70.7). The divergence was attributable to pension plans in the United Kingdom.

The plan assets consisted mainly of equities, interest-bearing securities and mutual fund units. No assets were used in Skanska's operations. The number of directly owned shares in Skanska AB totaled 250,000 (0). There was also an insignificant percentage of indirectly owned shares in Skanska AB via investments in various mutual funds.

The defined-benefit plans in the U.S. are closed and have been replaced by defined-contribution plans. The closed plans are expected to be settled during 2008.

Plan assets	Sweden	Norway	United Kingdom	United States
	2007			
Equities	26%	33%	50%	22%
Interest-bearing securities	52%	56%	48%	78%
Alternative investments	22%	11%	2%	0%
Expected return	5.00%	5.75%	6.25%	7.00%
Actual return	6.10%	6.50%	3.50%	6.80%
2006				
Equities	35%	37%	56%	39%
Interest-bearing securities	47%	50%	44%	61%
Alternative investments	18%	13%	0%	0%
Expected return	4.75%	5.75%	6.00%	6.25%
Actual return	7.60%	9.20%	6.20%	9.90%

Note 28 Continued

The ITP 2 occupational pension plan in Sweden is a defined-benefit plan. A small portion is secured by insurance from the retirement insurance company Alecta. This is a multi-employer insurance plan, and there is insufficient information to report these obligations as a defined-benefit plan. Pensions secured by insurance from Alecta are therefore reported as a defined-contribution plan.

Trade union-sponsored plans in the United States are defined-benefit plans that often cover multiple employers. Since there is insufficient information to report these obligations as defined benefit plans, they are reported as defined-contribution plans.

Defined-contribution plans

These plans mainly cover retirement pension, disability pension and family pension. The premiums are paid regularly during the year by the respective Group company to separate legal entities, for example insurance companies. The size of the premium is based on salary. The pension expense for the period is included in the income statement.

Obligations related to employee benefits, defined-benefit plans

	2007	2006	2005
Pension obligations, funded plans, present value on December 31	1,180.8	1,204.2	1,143.3
Plan assets, fair value, December 31	-1,059.2	-1,032.1	-887.0
Net liability according to balance sheet	121.6	172.1	256.3

Pension obligations and plan assets by country

	Sweden	Norway	United Kingdom	United States	Total
2007					
Pension obligations	442.0	222.7	460.0	56.1	1 180.8
Plan assets	-356.8	-216.5	-439.9	-45.9	-1 059.2
Net liability according to balance sheet	85.2	6.1	20.1	10.2	121.6
2006					
Pension obligations	435.3	216.4	485.8	66.6	1,204.2
Plan assets	-354.9	-184.9	-441.2	-51.1	-1,032.1
Net liability according to balance sheet	80.4	31.5	44.7	15.5	172.1

Total pension expenses in the income statement

	2007	2006
Pensions earned during the year	-61.2	-58.1
Less: Funds contributed by employees	3.2	2.7
Interest on obligations	-51.6	-48.3
Expected return on plan assets	61.5	50.8
Curtailments and settlements		9.5
Pension expenses, defined-benefit plans	-48.0	-43.4
Pension expenses, defined-contribution plans	-79.1	-69.7
Social insurance contributions, defined-benefit and defined-contribution plans ¹	-9.8	-7.3
Total pension expenses	-137.0	-120.5

1 Refers to special payroll tax in Sweden and employer fee in Norway.

Allocation of pension expenses in the income statement

	2007	2006
Cost of sales	-111.2	-95.0
Selling and administrative expenses	-35.7	-28.0
Financial items	9.9	2.5
Total pension expenses	-137.0	-120.5

Actuarial gains and losses recognized directly in equity

	2007	2006	2005	2004
January 1	-152.8	-223.2	-64.7	0.0
Actuarial gains and losses, pension obligations ¹	19.3	50.5	-226.1	-83.9
Difference between expected and actual return on plan assets	-6.9	19.9	67.6	19.3
Accumulated	-140.4	-152.8	-223.2	-64.7

1 In 2007 (2006), changed assumptions amounted to EUR 51.2 M (32.0) and experience-based changes EUR -31.9 M (18.5).

See also "Consolidated statement of recognized income and expenses," which shows the tax portion and social insurance contributions recognized directly in equity.

Pension obligations

	2007	2006
January 1	1,204.2	1,143.3
Transferred from liabilities classified as held for sale		0.9
Pensions earned during the year	61.2	58.1
Interest on obligations	51.6	48.3
Benefits paid by employers	-16.9	-16.2
Benefits paid by plan assets	-19.7	-17.9
Acquisitions of companies		37.1
Divestments of companies		-1.5
Reclassifications	-3.6	
Actuarial gains (-), losses (+) for the year	-19.3	-50.5
Curtailments and settlements	-15.3	-9.5
Exchange rate differences	-61.3	12.1
Pension obligations, present value	1,180.8	1,204.2

Plan assets

	2007	2006
January 1	1,032.1	887.0
Expected return on plan assets	61.5	50.8
Funds contributed by employers	51.8	44.2
Funds contributed by employees	3.2	2.7
Benefits paid	-19.7	-17.9
Acquisitions of companies		34.5
Divestments of companies		-1.0
Reclassifications	7.8	
Actuarial gains (+), losses (-) during the year	-6.9	19.9
Curtailments and settlements	-15.3	
Exchange rate differences	-55.3	11.9
Plan assets, fair value	1,059.2	1,032.1

Funds contributed are expected to total about EUR 50 M during 2008 through payments to funds in Norway and the United Kingdom.

Reconciliation of interest-bearing pension liability

	2007	2006
Pension liabilities, January 1	172.1	256.3
Transferred from/to liabilities classified as held for sale		0.9
Pension expenses	48.0	53.0
Benefits paid by employers	-16.9	-16.2
Funds contributed by employers	-51.8	-44.2
Acquisitions of companies		2.6
Divestments of companies		-0.5
Reclassifications	-11.4	
Actuarial gains (-), losses (+) for the year	-12.4	-70.4
Curtailments and settlements		-9.5
Exchange rate differences	-6.1	0.2
Net liability according to balance sheet	121.6	172.1

Note 28 Continued

Actuarial assumptions

	Sweden	Norway	United Kingdom	United States ¹
2007				
Discount rate, January 1	3.75%	4.25%	5.00%	4.75%
Discount rate, December 31	4.25%	4.75%	5.50%	4.75%
Expected return on plan assets for the year	5.00%	5.75%	6.25%	7.00%
of which equities	6.75%	7.75%	7.50%	8.25%
of which interest-bearing securities	3.25%	4.25%	4.50%	5.25%
Expected pay increase, December 31	3.50%	3.75%	4.50%	-
Expected inflation, December 31	2.00%	2.50%	3.00%	3.00%
2006				
Discount rate, January 1	3.50%	4.00%	4.75%	5.25%
Discount rate, December 31	3.75%	4.25%	5.00%	4.75%
Expected return on plan assets for the year	4.75%	5.75%	6.00%	6.25%
of which equities	6.50%	7.50%	7.25%	7.75%
of which interest-bearing securities	3.00%	4.00%	4.25%	4.75%
Expected pay increase, December 31	3.25%	3.50%	4.50%	-
Expected inflation, December 31	2.00%	2.50%	2.75%	3.00%

¹ U.S. defined-benefit pension plans were replaced by defined-contribution plans. Obligations will be settled during 2008, with an expected discount rate amounting to 4.75 percent. Expected future pay increase is consequently not included in the calculation.

Sensitivity of pension obligation to change in discount rate

	Sweden	Norway	United Kingdom	United States	Total
Pension obligations, December 31, 2007	442.0	222.7	460.0	56.1	1,180.8
Discount rate increase of 0.25 percent ¹	-15	-10	-20	-	-45
Discount rate decrease of 0.25 percent ¹	15	10	20	-	45

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

	Sweden	Norway	United Kingdom	United States
Life expectancy after age 65, men	20 years	18 years	22 years	19 years
Life expectancy after age 65, women	23 years	21 years	25 years	22 years
Life expectancy table ¹	DUS06	K2005	PA92	GAR94

¹ Life expectancy is based on local life expectancy tables in each respective country. If life expectancy increases by one year, pension obligation is expected to increase by about 4 percent.

Expected return on interest-bearing securities is established on the basis of market interest rates on the balance sheet date for high-grade long-term corporate bonds or government bonds in each respective country, adjusted for current holdings in each respective portfolio.

For the equities market as a whole, a risk premium of 3 percent is added. This premium is adjusted for the risk profile of each respective equities market.

Note 29 Provisions

Provisions are reported in compliance with IAS 37, "Provisions, Contingent Liabilities and Contingent Assets."

See "Accounting and valuation principles," Note 1.

Provisions are allocated in the balance sheet between non-current liabilities and current liabilities. Provisions are both interest-bearing and non-interest-bearing. Provisions that are part of Skanska's operating cycle are recognized as current. Interest-bearing provisions that fall due within a year are treated as current.

	2007	2006
Non-current provisions		
Interest-bearing	10.2	13.2
Current provisions		
Interest-bearing	2.1	2.2
Non-interest-bearing	383.7	382.2
Total	396.0	397.6

The amount for interest-bearing provisions included EUR 8.3 M (10.9) in provision to the employee fund in Sweden.

The change in provisions, allocated among the reserve for legal disputes, provision for warranty obligations and other provisions can be seen in the following table.

	Legal disputes		Warranty obligations		Other provisions		Total	
	2007	2006	2007	2006	2007	2006	2007	2006
January 1	94.8	95.6	149.4	112.6	153.4	147.7	397.6	355.9
Acquisitions of companies				0.6				0.6
Divestments of companies				-0.1				-0.1
Provisions for the year	44.0	31.8	26.7	65.5	43.5	54.5	114.1	151.7
Provisions utilized	-18.5	-16.6	-20.8	-25.9	-36.5	-41.3	-75.8	-83.9
Unutilized amounts that were reversed, change in value	-16.8	-15.7	-4.8	-3.6	-7.4	-13.7	-28.9	-33.0
Exchange rate differences	-1.4	1.1	-0.8	2.2	-4.8	1.8	-7.0	5.1
Reclassifications	-8.5	-1.4	6.2	-1.9	-1.7	4.4	-4.1	1.1
December 31	93.6	94.8	156.0	149.4	146.5	153.4	396.0	397.6

Specification of "Other provisions"

	2007	2006
Restructuring measures	8.8	10.4
Project risks	6.0	4.8
Employee fund, Sweden	8.3	10.9
Employee-related provisions	59.9	47.1
Environmental obligations	9.9	9.8
Provision for social insurance contributions on pensions	17.1	13.5
Miscellaneous provisions	36.4	56.8
Total	146.5	153.4

Normal cycle time for "Other provisions" is about 1–3 years.

Provisions for warranty obligations refer to expenses that may arise during the warranty period.

Such provisions in Construction are mainly based on individual assessments of each project or on average experience-based cost, expressed as a percentage of sales during a five-year period. The expenses are charged to each project on a continuous basis. Provisions for warranty obligations in other business streams are based on individual assessments of each project. The change in 2007 was mainly related to Construction.

Provisions for legal disputes refer to provisions in the Construction business stream for projects that have been completed.

Provisions for restructuring refer to the expenses of adapting operations to the projected market and in accordance with the Group's strategic plan. Expenses were paid for such items as closing down operations and phasing out employees.

The provision to the employee fund in Sweden refers to a refund of surplus funds from the retirement insurance company SPP, now Alecta. The provision is used in consultation with trade union representatives to enable employees with reduced work capacity to remain employed on a part-time basis. The employee is compensated for loss of income and loss of future pension benefits.

Employee-related provisions included such items as the cost of profit-sharing, certain bonus programs and other obligations to employees.

Among provisions for environmental obligations are the costs of restoring gravel pits to their natural state in Swedish operations.

Note 30 Trade and other payables

Non-interest-bearing liabilities in business operations are recognized as "Trade and other payables." Such liabilities are part of the Group's operating cycle and are consequently recognized as current liabilities.

	2007	2006
Accounts payable to associated companies		0.2
Accounts payable to joint ventures	0.3	0.4
Other trade payables	1,577.5	1,533.0
Accrued expenses and prepaid income	948.7	811.0
Other operating liabilities	750.0	797.1
Total	3,276.5	3,141.7

of which financial instruments reported in Note 6, "Financial instruments"

	2007	2006
Accounts payable	1,577.8	1,533.6
Other operating liabilities including accrued interest expenses	186.4	155.9
	1,764.2	1,689.6
of which non-financial instruments	1,512.3	1,452.1

"Other operating liabilities" included EUR 95.6 M (95.8) for checks issued but not yet cash in the U.S. and the U.K.

See "Accounting and valuation principles," Note 1.

Note 31 Specification of interest-bearing receivables per asset and liability

The following table allocates financial current and non-current assets as well as liabilities between interest-bearing and non-interest-bearing items.

	2007			2006		
	Interest-bearing	Non-interest-bearing	Total	Interest-bearing	Non-interest-bearing	Total
ASSETS						
Non-current assets						
Property, plant and equipment		632.1	632.1		603.5	603.5
Goodwill		485.1	485.1		496.6	496.6
Other intangible assets		69.6	69.6		81.8	81.8
Investments in joint ventures and associated companies		205.8	205.8		209.5	209.5
Financial non-current assets	67.1	9.9	77.0	158.5	7.4	165.9
Deferred tax assets		101.2	101.2		218.5	218.5
Total non-current assets	67.1	1,503.9	1,571.0	158.5	1,617.3	1,775.8
Current assets						
Current-asset properties		1,396.8	1,396.8		1,308.0	1,308.0
Inventories		81.4	81.4		53.5	53.5
Financial current assets	483.9	12.1	495.9	336.0	12.8	348.8
Tax assets		43.5	43.5		36.5	36.5
Gross amount due from customers for contract work		598.6	598.6		577.5	577.5
Trade and other receivables		2,663.6	2,663.6		2,572.8	2,572.8
Cash equivalents	55.1		55.1	235.7		235.7
Cash	1,448.6		1,448.6	977.5		977.5
Total current assets	1,987.6	4,795.9	6,783.5	1,549.2	4,561.2	6,110.4
TOTAL ASSETS	2,054.7	6,299.7	8,354.4	1,707.7	6,178.5	7,886.2
LIABILITIES						
Non-current liabilities						
Financial non-current liabilities	101.1	0.0	101.1	224.8	0.7	225.5
Pensions	121.6		121.6	172.1		172.1
Deferred tax liabilities		219.0	219.0		319.8	319.8
Non-current provisions	10.2		10.2	13.2		13.2
Total non-current liabilities	232.8	219.0	451.8	410.1	320.5	730.6
Current liabilities						
Financial current liabilities	276.6	6.3	283.0	147.8	6.6	154.4
Tax liabilities		94.3	94.3		80.5	80.5
Current provisions	2.1	383.7	385.9	2.2	382.2	384.4
Gross amount due to customers for contract work		1,666.6	1,666.6		1,256.0	1,256.0
Trade and other payables		3,276.5	3,276.5		3,141.7	3,141.7
Total current liabilities	278.8	5,427.6	5,706.3	150.0	4,867.1	5,017.0
TOTAL LIABILITIES	511.6	5,646.5	6,158.1	560.1	5,187.6	5,747.6
Interest-bearing net receivable	1,543.1			1,147.6		

Note 32 Expected recovery periods of assets and liabilities

Amounts expected to be recovered	2007			2006		
	Within 12 months	12 months or longer	Total	Within 12 months	12 months or longer	Total
ASSETS						
Non-current assets						
Property, plant and equipment ¹	124.9	507.2	632.1	118.3	485.2	603.5
Goodwill ¹		485.1	485.1		496.6	496.6
Other intangible assets ¹	11.3	58.3	69.6	10.7	71.1	81.8
Investments in joint ventures and associated companies ²		205.8	205.8		209.5	209.5
Financial non-current assets		77.0	77.0		165.9	165.9
Deferred tax assets ³		101.2	101.2		218.5	218.5
Total non-current assets	136.2	1,434.8	1,571.0	129.1	1,646.8	1,775.8
Current assets						
Current-asset properties ⁴	751.4	645.4	1,396.8	669.1	638.9	1,308.0
Inventories	73.7	7.7	81.4	50.1	3.4	53.5
Financial current assets	495.9		495.9	305.6	43.2	348.8
Tax assets	43.5		43.5	36.5		36.5
Gross amount due from customers for contract work ⁵	566.4	32.2	598.6	543.2	34.3	577.5
Trade and other receivables ⁵	2,560.3	103.3	2,663.6	2,515.3	57.5	2,572.8
Cash and cash equivalents	55.1		55.1	235.7		235.7
Cash	1,448.6		1,448.6	977.5		977.5
Total current assets	5,994.9	788.5	6,783.5	5,333.0	777.4	6,110.4
TOTAL ASSETS	6,131.1	2,223.3	8,354.4	5,462.1	2,424.1	7,886.2
LIABILITIES						
Non-current liabilities						
Financial non-current liabilities		101.1	101.1	4.3	221.2	225.5
Pensions ⁶	24.4	97.2	121.6	44.2	127.8	172.1
Deferred tax liabilities		219.0	219.0		319.8	319.8
Non-current provisions		10.2	10.2	0.4	12.7	13.2
Total non-current liabilities	24.4	427.3	451.8	49.0	681.6	730.6
Current liabilities						
Financial current liabilities	191.9	94.2	286.1	88.8	65.6	154.4
Tax liabilities	94.3		94.3	80.5		80.5
Current provisions	279.4	106.5	385.9	226.3	158.2	384.4
Gross amount due to customers for contract work	1,533.0	133.7	1,666.6	1,194.9	61.2	1,256.0
Trade and other payables	3,223.9	52.6	3,276.5	2,998.2	143.4	3,141.7
Total current liabilities	5,322.5	386.9	5,709.4	4,588.7	428.3	5,017.0
TOTAL LIABILITIES	5,346.9	814.3	6,161.2	4,637.7	1,109.9	5,747.6

1 In case of amounts expected to be recovered within twelve months, expected annual depreciation/amortization has been recognized.

2 Allocation cannot be estimated.

3 Deferred tax assets are expected to be recovered in their entirety in more than twelve months.

4 Recovery within one year on current-asset properties is based on a historical assessment from the past three years.

5 Current receivables that fall due in more than twelve months are part of the operating cycle and are thus recognized as current.

6 "Within 12 months" refers to expected benefit payments.

Note 33 Assets pledged, contingent liabilities and contingent assets

Assets pledged

	2007	2006
Mortgages, current-asset properties	0.5	0.6
Shares and participations	150.0	148.6
Receivables	47.2	42.6
Total	197.7	191.8

The use of shares and participations as assets pledged refers to shares in joint ventures belonging to Infrastructure Development. These assets are pledged as collateral when obtaining outside lending for these joint ventures.

Assets pledged for liabilities

	Property mortgages		Shares and receivables		Total	
	2007	2006	2007	2006	2007	2006
Own obligations						
Liabilities to credit institutions	0.1	0.1			0.1	0.1
Other liabilities			47.2	42.6	47.2	42.6
Total own obligations	0.1	0.1	47.2	42.6	47.3	42.7
Other obligations	0.4	0.4	150.0	148.6	150.4	149.1
Total	0.5	0.6	197.2	191.2	197.7	191.8

Contingent liabilities

Contingent liabilities are reported in compliance with IAS 37, "Provisions, Contingent Liabilities and Contingent Assets." See "Accounting and valuation principles," Note 1.

Contingent liabilities	2007	2006
Contingent liabilities related to construction consortia	355.5	477.0
Contingent liabilities related to joint ventures	68.9	74.5
Other contingent liabilities	110.2	143.8
Total	534.6	695.3

The Group's contingent liabilities related to construction consortia totaled about EUR 0.36 billion (0.48).

This amount referred to the portion of the joint and several liability for the obligations of construction consortia affecting consortium members outside the Group. Such liability is often required by the customer. To the extent it is deemed likely that Skanska will be subject to liability claims, the obligation is reported as a liability in the balance sheet.

Contingent liabilities related to joint ventures refer mainly to guarantees issued when joint ventures belonging to the Residential Development and Infrastructure Development business streams have raised loans.

Most of the Group's other contingent liabilities, EUR 0.11 billion (0.14), were related to obligations attributable to the operations of Residential Development Nordic.

In the Swedish Competition Authority's suit requesting infringement fines, including EUR 60.2 M against Skanska, Stockholm City Court issued a ruling in July 2007. The infringement fine in Skanska's case was set at EUR 18.4 M, which was recognized as an expense during 2007.

Skanska and another company have been sued by a number of Swedish municipalities that maintain that they have suffered damage in procurements alleged to have been the object of collusive cartels between the contractors. Skanska has been sued for a total of EUR 6.0 M. Skanska denies the allegations.

In Finland, the Market Court issued a ruling in December 2007 in the Finnish Competition Authority's suit against a number of companies in the civil construction and asphalt sectors, among them Skanska, concerning alleged collusive anti-competitive activities. The Market Court ordered Skanska to pay the equivalent of EUR 1.4 M in infringement fines. The Competition Authority had sued for about EUR 10.8 M. The ruling has been appealed to a higher court.

In October 2006, Slovakia's competition authority decided to fine six companies that had participated in tendering for a road project. Skanska was part of a joint venture led by a local Slovakian company. The fine in Skanska's case was the equivalent of EUR 7.2 M and was charged to 2006 earnings. Skanska denied the Authority's allegations and has requested that the decision be reviewed by a court of law. The court case is underway.

No provisions have been made for the above litigation, other than those in which a court ruling has been issued, since the outcome of these cases is characterized by great uncertainty. In accordance with the accounting principles applied by Skanska, the amounts requested have not been included in the table of the Group's contingent liabilities either.

Contingent assets

The Group has no contingent assets of significant importance in assessing the position of the Group.

See "Accounting principles and valuation principles," Note 1.

Note 34 Effect of changes in foreign exchange rates

Exchange rates are dealt with in compliance with IAS 21, "The Effect of Changes in Foreign Exchange Rates." See "Accounting and valuation principles," Note 1.

Exchange rates

During 2007 USD, GBP, ARS and SEK weakened against the euro. Other currencies used in the Group, mainly NOK, PLN and CZK, strengthened against the euro, primarily late in the year. This had an impact on the balance sheet but only to a minor extent in the income statement.

The weakening of USD had an impact on the Group's income statement, causing the total currency rate effect to be negative in the consolidated financial statements.

The weakening of GBP occurred only late in the year and never affected the average exchange rate during the year, with the result that its impact on the income statement was negligible. The effect in the balance sheet, however, was to decrease total assets by EUR 0.11 billion.

Currency	Country/zone	Exchange rate at balance sheet date			Change in percent	
		2007	2006	2005	2006-2007	2005-2006
ARS	Argentina	0.2163	0.2472	0.2792	-12	-11
CZK	Czech Republic	0.0376	0.0364	0.0345	3	6
DKK	Denmark	0.1309	0.1342	0.1341	-2	0
GBP	United Kingdom	1.3599	1.4897	1.4555	-9	2
NOK	Norway	0.1253	0.1213	0.1250	3	-3
PLN	Poland	0.2776	0.2608	0.2589	6	1
SEK	Sweden	0.1058	0.1106	0.1065	-4	4
USD	United States	0.6802	0.7588	0.8451	-10	-10

Currency	Country/zone	Average exchange rate			Change in percent	
		2007	2006	2005	2006-2007	2005-2006
ARS	Argentina	0.2346	0.2588	0.2754	-9	-6
CZK	Czech Republic	0.0361	0.0353	0.0336	2	5
DKK	Denmark	0.1343	0.1340	0.1341	0	0
GBP	United Kingdom	1.4615	1.4666	1.4621	0	0
NOK	Norway	0.1247	0.1243	0.1249	0	0
PLN	Poland	0.2646	0.2569	0.2489	3	3
SEK	Sweden	0.1081	0.1081	0.1077	0	0
USD	United States	0.7305	0.7971	0.8041	-8	-1

Effect of changes in exchange rates on the income statement compared to the previous year

In the following table, the 2007 income statement is translated at the exchange rates prevailing in 2006. The 2006 income statement is translated at 2005 exchange rates. The change, or currency rate effect, for each currency is stated in EUR M and in percent.

	Income statement		Income statement		Currency rate effect, EUR M		Currency rate effect, percent	
	2007, at 2006 rates ¹	2007	2006, at 2005 rates ²	2006	2007	2006	2007	2006
Revenue	15,343.1	15,001.7	13,515.4	13,574.3	-341.4	58.9	-2.2%	0.4%
Operating income	590.6	584.4	513.3	514.6	-6.2	1.3	-1.0%	0.3%
Income after financial items	619.2	612.6	537.3	538.7	-6.6	1.4	-1.1%	0.3%
Profit for the year	448.0	445.5	393.8	395.0	-2.5	1.2	-0.6%	0.3%

1 2007 figures translated to the exchange rates prevailing in 2006.

2 2006 figures translated to the exchange rates prevailing in 2005.

Currency rate effect by respective currency

2007	SEK	USD	GBP	NOK	CZK	PLN	Others	Total
Revenue	0.7	-375.5	-6.7	5.2	27.1	24.9	-17.1	-341.4
Operating income	0.0	-7.9	-0.1	0.2	1.3	1.2	-0.9	-6.2
Income after financial items	0.0	-9.5	-0.2	0.3	1.3	1.3	0.2	-6.6
Profit for the year	0.0	-5.4	-0.1	0.2	0.9	1.1	0.8	-2.5
2006	USD	EUR	GBP	NOK	CZK	PLN	Others	Total
Revenue	8.6	-35.6	4.2	-5.8	61.2	23.0	3.3	58.9
Operating income	0.7	-0.7	0.1	-0.3	2.1	0.9	-1.5	1.3
Income after financial items	0.7	-0.8	0.2	-0.3	2.0	1.1	-1.5	1.4
Profit for the year	0.6	-0.5	0.1	-0.2	1.4	0.9	-1.1	1.2

Note 34 Continued

Effect on the Group of change in EUR against other currencies and change in USD against EUR

The following sensitivity analysis, based on the 2007 income statement and balance sheet, shows the sensitivity of the Group to a unilateral 10 percent change in EUR against all currencies as well as a unilateral 10 percent change in USD against EUR.

EUR billion	of which USD	
	+/-10%	+/-10%
Revenue	+/-1.38	+/-0.41
Operating income	+/-0.05	+/-0.01
Equity ¹	+/-0.19	+/-0.02

¹ Refers to amount before currency hedging.

"Plus" means a weakening of the Euro. "Plus" for USD thus means increased value against EUR.

Effects of changes in exchange rates on the balance sheet compared to the previous year

EUR billion	2007	2006
Assets		
Property, plant and equipment	-0.02	-0.01
Intangible assets	-0.01	0.00
Shares and participations	0.00	-0.02
Interest-bearing receivables	-0.06	0.00
Current-asset properties	-0.03	0.03
Non-interest-bearing receivables	-0.13	-0.07
Cash and cash equivalents	-0.08	0.01
Total	-0.33	-0.06
Equity and liabilities		
Equity attributable to equity holders	-0.03	0.01
Minority	0.00	0.00
Interest-bearing liabilities	-0.08	-0.02
Non-interest-bearing liabilities	-0.22	-0.05
Total	-0.33	-0.06
Effect of exchange rate differences on the Group's interest-bearing net receivable	-0.06	0.03

Of the total exchange rate difference on the Group's assets, EUR -0.20 billion was due to USD, EUR -0.12 billion to SEK, EUR -0.11 billion to GBP, EUR +0.04 billion to NOK, EUR +0.03 billion to CZK and EUR +0.03 billion to PLN. Of the total effect in 2006, EUR -0.17 billion was due to USD, EUR -0.03 billion to NOK, EUR +0.10 billion to SEK, EUR +0.04 billion to CZK, EUR +0.03 billion to GBP and EUR -0.03 billion to CLP.

Note 34 Continued

Consolidated balance sheet by currency, EUR billion

2007	USD	GBP	EUR	NOK	CZK	PLN	DKK	Other foreign currencies ¹	Hedge loans ²	SEK	Total
Assets											
Property, plant and equipment	0.12	0.03	0.03	0.06	0.15	0.04	0.01	0.05		0.14	0.63
Intangible assets	0.03	0.21	0.04	0.16	0.05	0.00	0.00	0.04		0.01	0.55
Shares and participations	0.00	0.03	0.02	0.01	0.00	0.00	0.00	0.13		0.02	0.21
Interest-bearing receivables	0.29	0.43	0.30	0.33	0.23	0.24	0.14	-1.59		0.18	0.55
Current-asset properties	0.00	0.00	0.29	0.16	0.06	0.00	0.15	0.02		0.72	1.40
Non-interest-bearing receivables	0.95	0.41	0.17	0.44	0.31	0.20	0.06	0.32		0.63	3.50
Cash and cash equivalents	0.34	0.01	0.00	0.02	0.05	0.00	0.00	0.03		1.05	1.50
Total	1.73	1.13	0.85	1.19	0.86	0.49	0.36	-0.99		2.75	8.35
Equity and liabilities											
Equity attributable to equity holders ³	0.37	0.11	0.52	0.36	0.30	0.13	0.11	0.20		0.08	2.17
Minority	0.00	0.00	0.01	0.00	0.01	0.00	0.00	0.00		0.00	0.02
Interest-bearing liabilities	0.02	0.19	0.04	0.07	0.04	0.04	0.13	-1.51	0.24	1.24	0.51
Non-interest-bearing liabilities	1.33	0.84	0.28	0.75	0.51	0.32	0.13	0.32		1.19	5.65
Total	1.73	1.13	0.85	1.19	0.86	0.49	0.36	-0.99	0.24	2.51	8.35
2006											
Assets											
Property, plant and equipment	0.12	0.03	0.03	0.04	0.14	0.03	0.02	0.04		0.13	0.61
Intangible assets	0.04	0.23	0.04	0.15	0.06	0.00	0.00	0.03		0.01	0.58
Shares and participations	0.00	0.04	0.02	0.01	0.00	0.00	0.00	0.14		-0.01	0.21
Interest-bearing receivables	0.18	0.31	0.32	0.25	0.20	0.21	0.14	-1.40		0.29	0.50
Current-asset properties	0.00	0.00	0.22	0.11	0.06	0.00	0.15	0.03		0.73	1.31
Non-interest-bearing receivables	0.90	0.48	0.20	0.40	0.36	0.18	0.11	0.25		0.60	3.47
Cash and cash equivalents	0.24	0.00	0.00	0.01	0.00	0.02	0.00	0.03		0.91	1.22
Total	1.48	1.09	0.84	0.98	0.82	0.44	0.43	-0.86		2.65	7.89
Equity and liabilities											
Equity attributable to equity holders ³	0.35	0.10	0.49	0.29	0.25	0.09	0.10	0.23		0.22	2.12
Minority	0.00	0.00	0.01	0.00	0.01	0.00	0.00	-0.01		0.00	0.01
Interest-bearing liabilities	0.02	0.20	0.04	0.11	0.06	0.06	0.13	-1.27	0.19	1.03	0.56
Non-interest-bearing liabilities	1.11	0.80	0.30	0.59	0.50	0.30	0.20	0.19		1.22	5.19
Total	1.48	1.09	0.84	0.98	0.82	0.44	0.43	-0.86	0.19	2.47	7.89

1 Including elimination of intra-Group receivables and liabilities.

2 Aside from hedge loans in EUR, USD, GBP and NOK (EUR and GBP), Skanska hedged equity in currencies other than SEK forward contracts, which meant that equity in each respective currency amounted to EUR 0.53 billion (0.56) in USD (0.24), EUR (0.14), CLP (0.09) and BRL (0.06).

3 The respective currencies are calculated including Group goodwill and the net amount of Group surpluses after subtracting deferred taxes.

Other matters

For information on the translation reserve in equity on January 1 and December 31, which is recognized directly in equity, see Note 26, "Equity."

Note 35 Cash flow statement

Aside from the cash flow statement prepared in compliance with IAS 7, "Cash Flow Statements," Skanska is preparing a cash flow statement based on the operations carried out by the respective business streams. This is called the "Consolidated operating cash flow statement." The connection between the respective cash flow statements is explained below.

Adjustments for items not included in cash flow

	2007	2006
Depreciation/amortization and impairment losses/reversals of impairment losses	145.7	134.8
Income from divestments of property, plant and equipment and current-asset properties	-291.9	-286.5
Income after financial items from joint ventures and associated companies	-31.0	-25.8
Dividends from joint ventures and associated companies	20.1	10.7
Provision for the year: intra-Group profits on contracting work	10.6	17.0
Pensions recognized as expenses but not related to payments	24.8	9.4
Other items that have not affected cash flow from operating activities	0.6	2.2
Total	-121.1	-138.3

Taxes paid

Taxes paid are divided into operating activities, investing activities and financing activities. Total taxes paid for the Group during the year amounted to EUR -129.4 M (-115.3).

Information on interest and dividends

	2007	2006
Interest income received during the year	66.5	42.9
Interest payments made during the year	-27.5	-8.2
Dividends received during the year	20.1	10.7

Cash and cash equivalents

Cash and cash equivalents in the cash flow statement consist of cash plus cash equivalents. The definition of cash and cash equivalents in the balance sheet can be seen in Note 1, "Accounting and valuation principles."

The same rule that has been used in determining cash and cash equivalents in the balance sheet has been used in determining cash and cash equivalents according to the cash flow statement. Only amounts that can be used without restrictions are recognized as cash and cash equivalents.

	2007	2006
Cash	1,448.6	977.5
Cash equivalents	55.1	235.7
Total	1,503.8	1,213.2

Information about assets and liabilities in acquired Group companies

	2007	2006
Assets		
Property, plant and equipment	2.1	6.4
Intangible assets	5.5	71.5
Non-interest-bearing receivables	8.0	67.4
Interest-bearing receivables	1.1	5.1
Current-asset properties	0.4	
Cash and cash equivalents		1.3
Total	17.1	151.7
Liabilities		
Minority	-0.5	-1.2
Interest-bearing liabilities	0.1	5.1
Non-interest-bearing liabilities	9.5	72.7
Total	9.1	76.6
Purchase price paid	-8.0	-75.1
Cash and cash equivalents in acquired companies	0.0	1.3
Effect on cash and cash equivalents, investment	-8.0	-73.8

Acquired Group companies are described in Note 7, "Business combination."

Information about assets and liabilities in divested Group companies

	2007	2006
Assets		
Property, plant and equipment	-6.7	-4.3
Intangible assets		-3.6
Shares and participations	-0.1	
Interest-bearing receivables	-0.5	0.0
Current-asset properties	-0.4	-16.6
Non-interest-bearing receivables	-1.6	-17.8
Cash and cash equivalents	0.0	-1.5
Total	-9.4	-43.9
Equity and liabilities		
Income from divestments of Group companies	-0.1	-6.8
Minority		-0.4
Interest-bearing liabilities		-2.5
Non-interest-bearing liabilities	11.5	-17.5
Total	11.4	-27.2
Purchase price paid	20,8	16,6
Cash and cash equivalents in divested companies	0,0	-1,5
Effect on cash and cash equivalents, divestment	20,8	15,1

Divestments of Group companies in 2007 almost exclusively involved the discontinuation of portions of Skanska's Danish operations.

Other divestments were attributable to two small phase-outs, one in Finland and one in Russia.

The income in 2006 originated from the divestment of a portion of Russian operations as well as the divestment of small operations in Sweden and Norway.

Other matters

The Group's unutilized credit facilities amounted to EUR 774.5 M (694.1) at year-end.

Note 35 Continued

Relation between consolidated operating cash flow and consolidated cash flow statement

The difference between the consolidated operating cash flow statement and the consolidated cash flow statement in compliance with IAS 7, "Cash Flow Statements," is presented below.

The consolidated cash flow statement that was prepared in compliance with IAS 7 recognizes cash flow divided into:

- Cash flow from operating activities
- Cash flow from investing activities
- Cash flow from financing activities

The consolidated operating cash flow statement recognizes cash flow divided into:

- Cash flow from business operations
- Cash flow from financing operations
- Cash flow from strategic investments
- Dividend etc.
- Change in interest-bearing receivables and liabilities

The consolidated operating cash flow statement refers to operating activities as "business operations." Unlike the cash flow statement in compliance with IAS 7, "business operations" also includes net investments, which are regarded as an element of business operations together with tax payments on these. Such net investments are net investments in property, plant and equipment and intangible non-current assets as well as net investments in Infrastructure Development.

Investments of a strategic nature are recognized under cash flow from strategic investments.

Under cash flow from financing activities, the operating cash flow statement recognizes only interest and other financial items as well as taxes paid on the same. Dividends are recognized separately. Loans provided and repayment of loans are also recognized separately along with changes in interest-bearing receivables at the bottom of the operating cash flow statement, resulting in a subtotal in that statement that shows cash flow before changes in interest-bearing receivables and liabilities.

	2007	2006
Cash flow from business operations according to operating cash flow statement	839.6	251.4
less investments in property, plant and equipment and intangible assets	140.1	147.1
less tax payments on property, plant and equipment and intangible assets divested	3.9	3.2
Cash flow from operating activities	983.6	401.7
Cash flow from strategic investments according to operating cash flow statement	10.9	-57.5
Net investments in property, plant and equipment and intangible assets	-140.1	-147.1
Increase and decrease in interest-bearing receivables	-131.3	-138.0
Taxes paid on property, plant and equipment and intangible assets divested	-3.9	-3.2
Cash flow from investing activities	-264.4	-345.8
Cash flow from financing operations according to operating cash flow statement	13.0	6.8
Increase and decrease in interest-bearing liabilities	-38.5	-22.8
Dividend etc.	-373.8	-293.1
Cash flow from financing activities	-399.3	-309.1
Cash flow for the year	319.9	-253.2

Relation between the Group's investments in the cash flow statement and investments in the operating cash flow statement

Total net investments are recognized in the cash flow statement divided into operating activities and investing activities, taking into account the settlement of payments for investments and divestments.

Purchases and divestments of current-asset properties are recognized under operating activities, while other net investments are recognized under investing activities.

	2007	2006
Net investments in operating activities	159.2	124.8
Net investments in investing activities	-127.3	-204.6
	31.9	-79.8
less cash flow adjustments, net investments	-31.6	-44.1
Total net investments	0.3	-123.9

The consolidated operating cash flow statement recognizes net investments divided into net investments in operations and strategic net investments as follows.

	2007	2006
Operations – Investments		
Intangible assets	-4.1	-4.1
Property, plant and equipment	-204.7	-186.8
Assets in Infrastructure Development	-7.9	-30.9
Shares	-4.3	-0.3
Current-asset properties	-830.5	-763.4
of which Residential Development	-538.6	-556.9
of which Commercial Development	-255.3	-177.1
of which other commercial properties	-36.5	-29.4
	-1,051.6	-985.5

Operations – Divestments

Intangible assets	0.2	0.2
Property, plant and equipment	54.8	53.6
Assets in Infrastructure Development	19.2	20.8
Shares	6.7	0.4
Current-asset properties	958.2	844.2
of which Residential Development	583.0	481.5
of which Commercial Development	302.2	320.5
of which other commercial properties	73.0	42.1
	1,039.1	919.2

Net investments in operations

-12.4 **-66.4**

Strategic investments

Acquisitions of businesses	-8.0	-73.8
	-8.0	-73.8

Strategic divestments

Divestments of businesses	20.8	15.1
Shares	0.0	1.2
	20.8	16.3

Net strategic investments

12.8 **-57.5**

Total investments

0.3 **-123.9**

Note 36 Personnel

Wages, salaries, other remuneration and social insurance contributions

	2007	2006
Wages, salaries and other remuneration		
Board members, Presidents, Executive Vice Presidents and other executive team members ¹	58.3	45.0
of which bonuses	25.2	14.8
Other employees	2,086.2	1,849.8
Total wages, salaries and other remuneration	2,144.4	1,894.7
Social insurance contributions	550.4	521.9
of which pension expenses	147.0	124.0

¹ The amount related to Board members, Presidents, Executive Vice Presidents and other executive team members included remuneration to former Board members, Presidents and Executive Vice Presidents during the financial year.

Of the Group's total pension expenses, EUR 8.0 M (7.6) was related to the category "Board members, Presidents, Executive Vice Presidents and other executive team members." The amount included remuneration to former Board members, Presidents and Executive Vice Presidents.

The expense for a provision to the employee profit-sharing foundation in Sweden totaled EUR 21.8 M (16.5).

Average number of employees

Personnel is calculated as the average number of employees. See "Accounting and valuation principles," Note 1.

	2007	2006
Sweden	10,963	10,631
Norway	4,779	4,395
Denmark	1,460	1,733
Finland	3,212	3,136
United Kingdom	5,451	3,685
Poland	5,399	4,776
Czech Republic	5,998	6,242
Slovakia	1,128	1,020
United States	7,952	7,808
Argentina	4,817	4,386
Brazil	4,509	3,516
Peru	1,887	1,527
Other countries	2,880	3,230
Total	60,435	56,085

Other matters

No loans, assets pledged or contingent liabilities have been provided on behalf of any Board member or President in the Group.

Note 37 Remuneration to senior executives and Board members

This note is based on the composition of the Senior Executive Team on December 31, 2007. At the Annual Shareholders' Meeting on April 3, 2008, Stuart Graham stepped down as President and CEO and was succeeded by Johan Karlström.

A Preparation and decision-making processes

Principles for remuneration to senior executives are established annually by the Annual Shareholders' Meeting. The salary and other benefits of the President and CEO are established by the Board of Skanska AB, following recommendations from the Board's Compensation Committee based on the decision of the Annual Meeting. The Committee sets limits on the salaries, bonuses and other benefits of Executive Vice Presidents, heads of Group staff units and heads of business units.

During 2007, from the statutory Board meeting in April and onward, the Compensation Committee consisted of Sverker Martin-Löf, Chairman of the Board; and Cart Källströmer and Lars Petterson, Board members. The Compensation Committee met five times during the year.

The Annual Shareholders' Meeting approves the total amount of directors' fees for members of the Board, following a recommendation from the Nomination Committee.

B1 Principles for remuneration to the Senior Executive Team

The Senior Executive Team includes the President and Executive Vice Presidents of Skanska AB. The Team consisted of seven persons during 2007.

Principles for salary and other remuneration to senior executives, approved by the Annual Shareholders' Meeting in 2007

Remuneration to the CEO and other senior executives shall consist of fixed salary, variable remuneration if any, other customary benefits and pension. The other senior executives include the CFO and other Executive Vice Presidents. The combined remuneration for each executive must be competitive in the labor market in which the executive is active, and distinguished performance shall be reflected in the total remuneration.

Targets for variable salary elements

	Measure of earnings	Starting point	"Outperform"	Outcome	Fulfillment level
Construction	Operating margin	2.4%	3.3%	3.4%	100%
Residential Development	Operating margin	8.6%	10.0%	9.4%	57%
	ROCE	14.3%	18.0%	14.9%	16%
Commercial Development	ROCE ¹	3.9%	9.6%	16.0%	100%
Infrastructure Development	ROCE ²	10.0%	20.0%	58%	100%
Group target, SEK M	Operating income ³	3,132	4,128	5,491	100%
Corresponding to EUR M		331.5	436.9	581.1	100%

1 Return on capital employed (ROCE), including unrealized development gains and changes in market value. The "Outperform" targets for a given year are related to an ROCE measure over a 9-year economic cycle, which in 2007 amounts to 15 percent. The outcome over this period is 16 percent. Targets and outcomes according to the 9-year economic cycle are not shown in the above table.

2 Return on capital employed (ROCE), including unrealized development gains and changes in market value but excluding effects of changes in currencies and long-term market interest rates.

3 Outcome in SEK is calculated excluding currency rate effects. The figures shown in SEK are calculated using outcome in local currency with exchange rates on September 30, 2006, which were used in calculating targets. The Outperform target at Group level is 90 percent of the total Outperform targets of the business streams. Corresponding figures in euros are calculated using the exchange rate on December 31, 2007.

In addition to the above financial performance factors, each person in the Senior Executive Team has non-financial targets that may reduce final outcome. These non-financial targets concern health and safety, the environment, business ethics and management development. A reduction occurs if, depending on the target, the person has not shown clear improvements or if any deviation has occurred (for example the environment, where the target is not to have any environmental incidents).

For the President and CEO, the target has been the same as the operating income of the Group according to the above table. The President and CEO has also had non-financial targets. The 50 percent maximum variable salary of the President and CEO (i.e. excluding the Share Award Program) was earned in full, based on the financial

Fixed salary and variable remuneration shall be related to the senior executive's responsibility and authority. The variable remuneration shall be payable in cash and/or shares and it shall be capped and related to the fixed salary. Distribution of shares shall have a vesting period of three years and be part of a long-term incentive program. The variable remuneration must be based on results in relation to targets and must be aligned with the interests of the shareholders.

In case of employment termination, the normal period of notice is six months. Severance pay may correspond to a maximum of 24 months of fixed salary, with the exception of the CEO, to whom a maximum of 30 months of severance pay is payable.

Pension benefits should be either defined-benefit or defined-contribution schemes, or a combination of these, and should entitle the executive to the right to receive a pension from the age of 65. However, a pension age of earliest 60 years may be granted under special circumstances. For defined-benefit plans, years of service required for fully earned benefits shall normally correspond to the years of service required for general pension plans in the same jurisdiction. Variable salary shall not be included in pensionable salary except when it follows from the rules under a general pension plan (like Sweden's ITP plan).

The Board of Directors may under special circumstances deviate from these principles in individual cases. Matters related to remuneration to senior executives are decided by the Compensation Committee and, when it comes to the CEO, are decided by the Board of Directors.

B2 Targets and performance related to variable salary elements

Variable salary elements may consist of two parts: variable salary, which is cash-based, and the share incentive program ("Share Award Plan"), which provides compensation in the form of shares. The Share Award Plan is presented under section E of this note. Section F describes the new long-term Employee Ownership Program. The Outperform targets stated below are common to both parts of variable salary, while "starting point" is only relevant to annual variable salary. The connection between annual variable salary and the Outperform targets means that under the new three-year business plan, the Board of Directors will establish stepwise Outperform targets, moving toward the 2010 targets, which have been published by the Company. The table below presents, by business stream, what starting point for each Outperform target was decided for 2007.

target, but was reduced by 4 percentage points because one non-financial target was only partially met. The outcome for the President and CEO was thus 46 percent of fixed salary.

For the other members of the Senior Executive Team, annual variable salary is either 100 percent tied to the Group target and/or to the business units they are directly responsible for. The non-financial targets are related to the business units certain individuals in the Senior Executive Team are responsible for. The outcome for the other members of the Senior Executive Team averaged 87 percent fulfillment of financial targets and 84 percent after subtracting for non-financial targets.

C Benefits to the Board and Senior Executive Team
Remuneration and benefits recognized as expenses 2007

EUR thousand	Director's fee/ basic salary	Variable salary ¹	Allocated value of Share Award Plan ²	Other benefits	Pension expense	Total
Chairman of the Board						
Sverker Martin-Löf	164.8					164.8
Other Board members						
Finn Jonsson	54.0					54.0
Curt Källströmer	51.3					51.3
Anders Nyrén	67.6					67.6
Lars Pettersson	51.3					51.3
Matti Sundberg	59.5					59.5
Jane Garvey	45.9					45.9
Sir Adrian Montague	59.5					59.5
Board	554.0					554.0
President and CEO Stuart Graham	1,003.4	405.1	243.0	193.8	453.6	2,298.9
Other senior executives (6 persons)	2,512.7	2,015.1	607.7	198.8	1,550.9	6,885.2
Total	4,070.0	2,420.3	850.7	392.6	2,004.4	9,738.1

1 Variable salary element including the incentive program related to the 2007 financial year will be finally fixed and disbursed after a follow-up of the outcome in the first quarter of 2008. The amounts included under the heading "Variable salary element" in the above table refer to the 2007 financial year. During 2007, variable salary elements attributable to the 2006 financial year were paid in the amount of EUR 1,979,400 of which EUR 343,600 was related to the President and CEO. The amount was recognized as an expense in 2006 and is not included in the above table.

2 The value stated refers to the full allotment for 2007. In order to receive shares, an additional three years of service are required. The fraction of allocated value recognized as an expense during 2007 was 4/16. During 2007, share awards attributable to the 2006 financial year were allocated in a total value of EUR 702,600, of which EUR 202,200 was related to the President and CEO. This amount is not included in the above table.

All remuneration and benefits were charged to Skanska AB, except EUR 356,600 to Stuart Graham and EUR 221,200 to other members of the Senior Executive Team, which were charged to other Group companies.

In 2007, outstanding pension obligations to Presidents and CEOs including former Presidents and CEOs amounted to EUR 10,389,100. Outstanding obligations to other current and former members of the Senior Executive Team amounted to EUR 11,002,300. For Board members appointed by the employees, no disclosures are made concerning salaries and remuneration as well as pensions, since they do not receive these in their capacity as Board members. For Board members who previously, before the beginning of the financial year, were employees of the Company, disclosures are made concerning pension obligations in their former role as employees.

C1 Directors' fees

The 2007 Annual Shareholders' Meeting decided that fees would be paid to those members of the Board of Directors who are not employed by the Company, totaling EUR 459,400, plus a special appropriation for committee work. The Annual Meeting decided that the fee to the Chairman of the Board shall amount to EUR 137,800. The Annual Meeting also decided that the members elected by the Annual Meeting shall receive EUR 45,900 each and that the special appropriation for committee work shall be paid to each committee member elected by the Annual Meeting, in the amount of EUR 13,500 for serving on the Project Review Committee, EUR 8,100 for serving on the Audit Committee and EUR 5,400 for serving on the Compensation Committee.

C2 Chairman of the Board

During 2007 the Chairman of the Board, Sverker Martin-Löf, received a director's fee of EUR 137,800 and EUR 27,000 related to committee work, altogether EUR 164,800.

C3 Members of the Board

Other members of the Board did not receive any remuneration beyond their regular directors' fees and remuneration for committee work.

C4 The President and CEO

During 2006 the President and CEO, Stuart Graham, received a salary, fees and other remuneration from Group companies in the amount of EUR 1,003,400 plus a variable salary element of EUR 405,100 based on financial targets achieved, which was equivalent to 46 percent target fulfillment. The variable salary element may amount to a maximum of 50 percent of his fixed annual salary. In addition, the President and CEO is included in the Group's 2007 share incentive program, with an allocation of share awards, defined under section E of this note, amounting to about 27 percent of his fixed

salary, where 30 percent is the maximum possible allocation. The variable salary element plus the outcome of the share incentive program for the 2007 financial year will be finally fixed and disbursed after a follow-up of outcome during the first quarter of 2008.

During 2007 the President and CEO was entitled to a free residence in Sweden. In 2007 the Company compensated him for his residence in the amount of EUR 142,000. The President and CEO resided in Stockholm during 2007. In December 2007 the President and CEO sold to Skanska AB the cooperative ownership right that was acquired when he moved to Sweden. The sale occurred without a profit.

The President and CEO has had so-called expert tax status, which ceased in September 2005. Because of this, during 2005 an agreement was reached on special compensation amounting to a total of no more than EUR 1,124,200 with disbursement allocated over a future three-year period. Neither variable salary elements nor pension are affected by this.

The President and CEO is entitled to a pension from age 62 at the earliest. Full pension will be received at age 65. The total pension amounts to USD 500,000 (corresponding to about EUR 340,000) including his share of Skanska USA's general pension plan. His pension entitlement has been indexed from the beginning of his employment in 2002 to an American inflation index, but with annual index increase limited to a maximum of 3 percent. This is a defined-benefit pension, and the expense during the year amounted to EUR 453,600. The pension entitlement is earned on a straight-line basis during his employment period and will be disbursed during the remainder of his life. The pension is conditional upon future employment.

In addition, the President and CEO will receive a nonrecurring amount of USD 180,000 (corresponding to about EUR 122,000) at age 65. This amount was vested earlier in the United States and was reported as an expense during prior years.

In case of termination by the Company, the President and CEO is entitled to his salary and other employment benefits during a six month notice period, then 30 months of severance payments equivalent to his fixed salary on the date of termination.

C5 New President and CEO

On the day of the Annual General Meeting in 2008, Johan Karlström became the new President and CEO. His fixed annual salary amounts to USD 1,400,300. His variable salary element may total a maximum of 50 percent of fixed annual salary. His participation in Skanska's long-term share ownership program will occur under the same conditions as other high-level managers in the Skanska Group. For further information, see the Report of the Directors. The President and CEO will be eligible for a pension from age 60 at the earliest. Annual pension provisions will total 40 percent of fixed annual salary. A mutual notice period of 24 months will apply, with retention of fixed salary and benefits excluding bonuses. No severance pay will be disbursed in case of termination.

D Other members of the Senior Executive Team

During 2007, the other members of the Senior Executive Team totaled six persons. Members of the Senior Executive Team received a fixed salary and a variable salary element based on the Group's earnings. In addition, senior executives of Skanska were covered by the Group's 2007 share incentive program, with an allocation of share awards, defined under section E of this note, amounting to about 27 percent of their fixed salary. The variable salary element plus the outcome of the Share Award Plan for the 2007 financial year will be finally fixed and disbursed after a follow-up of the outcome during the first quarter of 2008.

D1 Pension benefits

Members of the Senior Executive Team are normally entitled to pension benefits according to defined-benefit pension systems. Premium-based pension packages occur in exceptional cases and, in terms of cost, are mainly equivalent to the ITP occupational pension plan. The retirement age for members of the Senior Executive Team is 60–65 years. The ITP plan is a defined-benefit plan and guarantees a lifetime pension from age 65. The pension amount is a certain percentage of final salary and the service period to qualify for a full pension is 30 years. The pension entitlement is 10 percent for portions of salary up to EUR 37,200 per year (7.5 base amounts as defined by Swedish social insurance rules), 65 percent for portions of salary between EUR 37,200 and EUR 99,200 (20 base amounts) and 32.5 percent for portions of salary up to EUR 148,800 (30 base amounts).

In addition, this group is covered by a supplementary pension entitlement for portions of salary exceeding 30 base amounts. This is a defined-contribution pension entitlement and the premium is 20 percent of pensionable salary exceeding 30 base amounts.

D2 Notice periods etc.

In case of termination by the Company, notice periods range from six months to twelve months. Salary and other remuneration are disbursed without reduction during the notice period. After the notice period, severance pay is disbursed for 12–18 months. When payments are disbursed after the notice period, other income must normally be subtracted from the amount payable.

E Skanska Share Award Plan

Skanska's 2005 Annual Meeting decided to introduce a share incentive program (the Skanska Share Award Plan, or "the Plan") for executive officers and other key employees of the Skanska Group. The Plan comprises up to 300 employees in the Group, including the President and CEO, the Chief Financial Officer, the Executive Vice Presidents, other members of the Senior Executive Team and staff units, the Presidents of business units and their executive teams.

The Plan means that employees have been offered the opportunity to be granted "share awards" entitling the holder to receive Series B shares in the Company free of charge, provided that certain targets are met. The maximum yearly allocation for each participant is equivalent to 30 percent of the value of the participant's annual base salary in Series B shares, based on their average market price during the two-week period starting one week after the publication of the Year-end Report. Each participant's allocation of share awards is dependent upon the fulfillment of a number of established earnings- and performance-related conditions, which are based on the "Outperform" targets approved by the Board of Directors. The "Outperform" targets consist of (i) financial targets at the Group level as well as at the business unit level and (ii) non-financial targets attributable to the respective business unit, including improvements in health and safety, environment, business ethics and management development. In order to receive the shares, three years of employment are required after the end of the measurement period.

The "Outperform" targets for 2007 were adopted by Skanska's Board of Directors in 2006 and are shown in section B2 of this note. The published "Outperform" targets for 2007 are intended to correspond to the "Outperform" targets for the Plan. Based on the achievement of these targets, the number of share awards to be allocated will be determined after the close of each financial year. If the financial "Outperform" targets are achieved, the allocation of share awards may still be reduced by up to a half, to the extent that the non-financial targets are not met.

The Group's financial "Outperform" targets are the sum of the financial "Outperform" targets for each business unit. In order for an employee in a business unit to receive an allocation, the requirement is for the business unit to achieve its financial "Outperform" targets. For an employee at Group level to receive an allocation, the requirement is that the Group achieves 90 percent of the level of the Group's financial "Outperform" target.

Furthermore, there are two other conditions which must be met in order for any allocation to be made under the Plan. These are both closely tied to Skanska's consolidated earnings: (i) that Skanska's dividend capacity is intact and (ii) that consolidated operating income must exceed certain thresholds that have been approved by the Board of Directors. The threshold for 2007 was equivalent to the starting point for the Group target, i.e. EUR 338.6 M.

The outcome of the Plan for 2007 is estimated to be that 169 individuals have received share awards with a total value of about EUR 7,100,000. In addition, the Company will be charged the related social insurance expenses. The average allocation, in relation to fixed annual salary, to the group of employees encompassed by the Plan is about 18 percent.

The principles for recognition of the costs of the Plan are presented in "Accounting and valuation principles," Note 1, and comply with IFRS 2, "Share-based Payment."

Skanska Share Award Plan, 2005–2007

Share awards allocated ¹	Number of share awards
Outstanding, January 1	
2005 allocation	374,140
2006 allocation ²	451,977
Total outstanding	826,117
Forfeited/expired during the period	-122,241
Allocation related to 2007 during the year ³	540,984
Total outstanding at year-end	1,244,860
Employee-related expenses for Share Awards ²	
Total preliminary cost for the Plan	17.7
Recognized as expense, January 1	-4.2
Cost during the year	-4.2
Total recognized as expense, December 31	-8.4
Exchange rate differences	0.1
Remaining to be recognized as expense through 2011	9.3
of which expense to be recognized in	
2008	4.3
2009	3.4
2010	1.6
Total	9.3
Dilution, 2007	
Share awards earned through 2007, totaling 527,392	0.13
Maximum dilution at end of Plan period, 1,244,860	0.3

1 In compliance with IFRS 2, "Share-based Payment."

2 Preliminary allocation was established by the Board of Directors in April 2007.

3 Preliminary allocation will be established by the Board of Directors in April 2008.

F1 New long-term employee ownership program

In November 2007, an Extraordinary Shareholders' Meeting approved the introduction of a long-term share ownership program for all permanent employees of the Skanska Group.

The program replaces the three-year share incentive program for senior executives and other key individuals, which the Annual Shareholders' Meeting in 2005 decided to introduce and which expired during 2007. The share ownership program also replaces the Profit-Sharing Foundation for the employees of the Swedish companies in the Skanska Group and the incentive program for certain employees active in Skanska's American operations.

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

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

For further information, see the Financial Review.

F2 Local incentive programs

Salaries and other remuneration are adopted with reference to prevailing conditions in the rest of the construction industry and customary practices in each local market. The Skanska Group applies a remuneration model for the affected executives and managers that consists of a fixed annual salary plus a variable salary element which is based on financial targets achieved.

Note 38 Fees and other remuneration to auditors

	2007	2006
KPMG		
Audit assignments	6.3	5.6
Other audit-related assignments	0.6	0.6
Tax advisory services	1.0	1.0
Total	7.9	7.2

"Audit assignments" refers to examination of the annual accounts as well as the administration by the Board of Directors and the President, as well as other tasks that are incumbent upon the Company's auditors to perform. "Other audit-related assignments" refers to advisory services related to accounting issues and advisory services concerning the disposal and acquisition of businesses.

Note 39 Related party disclosures

Through its ownership and percentage of voting power, AB Industrivärden has a significant influence, as defined in compliance with IAS 24, "Related Party Disclosures." All transactions have occurred on market terms.

Skanska sells administrative services to pension funds that manage assets intended to cover the Group's pension obligations.

Associated companies and joint ventures are companies related to Skanska. Information on transactions with these is presented in the following tables.

Information on remuneration and transactions with senior executives is found in Note 36, "Personnel," and Note 37, "Remuneration to senior executives and Board members."

Transactions with joint ventures	2007	2006
Sales to joint ventures	760.0	620.1
Purchases from joint ventures	15.8	9.8
Interest income from joint ventures		0.1
Dividends from joint ventures	20.1	10.7
Receivables from joint ventures	33.5	26.1
Liabilities to joint ventures	0.6	1.5
Contingent liabilities for joint ventures	68.9	74.5

Transactions with associated companies	2007 ¹	2006
Sales to associated companies		11.3
Purchases from associated companies		1.6
Receivables from associated companies		2.4
Liabilities to associated companies		0.2

1 During 2007, the Group had no transactions with associated companies.

Skanska's pension fund directly owns 250,000 Series B shares in Skanska. There is also an insignificant holding of indirectly owned shares via investments in various mutual funds.

Note 40 Leases

Skanska is a lessee in both finance and operating leases.

When Skanska is a lessee, finance lease assets are recognized as a non-current asset in the balance sheet, while the future obligation to the lessor is recognized as a liability in the balance sheet.

As a financial lessor, Skanska recognizes the present value of its claim on the lessee as a financial receivable.

As an operating lessor, Skanska leases properties to tenants via its Commercial Development operations.

A. Skanska as a lessee

Finance leases

Leased property plant and equipment including buildings and land ("Property") as well as machinery and equipment ("Plant and equipment") are recognized in the consolidated financial statements as finance leases.

Of the amount in the balance sheet for finance leases, most is related to car leases in Sweden. Agreements with lease companies in other countries are operating leases.

Finance leases, carrying amount	2007	2006
Property, plant and equipment		
Property	0.5	4.0
Plant and equipment	21.6	16.7
Total	22.1	20.7
Cost	34.7	31.1
Depreciation for the year	-5.3	-0.6
Accumulated depreciation, January 1	-7.3	-9.8
Carrying amount	22.1	20.7

Variable fees for finance leases included in 2007 income amounted to EUR -0.3 M (-0.4).

No property leased to Skanska has been subleased to others.

Future minimum lease payments and their present value can be seen in the following table.

Expenses, due dates	Future minimum lease payments		Present value of future minimum lease payments	
	2007	2006	2007	2006
Within one year	-6.7	-6.1	-5.4	-5.4
Later than one year but within five years	-7.4	-7.0	-5.5	-5.4
Later than five years	-5.3	-6.2	-4.2	-4.6
Total	-19.4	-19.2	-15.1	-15.5

Reconciliation, future minimum lease payments and their present value

	2007	2006
Future minimum lease payments	-19.4	-19.2
Less interest charges	4.2	3.8
Present value of future minimum lease payments	-15.1	-15.5

Operating leases

Most of the amounts for future minimum lease payments are related to leased cars and office space for operations in the United Kingdom. Also included are site leasehold agreements, especially in Stockholm.

The Group's leasing expenses related to operating leases in 2007 amounted to EUR -66.5 M (-58.4), of which EUR -59.0 M (-53.2) was related to minimum lease payments and EUR -7.5 M (-5.2) was related to variable payments.

The Group had EUR 0.5 M (0.5) in leasing income related to subleasing on operating leases.

The due dates of future minimum lease payments for noncancellable operating leases were distributed as follows:

Expenses, due dates	2007	2006
Within one year	-44.8	-48.9
Later than one year but within five years	-99.5	-106.1
Later than five years	-48.0	-61.9
Total	-192.3	-216.9

Of this amount, EUR 0.2 M (3.2) was related to properties that were subleased.

B. Skanska as a lessor

Finance leases

Skanska owns a property in Sweden that is leased to a customer under a finance lease.

The present value of the claim related to future minimum lease payments is recognized in the balance sheet as a financial non-current asset. At the balance sheet date, it amounted to:

	2007	2006
Gross investment in finance leases	1.2	1.4
Unearned financial income	-0.1	-0.2
Net investment in finance leases	1.1	1.2
Non-guaranteed residual value belonging to the lessor	-0.3	-0.4
Present value of claim related to future minimum lease payments	0.7	0.8

The due dates of the gross investment and the present value of future minimum lease payments were distributed as follows:

Income, due dates	Gross investment in finance leases		Present value of claims related to future minimum lease payments	
	2007	2006	2007	2006
Within one year	0.3	0.3	0.3	0.2
Later than one year but within five years	0.8	1.1	0.4	0.6
Later than five years	0.0	0.0	0.0	0.0
Total	1.2	1.4	0.7	0.8

Reserves for doubtful receivables related to minimum lease payments amounted to EUR 0 M (0).

The variable portion of lease payments included in 2007 income amounted to EUR 0 M (0).

Operating leases

Commercial Development carries out Skanska's operating lease business. These properties are recognized as current assets in the balance sheet. For a description of the Commercial Development business stream, see Note 4, "Segment reporting."

In 2007, Commercial Development's lease income amounted to EUR 33.8 M (35.3).

In 2007, the Group's variable lease income related to operating leases amounted to EUR 0.9 M (1.2).

The due dates of future minimum lease payments for noncancellable operating leases were distributed as follows:

Income, due dates	2007	2006
Within one year	49.8	33.7
Later than one year but within five years	143.7	72.2
Later than five years	77.2	27.8
Total	270.7	133.7

The carrying amount of current-asset properties in Commercial Development totaled EUR 662.5 M (617.5).

The statutory annual report was signed on February 6, 2008 and was adopted by the Annual Shareholders' Meeting of Skanska AB on April 3, 2008.

Late in 2007 Skanska signed an agreement to sell its 50 percent holding in the Ponte de Pedra hydropower plant in Brazil.

The sale price for these shares totals about EUR 110 M, and the gain on the sale is about EUR 60 M.

The transaction was conditional upon approval by the appropriate public agencies, which was received during the first quarter of 2008, when the transaction was also recognized in the financial statements.

At its meeting on February 6, 2008, the Board of Directors of Skanska AB appointed Johan Karlström as the new President and CEO of Skanska.

He will succeed Stuart Graham, who had previously notified the Board that he is stepping down as President and CEO during 2008.

Mr. Karlström assumed his new position on April 3, 2008 in conjunction with the Annual Shareholders' Meeting of Skanska.

Note 42 Consolidated quarterly results

EUR M	2007				2006			
	Q4	Q3	Q2	Q1	Q4	Q3	Q2	Q1
Order bookings	3,933.3	3,276.2	4,323.2	4,323.7	3,750.5	3,102.9	4,735.3	2,935.4
Income								
Revenue	4,135.4	3,931.5	3,831.5	3,103.4	3,800.0	3,456.4	3,451.2	2,866.6
Cost of sales	-3,734.4	-3,572.2	-3,457.6	-2,835.1	-3,485.1	-3,162.5	-3,072.3	-2,624.2
Gross income	401.0	359.3	373.9	268.2	315.0	293.9	378.9	242.5
Selling and administrative expenses	-237.4	-200.1	-231.7	-192.3	-202.3	-194.1	-180.1	-178.4
Income from joint ventures and associated companies	12.7	10.6	11.4	8.8	13.1	13.8	11.3	1.2
Operating income	176.3	169.7	153.5	84.8	125.8	113.6	210.0	65.2
Interest income	23.1	15.9	11.9	17.0	15.8	11.4	8.8	7.9
Interest expenses	-6.8	-3.8	-3.1	-4.1	-4.5	-2.5	-1.8	-2.8
Change in fair value	-3.0	-2.8	-2.6	-2.8	-3.6	-4.0	-4.4	-0.7
Other financial items	-3.7	-1.6	-3.0	-2.2	-0.1	-0.1	2.9	1.8
Net financial items	9.6	7.7	3.1	7.8	7.6	4.8	5.5	6.2
Income after financial items	185.9	177.4	156.6	92.6	133.4	118.3	215.5	71.4
Taxes	-51.9	-43.1	-45.3	-26.8	-40.8	-31.1	-53.2	-18.6
Profit for the period	134.0	134.3	111.3	65.8	92.7	87.2	162.3	52.8
Profit for the period attributable to								
Equity holders	133.2	133.7	110.6	65.3	91.7	86.9	161.4	52.8
Minority	0.8	0.6	0.8	0.5	1.0	0.3	0.9	0.0
Order backlog	15,469.0	16,024.2	16,823.9	16,099.8	14,950.1	14,530.3	14,928.1	13,767.4
Capital employed	2,704.8	2,557.7	2,437.6	2,702.1	2,698.6	2,557.8	2,459.2	2,301.1
Interest-bearing net receivable	1,543.1	829.7	820.3	1,129.3	1,147.6	1,090.0	988.0	1,133.8
Debt/equity ratio	-0.7	-0.4	-0.4	-0.5	-0.5	-0.5	-0.5	-0.6
Return on capital employed, %	25.1	22.9	20.5	23.0	22.6	23.5	23.9	21.1
Cash flow								
Cash flow from operating activities	846.3	53.8	57.7	25.8	136.4	108.9	193.9	-37.4
Cash flow from investing activities	-21.0	-125.2	-94.3	-23.8	-122.1	-38.8	-130.9	-54.0
Cash flow from financing activities	15.7	-5.1	-415.2	5.3	10.7	6.1	-274.5	-51.4
Cash flow for the period	840.9	-76.5	-451.9	7.3	24.9	76.2	-211.4	-142.9
Business streams								
Order bookings								
Construction	3,919.7	3,260.3	4,322.8	4,319.6	3,746.3	3,100.3	4,714.7	2,934.0
Central and eliminations	13.6	15.9	0.4	4.1	4.2	2.7	20.6	1.4
Total	3,933.3	3,276.2	4,323.2	4,323.7	3,750.5	3,102.9	4,735.3	2,935.4
Revenue								
Construction	3,937.7	3,766.6	3,623.2	2,994.8	3,628.5	3,373.2	3,118.3	2,709.4
Residential Development	222.5	189.1	196.3	222.2	229.4	149.2	188.0	167.0
Commercial Development	106.1	82.3	121.1	28.8	46.8	30.7	217.6	75.1
Infrastructure Development	7.8	1.6	2.3	0.9	2.5	2.5	8.7	2.6
Central and eliminations	-138.7	-108.1	-111.4	-143.3	-107.2	-99.1	-81.4	-87.4
Total	4,135.4	3,931.5	3,831.5	3,103.4	3,800.0	3,456.5	3,451.1	2,866.6
Operating income								
Construction	136.7	147.3	124.3	72.3	104.5	110.0	94.6	51.4
Residential Development	23.2	13.3	15.1	26.8	37.0	17.6	21.6	15.9
Commercial Development	26.7	25.2	38.2	8.3	5.3	3.3	100.2	21.9
Infrastructure Development	1.3	-0.4	-2.0	-10.4	-4.7	2.8	6.6	-5.6
Central	-10.6	-11.4	-25.1	-13.4	-10.5	-12.7	-16.6	-15.8
Eliminations	-0.9	-4.1	3.0	1.3	-5.8	-7.4	3.5	-2.7
Total	176.3	169.7	153.5	84.8	125.8	113.6	210.0	65.2

Note 43 Five-year Group financial summary

Income statements, EUR M	In compliance with IFRSs				In compliance with SWGAAP
	2007	2006	2005	2004	2003
Revenue	15,001.7	13,574.3	13,432.5	13,289.1	14,563.7
Cost of sales	-13,599.3	-12,344.1	-12,218.7	-12,241.8	-13,150.7
Gross income	1,402.4	1,230.2	1,213.8	1,047.3	1,413.0
Selling and administrative expenses	-861.5	-754.9	-720.4	-761.8	-926.5
Income from disposal of discontinued operations	-	-	19.8	173.9	1.5
Income from joint ventures and associated companies	43.5	39.3	25.5	18.4	8.7
Operating income	584.4	514.6	538.7	477.9	496.7
Net financial items	28.2	24.1	12.9	-3.7	-50.4
Income after financial items	612.6	538.7	551.7	474.2	446.3
Taxes	-167.1	-143.7	-132.5	-125.0	-142.8
Profit for the year	445.5	395.0	419.1	349.2	303.5
Profit for the year attributable to					
Equity holders	442.8	392.8	418.0	347.7	302.6
Minority	2.7	2.2	1.2	1.4	0.9
Cash flow					
Cash flow from operating activities	983.6	401.7	722.7	714.4	1,212.4
Cash flow from investing activities	-264.4	-345.8	-34.8	132.2	-132.3
Cash flow from financing activities	-399.3	-309.1	-295.9	-636.1	-873.2
Cash flow for the year	319.9	-253.2	392.0	210.5	206.9

Note 43 Continued

Balance sheets EUR M	In compliance with IFRSs						In compliance with SWGAAP
	Dec 31, 2007	Dec 31, 2006	Dec 31, 2005	Jan 1, ¹ 2005	Dec 31, 2004	Jan 1, ¹ 2004	Dec 31, 2003
ASSETS							
Non-current assets							
Property, plant and equipment	632.1	603.5	558.2	553.3	612.1	738.6	741.9
Goodwill	485.1	496.6	442.3	433.4	433.4	469.5	469.5
Intangible assets	69.6	81.8	68.6	59.5	59.5	59.8	50.6
Investments in joint ventures and associated companies	205.8	209.5	195.3	95.8	95.8	151.5	151.5
Financial non-current assets ^{2, 4}	77.0	165.9	131.6	139.3	126.4	224.0	224.0
Deferred tax assets	101.2	218.5	243.0	180.1	181.5	160.8	169.7
Total non-current assets	1,571.0	1,775.8	1,638.9	1,461.3	1,508.6	1,804.2	1,807.2
Current assets							
Current-asset properties ³	1,396.8	1,308.0	1,116.1	1,326.6	1,328.0	1,528.6	1,509.6
Inventories	81.4	53.5	53.3	53.7	67.8	91.3	91.3
Financial current assets ⁴	495.9	348.8	240.6	308.0	276.8	137.6	137.6
Tax assets	43.5	36.5	35.1	29.9	29.9	45.8	45.8
Gross amount due from customers for contract work	598.6	577.5	597.3	406.0	397.8	525.6	530.7
Trade and other receivables	2,663.6	2,572.8	2,447.3	2,398.5	2,416.8	2,459.4	2,459.4
Cash equivalents	55.1	235.7	329.5	339.3	339.3	24.0	24.0
Cash	1,448.6	977.5	1,126.8	644.0	646.3	751.7	751.7
Assets classified as held for sale			7.7	96.6			
Total current assets	6,783.5	6,110.4	5,953.8	5,602.5	5,502.7	5,564.0	5,550.1
TOTAL ASSETS	8,354.4	7,886.2	7,592.7	7,063.8	7,011.3	7,368.2	7,357.3
of which interest-bearing	2,054.7	1,707.7	1,807.4	1,380.6	1,380.6	1,129.0	1,129.0
EQUITY							
Equity attributable to equity holders	2,171.0	2,122.3	1,964.9	1,805.0	1,806.3	1,598.6	1,562.0
Minority interest	22.2	16.3	14.2	13.0	13.0	22.0	22.0
Total equity	2,193.2	2,138.6	1,979.0	1,818.1	1,819.3	1,620.7	1,584.1
LIABILITIES							
Non-current liabilities							
Financial non-current liabilities ⁴	101.1	225.5	258.1	366.8	338.6	629.9	791.8
Pensions	121.6	172.1	256.3	123.2	123.6	195.2	226.9
Deferred tax liabilities	219.0	319.8	301.4	301.0	305.0	348.8	342.2
Non-current provisions	10.2	13.2	15.2	15.0	15.0	19.2	19.3
Total non-current liabilities	451.8	730.6	831.0	805.9	782.1	1,193.1	1,380.1
Current liabilities							
Financial current liabilities ⁴	286.1	154.4	115.0	133.0	111.8	251.0	89.1
Tax liabilities	94.3	80.5	63.4	110.5	110.9	62.9	62.9
Current provisions	385.9	384.4	340.7	304.0	304.5	336.2	336.8
Gross amount due to customers for contract work	1,666.6	1,256.0	1,254.5	1,163.8	1,159.1	1,026.5	1,026.5
Trade and other payables	3,276.5	3,141.7	3,004.7	2,692.5	2,723.6	2,877.7	2,877.9
Liabilities classified as held for sale	0.0	0.0	4.5	36.0	0.0	0.0	0.0
Total current liabilities	5,709.4	5,017.0	4,782.7	4,439.8	4,409.9	4,554.4	4,393.1
TOTAL EQUITY AND LIABILITIES	8,354.4	7,886.2	7,592.7	7,063.8	7,011.3	7,368.2	7,357.3
of which interest-bearing	511.6	560.1	624.4	577.1	577.1	1,080.8	1,112.4
1 In addition to the balance sheets on December 31 of each year, the tables present the opening balance in compliance with IFRSs on January 1, 2004 as well as the transition to IAS 39 and IFRS 5 on January 1, 2005.							
2 of which shares							
	9.7	6.5	6.3	8.2	8.2	8.4	8.4
3 Current-asset properties							
Commercial Development	662.5	617.5	618.0	821.9	823.4	1,038.6	1,019.6
Other commercial properties	79.2	105.7	148.6	141.4	141.4	115.9	115.9
Residential Development	655.1	584.8	349.4	363.2	363.2	374.2	374.2
	1,396.8	1,308.0	1,116.1	1,326.6	1,328.0	1,528.6	1,509.6
4 Items related to non-interest-bearing unrealized changes in value of derivatives/securities are included in the following amounts:							
Financial non-current assets	0.2	0.9	11.4	12.9			
Financial current assets	12.1	12.8	3.7	31.2			
Financial non-current liabilities		0.7	2.3	28.2			
Financial current liabilities	9.4	6.6	20.9	21.5			

Note 43 Continued

Financial ratios etc⁵

	In compliance with IFRSs						In compliance with SWGAAP
	Dec 31 2007	Dec 31 2006	Dec 31 2005	Jan 1 2005	Dec 31 2004	Jan 1 2004	Dec 31 2003
Order bookings	15,856.4	14,524.2	12,616.9		13,359.2		13,275.8
Order backlog	15,469.0	14,950.1	13,707.7		12,642.0		12,832.2
Average number of employees	60,435	56,085	53,806		53,803		69,669
Regular dividend per share, SEK	5.25	4.75	4.50		4.00		3.00
Corresponding to a regular dividend per share of EUR	0.56	0.53	0.48		0.44		0.33
Extra dividend per share, SEK	3.00	3.50	2.00				
Corresponding to an extra dividend per share of EUR	0.32	0.39	0.21				
Earnings per share, EUR	1.06	0.94	1.00		0.83		0.72
Capital employed	2,704.8	2,698.6	2,603.4	2,395.1	2,396.4	2,701.5	2,696.5
Interest-bearing net receivable (+)/net debt (-)	1,543.1	1,147.6	1,183.0	803.5	803.5	48.2	16.5
Equity per share, EUR	5.19	5.07	4.69	4.31	4.32	3.82	3.74
Equity/assets ratio, %	26.3	27.1	26.1	25.7	25.9	22.0	21.5
Debt/equity ratio	-0.7	-0.5	-0.6	-0.4	-0.4	0.0	0.0
Interest cover	-15.9	-21.3	-37.4		122.8		16.8
Return on equity, % ⁶	21.1	20.5	22.0		20.7		20.5
Return on capital employed, %	25.1	22.6	23.3		19.9		17.1
Total number of shares	418,553,072	418,553,072	418,553,072	418,553,072	418,553,072	418,553,072	418,553,072
Average number of shares							
Before dilution	418,553,072	418,553,072	418,553,072	418,553,072	418,553,072	418,553,072	418,553,072
After dilution	419,080,464	418,827,470	418,561,923				
Number of own shares held	4,500,000	4,500,000					

⁵ For definitions, see Note 44.

⁶ Average equity calculated at five measuring points. Comparative figures have been recalculated.

Note 44 Definitions

Average capital employed	Calculated on the basis of five measuring points: half of capital employed on January 1 plus capital employed at the end of the first, second and third quarters plus half of capital employed at year-end, divided by four.
Average visible equity	Calculated on the basis of five measuring points: half of equity attributable to equity holders on January 1 plus equity attributable to equity holders at the end of the first, second and third quarters plus half of equity attributable to equity holders at year-end, divided by four.
Capital employed in business streams, markets and business/reporting units	Total assets minus tax assets and deposits in Skanska's treasury unit minus non-interest-bearing liabilities minus provisions for taxes and tax liabilities.
Consolidated capital employed	Total assets minus non-interest-bearing liabilities.
Consolidated operating cash flow	In the consolidated operating cash flow statement, which includes taxes paid, investments are recognized both in cash flow from business operations and in cash flow from strategic investments. See also Note 35.
Consolidated return on capital employed	Operating income plus financial income as a percentage of average capital employed.
Debt/equity ratio	Interest-bearing net debt divided by visible equity including minority interest.
Earnings per share	Profit for the year attributable to equity holders divided by the average number of shares.
Equity/assets ratio	Visible equity including minority interest as a percentage of total assets.
Equity per share	Visible equity attributable to equity holders divided by the number of shares.
Interest-bearing net receivable	Interest-bearing assets minus interest-bearing liabilities.
Interest cover	Operating income and financial income plus depreciation/amortization divided by net interest items.
Net working capital	Net non-interest-bearing receivables and liabilities including taxes.
Operating cash flow	Cash flow from operations before taxes and before financial activities. See also Note 36.
Operating net on properties	Rental income and interest subsidies minus operating, maintenance and administrative expenses as well as real estate tax. Site leasehold rent is included in operating expenses.
Order backlog	Contracting assignments: The difference between order bookings for the period and accrued revenue (accrued project costs plus accrued project income adjusted for loss provisions) plus order backlog at the beginning of the period. Services: The difference between order bookings and accrued revenue plus order backlog at the beginning of the period.
Order bookings	Contracting assignments: Upon written order confirmation or signed contract. Also includes orders from Residential Development and Commercial Development. Services: For fixed-price assignments, upon signing of contract. For cost-plus assignments, order bookings coincide with revenue. No order bookings are reported for Residential Development and Commercial Development.
Return on capital employed in business streams, markets and business/reporting units	Operating income plus financial income minus interest income from Skanska's treasury unit and other financial items as a percentage of average capital employed.
Return on equity	Profit attributable to equity holders as a percentage of average visible equity attributable to equity holders.
Yield on properties	Operating net divided by year-end carrying amount.

Note 45 Supplementary information

Skanska AB (publ), Swedish corporate identification number 556000-4615, is the Parent Company of the Skanska Group.

The Company has its registered office in Solna, Stockholm County and is a limited company as provided by Swedish legislation. Its headquarters is located in Solna, Stockholm County.

Address:

Skanska AB
SE-169 83 Solna, Sweden

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Fax: +46-8-755 71 26

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For questions concerning financial information, please contact:

Skanska AB, Investor Relations, SE-169 83 Solna, Sweden

Tel: +46-8-753 88 00.

Fax: +46-8-755 12 56

E-mail: investor.relations@skanska.se

Statement of the President and Chief Executive Officer

These financial statements have been prepared in accordance with the international accounting standards referred to in Regulation (EC) No 1606/2002 of the European Parliament and of the Council of July 19, 2002 on the application of international accounting standards and give a true and fair view of the Group's financial position and results.

Stockholm, April 3, 2008

Johan Karlström

President and Chief Executive Officer

Independent Auditor's Report

To the Board of Directors of Skanska AB (publ.) Corporate identity number 556000-4615

We have audited the consolidated financial statements of Skanska AB (publ.) on pages 67–137, which comprise the balance sheet as at December 31, 2007, and the income statement, statement of recognized income and expenses and cash flow statement for the year then ended, and a summary of significant accounting policies and other explanatory notes.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with International Financial Reporting Standards as adopted by the EU. This responsibility includes: designing, implementing and maintaining internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error; selecting and applying appropriate accounting policies; and making accounting estimates that are reasonable in the circumstances.

Auditor's Responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with International Standards on Auditing. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgement, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

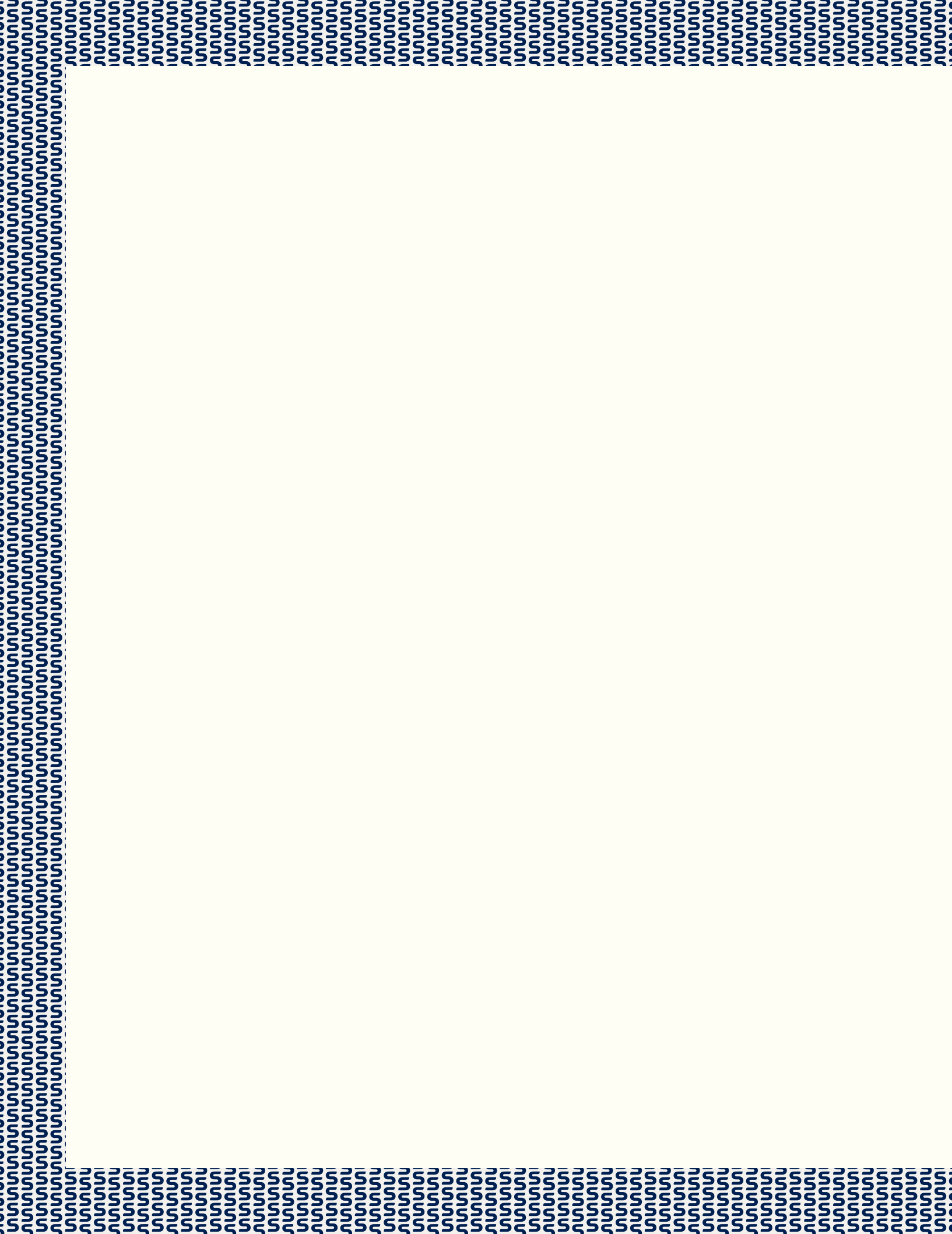
We believe that the audit evidence we have obtained is sufficient and appropriate to provide bases for our audit opinion.

Opinion

In our opinion, the financial statements give a true and fair view of the financial position of Skanska AB (publ.) as of December 31, 2007, and of its financial performance and its cash flows for the year then ended in accordance with International Financial Reporting Standards as adopted by the EU.

Stockholm, May 16, 2008
KPMG Bohlins AB

Caj Nackstad
Authorized Public Accountant



Corporate governance report of Skanska AB (publ) for 2007 and the Board of Directors' report on internal control

Corporate governance report
This corporate governance report for 2007 plus the Board of Directors' report on internal control have not been reviewed by the Company's external auditors. The reports are not part of the formal financial statements.

Corporate governance

Skanska AB is a Swedish public limited company. Skanska's Series B shares are listed on the OMX Nordic Exchange Stockholm. Skanska AB and the Skanska Group are governed in accordance with Skanska AB's Articles of Association, the Swedish Companies Act, the listing agreement with the OMX Nordic Exchange Stockholm and other applicable Swedish and foreign laws and ordinances.

Skanska applies the Swedish Code of Corporate Governance ("the Code"). Skanska is reporting departures from the Code for 2007 as noted below under "Departures from the Code."

Articles of Association

The Articles of Association are adopted by the shareholders' meeting and shall contain a number of mandatory disclosures of a more fundamental nature for the Company. Among other things, they shall state what operations the Company shall conduct, the size and registered office of the Board of Directors, the size of the share capital, any regulations on different types of shares, the number of shares and how notice of a Shareholders' Meeting shall be provided. The complete Articles of Association are available on Skanska's website, www.skanska.com/investors, under the heading "Corporate Governance."

Shareholders' meeting

At the shareholders' meeting, the highest decision-making body, the shareholders of Skanska decide on central issues, such as the adoption of the income statement and balance sheet, the dividend to the shareholders, the composition of the Board, discharging the members of the Board of Directors and the President from liability for the financial year, amendments to the Articles of Association,

election of auditors and principles of remuneration to senior executives. Shareholders who are listed in the register of shareholders on the record date and who notify the Company of their intention to participate in the meeting are entitled to attend it, either personally or by proxy through a representative or substitute. Every shareholder is entitled to have an item of business dealt with by the shareholders' meeting. Well before notice of the meeting is issued, the Company's website provides information on how shareholders shall proceed in order to have an item of business dealt with.

The 2007 Annual Shareholders' Meeting

The Annual Shareholders' Meeting was held on April 3, 2007 in Stockholm. At the Meeting, a total of 557 shareholders were present personally or through proxy, representing about 54.1 percent of the total voting power in the Company. The Meeting elected Jane Garvey, Stuart Graham, Finn Johnsson, Curt Källströmer, Sverker Martin-Löf, Sir Adrian Montague, Anders Nyrén, Lars Pettersson and Matti Sundberg as members of the Board of Directors. The employees were represented on the Board by Inge Johansson, Gunnar Larsson and Alf Svensson as members with Richard Hörstedt, Jessica Karlsson and Ann-Christin Kutzner as deputy members. The meeting re-elected

Sverker Martin-Löf as Chairman of the Board. The Meeting also approved a dividend to the shareholders totaling EUR 0.89 per share.

All members of the Board and the Company's auditors were present at the Annual Shareholders' Meeting.

Complete information about the 2007 Annual Shareholders' Meeting is available on Skanska's website, www.skanska.com.

Extra Shareholders' meeting

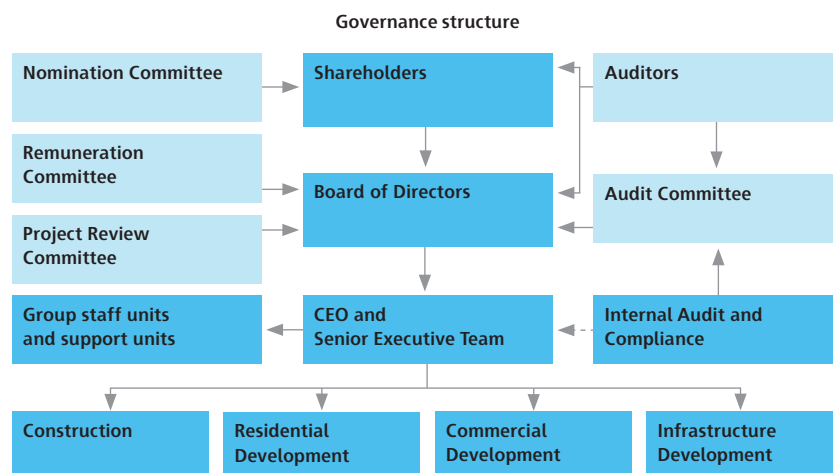
On November 29, an extraordinary shareholders' meeting was held in Solna. The meeting decided to introduce a new long term share ownership program. The program is described in the Annual Report, page 131.

The 2008 Annual Shareholders' Meeting

The Annual Shareholders' Meeting of Skanska AB was held on April 3, 2008 in Stockholm, Sweden.

The Nomination Committee

Among the tasks of the Nomination Committee is to propose candidates for election as members of the Board of Directors. The 2007 Annual Shareholders' Meeting gave the Chairman of the Board a mandate to allow the three to five largest shareholders in terms of voting power each to appoint a representative to comprise, together with the Chairman, a Nomination Commit-





tee in preparation for the 2008 Annual Shareholders' Meeting. The Nomination Committee has the following composition: Carl-Olof By, AB Industrivärden, Chairman of the Nomination Committee; Håkan Sandberg, Svenska Handelsbanken AB and the Handelsbanken pension funds; Peter Lindell, AMF Pension; KG Lindvall, Swedbank Robur mutual funds; and Sverker Martin-Löf, Chairman of the Board, Skanska AB.

Information has been provided on Skanska's website on how shareholders can submit their own proposals to the Nomination Committee by sending an e-mail to valberedningen@skanska.se. The proposal of the Nomination Committee will be published in the notice of the 2008 Annual Shareholders' Meeting. At the same time, the Nomination Commit-

tee's report on how it has pursued its work will be available on Skanska's website, at www.skanska.com/investors.

The Board of Directors

The Board of Directors makes decisions concerning overall issues about the Parent Company and the Group, such as Group strategy, publication of interim and annual reports, major construction projects, investments and divestments, appointment of the President and CEO as well as the organizational structure of the Group. The Board has established three special committees:

- The Audit Committee
- The Compensation Committee
- The Project Review Committee.

These committees are described in detail below.

The members of the Board

The Board of Directors consists of nine members elected by the Annual Shareholders' Meeting without deputies plus three members and three deputy members appointed by the employees. The President and CEO is a member of the Board. At the 2007 Annual Shareholders' Meeting, Board members Roger Flanagan and Ulrika Francke resigned. Sir Adrian Montague and Matti Sundberg were newly elected to the Board.

For more detailed information about Board members and deputy members, see page 156 of the Annual Report.

Eight of the Board members elected by the Shareholders' Meeting are independent in relation to the Company and its management. Of these, six members are also deemed independent of the Company's largest shareholders. Only one member (the President and CEO) is active in the management of the Company.

The work of the Board in 2007

The work of the Board of Directors follows a yearly agenda, which is stipulated in the Board's Procedural Rules. In preparation for each Board meeting, the Board receives supporting documentation com-

The Nomination Committee, 2008

Members of the Nomination Committee, 2008	Representing	December 31, 2007 % of voting power
Carl-Olof By	AB Industrivärden	26.9
Håkan Sandberg	Svenska Handelsbanken AB and the Handelsbanken pension funds	4.6
Peter Lindell	AMF Pension	3.3
KG Lindvall	Swedbank Robur mutual funds	2.3
Sverker Martin-Löf	Chairman of the Board, Skanska AB	-

The members and deputy members of the Board

Member	Position	Born	Nationality	Year elected	Audit Committee	Compensation Committee	Project Review Committee	Independent in relation to Company and company management	Independent in relation to major shareholders
Sverker Martin-Löf	Chairman	1943	Sweden	2001	■	■	■	Yes	No
Jane F. Garvey	Member	1944	U.S.A.	2003				Yes	Yes
Stuart E. Graham	President and CEO	1946	U.S.A.	2003			■	No	Yes
Finn Johnsson	Member	1946	Sweden	1998	■			Yes	No
Curt Källströmer	Member	1941	Sweden	2006		■		Yes	Yes
Sir Adrian Montague	Member	1948	U.K.	2007			■	Yes	Yes
Anders Nyrén	Member	1954	Sweden	2002	■		■	Yes	No
Lars Pettersson	Member	1954	Sweden	2006		■		Yes	Yes
Matti Sundberg	Member	1942	Finland	2007			■	Yes	Yes
Richard Hörstedt	Employee Rep. (Deputy)	1963	Sweden	2007				-	-
Inge Johansson	Employee Representative	1951	Sweden	1999			■	-	-
Jessica Karlsson	Employee Rep. (Deputy)	1975	Sweden	2005				-	-
Ann-Christin Kutzner	Employee Rep. (Deputy)	1947	Sweden	2004				-	-
Gunnar Larsson	Employee Representative	1953	Sweden	2002				-	-
Alf Svensson	Employee Representative	1960	Sweden	2007				-	-

■ = Chairman

■ = Member

“The work of the Board is evaluated yearly through a systematic and structured process, among other things aimed at gathering good supporting documentation for improvements in the Board’s own work”.

piled according to established procedures. These procedures are aimed at ensuring that the Board receives relevant information and documentation for decision making before all its meetings. All documentation is formulated in the English language.

During the year, the Board held eight meetings including its statutory meeting. In addition, one meeting has been held per capsulam. At its September 2007 meeting, the Board visited the Skanska Finland business unit and received information about Skanska’s activities in Finland. The Board also discussed the new strategy plan. In conjunction with this meeting, the Board carried out two work site visits. Among the more important issues that the Board dealt with during the year were Group strategy, internal control, governance of operations, risk management and employee health and safety. During the year, the Board examined the relevance and timeliness of all legally mandated instructions.

The committees of the Board

In its Procedural Rules, the Board has specified the duties and decision making powers that the Board has delegated to the

Committees. All committees report orally to the Board at each meeting in accordance with the mechanisms that are stipulated in the Procedural Rules. Minutes of all Committee meetings are provided to the Board.

Audit Committee

The main task of the Audit Committee is to assist the Board in overseeing financial reporting, report procedures and accounting principles as well as monitoring the auditing of the accounts for the Parent Company and the Group. The Committee also evaluates the Group’s internal control and studies the reports and opinions of the Company’s external auditors. The Company’s external auditors are present at all meetings of the Audit Committee. In this way, the Committee safeguards the quality of financial reporting, whose contents have been established by the Board in its Procedural Rules. The Committee prepares proposals regarding elections of auditors in the years such elections will occur. The Audit Committee consists of Anders Nyrén (Chairman), Finn Johnsson and Sverker Martin-Löf. During 2007, the committee held five meetings.

Compensation Committee

The main task of the Compensation Committee is to prepare the Board’s decisions concerning employment of the President and CEO and other members of the Senior Executive Team, as well as the President and CEO’s and the Senior Executive Team’s compensation, pensions and other terms of employment. The committee prepares the Board’s decisions on general incentive programs and examines the outcomes of flexible salary elements. The Compensation Committee consists of Sverker Martin-Löf (Chairman), Curt Källströmer and Lars Pettersson. During 2007, the committee held five meetings.

Project Review Committee

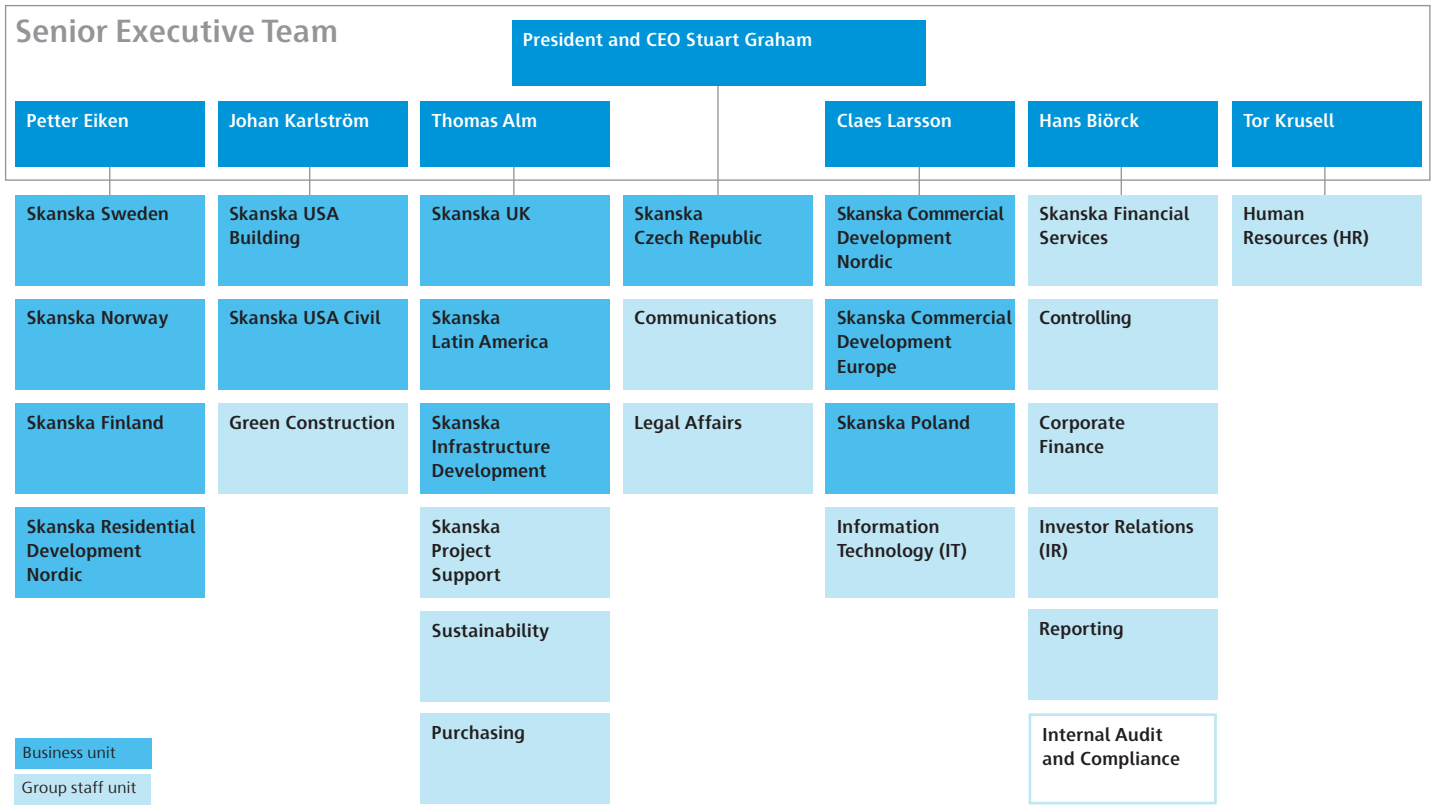
The Project Review Committee has the Board’s mandate to make decisions on its behalf regarding individual construction and real estate projects, investments and divestments in infrastructure projects and certain project financing packages. Projects that include especially high or unusual risks or other special circumstances may be referred to the Board for its decision. The Project Review Committee consists of Sverker Martin-Löf (Chairman), Stuart Graham,

Attendance at meetings and remuneration to the board

Board member	Board	Audit Committee	Compensation Committee	Project Review Committee	Remuneration, Board, EUR	Remuneration, Audit Committee, EUR	Remuneration, Compensation Committee, EUR	Remuneration, Project Review Committee, EUR	Total remuneration, EUR
Number of meetings	8	5	5	11					
Sverker Martin-Löf	8	5	5	11	137,823	8,107	5,405	13,512	164,847
Jane F. Garvey	6				45,941				45,941
Stuart E. Graham	8			9					
Finn Johnsson	7	4 ¹			45,941	8,107			54,048
Curt Källströmer	8		5		45,941		5,405		51,346
Sir Adrian Montague ¹	7			8 ¹	45,941			13,512	59,453
Anders Nyrén	7	5		9	45,941	8,107		13,512	67,560
Lars Pettersson	7		4		45,941		5,405		51,346
Matti Sundberg ¹	7			6 ¹	45,941			13,512	59,453
Richard Hörstedt	8								
Inge Johansson	8			8 ¹					
Jessica Karlsson	8								
Ann-Christin Kutzner	8								
Gunnar Larsson	8								
Alf Svensson	8								
Total					459,410	24,322	16,214	54,048	553,994

¹ Starting in April 2007

Skanska's management structure



Anders Nyrén, Sir Adrian Montague, Matti Sundberg and Inge Johansson. During 2007, the committee held eleven meetings.

Evaluation of the work of the Board

The work of the Board is evaluated yearly through a systematic and structured process, among other things aimed at gathering good supporting documentation for improvements in the Board's own work. External resources are not utilized in this evaluation. The evaluation also provides the Chairman of the Board with information about how the members of the Board perceive the effectiveness of the Board.

The Chairman of the Board informs the Nomination Committee of the results of this evaluation.

Fees to the Board of Directors

Total fees to the Board members elected

by the shareholders' meeting were approved by the 2007 Annual Shareholders' Meeting in the amount of EUR 553,994. The Chairman of the Board received EUR 137,823 in fees and other Board members EUR 45,941 each. Members elected by the Shareholders' meeting and serving on the Board's committees received EUR 5,405 each on the Compensation Committee, EUR 8,107 on the Audit Committee and EUR 13,512 on the Project Review Committee.

The Board's communication with the Company's auditors

As mentioned above, the Company's external auditors participate in all meetings of the Audit Committee. According to the Procedural Rules, the Board of Directors meets with the auditors twice a year. On these occasions, the auditors orally present the findings of their audit-

ing work. At least once per year, the Board meets the auditors without senior executives being present.

Operative management and internal control

The CEO and the Senior Executive Team

The President and Chief Executive Officer (CEO) is responsible for day-to-day management and oversight of the Group's operations. The work of the CEO is specially evaluated at one meeting each year at which no senior executives are present. The CEO and the six Executive Vice Presidents form the Senior Executive Team (SET). In the Procedural Rules it is stipulated that if the CEO can not fulfill his duties, the duties of the CEO devolve on the CFO, or in his or her absence the Executive Vice President with the longest period of service as Executive Vice President. Information on the CEO and the

“The organizational structure of the Skanska Group is characterized by clear decentralization and a large measure of delegation of authority and responsibility to the business units.”

Senior Executive Team is found on page 155 of the Annual Report. The President and CEO has no business dealings of any significance with Skanska AB or its Group companies. The Annual Report, page 128, provides information about the transactions carried out between Skanska and the CEO. He owns no shares in companies that have significant business dealings with companies in the Skanska Group.

Group staff units and support units

At Skanska Group headquarters in Solna, there are twelve Group staff units plus two support units, Skanska Financial Services and Skanska Project Support. On December 1, a new Group Staff Unit, Green Construction, was established to focus on developing Skanska's expertise in environmentally friendly construction.

The Group staff units and support units assist the CEO and the Senior Executive Team on matters concerning Groupwide functions, coordination and controls. In addition, they provide support to the business units. The head of each Group staff unit, aside from the head of Internal Audit and Compliance, reports directly to a member of the Senior Executive Team. The head of Internal Audit and Compliance reports to the Audit Committee. A presentation of the Group staff units and support units is found on page 155 of the Annual Report.

The business units and their governance

The organizational structure of the Skanska Group is characterized by clear decentralization and a large measure of delegation of authority and responsibility to the business units. Each business unit is headed by a President and has its own staff units and other resources in order to conduct its operations effectively.

Aside from day-to-day operations of the business units, there are matters related to the strategic development of the units as well as matters concerning their strategic investments and divestments. These items of business are prepared by the management team at each respective unit and are then submitted to the Senior Executive Team or Skanska AB's Board of

Directors for approval, depending on the size of the item of business. The Boards of Directors of the business units consist of representatives of Skanska AB, individuals from other business units as well as of the respective business unit's management team. In each business unit, the Chairman of the Board is a member of the Senior Executive Team. Where appropriate, employee representatives are included.

Each business unit follows a structured, step-by-step risk management process. Depending among other things on the size, type and geographic location of projects, a structured risk management report to the proper decision-making level is required before decisions on the projects are made.

Governing documents

As part of the governance of Group operations, Skanska AB's Board of Directors has adopted a number of policy documents.

In addition, the Senior Executive Team has adopted more detailed guidelines for the Group. These policies and guidelines are available to all business units on Skanska's intranet and are updated regularly to reflect changes in operations and new requirements. Among the more important governing documents are the Board's Procedural Rules, the Group's Financial Policy, Information Policy, Risk Management System and the Code of Conduct. The Board's Procedural Rules state what items of business shall be decided by the Board of Skanska AB, by the CEO/Senior Executive Team or at the business unit level. The threshold levels for decisions stated in the Procedural Rules are further broken down in the business units' own decision-making rules. The business units provide regular, systematic feedback on compliance with the more important governing documents, such as the Financial Policy and the Code of Conduct, to the Senior Executive Team.

Remuneration for senior executives

The 2007 Annual Shareholders' Meeting approved principles for remuneration and other terms of employment for senior executives. These principles, as well as the

Board's proposal for new principles to be approved at the 2008 Annual Shareholders' Meeting, are available on Skanska's website, www.skanska.com.

Information about salaries and other remuneration to the President and CEO and the other members of the Senior Executive Team as well as share award and share-related incentive programs outstanding are found in Note 37 of the Annual Report, page 129.

The Company's auditors

The 2005 Annual Shareholders' Meeting selected the accounting firm of KPMG Bohlins AB as auditor of Skanska AB. This assignment runs until the 2009 Annual Shareholders' Meeting. The auditor in charge is Caj Nackstad, Authorized Public Accountant. For information on fees and other remuneration to KPMG Bohlins AB, see the table below.

Fees and other remuneration to the auditors

EUR M	2007	2006
Audit assignments	6.3	5.6
Other audit-related assignments	0.6	0.6
Tax advisory services	1.0	1.0
Total	7.9	7.2

Departures from the Code

As a departure from the Code's rule 3.8.2 there is no member of the Audit Committee who is independent of the Company's major shareholders. The explanation behind this departure is the following. The members of the Committee – Anders Nyrén, Sverker Martin-Löf and Finn Johnsson – are dependent on AB Industrivärden. All of them have a long experience of economic and financial reporting issues from Swedish and international industry. The demands on members of the Audit Committee are especially high in a company such as Skanska with decentralized global operations in a risky, project-oriented industry. The Board's assessment is that the present committee members are the most suitable for the assignment.

The Board of Directors' report on internal control

According to the Swedish Companies Act and the Swedish Code of Corporate Governance, the Board of Directors is responsible for internal control. This report has been drafted in compliance with the Swedish Code of Corporate Governance, section 3.7.2, taking into account the Swedish Corporate Governance Board's application instruction of September 5, 2006, and is thus limited to internal control dealing with financial reporting.

Control environment

The Board of Directors' Procedural Rules and instructions for the President and CEO and the committees of the Board ensure a clear division of roles and responsibilities in order to foster effective management of business risks. The Board has also adopted a number of fundamental guidelines of importance to the internal control task. Examples of these guidelines are the Company's risk management system, financial policy and Code of Conduct. All these guidelines are available to all business units on Skanska's intranet. The Senior Executive Team reports regularly to the Board on the basis of established procedures. In addition, the Audit Committee presents reports on its work. The Senior Executive Team is responsible for the system of internal controls required to manage significant risks in operating activities. Among other things, this includes guidelines for various employees to ensure that they will understand and realize the importance of their respective roles in the maintenance of good internal control.

Risk assessment and control activities

Skanska has identified the material risks in its operations that may, if not managed correctly, lead to errors in financial



"The Senior Executive Team is responsible for the system of internal controls required to manage significant risks in operating activities."

reporting and/or have an impact on the Company's results. This work is limited to risks that may individually have an effect of EUR 1.1 M or more.

The Company has then made certain that there are policies and procedures in the Group to ensure that these risks are managed effectively.

During 2007, all business units plus Skanska Financial Services carried out self-evaluations to assess whether Group policies and procedures are being followed. These self-evaluations have been reviewed by Skanska's internal auditors.

Information and communication

Essential guidelines, manuals and other documents of importance to financial reporting are updated and communicated regularly to the affected employees. There are several information channels to the Senior Executive Team and the Board of Directors for essential information from employees. For external communication, there is an information policy document that ensures that the Company lives up to the existing requirements for correct information to the market.

Monitoring

The Board of Directors continually evaluates the information supplied by the Senior Executive Team and the Audit Committee. Of particular importance is the Audit Committee's work in monitoring the effectiveness of the Senior Executive Team's work with internal control. This work includes ensuring that steps are taken concerning shortcomings and proposed actions that have emerged from internal and external auditing.

Internal Audit and Compliance

The Group staff Unit Internal Audit and Compliance, established in 2006, is responsible for monitoring and evaluating risk management and internal control work. This task includes examining compliance with Skanska's guidelines. The Group staff unit is independent of the Senior Executive Team and reports directly to the Board of Directors via its Audit Committee. Internal Audit and Compliance plans its work in consultation with the Audit Committee and regularly reports the findings of its examinations to the Committee. The unit communicates continuously with Skanska's external auditors on matters concerning internal control.

During 2007, the Internal Audit and Compliance unit concentrated its activities on auditing the material risks that has been identified in the business. These audits have been conducted in projects as well as in the central support functions. A total of about 60 audits were conducted during the year. These audits were carried out in accordance with a uniform audit methodology.

Solna, February 2008

The Board of Directors, Skanska AB (publ)

Senior Executive Team



Thomas Alm
Executive Vice President
Born 1949.
Joined Skanska in 1981.
Responsible in the Senior Executive Team for Skanska UK, Skanska Latin America, Skanska Infrastructure Development.
Shareholding in Skanska: 208 B shares and 10,099 share awards¹.

Tor Krusell
Executive Vice President
Human Resources
Born 1964.
Joined Skanska in 1998.
Shareholding in Skanska: 4 000 B shares and 7,438 share awards¹.

Presidents of business units

Geir Aarstad	Skanska Norway
Thomas Alm	Skanska Infrastructure Development
David Fison	Skanska UK
Juha Hetemäki	Skanska Finland
Anders Kupsu	Skanska Commercial Development Nordic
Salvatore Mancini	Skanska USA Civil
Mike McNally	Skanska USA Building
Hernán Morano	Skanska Latin America
Jonas Spangenberg	Skanska Residential Development Nordic
Dan Ťok ³	Skanska Czech Republic
Lars Vardheim	Skanska Commercial Development Europe
Roman Wiczorek	Skanska Poland
Mats Williamson	Skanska Sweden

Hans Biörck
Executive Vice President,
Chief Financial Officer
Born 1951.
Joined Skanska in 2001.
Shareholding in Skanska: 66,000 B shares and 13,384 share awards¹.

Claes Larsson
Executive Vice President
Born 1965.
Joined Skanska in 1990.
Responsible in the Senior Executive Team for Skanska Poland, Skanska Commercial Development Nordic and Skanska Commercial Development Europe.
Shareholding in Skanska: 1,000 B shares and 8,031 share awards¹.

Petter Eiken
Executive Vice President
Born 1955.
Joined Skanska in 2001.
Responsible in the Senior Executive Team for Skanska Sweden, Skanska Norway, Skanska Finland and Skanska Residential Development Nordic.
Shareholding in Skanska: 0 shares and 9,687 share awards¹.

Presidents of support units

Lars-Erik Alm	Skanska Project Support
Anders Årling	Skanska Financial Services

Stuart E. Graham
President and
Chief Executive Officer
Born 1946.
Joined Skanska in 1990.
Responsible in the Senior Executive Team for Skanska Czech Republic.
Shareholding in Skanska: 75,000 B shares and 26,428 share awards¹.

Johan Karlström²
Executive Vice President
Born 1957.
Joined Skanska in 2001.
Responsible in the Senior Executive Team for Skanska USA Building and Skanska USA Civil.
Shareholding in Skanska: 80,000 B shares and 15,976 share awards¹.

Senior Vice Presidents, Group staff units

Bert-Ove Johansson	Purchasing
Tor Krusell	Human Resources
Karin Lepasoon	Communications
Anders Lilja	Investor Relations
Einar Lundgren	Legal Affairs
Mats Moberg	Reporting
Noel Morrin	Sustainability
Hanne Rønneberg	Green Construction
Staffan Schéle	Corporate Finance
Erik Skoglund	Internal Audit & Compliance
Peter Thompson	Information Technology
Mariann Östansjö	Controlling

¹ See Note 37, "Compensation to executive officers and Board members"

² President and Chief Executive Officer, effective on April 3, 2008

³ Effective in February 2008, succeeding Zdeněk Burda

Board of Directors



Sverker Martin-Löf
Chairman of the Board
Stockholm, born 1943
Elected 2001
Shareholding in Skanska
8,000 B shares

Other Board assignments

- Svenska Cellulosa Aktiebolaget SCA, Chairman
- AB Industrivärden, Vice Chairman
- SSAB Svenskt Stål AB, Chairman
- Telefonaktiebolaget LM Ericsson, Vice Chairman
- Svenska Handelsbanken AB, Board member
- Svenskt Näringsliv, Vice Chairman

Education

- MSc Engineering, Royal Institute of Technology, Stockholm
- Doctor of Technology, Royal Institute of Technology, Stockholm
- Honorary PhD, Mid-Sweden University, Sundsvall

Work experience

- Swedish Pulp and Paper Research Institute
- President, MoDo Chemicals
- Technical Director, Mo och Domsjö AB
- President, Sunds Defibrator AB
- President, Svenska Cellulosa Aktiebolaget SCA

Dependency relationship in accordance with Code of Corporate Governance

- Independent in relation to company and company management
- Dependent in relation to major shareholders



Stuart E. Graham
President and CEO of Skanska AB
Stockholm, born 1946
Elected 2003
Shareholding in Skanska
75,000 B shares

Other Board assignments

- Securitas AB, Board member

Education

- Bachelor of Science in Economics, U.S.A.

Work experience

- President, Sordoni Construction Company, U.S.A.
- President, Sordoni Skanska, U.S.A.
- President, Skanska USA Civil, U.S.A.
- President, Skanska (USA) Inc., U.S.A.
- Executive Vice President, Skanska AB
- President and CEO, Skanska AB

Dependency relationship in accordance with Code of Corporate Governance

- Dependent in relation to company and company management
- Independent in relation to major shareholders



Curt Källströmer
Stockholm, born 1941
Elected 2006
Shareholding in Skanska
1,500 B shares

Other Board assignments

- Handelsbanken Spain, Chairman
- Umeå School of Economics, Chairman
- Handelsbanken Pension Foundation, Handelsbanken Personnel Foundation and Handelsbanken Pension Fund, Vice Chairman
- Holmen AB, Board member
- Indutrade AB, Board member (until April 2008)
- SBC AB Svedens BostadsrättsCentrum, Board member
- SSE-MBA, Board member
- Stockholmsmässan AB, Board member
- Thomas Concrete Group AB, Board member (until March 2008)
- Wikström Foundation, Board member
- Wåhlin Fastigheter, Board member

Education

- Advanced banking degree

Work experience

- Manager of various Handelsbanken branch offices
- Operations Manager, Eastern Sweden Regional Bank, Handelsbanken
- Regional Bank Manager, Northern Region and Central Sweden Region, Handelsbanken
- Vice President, Handelsbanken
- Chairman, Stadshypotek AB
- Head of Chairman's Secretariat, Handelsbanken

Dependency relationship in accordance with Code of Corporate Governance

- Independent in relation to company and company management
- Independent in relation to major shareholders



Jane F. Garvey
Executive Vice President APCO
Worldwide, U.S.A.
Kennebunkport, Maine, U.S.A., born 1944
Elected 2003
Shareholding in Skanska
0 shares

Other Board assignments

- MITRE Corporation
- Sentient Jet, Inc.
- Spectra Sensors, Inc.
- ANPC (resigning in June 2008)
- Reveal Imaging (resigning in June 2008)
- Bombardier Inc.

Education

- Masters degree in U.S.

Work experience

- Director, Logan Airport, Boston, MA, U.S.A.
- Deputy Administrator, Federal Highway Administration, U.S.A.
- Administrator of Federal Aviation Administration, U.S.A.
- Executive Vice President, APCO Worldwide, U.S.A.

Dependency relationship in accordance with Code of Corporate Governance

- Independent in relation to company and company management
- Independent in relation to major shareholders



Finn Johnsson
Gothenburg, born 1946
Elected 1998
Shareholding in Skanska
11,000 B shares

Other Board assignments

- AB Volvo, Chairman
- Thomas Concrete Group AB, Chairman
- Unomedical A/S, Chairman
- KappAhl AB, Chairman
- Luvata Oy, Chairman
- City Airline, Chairman
- EFG European Furniture Group AB, Chairman
- AB Industrivärden, Board member

Education

- MBA, Stockholm School of Economics

Work experience

- President, Tarkett AB
- Vice President, Stora AB
- President, EuroC AB
- President, United Distillers Ltd and Vice President, Guinness
- President, Mölnlycke Health Care AB

Dependency relationship in accordance with Code of Corporate Governance

- Independent in relation to company and company management
- Dependent in relation to major shareholders



Anders Nyrén
President, AB Industrivärden
Bromma, born 1954
Elected 2002
Shareholding in Skanska
2,000 B shares

Other Board assignments

- Association of Exchange-listed Companies, Chairman
- Association for Generally Accepted Principles in the Securities Market, Chairman
- AB Industrivärden, Board member
- Svenska Handelsbanken AB, Vice Chairman
- Sandvik AB, Vice Chairman
- Svenska Cellulosa Aktiebolaget SCA, Board member
- SSAB Svenskt Stål AB, Board member
- Ernströmgruppen AB, Board member

Education

- MBA, University of California Los Angeles
- Master's degree, Stockholm School of Economics

Work experience

- Executive, AB Wilhelm Becker
- Executive Vice President and CFO, STC AB
- President, STC Venture AB
- President, OM International AB
- Executive Vice President and CFO, Securum AB
- Senior Vice President, member of Group Management in charge of Markets and Corporate Finance, Nordbanken
- Executive Vice President and CFO, Skanska AB
- President, AB Industrivärden

Dependency relationship in accordance with Code of Corporate Governance

- Independent in relation to company and company management
- Dependent in relation to major shareholders



Sir Adrian Montague
United Kingdom, born 1948
Elected 2007
Shareholding in Skanska
0 shares

Other Board assignments

- British Energy Group Plc, Chairman
- Friends Provident Plc, Chairman
- Infrastructure Investors Ltd, Chairman
- Michael Page International, Chairman
- CellMark Holdings AB, Director
- London First, Director

Education

- Law Society Qualifying Exam Part II
- MA Law, Trinity Hall, Cambridge

Work experience

- Senior International Adviser, Société Générale
- Chief Executive, HM Treasury Taskforce
- Co-head, Global Project Finance, Dresdner Kleinwort Benson
- Head of Projects Group, Linklaters & Paines, Solicitors

Dependency relationship in accordance with Code of Corporate Governance

- Independent in relation to company and company management
- Independent in relation to major shareholders



Richard Hörstedt
Born 1963
Swedish Building Workers' Union, appointed 2007
Deputy Board member
Shareholding in Skanska
0 shares



Inge Johansson
Concrete worker
Huddinge, born 1951
Swedish Building Workers' Union, appointed 1999
Shareholding in Skanska
0 shares



Lars Petterson
President, Sandvik AB
Sandviken, born 1954
Elected 2006
Shareholding in Skanska
▪ 2,000 B shares

Other Board assignments

- Sandvik AB, Board member
- Association of Swedish Engineering Industries, Board member
- Royal Institute of Technology, Board member

Education

- Msc Engineering Physics, Uppsala University
- Dr. (h.c.)

Work experience

- President, AB Sandvik Coromant
- President, Sandvik Tooling
- President, Sandvik Speciality Steels
- President, Sandvik AB

Dependency relationship in accordance with Code of Corporate Governance

- Independent in relation to company and company management
- Independent in relation to major shareholders



Jessica Karlsson
Gothenburg, born 1975
Industrial Workers' & Metal Workers' Union (IF Metall), appointed 2005
Deputy Board member
Shareholding in Skanska
0 shares



Ann-Christin Kutzner
Human Resources Administrator
Malmö, born 1947
Swedish Union of Clerical and Technical Employees in Industry (SIF), appointed 2004
Deputy Board member
Shareholding in Skanska
332 shares



Matti Sundberg
Finland, born 1942
Elected 2007
Shareholding in Skanska
3,000 B shares

Other Board assignments

- Scania Sweden AB, Chairman
- Oy Scan-Auto Ab, Finland, Chairman
- Norsk Scania AS, Chairman
- Scania Danmark A/S, Chairman
- Boliden AB, Board member
- SSAB Svenskt Stål AB, Board member

Education

- Mining Counsellor
- M.Sc. (Econ.), Åbo Akademi University, Finland
- D.Sc. (Econ.) h.c., University of Vaasa, Finland
- Ph.D. h.c., University of Jyväskylä, Finland

Work experience

- Regional Director, Scania Northern European Region
- CEO, Metso Corporation (Valmet-Rauma Corporation)

Dependency relationship in accordance with Code of Corporate Governance

- Independent in relation to company and company management
- Independent in relation to major shareholders



Gunnar Larsson
Asphalt works operator
Kalix, born 1953
Union for Service and Communication (SEKO), appointed 2002
Shareholding in Skanska
216 B shares



Alf Svensson
Production manager
Sölvesborg, born 1960
Swedish Association of Supervisors (Ledarna), appointed 2007
Shareholding in Skanska
0 shares

Auditors

KPMG Bohlins AB, Auditor in charge: Caj Nackstad, Stockholm, born 1945, Authorized Public Accountant Auditor for Skanska since 2001

Report from Annual Shareholders' Meeting

The following decisions were made at Skanska AB's Annual Shareholders' Meeting in Stockholm, April 3, 2008:

The dividend for 2007 was approved in accordance with the Board's proposal of SEK 5.25 per share (preceding year SEK 4.75) (corresponding to EUR 0.56 [0.53] per share) and an extraordinary dividend of SEK 3.00 per share (3.50) (corresponding to EUR 0.32 [0.39] per share).
The record date for the dividend was April 8, 2008.

Sverker Martin-Löf, Jane F. Garvey, Finn Johnsson, Sir Adrian Montague, Lars Pettersson and Matti Sundberg were reelected members of the Board of Directors.

Johan Karlström and Bengt Kjell were elected new members. Stuart Graham, Anders Nyrén and Curt Källströmer declined reelection.

Bengt Kjell is Executive Vice President of AB Industrivärden. Johan Karlström is the President and CEO of Skanska as of April 3. Sverker Martin-Löf was reelected Chairman of the Board.

The Annual Shareholders' Meeting resolved to authorize the Board during the period until the next Annual Shareholders' Meeting to acquire a maximum of 4,500,000 own B shares. The purpose to secure shares to participants in the Skanska Employee Ownership Program decided at the Extraordinary Shareholders' Meeting held in November 2007.

Departing President and CEO Stuart Graham was thanked at the Meeting for his contribution to the company.

Financial information

The Skanska Group's interim reports for 2008 will be published on the following dates:

Three Month Report
May 7, 2008

Six Month Report
July 24, 2008

Nine Month Report
November 4, 2008

Year-end Report
February 6, 2009

The quarterly reports will be available via Skanska's website, www.skanska.com/investors, and can also be ordered from Skanska AB, Investor Relations.

If you have questions, please contact:
Skanska AB, Investor Relations
SE-169 83 Solna, Sweden
Telephone: +46 8 753 88 00
Fax: +46 8 730 41 69
E-mail: investor.relations@skanska.se

More information about the Skanska Group is available at: www.skanska.com



More information about Skanska



Skanska's Annual Report 2007

As the functional currency of the Parent Company is SEK (Swedish kronor), Skanska's statutory Annual Report including the consolidated financial statements and the financial statements of the Parent Company has been prepared using Swedish kronor (SEK) as the presentation currency. The Annual Report 2007 can be ordered from:

Strömberg Distribution
SE-120 88 Stockholm, Sweden
Telephone: +46 8 449 88 10,
fax: +46 8 449 88 10
E-mail: skanska@strd.se

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



The Hub

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



Worldwide

The Skanska Group publishes the magazine Worldwide, containing features and news items from the Group's operations around the world. The magazine appears in English four times per year. A subscription is free of charge and can be ordered at the following address:

Skanska Worldwide
c/o Strömberg Distribution
SE-120 88 Stockholm
Telephone: +46 8 449 88 00
Fax: +46 8 449 88 10
E-mail: worldwide@strd.se

More information about Skanska's business streams

Further information about Skanska's Residential Development and Commercial Development business streams can be downloaded from Skanska's website, www.skanska.com/investors. The reports can also be ordered from Skanska AB, Investor Relations.

Did you know this about Skanska?

A selection of Skanska news items from 2007

1/9/2007

Skanska awarded environmental assignment in U.S.A. for USD 67.5 M, approximately SEK 500 M

Skanska has been awarded the assignment to upgrade a water pollution control plant in Eastern USA. The total contract amount is USD 150 M, SEK 1,105 M, of which Skanska's share is 45 percent.

1/10/2007

Skanska secures bridge contract in New York City worth USD 86.5 M, about SEK 635 M

Skanska has secured the contract to refurbish the Roosevelt Island Bridge in New York City. The contract amount, totaling USD 86.5 M, approximately SEK 635 M, is included in order bookings for the fourth quarter of 2006. The customer is the New York City Department of Transportation.

1/12/2007

Skanska secures GBP 64 M, SEK 870 M, contract for commercial office development in London, U.K.

Skanska has secured a contract to construct a commercial office building at Crown Place in central London.

The client is Greycoat Crown Place Partnership.

1/26/2007

Skanska wins biggest ever U.S. order: USD 998 M for new New York Giants/Jets Stadium – takes on construction of first-of-its kind NFL facility

Skanska's American units have been awarded the design/build contract for the new Meadowlands NFL Football Stadium in New Jersey. The customer is Meadowlands NFL Football Stadium LLC.

2/7/2007

Skanska to build Thermoelectric Power Plant in Brazil for USD 136 M, SEK 950 M

Skanska has been awarded a contract to build a thermoelectric power plant in Cubatão, 60 km from São Paulo, Brazil.



2/14/2007

Skanska to construct underwater parking garage in Oslo for about SEK 880 M, NOK 800 M

Skanska has secured a contract to construct a multistory parking garage, which will be located under water in central Oslo. The customer is Tjvholmen Utvikling AS, a development company that is jointly owned by the Selvaag and Aspelin Ramm Groups.

2/23/2007

Skanska to build railway in Norway for about SEK 550 M, NOK 498 M

Skanska has been contracted to build a new section of railway in Norway.

The customer is the Norwegian National Rail Administration (Jernbaneverket).

3/15/2007

Skanska to build casino in the U.S. for USD 120 M, about SEK 840 M

Skanska has been contracted to build a casino in Snoqualmie, Washington in the U.S. for the Snoqualmie Indian Tribe.

3/22/2007

Skanska awarded roadway project in California for SEK 790 M, USD 113 M

Skanska has secured the contract to widen State Route 60 in California.

The customer is the California Department of Transportation (CalTrans).

3/22/2007

Skanska to construct first phase of new subway line in New York for USD 337 M of which Skanska's share amounts to USD 126 M, SEK 885 M

Skanska has been contracted to manage and carry out construction of the new Second Avenue Subway Line project in New York City on Manhattan's East Side. The contract amount is USD 337 M, about SEK 2.3 billion, of which Skanska's share is 37.5 percent.

The customer is MTA/New York City Transit, which is receiving Federal funding for the project.

3/22/2007

Skanska in Fortune's list of world's most admired companies

In Fortune's annual ranking of the world's most admired companies, Skanska places second among construction companies and has the second highest ranking among Nordic companies, after Nokia.

3/23/2007

Skanska awarded U.S. contract amounting to USD 132 M – SEK 925 M

Skanska has been awarded a contract to build a combined shopping and office complex in the U.S.

3/28/2007

Skanska signs contract with Skandia for new offices at Lindhagensterrassen – Skanska investing SEK 850 M

Skanska continues to develop new premises for major corporations at Lindhagensterrassen in Stockholm.

A new office building comprising 30,000 sq. m is now being developed and built by Skanska.

4/2/2007

Skanska secures major office project in London for GBP 50 M, SEK 686 M

Skanska has been contracted to renovate and expand an office building in London.

The customer is the Land Securities property company.

4/10/2007

Skanska to build office development in London for SEK 933 M

Skanska has been awarded a contract to construct an office building in London.

The customer is Hermes Real Estate.

4/12/2007

Skanska to construct propane plant in Brazil for USD 76.3 M, about SEK 535 M

Skanska has secured a contract to build a propane production unit at Presidente Getúlio Vargas Refinery (REPAR) in Brazil.

The total contract value is USD 109 M. Skanska's share is 70 percent.

4/12/2007

Skanska secures construction contract in Stavanger for NOK 400 M, SEK 460 M

Skanska has been contracted to build a combined office and housing project in Stavanger, Norway for Øvre Straen AS.

4/24/2007

Skanska starts three commercial projects in Poland and Czech Republic totaling about SEK 620 M

Skanska is starting three new commercial development projects in Central Europe.

5/7/2007

Skanska sells property portfolio in Sweden to Oppenheim for SEK 500 M, with capital gain of SEK 184 M

Skanska is selling five properties in Gothenburg, Mölndal, Malmö and Lund for SEK 500 M to the German property investment company Oppenheim Immobilien KAG, belonging to the IVG Group.

5/10/2007

Skanska to build facilities at Aitik Mine in Sweden for about SEK 460 M

Skanska has been contracted to expand facilities at the Boliden's copper mine at Aitik in Northern Sweden.

5/11/2007

Skanska in social responsibility index

FTSE has confirmed that this year, Skanska has once again met the requirements for inclusion in the FTSE4Good Index, a list of companies that take social responsibility. FTSE, which is jointly owned by the Financial Times and the London Stock Exchange, is a company that manages and develops globally recognized indexes.

5/14/2007

Skanska to construct drinking water plant in New York for more than USD 1 billion, about SEK 7.2 billion

Skanska has landed its largest order in the U.S. to date, for the Croton Water Filtration Plant in New York City. The contract amount is USD 1.3 billion, about SEK 9.1 billion, of which Skanska has 80 percent.



5/23/2007

Skanska to develop and build offices in Sundbyberg – invests a total of about SEK 300 M

Skanska is developing new office premises in Sundbyberg in northern Stockholm. The office property, which comprises 10,000 square meters of rentable floor space, is scheduled for completion in spring 2009.

6/26/2007

Skanska awarded design-build road contract in U.K. for GBP 40 M, SEK 545 M

Skanska has been awarded a contract to design and construct the A354 Weymouth Relief Road in the United Kingdom. The customer is Dorset County Council.

6/29/2007

Skanska secures two U.S. contracts totaling approximately SEK 1.2 billion, USD 169 M

Skanska has been awarded two construction management assignments in the U.S.

7/2/2007

Skanska to construct hotel and retail project in the U.S. for approximately SEK 2.4 billion, USD 350 M

Skanska has been awarded the construction contract for the expansion of the hotel, retail and dining area and the office building at a casino in Uncasville, Connecticut, in the U.S.

7/2/2007

Skanska extends Docklands Light Railway in London for GBP 33.5 M, about SEK 460 M

Skanska has secured another project that is part of the extension of the Docklands Light Railway (DLR) in London, UK. The customer is Transport for London.

7/4/2007

Skanska launches first Finnish commercial development project – investment amounts to SEK 290 M

Skanska is now launching commercial projects in Finland. In Helsinki, Skanska is developing a new office property with 10,000 sq. m of floor space.



7/30/2007

Skanska selected as construction manager for the renovation of the United Nations headquarters in New York, expected value USD 1 billion, SEK 6.9 billion

Skanska has been selected by the UN to serve as construction manager for its Capital Master Plan (CMP) renovation and upgrading of the international organization's headquarters in New York City. Skanska expects to perform the project on a phased basis through 2014.

8/8/2007

Skanska awarded SEK 2 billion contract in London

Skanska has been awarded the contract to construct the Walbrook office and retail development in central London for the U.K. property company Minerva.

9/4/2007

Skanska to expand refinery in Brazil for USD 55 M, about SEK 380 M

Skanska has been contracted to build two new refinery units at the Presidente Bernardes Refinery (RPBC), in Cubatão, 60 km from São Paulo, Brazil.

The contract total value amounts to USD 84 M, of which Skanska's share is 65 percent.

9/17/2007

Skanska to construct tower building in Jacksonville, Florida, for USD 50 M, about SEK 345 M

Skanska has been contracted to build a 38-story condominium tower in Jacksonville, Florida. The contract is included in order bookings for the third quarter of 2007. The customer is the Arch Insurance Company jointly with the XL Insurance Company.

9/20/2007

Skanska to build steam pipeline in Brazil for USD 113 M, about SEK 780 M

Skanska has secured the contract to build a steam pipeline in northeast Brazil.

9/24/2007

Skanska to build cancer hospital in Florida for USD 150 M, approximately SEK 1 billion

Skanska has been contracted to build a new cancer hospital at the University of Florida's Gainesville campus for Shands HealthCare at the University of Florida.

10/4/2007

Skanska invests SEK 565 M in four new logistics projects in Sweden and Denmark

Skanska has signed leases for four new logistics facilities – in Gothenburg, Linköping and Burlöv (Sunnanå), Sweden; and Stilling, Denmark. The contracts, which are separate from each other, involve 50,000 sq. m in all and were signed with Scan, TransFargo, Freja Transport & Logistics and an unnamed tenant.

10/4/2007

Skanska to build data center in U.S. for USD 179 M, about SEK 1.2 billion

Skanska has been contracted to build a data center in the northeastern U.S. The customer is a leading New York-based financial services firm.

10/9/2007

Skanska to construct detention centers at Kumla, Hall and Saltvik valued at SEK 420 M

Skanska has been contracted to extend the Swedish Prison and Probation Service's facilities at Kumla, Hall and Saltvik in Härnösand, Sweden.

10/19/2007

Skanska to build central utility plant in California for USD 181 M, about SEK 1.2 billion

Skanska has been awarded a design-build contract for a central utility plant in Sacramento, California.

The customer is the State of California.

10/30/2007

Skanska sells office property in Stockholm for SEK 455 M, with a gain of SEK 160 M

Skanska is selling the Årstaäng 4 office property, transferred with leasehold



right for SEK 455 M to a company jointly owned by Balder and GE Real Estate.

10/30/2007

Skanska initiates new office project in central Warsaw

Skanska is currently developing and constructing Atrium City, a new office project along the main street Al Jana Pawla in central Warsaw.

The building will comprise about 20,000 square meters of rentable floor space. The total investment amounts to EUR 73.5 M, or SEK 680 M.

10/31/2007

Skanska sells its shareholding in Maputo

Skanska is divesting its remaining 12 percent shareholding in the Maputo harbor project in Mozambique for SEK 105 M. The gain on the sale, which amounts to approximately SEK 70 M, will be included in the fourth quarter. The buyer is the South African company Grindrod.

10/31/2007

Skanska to build Heron Tower in London

Skanska has been awarded the contract to construct Heron Tower in the City of London by the trustees of the Heron Tower Property Unit Trust. The contract value is around GBP 242 M, about SEK 3.3 billion.

11/5/2007

Skanska secures additional order for environmental project in New York for USD 89 M, approximately SEK 610 M

Skanska has secured yet another assignment for the upgrade of water treatment systems at Newtown Creek in New York. The customer is the New York City Department of Environmental Protection.

11/12/2007

Skanska to build for pharmaceutical company in New Jersey for USD 60.5 M, about SEK 410 M

Skanska has been chosen as construction manager for expansion of a pharmaceutical facility in New Jersey.

The customer is one of Skanska's repeat customers within the pharmaceutical industry.

11/13/2007

Skanska to build Marriott hotel in Stockholm for SEK 410 M

Skanska has been contracted to build a Marriott hotel in Kungsholmen, central Stockholm.

11/14/2007

Financing secured for Walsall Hospital PFI Healthcare scheme – Skanska invests GBP 8.2 million, about SEK 110 million, and receives construction contract worth GBP 174 million, about SEK 2.4 billion

Skanska has reached financial close for the delivery of a 33-year PFI scheme to design, build, finance and operate a major healthcare development – Manor Hospital for the Walsall Hospitals NHS Trust in Walsall, U.K.

11/20/2007

Skanska develops and sells office and residential project in Stockholm for about SEK 450 M

Skanska is developing and selling a combined office and residential project in Hammarby Sjöstad in Stockholm.

11/21/2007

Skanska signs contract for previously announced subway project in New York for USD 400 M, about SEK 2.75 billion

The contract covering construction of the extension of the No. 7 Subway Line has now been signed by S3 Tunnel Contractors, a joint venture including Skanska. The contract amounts to USD 1.14 billion, approximately SEK 7.8 billion, of which Skanska's share is 35 percent. The customer is MTA New York City Transit.

12/4/2007

Skanska to build shopping center in Norway for SEK 460 M

Skanska has been contracted to build one of Norway's largest shopping centers, Amfi Steinkjer, outside Trondheim. The customers are Amfi Bygg Steinkjer AS and Coop Steinkjer BA.

12/14/2007

Skanska develops new media building for MTG in Stockholm and invests SEK 520 M

Skanska is developing a new office and media building in Stockholm for the media group MTG, Modern Times Group.

12/14/2007

Skanska sells holding in Brazilian PPP project at a gain of SEK 550 M

Skanska has signed an agreement to sell its 50 percent equity interest in the Ponte de Pedra hydroelectric power plant in Brazil. The price is approximately SEK 1 billion, with a capital gain of SEK 550 M. The purchaser is the French-Belgian energy company Suez-Tractebel, which is also acquiring Impregilo's 50 percent interest.

12/20/2007

Skanska selling ongoing office project in Budapest

Skanska is selling the Nepliget Center office project in Budapest for EUR 72.2 M, about SEK 670 M. The buyer is an international real estate fund that will take over the property in pace with its completion. Only a small portion of the project is leased out. Skanska is responsible for leasing of the project for two years after completion. The final development gain depends to a great extent on the success of the leasing activity.

12/21/2007

Skanska starts second phase of Grunwaldzki Center office project in Wrocaw

Skanska is now developing and constructing the second phase of Grunwaldzki Center, an office project in the center of Wroclaw in southern Poland. The project will comprise a total of about 27,000 sq. m of leasable floor space, of which about 16,000 sq. m in the second stage. The total investment for the second stage amounts to EUR 36.2 M, about SEK 335 M.

Definitions and abbreviations

Average capital employed – Calculated on the basis of five measuring points: half of capital employed on January 1 plus capital employed at the end of the first, second and third quarters plus half of capital employed at year-end, divided by four.

Average visible equity – Calculated on the basis of five measuring points: half of equity attributable to equity holders (shareholders) on January 1 plus equity attributable to equity holders at the end of the first, second and third quarters plus half of equity attributable to equity holders at year-end, divided by four.

BOT – Build Own/Operate Transfer (privately financed infrastructure products)

Capital employed in business streams, markets and business/reporting units – Total assets minus tax assets and deposits in Skanska's treasury unit minus non-interest-bearing liabilities minus provisions for taxes and tax liabilities.

Consolidated capital employed – Total assets minus non-interest-bearing liabilities.

Consolidated operating cash flow – In the consolidated operating cash flow statement, which includes taxes paid, investments are recognized both in cash flow from business operations and in cash flow from strategic investments. See also Note 35.

Consolidated return on capital employed – Operating income plus financial income as a percentage of average capital employed.

Debt/equity ratio – Interest-bearing net debt divided by visible equity including minority interest.

Earnings per share – Profit for the year attributable to equity holders divided by the average number of shares.

Equity/assets ratio – Visible equity including minority interest as a percentage of total assets.

Equity per share – Visible equity attributable to equity holders divided by the number of shares.

GDP – Gross domestic product

Interest-bearing net receivable – Interest-bearing assets minus interest-bearing liabilities.

Interest cover – Operating income and financial income plus depreciation/amortization divided by net interest items.

LEED – Leadership in Energy and Environmental Development (American certification standard).

Net working capital – Net non-interest-bearing receivables and liabilities including taxes.

Operating cash flow – Cash flow from operations before taxes and before financial activities. See also Note 35.

Operating net on properties – Rental income and interest subsidies minus operating, maintenance and administrative expenses as well as real estate tax. Site leasehold rent is included in operating expenses.

ORA – Operational Risk Assessment (Skanska's risk management model)

Order backlog – Contracting assignments: The difference between order bookings for the period and accrued revenue (accrued project costs plus accrued project income adjusted for loss provisions) plus order backlog at the beginning of the period. Services: The difference between order bookings and accrued revenue plus order backlog at the beginning of the period.

Order bookings – Contracting assignments: Upon written order confirmation or signed contract. Also includes orders from Residential Development and Commercial Development. Services: For fixed-price assignments, upon signing of contract. For cost-plus assignments, order bookings coincide with revenue. No order bookings are reported for Residential Development and Commercial Development.

P3 – Public-Private Partnership (privately financed infrastructure projects, used in the U.S.)

PFI – Private Finance Initiative (privately financed infrastructure projects, used in the U.K.)

PPP – Public-Private Partnership (privately financed infrastructure projects)

Return on capital employed in business streams, markets and business/reporting units – Operating income plus financial income minus interest income from Skanska's treasury unit and other financial items as a percentage of average capital employed.

Return on equity – Profit attributable to equity holders as a percentage of average visible equity attributable to equity holders.

SEOP – Skanska Employee Ownership Program

SET – Senior Executive Team (Skanska's corporate management team)

SFS – Skanska Financial Services

SPS – Skanska Project Support

STAP – Skanska Tender Approval Procedure

Yield on properties – Operating net divided by year-end carrying amount.



United Nations headquarters, New York

Skanska has been selected for the prestigious assignment of serving as construction manager for the renovation of the United Nations headquarters in New York City. The project, with a total expected value of USD 1 billion, is the UN's largest-ever investment. The renovation will take place in phases.



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