

Skanska AB
Annual Report 1988



Comments on the English version of Skanska's Annual Report

For the convenience of readers who may not be familiar with Swedish accounting and reporting practices, this English-language version of Skanska's Annual Report contains additional explanatory comments on pages 46-47. Otherwise the presentation of financial and other information is the same as in the Swedish version, except that certain detailed statistics on employments in Sweden and on Group stockholdings - required by Swedish authorities but of little interest to foreign readers - have been omitted.

The abbreviation M after a currency code and amount means millions, while 000 means thousands. Figures in parentheses after 1988 amounts refer to the corresponding 1987 amounts. Sveriges Riksbank is Sweden's central bank. All places mentioned are in Sweden unless otherwise specified.

During 1988 the average exchange rate for Swedish kronor to U.S. dollars was SEK 6.12 = USD 1. The year-end rate was SEK 6.16. By May 1989 the dollar had risen above SEK 6.70.

The following international currency codes have been used:

SEK	Swedish kronor
BEC	Belgian francs (commercial)
CAD	Canadian dollars
DEM	West German marks
DKK	Danish kroner
ESB	Spanish pesetas
FIM	Finish marks
FRF	French francs
GBP	British pounds sterling
HKD	Hong Kong dollars
LUF	Luxemburg francs
NGN	Nigerian nairas
NLG	Dutch guilders
NOK	Norwegian kroner
SAR	Saudi Arabian riyals
USD	United States dollars
YER	Yemeni riyals

Financial information

During the year, Skanska issues the following financial reports in their official Swedish-language versions:

- Press release on previous year's results, in April
- Annual Report, in May
- Interim Report for the period January-August, in October

The 1989 Interim Report will be issued on October 25.

The press release on the year's results, the Annual Report and the Interim Report are also published in English. In addition, excerpts from the Annual Report are available in French, Spanish and German.

All financial information can be ordered from Group Public Relations, Skanska AB, S-182 25 Danderyd, Sweden, telephone +46 8 753 80 00 or fax +46 8 755 12 56.

Unclaimed shares from the 1977, 1979, 1981, 1982 and 1983 stock dividends

(Request pursuant to Swedish Companies Act, Ch. 4, Sec. 17)

Those shareholders who have not yet claimed shares from the above-mentioned stock dividends are urged to do so, at the risk that they may otherwise lose these shares. A written application to collect such shares should be submitted to Svenska Handelsbanken, Emissionsavdelningen (New Issues Department), S-106 70 Stockholm, Sweden, no later than May 15, 1990. If this has not been

done, the shares will be sold on behalf of their owners. After that, the owners are only entitled to receive the proceeds of the sale less the costs of the sale and the request, upon presentation of a share certificate or delivery of fractional scrip certificates. Amounts not collected within four years of the sale date go to the Company.

Skanska 1988

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Group financial highlights

	1988	1987
Revenues, SEK M	23,090	19,631
Of which, construction abroad	1,778	2,262
Income before allocations and taxes, SEK M	1,804	1,645
Dividend per share, SEK	4.25*	3.50
Adjusted earnings per share after extraordinary items, SEK	17.20	19.38

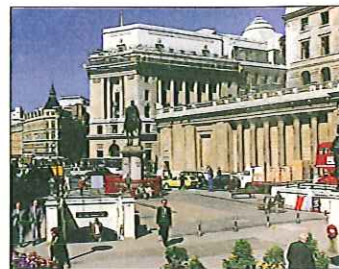
* Proposed by the Board of Directors



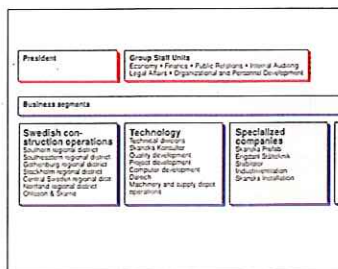
A continued positive market trend in Sweden resulted in high capacity utilization of our resources and a strong improvement in the earnings of contracting operations.



Skanska is continuing to build up its property holdings in Sweden and completed domestic real estate worth SEK 938 M (673) for its own account.



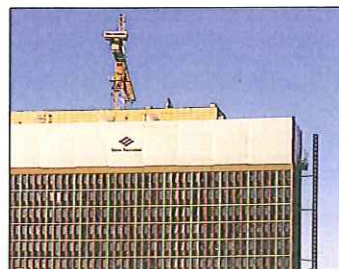
Skanska is increasing its real estate investments elsewhere in Western Europe, with new projects in such countries as West Germany and Great Britain. One example is the right to build on a site located at the Monument underground station in the heart of the City, London's financial district.



Because of the continued evolution of the Group's business concepts and strategy, Skanska is adopting a new organizational structure that divides its operations into eight business segments.



An issue of convertible debentures attracted subscriptions from 12,530 Skanska Group employees. The loan, totaling SEK 845 M, was oversubscribed.



Skanska ensured itself a stronger market position in Norway by acquiring one third of that country's largest construction company, Selmer-Sande Entreprenør a.s., Oslo, which has annual revenues of NOK 6 billion.

The President's review of 1988

Skanska did better in 1988 than during its 100th anniversary year, 1987. Our overall operations yielded roughly the same total earnings, but in 1988 the production units in our Group – contracting units and industrial and specialized companies – accounted for a larger proportion of earnings than previously.

Good general economic conditions in Sweden and elsewhere in Western Europe obviously contributed to this trend, but these figures also reflect Skanska's investments in marketing, quality assurance, technological progress and personnel development in recent years. Taken together, these investments have laid the groundwork for better stability in our entire organization.

The task of strategic development work also moved forward, and during 1988 Skanska continued the process of concentration and specialization initiated a few years ago.

A company of Skanska's size and potential must continuously focus attention on long-term Group objectives. The strategy for pursuing these goals must be clear and well-known throughout the organization if each employee is to live up to the demands made on his or her position. This is especially important in an industry and in a company whose business concept is largely based on selling knowledge, professional experience and service.

Skanska's operations are now organized into eight business segments:

- Swedish construction operations
- Technology and project development
- Specialized companies related to construction operations
- Industrial companies

- Swedish real estate operations
- International civil engineering operations
- International building construction and real estate operations
- Financial operations

Let me briefly comment on 1988 and the near future as they affect some of these business segments.

Swedish construction operations are in better shape than they have been for a long time – both in terms of volume and earnings. More new jobs are also being added to Skanska's order books than ever before. As a result, our resources have been fully utilized and we can expect the same high capacity utilization during 1989 as well.

Housing renovation projects fell sharply in volume during 1988, due to changes in lending rules. This was another example of the long tradition of official intervention in Sweden's highly regulated housing market. Such steps naturally make planning, development and specialization more difficult, adversely affecting our efforts to improve quality and cost-effectiveness.

Demand for newly constructed housing remained strong during the year. Shortages of building materials and labor resulted in disturbingly high cost increases in 1988. To slow the pace of such increases and make residential construction profitable, Skanska devoted much effort to developing products and construction methods in this extensive sector, in which the Group has a large market share.

The new form of permanent employment for construction workers introduced toward the end of 1988 probably gives our company

President	Group Staff Units Economy • Finance • Public Relations • Internal Auditing Legal Affairs • Organizational and Personnel Development
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Business segments			
Swedish construction operations Southern regional district Southeastern regional district Gothenburg regional district Stockholm regional district Central Sweden regional distr. Norrland regional district Ohlsson & Skarne	Technology Technical divisions Skanska Konsulter Quality development Project development Computer development Datech Machinery and supply depot operations	Specialized companies Skanska Prefab Engdahl Stålteknik Stabilator Industriventilation Skanska Installation	Industrial companies Myresjö group SektionsByggarna Forestry companies Boxholms Såg

JM Byggnads och Fastighets AB as well as Selmer Sande Entreprenör a.s. are not included in the respective business segments. They operate as independent companies, and Skanska has representatives on their boards.

a competitive advantage. Skanska is represented in most local labor markets around Sweden and thus finds it easier than other companies to ensure a steady work load. But this presupposes longer planning times for all construction, as well as a deep commitment to dealing properly with the new situation. Otherwise there is a great danger of cost and price increases.

Technology and project development have become a separate business segment, in order to draw further attention to the importance of technological development.

We have successfully participated in devising a new computer-aided design (CAD) system for quantitation which may become the industry standard. Our own computer units, led by the special engineering company known as Datech, monitor developments in the industry while also pursuing their own projects, aimed primarily at more efficient construction.

Our involvement in various major international projects is also of value to our technological development. The participation of our various technology units in the hotel construction project in Vienna and in our large redevelopment venture in London are providing valuable experience, both for Skanska's future international projects and for our Swedish construction operations. We have also successfully participated in various architectural competitions – there are exciting ideas, not least, about the future of the area around our Malmö office.

A more down-to-earth development of considerable interest is the special project work we are pursuing in close cooperation with HSB, Sweden's largest cooperative housing organization, for the purpose of developing high-quality residential environments at reasonable costs.



Lars-Ove Håkansson, President and Group Chief Executive

Specialized companies related to construction operations are continuing to develop favorably. As a whole, this category of firms had a good year in 1988, with all major specialized companies reporting higher revenues and profitability. Skanska is interested in the continued development and expansion of specialized companies.

Skanska Installation, which was established on January 1, 1989 and where the Group's involvements in the electrical installation industry will be gathered, is a result of this strategy.

The Group's industrial companies, too, are showing strong growth. Much of our interest is focused on the Myresjö companies and their continued development. The Myresjö group reported a record-breaking year in 1988.

Swedish real estate operations

Real estate divisions in
— Stockholm
— Malmö
— Gothenburg
Development property division, Stockholm
Drott

International civil engineering operations

Skanska (USA)
Karl Koch Erecting Co

International building construction and real estate operations

C G Jensen
Skanska Baugesellschaft
Marion, Sepco

Financial operations

Skanska Kapitalförvaltning
Foreign-based finance company
Captive insurance company

During 1988, **Swedish real estate operations** included the completion of construction projects worth a total of nearly SEK 1 billion. Few projects were sold, while many new ones were started. Among the more interesting properties are the first links in the new chain of Eurostop highway service centers. They are being built in Jönköping, Halmstad, Arlanda and Örebro, and Skanska holds a 60 percent equity stake. The first units go into service during 1989.

Eurostop is one of several good examples of how we have expanded our business concept by utilizing our overall resources to assume a larger role and thus greater responsibility for new ventures. The number of projects – either for our own account or on behalf of clients – in which we participate from the idea and planning stages has gradually increased during the past few years.

Over the next few years, too, new projects worth in excess of SEK 1 billion annually will be added to our Swedish real estate operations.

During 1988, continued heavy demand for both commercial space and housing, combined with a good supply of market funding, again pushed up real estate prices by double-digit percentages. Prices rose faster than rents, which meant that direct return on capital employed declined further during the year. When a balance between supply and demand is achieved, rents will stabilize. This will lead to higher demands for direct return on investment and falling, or at least stagnating, property prices. At present, the trend of real estate prices is thus difficult to predict.

Skanska's international operations have been downsized in recent years – mainly due to lower demand, combined with a deterioration in the ability of many countries to pay for projects. This market situation has caused problems for many large international contractors.

During 1988 the big Kotmale hydroelectric power project in Sri Lanka was completed with good results.

Skanska's 50 percent stake in ABV Rock Group – which is negotiating for a strategic oil storage project in Saudi Arabia – was sold. The reason for the sale was that the overall set of risks surrounding the project became too extensive. The sale did not leave Skanska with rights to any assignments, but the Company can of course submit contracting bids for portions of the project.

Major new civil engineering projects are currently being studied in such countries as Zimbabwe and India, and Skanska has established cooperation with Swedish development aid authorities for this purpose.

In the real estate field, Skanska continued to add properties to its hotel holdings in West Germany and Austria. The Scandic

Crown Hotel in Vienna was completed, while two Skanska-owned hotels are under construction in West Germany. New projects are also being planned in Hamburg. Skanska's total property investments in West Germany are now approaching SEK 1 billion.

The big Trinity Tower project in London proceeded as planned. At the end of 1988, agreement was reached on the purchase of an additional centrally located lot – only 400 meters from the Bank of England and in the heart of the City, London's financial district. Here SEK 600 M will be invested in a new office building.

The current deregulation process in Europe and the imminent prospect of a more open European Community (EC) market has generated greater interest in West German real estate. From our established subsidiaries in Denmark, West Germany, France and Great Britain, we are closely monitoring these exciting developments.

The acquisition of 1/3 of the shares in Norway's leading construction company, Selmer-Sande Entreprenør a.s. means that in the future, Skanska will participate in the Norwegian market through its leading contractor, thereby gaining a good exchange of experience and new opportunities for joint international projects.

Financial operations. During 1988 the growth in the value of our stockholdings was very favorable, surpassing that of the Stockholm Stock Exchange's General Index. Our strategic stock portfolio provides the entire Group with a strong financial backbone.

We decided to establish our own captive insurance company, foreign-based finance company and internal bank in order to develop our financial operations further.

Skanska's strategy is to build up net asset value at a pace allowed by the trend of profitability. We are therefore now active in many fields, both in operating companies and in asset management companies. This has made the process of change which I mentioned at the beginning of my comments especially urgent. By means of concentration and specialization – but also cooperation between different operations – we see major opportunities for continued growth.

Nineteen eighty-nine has begun well – among other things with a mild winter that has helped keep our construction costs down. At the same time, we have well-filled order books and a smoothly functioning production organization, which means that 1989 should be another successful year for Skanska.



Lars-Ove Håkansson

Report of the Directors

The Board of Directors and the President of Skanska Aktiebolag herewith present their report on the Company's operations during 1988.

The economic situation

During 1988 the international economic expansion continued. In the Swedish economy, growth reached an estimated 2.1 percent, i.e. somewhat below its 1987 level. The rate of inflation rose, making Sweden less competitive than other industrialized countries. At year-end, the consumer price index in Sweden stood 5.9 percent higher than a year earlier.

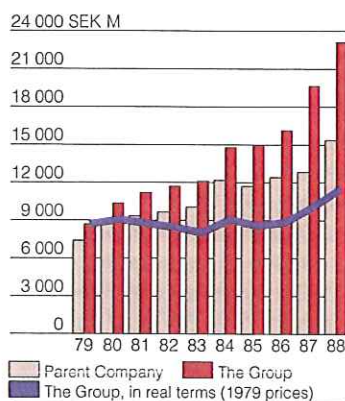
Investments in the form of new construction advanced by nearly 10 percent during 1988. Renovation work declined sharply, while repair and maintenance jobs showed a small increase. Production in the entire construction market therefore rose by a mere 3 percent. Residential construction enjoyed top priority, among other things resulting in a sharp increase in housing starts. According to preliminary figures, construction began

on 48,600 dwelling units – the highest such figure since 1980. The decline in public-sector construction slowed, while construction investments by the business sector showed a limited increase.

In international markets, price levels in most areas were still unsatisfactory for Swedish construction companies.

The Swedish money market and the relationship between the krona and other currencies continued to fluctuate dramatically during 1988. Short-term market interest rates exceeded the 11 percent level a few times during the second half of 1988, while long-term rates peaked during the first few weeks of the year. The official discount rate was changed once – in late April, when it was raised by one percentage point to 8.5 percent.

The Group: Revenues



Invoiced sales and earnings

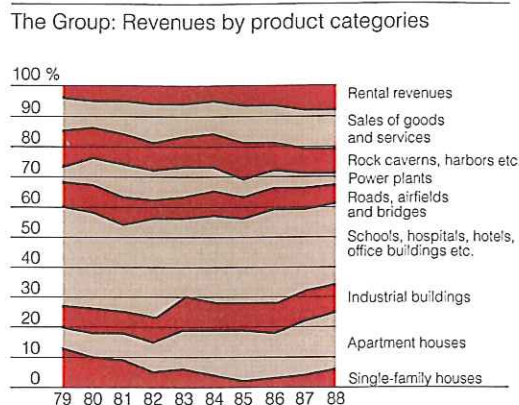
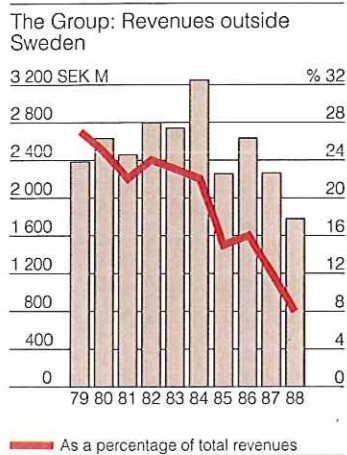
The Group. During 1988 the Skanska Group's consolidated invoiced sales, including all rental revenues but excluding real estate sales, amounted to SEK 23,090 M (19,631). On a current price basis, the increase was 18 percent. After adjusting for price changes, the rise was about 6 percent.

The Group's invoiced sales in the Swedish market rose sharply to SEK 21,312 M (17,369). Invoiced sales outside Sweden, in contrast, declined to SEK 1,778 M (2,262) and thus represented 8 percent (12) of consolidated invoicing. All these amounts include the shares of Group companies in construction operations that were carried out in consortia with outside firms.

The year's contracts credited to income totaled SEK 18,647 M (18,206). Invoicing on contracts credited to income fell to 87 percent (100) of invoiced sales during the year. As in prior years, the year's administrative expenses for construction operations were charged to income. The low level of contracts credited to income thus entails some degree of consolidation.

Income after depreciation on contracting operations etc. rose to SEK 820 M (524). Both the Parent Company and most major Group companies showed improvements in earnings. This trend was especially pronounced during the final four months of 1988. Comments on the Parent Company's earnings are provided in the next section.

Parent Company. The year's invoiced sales (including rental revenues) by the Parent Company and those subsidiaries which operated on a commission basis for the Parent Company amounted to SEK 15,345 M (12,826). In current prices, the increase thus amounted to nearly 20 percent. Invoiced sales in Sweden climbed to SEK 14,686 M (11,914), while sales outside Sweden dropped to SEK 659 M (912). The Company's share of revenues from building activities carried out in consortia with other construction companies accounted for SEK 1,478 M (1,431) of total invoiced sales. The Parent Company's purchases from other Group companies totaled SEK 406 M, while sales to



such companies reached SEK 897 M.

Operating income after depreciation climbed to SEK 583 M (334), even though invoicing for contracts credited to income fell to 87 percent (104). The Swedish market was characterized by continued good demand. Most contracting units surpassed the Company's target: earnings of 2 percent of incurred costs. On the whole, the profitability of operations outside Sweden was satisfactory, although some projects reported earnings that were too weak.

In current prices, order bookings from the Swedish market were about 24 percent higher than in 1987. International operations included only one major new assignment: an office construction project for Skanska's subsidiary Trinity Tower Property Co. Ltd. in London. At year-end 1988, the order backlog was higher than at the close of 1987, amounting to SEK 12.3 billion (9.0). Foreign orders accounted for 11 percent (9) of this.

JM Byggnads och Fastighets AB. At the beginning of 1988, Skanska owned shares in JM equivalent to 54.5 percent of voting power and 42.4 percent of capital stock. By purchasing all of Tidnings AB Marieberg's shares in JM – 165,000 Series A shares and 772,000 Series B shares – at the end of April Skanska's holding increased to 82.2 percent of voting power and 64.4 percent of capital stock.

As in 1987, the income statement and balance sheet of the JM group have been included in their entirety in the corresponding Skanska consolidated financial statements. The necessary adjustments for Skanska's period of ownership and proportion of JM's equity were made under the headings "Income before acquisition" and "Minority interest."

During 1988, JM's invoiced sales including rental revenues rose to SEK 3,222 M (2,668). Of this amount, the sale of investment properties accounted for SEK 67 M (229) and rental revenues for SEK 337 M (281). Invoicing for contracts credited to income rose to SEK 2,431 M (2,091).

The operating income of the JM group after depreciation but before financial items fell to SEK 148.0 M (244.2). The reason was that the gain on the sale of investment properties was a mere SEK 6.6 M (158.3). Income from contracting operations, on the other hand, increased to SEK 47.1 M (12.9), and property management earned the company SEK 101.4 M (80.7). Earnings from development properties totaled SEK -7.1 M (-7.7).

Other contracting companies. Outside revenues of this category of companies fell to SEK 1,879 M (2,148). Invoicing on contracts credited to income totaled 100 percent (94) of this amount. Operating income after depreciation declined to SEK 61 M (93). The main reason was that Sentab, Svenska Entreprenad AB – which invoiced a large job credited to income in 1987 – did not invoice any such jobs during 1988. The following paragraphs contain brief comments on some of the larger companies. A more detailed report can be found on pages 26, 28 and 29.

Revenues of Ohlsson & Skarne AB rose to SEK 866 M (825). The volume credited to income climbed to SEK 893 M (709). The company reported an operating income after depreciation of SEK 22.2 M (13.6). Skanska's Danish subsidiary C G Jensen A/S showed nearly unchanged revenues of SEK 579 M (576). Contracts credited to income rose to SEK 540 M (439). Operating income after depreciation improved to SEK 5.6 M (2.7).

The Industriventilation group's revenues rose to SEK 352 M (339), and operating income after depreciation was SEK 7.9 M (6.7). The sale of some industrial real estate also resulted in an extraordinary gain of SEK 12.4 M.

Industrial companies etc. Under this heading, Skanska reports the combined results from those companies that carried out operations outside the contracting and real estate fields. Invoiced sales of this category of firms rose to SEK 1,396 M (1,101). Operating income after depreciation was SEK 183 M (97).

The revenues of the Myresjö group climbed 28 percent to SEK 1,021 M (799). The group's operating income after depreciation also showed a sharp improvement, reaching SEK 111.3 M (74.2). Revenues of SektionsByggarna AB grew to SEK 140 M (126). Operating income after depreciation rose to SEK 15.8 M (10.8). Revenues of Boxholms Såg AB advanced to SEK 144 M (125). The profitability of the Swedish sawmill industry remained poor, contributing to Boxholm Såg's earnings of SEK -4.6 M (-9.9) after depreciation.

Förvaltnings AB Albus earned a net profit of SEK 9 M on its securities trading. Its operating income was SEK 39.2 M (0), however, because the rising stock market during 1988 enabled the company to recover the 1987 writedown on its inventory of listed shares.

Reports on some of the larger companies' operations can be found on pages 40-41.

Property management companies. As indicated in the section on "Capital expenditures" (page 9), during 1988 there was sizable growth in the Group's real estate holdings. This contributed to an 18 percent increase in rental revenues from the Group's investment properties to SEK 1,575 M (1,335). Operating income after depreciation and interest expenses on outside funds rose to SEK 427 M (411). Real estate tax was not charged to operating income, because it is reported among the item "Taxes" in the consolidated income statement. This amount was SEK 63 M (68). The tax is based on new, substantially higher assessed values. The effect of these higher assessed values is, however, largely offset by lower tax rates. Earnings from properties owned by partnerships and limited partnerships in which the Group's stake is 50 percent or less totaled SEK 13 M (7). Additional data on property management is provided on pages 34-37.

Sale of investment and development properties

During 1988 the sale of investment and development properties owned by the Group brought in SEK 599 M (638). Investment properties accounted for most of this, SEK 354 M (522), while the remainder consisted of undeveloped land and development properties.

Divestments in the United States, where both Skanska USA Inc. and Skandinavian Development Inc. sold a number of properties, accounted for nearly half the total amount of investment property sales. Of Swedish sales amounts, two thirds were commercial prop-

erties, while the remainder consisted of housing. The largest single items were an office building in Stockholm and an office and industrial property in Gothenburg. Major sales transactions also occurred in Helsingborg, Skara and Ystad.

The Group's investment properties are mainly owned by companies which are classified as operating companies from a tax standpoint. Income from sales of real estate is therefore usually taxed as operating earnings, rather than according to capital gains rules.

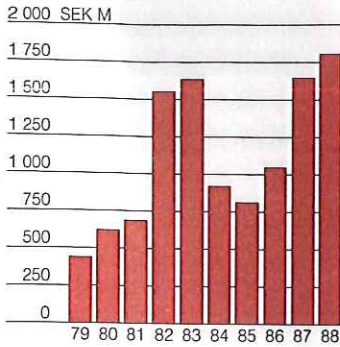
Financial items

The Group's financial assets are managed mainly by the Parent Company, whose surplus in net financial items increased to SEK 527 M (480). The Group's surplus in net financial items, however, decreased to SEK 403 M (439). The increase for the Parent Company was primarily due to higher dividends from subsidiaries. The Group's liquid assets and short-term investments fell sharply during the first quarter, due among other things to substantial investments in shares.

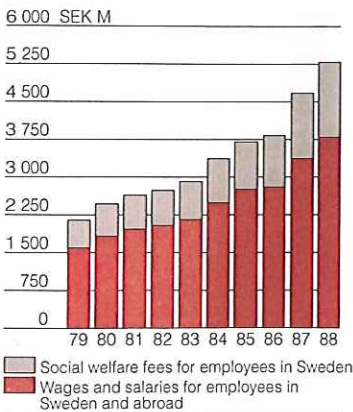
Not until December did the Group reach the liquidity level reflected in its balance sheet. Taken together, market interest rates were somewhat higher than during 1987.

The Group received dividends from non-Group companies totaling SEK 213 M (188). Of this amount, SEK 133 M (112) came from companies classified as long-term investments. In such cases, their dividends are exempt from taxation.

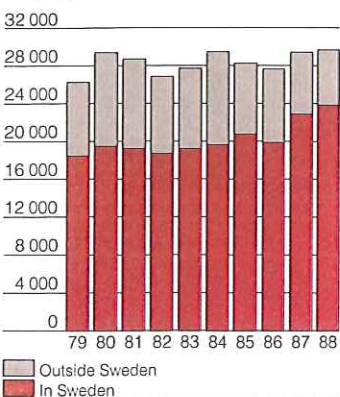
The Group: Income before allocations and taxes



The Group: Wages, salaries and social welfare fees



The Group: Number of employees



Extraordinary items

To a limited extent, purchases and sales of shares classified as fixed assets are a natural element of the Group's financial management. Gains or losses from the sale of such shares are nevertheless reported as extraordinary items.

The divestment of Skanska's shares in Fastighets AB Bohus resulted in a gain of SEK 41 M, while the sale of the Group's half-interest in the limited partnership ABV Rock Group KB accounted for SEK 62 M.

Income before allocations and taxes

Consolidated income before allocations and taxes rose to SEK 1,804 M (1,645).

Profitability

Visible pretax return on capital employed fell to 16.4 percent (20.8). Return on shareholders' equity after full taxes also deteriorated, amounting to 15.9 percent (20.5). The

increase in the market value of the Group's stock portfolio and real estate holdings was not included in these figures.

Personnel

Throughout 1988 a high level of employment prevailed in Swedish construction operations. There was a labor shortage in virtually all regions, resulting in continued high wage drift in the industry. Among construction workers, unemployment in all counties was lower at the end of 1988 than at year-end 1987, even though 1987 was a year of unusually heavy work loads.

The average number of employees in the Parent Company (including companies working on a commission basis for it) rose by 93 during 1988. In Sweden, the increase amounted to 826 people, while the number of employees abroad decreased by 733. In Swedish construction operations, the increase was mainly attributable to blue-collar workers, while the number of white-collar employees was largely unchanged. An account of the number of employees and the size of payrolls is provided on page 47, Note 1.

On October 1, 1988, a new job security agreement went into effect, under which construction workers joined other employee categories by being granted "employment until further notice" as their main form of employment. The transition to the new norm is occurring in stages, and at year-end 1988 the Parent Company had more than

6,000 blue-collar workers who were employed until further notice – an increase of about 3,000 since the preceding year-end. When this change in employment status is completely implemented, an estimated 3,000–4,000 additional workers will become regular employees of the Company. This change increases the need for more long-term personnel planning.

During 1988 Skanska began training programs for blue-collar workers funded from the Company's development reserve. This included courses in blueprint reading, concrete technology, mechanics and quality assurance. As in prior years, there were extensive internal training programs for white-collar employees, primarily intended for production technology personnel. During 1988 about 175 people participated in the Company's management development program.

In order to increase employee interest in Skanska's overall operations and generate a greater feeling of affinity with the Group by means of a long-term ownership commitment, at the end of 1988 the employees of the Skanska Group – except for JM – were offered the opportunity to subscribe for a convertible debenture loan. A similar loan was raised from JM employees. Both offers

received a good response. The first one enlisted the participation of 12,530 employees, the second one 1,698 employees. A more de-

tailed account is provided on page 11 under the heading "Convertible debenture loans issued by Skanska and JM."

Capital expenditures

Group companies. During 1988 Skanska signed a number of agreements on the purchase and sale of shares in operating companies.

Last year's Report of the Directors included an account of the agreement reached in March 1988 on acquisition of the newspaper company Tidnings AB Marieberg's entire shareholding in JM. After it was approved by an extra meeting of Skanska shareholders on April 26, 1988, the transaction was completed. In exchange for a total of 165,000 Series A shares and 772,000 Series B shares in JM, Marieberg received 400,000 Series A Skanska shares and SEK 465 M in cash.

During the fall, an agreement was reached with Granaten AB and Fastighets AB Bohus to acquire these companies' shares in Scandinavian Development Inc., a company whose dominant asset consists of a number of commercial properties in Seattle, Washington, U.S.A. Skanska's holding thereby increased from 27.5 percent to 87.5 percent of the capital stock in this company.

Among companies that were newly established during 1988 was SCEM Reinsurance S.A. in Luxembourg. This captive company will participate in the reinsuring of certain damage risks in the Group's contracting operations. Aside from the changes mentioned above, the Group acquired more than ten small operating companies. A corresponding number of companies was sold, in some cases after they had ceased operations.

The annual meeting of Skanska shareholders on June 1, 1988 dealt with a proposal from the Board of Directors to broaden the shareholder base of the wholly owned real estate subsidiary AB Drott. The annual meeting approved a new share issued targeted to the investment companies Protorp Förvaltning AB and Investment AB Öresund and to Skanska's wholly owned real estate subsidiary Fastighets AB Sulcus, as well as the subsequent issuance of a convertible debenture loan by Drott. The annual meeting nevertheless rejected the portion of the proposal by which employees of the Skanska Group would be allowed to take over all or part of

Skanska's priority right of subscription for the convertible debenture loan.

The new share issue and the raising of the convertible debenture loan were carried out late in 1988. The Skanska Group's equity stake in Drott thereby fell from 100 to 86 percent. The intention is to list the shares of Drott on the Stockholm Stock Exchange within a few years.

Investment and development properties. During 1988 buildings with a book value of SEK 1,140 M (755) were reported as new investment and development properties. Of these, SEK 938 M (673) were Swedish properties. More than 80 percent consisted of office and commercial space in the Stockholm region. Outside Sweden, a hotel property in Vienna, Austria, is worth mentioning. The year's major sales were commented upon earlier under the heading "Sale of investment and development properties."

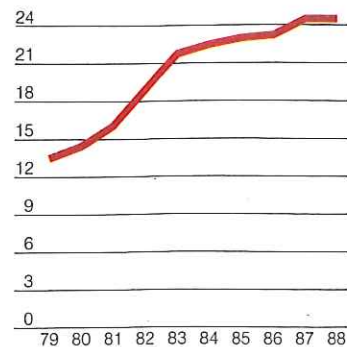
The year-end book value of all investment and development properties had climbed to SEK 10,605 M (8,366). Completed investment properties accounted for SEK 7,648 M (5,948) of this, development properties for SEK 1,069 M (1,030) and properties with construction in progress for SEK 1,888 M (1,388).

At the end of the year Skanska, in partnership with another company, acquired the building rights for a lot at the Monument underground station in London, England. Construction work can begin during 1990 at the earliest.

Shares and participations. The Group's portfolio of shares and participations, which have been classified as long-term in character and have therefore been booked as fixed assets, changed in a number of respects during 1988. Purchases – including participation in new issues – amounted to SEK 821 M (402), while sales were a mere SEK 133 M (842). The book value of shares sold amounted to SEK 27 M (437).

In monetary terms, the largest purchase consisted of 900,000 shares in Investment AB

The Group: Equity/assets ratio, %



Cardo. Skanska bought nearly a million additional Series A shares in AB Custos, bringing its stake up to about 27 percent of voting power in this investment company.

By purchasing 302,550 shares in Geveko AB, Skanska became one of the largest owners of this Gothenburg-based company specializing in road and transportation-related technology. Otherwise Skanska purchased additional shares in such companies as Active i Malmö AB, Protorp Förvaltnings AB and Investment AB Öresund.

Among unlisted securities purchased were an additional 80,000 shares in the industrial engineering company Calor-Celsius AB and participations in two limited partnerships – KB Metro-Flyg and Mega-Carrier KB – each the owner of a jumbo jet aircraft. These planes have been leased out to commercial airlines.

Listed shares sold included all shares in the real estate company Fastighets AB Bohus and a small block of shares in AB Piren – both real estate companies. Other divestments included Skanska's participations in ABV Rock Group KB.

Förvaltnings AB Albus carries out share trading as a business, and its securities holdings were thus reported as current assets. In keeping with the lower value principle, these securities were booked at SEK 145 M at the beginning of 1988 and SEK 139 M at year-end. The year's results were mentioned under "Industrial companies etc." on page 6.

The Group's total portfolio of listed securities had a year-end book value of SEK 3,815 M (3,276). At the same time, its market value amounted to SEK 11,783 M (6,967). By April 14, 1989 the difference between the securities portfolio's book value and market value had risen to SEK 8,451 M. Skanska's shareholding in its subsidiary JM and in Graninge-verkens AB, a forest product and hydroelectric power company, were not included in these amounts.

Early in 1989 Skanska carried out some large share transactions. These included ac-

quiring one third of all the shares in Norway's largest contracting company, Selmer-Sande Entreprenør a.s. The rest of the shares remain in the hands of the seller, Selmer-Sande a.s. In addition, Skanska sold all its shares in Calor-Celsius AB to Celsius Industrier AB.

In December 1988 an agreement was signed with AB Custos, under which Custos received an option to acquire all of Skanska's shares in AB Opus in February 1989. Custos exercised this option at the end of February. These shares had been owned by Skanska since the fall of 1974, when Opus began operations as a holding company. The divestment will result in an extraordinary gain of SEK 770 M during 1989.

Machinery and equipment. The Group's purchases of machinery and equipment for use in its operations increased to SEK 442 M (410). The Parent Company accounted for SEK 279 M (275) of this. During 1988, machinery and equipment with a book value of SEK 67 M (42) were sold.

Fixed-asset properties. Real estate used or intended for use in a company's operations is booked as fixed-asset properties. Most of these consist of office buildings and industrial properties. In the 1988 balance sheet, such properties are booked at a residual value of 682 M (735). Depreciation during the year totaled SEK 33 M (29). At the close of 1988 there were also properties under construction booked at SEK 18 M (7).

During 1988 the Group's fixed-asset properties increased by SEK 37 M as the result of new construction and real estate purchases. Among these investments were additional industrial buildings for the Myresjö group and Boxholms Såg AB.

During the year fixed-asset properties with a book value of SEK 13 M (25) were sold. Finally, real estate with a book value of SEK 47 M was reclassified as investment and development properties.

Changes in the Parent Company's Board and organization

At the 1988 annual meeting of shareholders, Lena Ekman resigned from the Board. As a result, the number of regular Board members elected by the annual meeting dropped to eight.

Göran Lidström, who was appointed President of AB Drott during 1988, stepped down from his position as Executive Vice President

of Skanska in connection with the annual meeting.

Effective from January 1, 1989, a number of organizational changes were carried out. Per Westlund, formerly manager of the Gothenburg regional district, was appointed to a newly established position as Senior Vice President in charge of the business segment

known as Swedish construction operations. His successor in the Gothenburg post is Christer Wannheden. Bert Lilja, formerly manager of the Stockholm regional district, was appointed the new Senior Vice President for technology. Göran Larsson, former manager of the Central Sweden regional district, was appointed to head the Stockholm dis-

trict. Lennart Daleke, formerly manager of the Norrland regional district, was appointed to head the Central Sweden district. Gillis Wiklund became the new manager of the Norrland regional district. Lennart Hallberg assumed a newly established position as Senior Vice President for public relations.

Shareholders' equity

According to the consolidated balance sheet, the Group's unrestricted equity amounts to SEK 2,682 M, of which SEK 769 M is attributable to 1988 operations. Proposed appropriations to restricted equity total SEK 3 M.

As mentioned earlier, in March 1988 an agreement was reached on acquisition of Tidnings AB Marieberg's entire shareholding in JM. Payment would be made partly in cash and partly in the form of 400,000 Series A shares in Skanska, which would constitute a

special issue of new shares. The subscription price of these new shares was set at SEK 340 each. An extra meeting of shareholders on April 26, 1988 approved the proposal presented to it. The share issue increased the shareholders' equity of Skanska by SEK 4,000,000 to SEK 629,615,850, while SEK 132,000,000 was added to the legal reserve. The total number of shares in Skanska following the issue is 62,961,585.

Convertible debenture loans issued by Skanska and JM

Another extra meeting of shareholders in Skanska was held on November 28, 1988. It dealt with a proposal by the Board regarding the issuance of convertible debentures, to be subscribed for by employees of the Skanska Group. This loan would not exceed SEK 846,000,000, equivalent to 1,800,000 shares at a conversion price of SEK 470 apiece.

The subscription period expired on December 23, 1988, and payments for subscribed and distributed debentures occurred on February 17, 1989. The offer was accepted by a total of 12,530 employees, or 57 percent of those eligible to subscribe. The heavy interest in the loan made it necessary to reduce the subscribed amounts somewhat; the maximum subscription amount was lowered from SEK 94,000 to SEK 79,900.

As a result, the loan amounted to SEK 844,679,300, equivalent to 1,797,190 shares after full conversion. Conversion may occur during the period February 18, 1991 – February 15, 1994, when debentures may be exchanged for new Series B shares. These new Series B shares will be equivalent to 2.8 percent of capital stock and 1.7 percent of voting power after the conversion.

Employees of the JM group were not included in the offer. A similar convertible loan was issued at the same time by JM, however. The offer was accepted by 54 percent of those who were eligible to subscribe. The loan amount was SEK 132.6 M. A more detailed account of this loan issue can be found in JM's own Report of the Directors.

Forecast

Although some signs of a slowdown can be observed, the good construction market in Sweden will probably continue during 1989. At the same time, no major improvement in the international market can be anticipated.

Given this background, income from both construction and industrial operations will probably be on an unchanged scale. Earnings from property management are expected to be better than during 1988. Provided

that interest levels are unchanged, the Group's net financial income is also believed likely to improve.

Under the above-mentioned conditions, consolidated income before extraordinary items will probably not be below SEK 1,800 M. The sale of Skanska's shares in Opus will result in an additional extraordinary gain of SEK 770 M.

Heads of Group Staff and Group Management units



Gunnar Carleson, Senior Vice President
Economy and Finance



Håkan Carlsson, Senior Vice President
Legal Affairs



Curt Hunhammar, Senior Vice President
(† April 10, 1989)
Quality Development



Lennart Hallberg, Senior Vice President
Public Relations, from January 1, 1989



Olle Lindberg, Senior Vice President
Personnel



Göran Lidström, Senior Vice President



Lennart Larsson, Senior Vice President
Responsible for industrial companies and
Skanska (USA) Inc.

Swedish construction operations

Effective in 1989 the six Swedish regional districts and the subsidiary Ohlsson & Skarne are grouped together in the business segment known as Swedish construction operations. In cooperation with the Technology business segment, they will coordinate and support the continued growth of these operations.



Per Westlund, Manager

Skanska's operations in the Swedish contracting market represent the dominant part of its total production. In 1988 invoiced sales for Swedish construction operations amounted to SEK 14,815 M, or more than 60 percent of Group invoicing. The bulk of employees also work in this business segment. The average number of employees during the year was 15,508.

Skanska's position as the country's leading company in the construction industry was strengthened during the year. The Company easily defended its market share, which is about 20 percent of the available volume of construction work.

Because of its strongly decentralized organization, Skanska functions as a local construction company in all parts of Sweden. There are permanent offices in more than 80 cities and towns, and daily operations take place at more than 3,000 work sites.

By combining this operative independence with the economies of scale offered by a large company, Skanska's competitiveness is strengthened throughout Sweden. In order to make even better use of these advantages and offer the market Skanska's collective expertise, Swedish construction operations are being gathered into this new business segment.

The Swedish construction operations business segment

The main task of the business segment is to back up local construction and ensure that opportunities for coordination are utilized. This has included establishing separate staff units for purchasing, marketing, personnel and training.

To make the construction process more efficient, there is an increasing emphasis on early involvement in projects, with Skanska working together with the client to devise the most suitable package. This takes proper advantage of Skanska's broad experience from similar projects.

Other steps for making the production process more efficient are to continue raising the degree of prefabrication and to make greater use of the Group's own specialized companies and other resources. To lower the costs of housing construction, for instance, Skanska is pursuing a number of projects that aim at creating new standardized packages based on modern CAD technology.

The volume of Swedish housing construction has again risen and today Skanska is clearly the leading residential construction

company. Of all dwelling units completed in Sweden during 1988, Skanska's share amounted to 23.8 percent.

Skanska's extensive road, ground works and civil engineering work accounted for some 18 percent of the segment's revenues. A strategically important effort to develop the Group's own rock and gravel pits, crushers, asphalt plants and concrete mixing plants is being pursued systematically.

The profitability of the business segment was about 4 percent of incurred expenses. This is a minimum if the Company is to maintain and develop its expertise.

New form of employment for construction workers

Effective from October 1, 1988, new rules on "employment until further notice" apply to construction workers. This new form of employment gives workers better opportunities for further training within the Company, greater participation in quality-raising programs and long-term personnel development. But the new situation also makes heavier demands on the Company's ability to plan production. Likewise, customers must realize the need for more long-term contracting arrangements and sufficient advance planning, so that permanently employed construction workers can be given a uniform work load. This is necessary in order to avoid unnecessarily high construction costs.

Training

During 1988 more than 200 people participated in Skanska's development program for young economists and engineers and in the various stages of management training. These programs occupy a central role in Skanska's efforts to enhance employee skills, and Group Management accords them high priority.

Quality assurance

Quality assurance work is well-established and is being systematically pursued to ensure that it reaches all employees.

The future

The good market situation, with high capacity utilization of the Company's resources, will persist. Continued good order bookings, a well-trimmed production apparatus and a strong organization provide the foundation for a continued positive trend during 1989.

Southern regional district

The construction market in southern Sweden was characterized by continued strong demand in 1988. The structure of the market is unchanged, with small and medium-sized projects predominating. The volume of residential construction remained sizable.



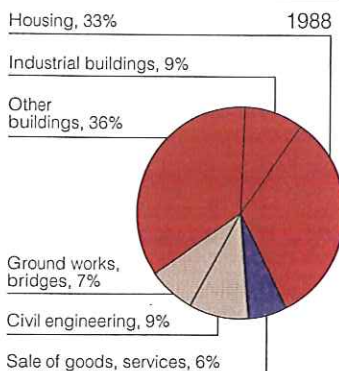
Sven-Eric Hersvall, Senior Vice President. Regional Manager

Regional office, Malmö



Sek M	1988	1987
Revenues	2,067	1,762
Order bookings	1,489	1,647
Order backlog, Dec. 31	1,130	1,300
Employees	2,682	2,756

Revenues by production segments



Although demand was concentrated in cities and major towns, tendencies toward a shortage of resources affected the entire regional district. Troublesome wage drift and cost increases were the result. Toward the end of the year, some slowdown was noticeable. The market appears to be entering a calmer phase.

Continued efficiency-raising efforts have brought additional reductions in personnel, especially in administrative departments.

Effective from January 1, 1989, housing and road construction operations in Halland province (except for Kungsbacka, which belongs to the Gothenburg regional district) were shifted to the southern regional district. From the same date, Stenbergs Elektriska AB in Malmö became part of a newly established subsidiary, Skanska Installation AB, Danderyd.

Housing construction again accounted for a substantial percentage of overall volume during 1988. The difficulty of achieving the cost level that public lending agencies have accepted for government loans has become increasingly clear, however. Together with the new restrictions on renovation and other construction, this will require close attention and adaptability.

The expansion of the Ideon research park near the University of Lund is continuing. Other assignments received by the Lund building construction division included an extension of the Wallenberg Laboratory at the university and additional residential projects for the Lund municipal real estate company.

The Malmö building construction division's new assignments include the construction of a Catholic church. The Kristianstad building construction division moved into its own well-adapted, comfortable premises in the city block known as Jepp Buck, which were renovated for Skanska's own account. Among major projects underway is one in Simrishamn worth about SEK 100 M which includes housing and a library.

The road and civil engineering divisions performed well in the market, increasing their revenues. Among interesting assignments was the installation of a new concrete pavement on the main runway of Malmö-Sturup Airport, with the Swedish Civil Aviation Administration as the client. To avoid disrupting air traffic, shift and night work was required. The plants that delivered the paving material were also subject to heavy demands.

A project of an entirely different character and size, but with its own special qualities, was the Arild golf course.

The Southern regional district's subsidiaries remained at the fore, and like the district as a whole they had a large volume of work. Some subsidiaries greatly increased their revenues.

In addition to higher volume for its traditional products – stone, gravel and finished concrete – during 1988 Skanska Makadam in Åstorp developed and began marketing a new type of macadam.

Skanska Komponent in Eslöv, whose products include building elements, operated at maximum capacity. Much of its production consisted of prefabricated office, school and day care center pavilions, which were marketed in close cooperation with the subsidiary Saxtorps Trading.

In-service training and personnel development will continue to enjoy high priority. As a result of their new form of employment, skilled workers will also undergo a training program tailored to their needs.

Quality control and working environment programs will continue during 1989. The objective is to create a broad quality-consciousness in all fields and positions.



The Caroli City shopping mall in downtown Malmö received a face-lift, and parts of the older residential units in the same block were transformed into the SAS Royal Hotel. Skanska completed the renovation, planning included, in only one year. Caroli City is one of Drott's real estate holdings.

The Arild golf course on the Kullen peninsula north of Helsingborg is one of many golf courses built by Skanska. It has both an 18-hole course and a 9-hole short course, and it went into service during the summer of 1988.

On the east bank of the Helgeån river in Kristianstad, Skanska has built site-cast terrace houses with a total of 83 apartments for the eastern Skåne province district of HSB in the form of a design-construct contract under HSB's supervision. Residents moved in during 1988.



Southeastern regional district

During 1988 the operations of the Southeastern regional district were characterized by a very strong construction market. This meant larger revenues, improved profitability and sharply higher order bookings. Available capacity was fully utilized.



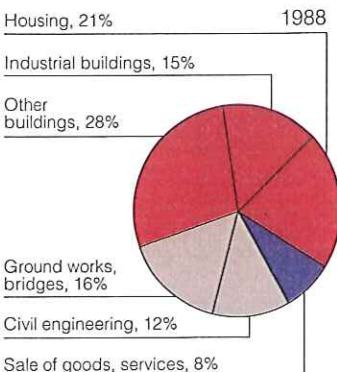
Tommy Sernelin, Senior Vice President. Regional Manager

Regional office, Växjö



SEK M	1988	1987
Revenues	1,881	1,429
Order bookings	1,943	1,424
Order backlog, Dec. 31	1,270	830
Employees	2,359	2,017

Revenues by production segments



Continued organizational restructuring and efforts at production and personnel development increased the strength of the regional district. Aside from a number of new contract managers, new specialist positions were established for handling the early stages of projects and to achieve more long-term planning of operations.

Effective in 1989, district boundaries were changed in such a way that Östergötland province joined the Southeastern regional district and Halland province (except the municipality of Kungsbacka) was shifted to the Southern regional district.

Order bookings rose sharply during 1988 as earlier, and the district defended its market share well. A number of large assignments were obtained, but the numerous small jobs predominate.

Among major projects is Västra klinikerna in Jönköping, a surplus hospital bought from the county council. Skanska will renovate parts of it and construct new housing, at a total cost of about SEK 350 M. Other projects include roughly SEK 30 M worth of commercial and residential buildings for retailer Ica Eol in Karlshamn, a similar project costing about SEK 50 M in Växjö and Eurostop highway service centers in Jönköping and Halmstad at a total cost of about SEK 200 M.

Production resources were fully utilized. A labor shortage limited the district's ability to accept new assignments.

Projects completed during 1988 included one stage of the hospital expansion in Växjö, an extension at the Volvo plant in Olofström, a terminal building for the Swedish Civil Aviation Administration at Visby Airport and a number of residential developments distributed around the region.

The Road and Civil Engineering divisions increased their revenues by about 25 percent. Paving jobs and ground installations comprise about 2/3 of their operations. The 1988 season was the first for the new re-

mixing equipment for asphalt pavements. The old pavement is milled off, recovered and used in the new pavement, all as part of a continuous process. Experience of the equipment is good, especially with regard to the quality of the new pavement.

During 1988 the district worked as part of a consortium constructing the Långås-Tvååker freeway segment in Halland province.

Upgrading of rock crushing and asphalt production continued as planned. The Räfte asphalt plant was ready for the start of the season and worked satisfactorily. Work is underway to ensure long-term gravel and rock supplies.

The quality assurance program that began in 1987 continued on a broad front during 1988. By early 1989 everyone – white-collar employees, foremen and blue-collar workers – had undergone quality assurance training according to the special program devised by the district, which will set the standard for the entire Skanska Group.

The district stands well-equipped for the future. A strong market position, a well-adapted organization and skilled, committed personnel are among its strengths.



Skanska is the first company in Sweden that **repairs worn roadways** using the remixing method. The damaged road surface receives a uniform, durable new pavement employing the old pavement as a raw material. In this photo, a stretch of the E4 European highway south of Jönköping is being repaired.

One interesting assignment was a **new office building north of Vimmerby for Gullringshus**, a maker of prefabricated wooden houses. A negotiated design-construct contract gave Skanska free hands to create a building that would remain modern in the year 2000. It rests on piles. Above ground, these turn into columns, which add an extra refinement to the architectural design.



Skanska has had continuous assignments at the **Växjö central hospital** since 1962. The most extensive job, and the county government's largest construction project to date, was a medicine and surgery wing totaling 30,000 sq m (320,000 sq ft) that went into service in May 1988.



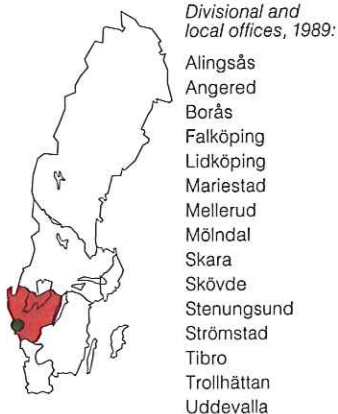
Gothenburg regional district

The good market resulted in high capacity utilization and improved profitability. Housing construction increased strongly. Order bookings by the road and civil engineering divisions were heavy.



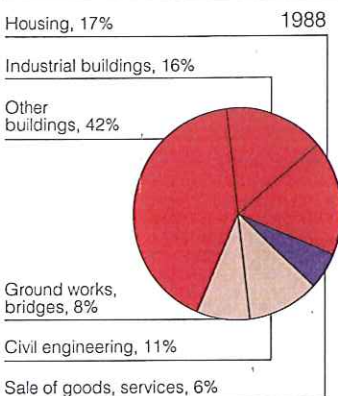
Christer Wannheden, Senior Vice President. Regional Manager since January 1, 1989, succeeding Per Westlund

Regional office, Gothenburg



SEK M	1988	1987
Revenues	2,680	2,277
Order bookings	2,784	2,246
Order backlog, Dec. 31	2,250	1,500
Employees	2,965	3,098

Revenues by production segments



During much of 1988 the construction market was overheated, resulting in wage drift. Toward the end of the year, enough of a slowdown was perceptible that balance may be said to prevail.

In housing construction, during 1988 the regional district started 1,098 housing units and completed 685. They included single-family developments in Alingsås, Landvetter and Stenungsund and apartment houses in Strömstad and Skövde. The district began two projects near Kungälv involving mixed housing types.

A number of renovation projects were completed during the year. The drastic change in lending terms for residential renovation will mean that plans for projects such as the upgrading of 4,300 Göteborgshem apartments, which Skanska recently purchased from the Gothenburg municipal housing company, must be revised.

Skanska continuously builds large and small commercial centers and office buildings throughout the region. The Gothenburg regional district constructs restaurants and hotels throughout Sweden for the rapidly expanding Rasta chain.

Noteworthy office projects in Gothenburg are Citadellet, Tornen and the ICA conference center. Other interesting projects are a hotel in Ulricehamn, a commercial center in Munkedal for Skanska's own account, a reconstruction of the Dafgård food processing plant in Lidköping and continued work at the Sommarland theme park in Skara.

IBM's new offices at Lilla Bommen in downtown Gothenburg boast numerous installations and advanced technology. Skanska's own building at Lilla Bommen has reached full height, and interior work has begun. By using its own design office and its own units specializing in façades and roofs, frames, beams, ventilation, ground and foundation work, Skanska has demonstrated the breadth of expertise available within the Group.

As earlier, the largest industrial construction project during 1988 was Volvo's new auto assembly plant at Uddevalla, north of Gothenburg.

Numerous large and small road projects were completed, including the Östra Leden highway segment in Skövde and traffic inter-

changes in Alingsås. Groundbreaking for the segment of the E6 European highway from Stora Höga to Ljungskile was greatly delayed, but the road is still expected to be completed by the fall of 1991.

The district's fleet of machinery worked intensively at such sites as the airfield in Skövde and in the many rock pits at its macadam factories and asphalt plants.

Because of the National Road Administration's efforts to prevent continued wear and tear on highways, the Gothenburg road division had an intensive asphalt-paving season. It is doing continuous development work at its own asphalt plants and at its laboratory in Angered.

The district approved construction of a new dry mortar factory that will serve the growing market for this new type of mortar.

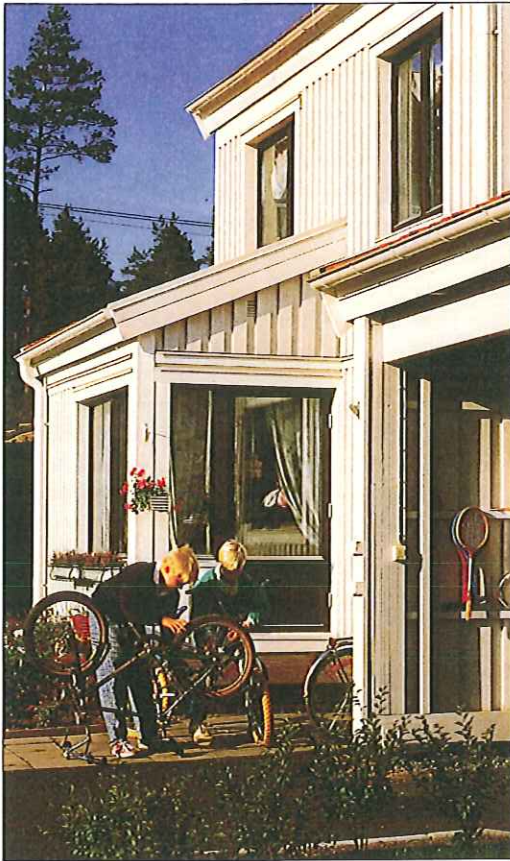
The district's successful and growing unit handling garden and landscaping work established the subsidiary TMM, Trädgård & Markmiljö AB, with operations in western Sweden.

The Gothenburg civil engineering division performed dredging, piledriving and sheeting jobs and a number of gas pipeline projects in and around Gothenburg. Construction began on the big steel bridge over the Ödsmålsdalen ravine on the E6 highway. In addition, very interesting development work on reinforcing and repairing concrete bridge pillars took place in Stenungsund.

Skanska in western Sweden very systematically concentrates on carrying out projects together with the client from an early stage. One result of this emphasis on early planning is that a number of residential projects were completed at costs adapted to existing lending terms. The task of developing quality assurance procedures suitable to the construction industry continued.

The construction market in western Sweden is still characterized by some shortages of resources. No slowdown is discernible in the road-building sector or in new housing construction. The forecasts are more uncertain, however, for commercial and industrial construction.

The district has a good order backlog and a good reserve of projects. For example it has land for constructing its own projects in Kungälv and Mölnådal.



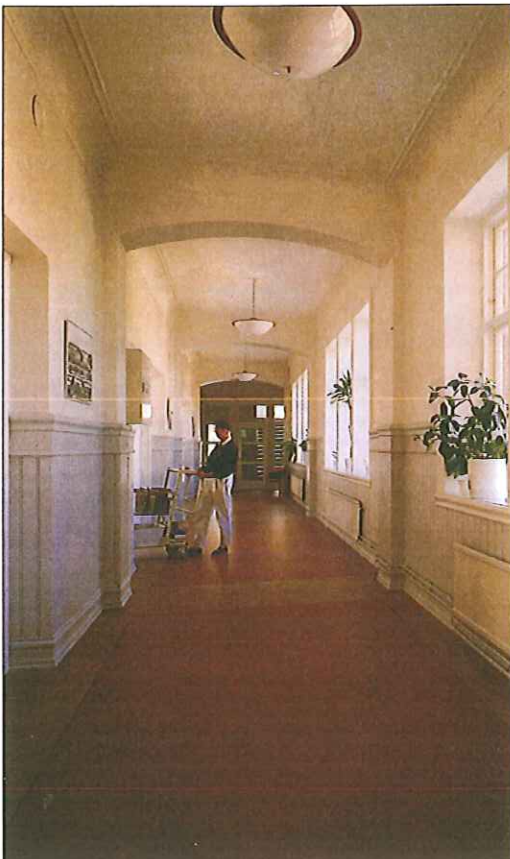
Skanska built 74 freestanding single-family homes in Landvetter for the Östergård cooperative housing association. The development features four different types of houses, with 112–127 sq m (1,200–1,370 sq ft) of living space plus storage areas and a carport. A neighborhood center, playgrounds etc. are also under construction in the area.

The Hotell Plaza in downtown Borås was built by Skanska in consortium with another construction company. The project, which also included offices, was completed on a design-construct basis.

A school for deaf-mutes dating from the late 19th century was transformed into new **offices for the Vänersborg branch of HSB**, and what used to be the catering area now houses the office and workshop of a municipal housing foundation. Skanska painstakingly renovated this building, a listed historical landmark, on a design-construct basis.

In 1988 the district's largest industrial construction project was again **Volvo's new auto assembly plant in Uddevalla**, which is now largely completed. Here Skanska has placed its construction know-how at the disposal of Volvo for cost and construction management, as well as procurement and coordination of the whole project. There was an extensive quality assurance program.

The Östra Leden highway in Skövde was opened for traffic by municipal commissioner Sven Westerberg. The main roadway is 3.5 km (2.2 mi) long and has four large bridges and two small ones. Skanska's contract also included building 3.5 km of pedestrian and bicycle paths.



Stockholm regional district

The Stockholm market is dynamic, with some tendencies toward overheating. Cost increases during the year were troublesome, yet wage drift in the region was lower than in the rest of Sweden.



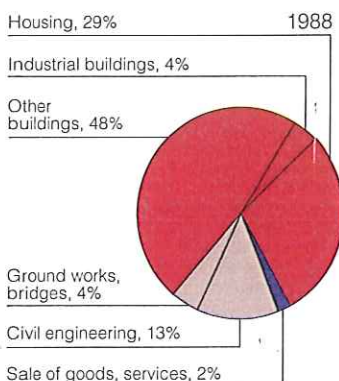
Göran Larsson, Senior Vice President. Regional Manager since January 1, 1989, succeeding Bert Lilja. His deputy is Per-Gunnar Svensson.

Regional office, Stockholm/Danderyd



SEK M	1988	1987
Revenues	3,002	2,564
Order bookings	3,397	2,702
Order backlog, Dec. 31	2,960	2,450
Employees	2,696	2,647

Revenues by production segments



The official restrictions on construction in force since the fall of 1986 will be an inhibiting factor in the district's operations during the foreseeable future. The purpose of these regulations – to generate a rapid increase in housing construction – is far from being realized, primarily due to poor planning capability and growing bureaucracy. The district handles a very large percentage of the residential construction in the region, however.

The regional district's territory covers the City and surrounding County of Stockholm but encompasses all of Sweden in the field of underground energy storage projects.

In the housing sector there are many new construction projects underway, such as the Södra Station and Svärdet redevelopment projects in Södermalm (Stockholm's South Side), Rissne in Sundbyberg, Oxhagen in Haninge, Rotsunda in Sollentuna and Härsta Backe in Järfälla.

In partnership with JM, Skanska is continuing to renovate Brandbergen in Haninge. This is the largest of current efforts in Sweden to upgrade neighborhoods built during the government's "million dwelling" program of 1965–1975.

An essential part of the district's operations is construction and renovation of office and commercial space for many different clients and for Skanska's own account.

Such projects as converting Berns salonger, Centralbadet, the Carlton building, Sturegallerian and other downtown Stockholm landmark buildings for new purposes have received much media attention. Among new construction tasks outside the city center are a printing plant for the newspapers Aftonbladet and Svenska Dagbladet in Kista, offices and a computer center for the inter-bank clearing service Bankgirocentralen, an energy and real estate center in Skrubba, the Forum Nacka shopping mall complex and the Novum biotechnology research center at Huddinge University Hospital.

The building trade magazine Byggindustrin included two of the Stockholm regional district's projects among its "1988 construction jobs of the year": a residential development in Nockeby for the local cooperative housing association SKB and the Styckjunkaren office building in Solna for Skanska's own account.

Road and civil engineering work has increased in recent years, and Skanska is participating in such infrastructure projects as the Klarastrand and Norra länken highways, the Stocksund Bridge, the expansion of Stockholm-Arlanda International Airport, railroad bridges at Tomtebodan and the upgrading of the aging Roslagsbanan commuter railroad. Energy-related projects include the Värtan coal-fired electricity and district heating plant in Stockholm harbor, liquefied petroleum gas storage facilities in Karlshamn (southeastern Sweden) and the conversion of rock caverns in Oxelösund south of Stockholm from oil to hot water storage.

Many interesting future-oriented projects are still under development. Some examples are the Österleden ring road/tunnel, two east-west streetcar lines that would link existing rail routes at points both north and south of downtown Stockholm, and the Barkarbystaden residential/workplace development on the site of a former military airfield. Meanwhile such other visions as the Arlanda-stad airport commercial center (including a Eurostop highway service center), recently began to become realities.

During 1988 quality control programs continued on a broad front. The further refinement of computerized construction management systems, CAD technology and installation techniques, as well as continued personnel development programs – including the use of funds from the Company's development reserve – enjoy high priority.



In Nockeby, Skanska built **apartment houses totaling 140** units on the shore of Lake Mälaren on a design-construct basis under the client's supervision. The end result is an attractive residential area where the new buildings blend smoothly into an older neighborhood of single-family homes. All the apartments have a large, glass-enclosed balcony with a view of the lake. Skanska's good working relationship with the co-op housing association SKB resulted in a directly negotiated contract to build an additional residential development.

In competition with eight contractors, Skanska was assigned the task of building a **new Stocksund Bridge north of Stockholm**, in keeping with its own proposal. Price and technology were the decisive factors. The bridge will be made of concrete and will have a 122 m (400 ft) span. It will be ready for regular traffic in August 1990.

Skanska was the contractor responsible for planning and constructing the **Forum Nacka shopping mall complex** and also participated in related city planning tasks. The mall, which was inaugurated in March 1989, has a 120 m (nearly 400 ft) glassed-in galleria, more than 50 shops as well as restaurants and cafés. The complex also includes a 16-story office building, which will be completed at the end of the year. Forum Nacka is owned in equal shares by Skanska and HSB.



Central Sweden regional district

Order bookings within the district were very good and its market position became stronger in all counties during 1988. More than half the order backlog consists of design-construct contracts, where cooperation agreements with clients were signed at an early stage of the projects.



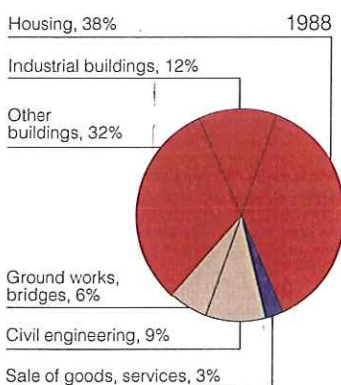
Lennart Daleke, Senior Vice President. Regional Manager since January 1, 1989, succeeding Göran Larsson.

Regional office:
Stockholm/Danderyd



SEK M	1988	1987
Revenues	2,706	2,048
Order bookings	3,279	2,304
Order backlog, Dec. 31	2,470	1,370
Employees	2,658	2,415

Revenues by production segments



Operations have been consolidated and show improved profitability.

Effective on January 1, 1989, Skanska's hydroelectric power plant division joined the Central Sweden regional district, while Östergötland County became part of the South-eastern district.

A restructuring of operations, with a shift toward signing design-construct contracts in the early stages of planning, have enabled the district to prepare and plan its projects better before construction begins.

Many skilled workers in central Sweden are still employed in the country's major metropolitan areas. The resulting labor shortage in the district caused troublesome wage drift during 1988.

Housing construction increased in the region during the year. The district began construction of 120 cooperative apartments in Falun and some 60 units in Hallsberg on a design-construct basis for HSB. In cooperation with HSB, it is building 80 apartments that will be completed in time for the housing exhibition that will take place in Västerås during 1990 – the same year that the city celebrates its 1000th anniversary.

In Alunda, municipality of Östhammar, 125 single-family homes are being built for a cooperative association. On the old T1 military base site in Linköping, ground was broken during the fall of 1988 for the first 140-apartment expansion stage of Stångåstaden. Skanska also received a contract from the nationwide cooperative housing organization Riksbyggen to renovate approximately 230 apartments in Karlstad.

Among other buildings constructed

were one to house Paper Machine 11 at Stora's Kvarnsveden paper mill, a postal terminal in Norrköping and a conference facility and distribution center in Västerås totaling about 50,000 sq m (540,000 sq ft) for the large convenience goods retailer ICA Hakon. A warehouse and distribution facilities totaling about 30,000 sq m (320,000 sq ft) were built in Hallsberg for Ahlsell, a building materials company.

Fyrishov in Uppsala shows the results when Skanska upgrades and extends an existing sports center and swimming pool facility after participating in the project from the idea stage onward.

The district is constructing two large buildings in Bålsta: a conference hotel in Aronsborg and a new office building for the municipality of Håbo.

Among interesting jobs involving the preservation of old culture and traditions is the restoration of two spas, Medevi Brunn in Östergötland County and Loka Brunn in Örebro County.

The Central Sweden road division had another good year. The largest-ever influx of orders meant that the division began about 400 new jobs. As usual, they were highly varied.

Projects included the rebuilding of a blast furnace for the steel company SSAB in Oxelösund, a new water treatment plant in Skoghall for the forest product company Stora and the construction of a new recreation center in Branäs in northern Värmland province.

The road division's participation in the Stenhagen housing development in Uppsala from the city planning stages is an interesting new form of cooperation that saves time in planning and implementing a residential project.

The division is continuing its efforts to manufacture concrete at its own plants. New plants are being built in Borlänge and Märsta.

There is large-scale production of gravel and asphalt. A new, highly mobile asphalt plant was purchased.

The organizational structure of the district was further adapted to the market conditions prevailing in the region during 1988. Effective on January 1, 1989, the local office in Eskilstuna is part of the Södermanland County building construction division, which has its office in Nyköping. A number of young foremen were appointed during the year, all of them after having completed an advanced training and management development program. Quality-consciousness during the construction process is firmly rooted in all divisions.



At Stora's Skoghall mill, Skanska is erecting a **sedimentation basin and aerated pond** for purifying waste water from this forest product plant. The job requires 90,000 cubic meters of dredging, 13,000 cu m of rock blasting and 20,000 cu m of excavation.

These cooperative apartments that Skanska built on a design-construct basis for Riksbyggen in Nyköping blend well into their surroundings. Skanska's construction system was specially developed with the addition of new housing in existing neighborhoods in mind. Flexibility and far-reaching prefabrication make it possible to build with ample variations and short production series in a brief period.

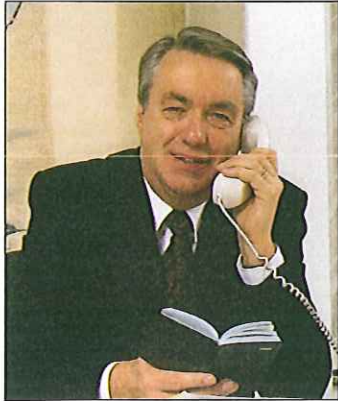
Skanska was given the task of building **new offices for Riksbanken**, Sweden's central bank, in no fewer than four cities at the same time. The office building in Linköping has nearly 5,000 sq m (50,000 sq ft) of space and was part of a coordinated general contract.

The upper secondary school in Gimo was planned and built in close cooperation among the municipality of Östhammar, the architect and Skanska. This glass-enclosed main corridor connects the buildings in the first stage of expansion, including facilities for vocational and adult education programs, a technology center, a dining room, a library, student lounges etc.



Norrland regional district

The construction market in Norrland was very lively during 1988. In places there was overheating, with rapid wage drift as a consequence. An increasing share of the district's projects are built for Skanska's own account or on a design-construct basis.



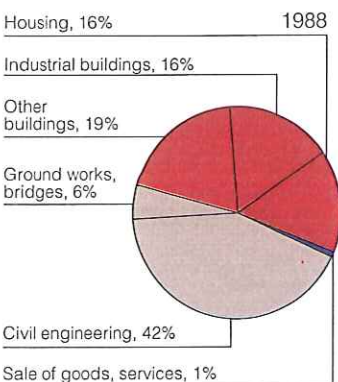
Gillis Wiklund, Senior Vice President. Regional Manager since January 1, 1989, succeeding Lennart Daleke.

Regional office, Sundsvall



SËK M	1988	1987
Revenues	1,614	1,294
Order bookings	1,810	1,434
Order backlog, Dec. 31	710	760
Employees	1,955	1,644

Revenues by production segments



During 1988, construction and renovation of housing was at a high level. Municipal investments in schools, sports facilities etc. rose, offsetting lower activity in industrial construction. The volume of road and civil engineering work was largely unchanged.

The construction market in Norrland is expected to remain favorable during 1989, although some signs of a slowdown are beginning to appear. Certain large projects are entering the market during the spring of 1989.

Projects for Skanska's own account and design-construct contracts represented a larger percentage of the Norrland district's work load. Major projects in various stages of conceptual development are Storsjö Strand – a lakeshore area in Östersund – the Torsvik area of Härnösand and the South Harbor project in Luleå. These may result in investment decisions during 1989.

Revenues rose by 25 percent during 1988. A contributing factor was the strong housing construction market, including completion of a large number of projects – both new construction and renovation. Current renovation projects include the 397 Hantverkbacken apartments in Sandviken, 187 apartments in Härnösand and 83 in Luleå.

Toward the end of 1988, orders were signed for both new construction and renovation work in Gävle, Sandviken, Sundsvall, Sollefteå, Skellefteå and Boden.

In the industrial sector, where capital spending was relatively light during the year, the district built a fork-lift repair shop at MoDo's forest product plant in Husum and automotive facilities for Ivars Bil, a car dealership in Sundsvall.

Among projects for municipal governments completed or started during 1988 were sports centers in Bergvik and Dorotea, indoor ice rinks in Örnsköldsvik and a tennis hall in Luleå. School buildings were started in Östersund, Bispgården, Sollefteå and Husum.

Tourism-related projects in Åre continued during 1988, with Skanska responsible for an extension to the Sunwing Hotel and expansion of the Åre-Björnen and Tegefjäll facilities. A new phase in Skanska's "Middle-of-Åre" project began, with cooperative housing units to be offered for sale.

Other building construction projects included an administration building for the Esrange satellite tracking station in Kiruna, groundbreaking for new Swedish Telecom offices in Sundsvall and the expansion of the Högbo Bruk conference center in Sandviken, where Skanska has become a part-owner.

Road and civil engineering operations included a wide variety of assignments, as in prior years – from small ground works and civil engineering tasks to major paving jobs and civil engineering projects.

Examples are a salmon fishing camp at Älvkarleby, the extension of a golf course in Gävle, wharf repairs in Söderhamn, a new railroad bridge on the Ånge-Sundsvall line, the Haraberg Bridge in Sundsvall (built on a consortium basis), a number of large and small assignments for Sweden's Fortifications Administration and a district heating center for the Sollefteå municipal energy department, which was completed during the year.

As part of Parliament's recent bridge construction package, designed to bring the highway network's carrying capacity up to prevailing European standards, Skanska is building a number of bridges that are successively being turned over to the National Road Administration.

The Hydroelectric power division, which works throughout Sweden but was transferred to the Central Sweden regional district on January 1, 1989, had a good influx of orders during 1988. These included a power plant in Norrköping for newsprint manufacturer Holmens Bruk, renovation and extension of the Forshuvud and Bullerforsen power stations on the Dalälven River, the Klingerforsen power station for Båkab and the Krakerud power plant for Uddeholms Kraft.

Together with other continuing projects such as the Storsjö Tunnel, the Stennäs power plant and the iron mine tunneling project at Vitåfors, the division has a good work load.



Skanska has worked together with the forest product company MoDo without interruption for 50 years. Most recently, Skanska constructed a building for the **trimming saw at the Domsjö Såg sawmill**. This building, about 2,000 sq m (21,000 sq ft) in size, was a directly negotiated building contract on a cost plus basis.

The Moröbacke Centrum housing development in Skellefteå is being built for Riksbyggen, a cooperative housing organization. Skanska is building the 121 apartments that make up the first phase. In the second, 55-apartment phase it is also responsible for planning. The whole development will be completed in the spring of 1990.



Stennäs, in Fredrika, is **the last of four power plants along the Gideälven** river that Skanska has built for Gide Kraft AB over a six-year period. The dam and spillway were completed in November 1988. The power plant will go into service in the summer of 1989.



Ohlsson & Skarne specializes in the construction of buildings, with Greater Stockholm as its market. Residential construction still dominates its work, but other types of buildings represent a sizable proportion of it.



Per-Arne Lindqvist, President

SEK M	1988	1987
Revenues	866	825
Order bookings	421	902
Employees	809	790

Examples of residential projects that have attracted widespread attention are Jarlaberg in Nacka, Agnesberg in Solna and Södra Station in Stockholm.

The transformation and expansion of Solna Centrum and the construction of the Scandic Crown Hotel – with its panoramic view of central Stockholm from a new platform built above a highway – are other projects that have awakened an interest both in the building trade and among the general public.

The technique of building with prefabricated concrete elements, which is one of the company's specialties, has developed continuously. Today the company produces flexible designs with a high degree of effectiveness in terms of construction and cost – designs that both fulfill the requirements of modern construction and develop it further.

Element technology also permits architecturally advanced designs, such as the unusual concrete façade architecture by Spain's Ricardo Bofill seen in the Södra Station project.

Product development occurs within the subsidiary Systembetong, which also plans, designs, manufactures and installs concrete elements and frames both on behalf of its parent company and outside clients.

Development, training and future-oriented ventures characterize the work of the company's headquarters. An extensive development project is underway in the CAD field, aimed at integrating the work of producing blueprints for submitting contract tenders, for buildings and for elements. The purpose is to provide faster and more exact bids, while facilitating final planning, follow-up and supervision.

The subsidiary Elektra Motor is Ohlsson & Skarne's supply organization. Elektra Motor also includes units that provide elevator and ventilation service, primarily for outside clients and property owners.

The order situation is satisfactory, and 1989 revenues are expected to be on the same scale as in 1988.

The first phase of the new Solna Centrum indoor mall was completed in time for the 1988 Christmas shopping season. In close cooperation with the client, Fastighetsbolaget Piren, Ohlsson & Skarne was responsible for transforming a worn-out, wind-swept shopping center into a top-flight commercial facility. The project included adding a glass superstructure, extending and renovating the entire center and erecting a nine-story office building. Adapting to the existing buildings, with their older design, was complicated from the standpoint of construction technology. In the second phase, some 100 apartments are being constructed.



Establishing Technology as a separate business segment gives Skanska major opportunities for vigorously pursuing and developing new techniques, applying the lessons of its experience, and rapidly and continuously disseminating knowledge to projects in the field.



Bert Lilja, Senior Vice President, Manager for Technology since January 1, 1989.

Extensive technological know-how is, and has always been, an essential factor behind the success of Skanska. Since January 1, 1989, technological issues have been coordinated by a separate Technology business segment.

The development of marketing and technology in close collaboration with the Swedish construction operations business segment is aimed at increasing the competitiveness and profitability of local production divisions.

The new business segment coordinates the operations of Skanska Konsulter AB in Malmö and the technical divisions in Stockholm and Gothenburg. Each of these units has a great deal of collective technological know-how, with the very latest specialist knowledge and expertise in different parts of the building process – knowledge that the Group's local construction divisions cannot maintain in-house but can obtain access to here, as needed.

Technological development takes place primarily as part of daily operations, often through collaboration between construction and technical divisions.

Computer development is also under the purview of the Technology business segment. Computer technology is constantly and rapidly changing, and Skanska is participating actively in this work on a number of fronts.

Skanska's investment in a common computerized construction management system, which began in 1985, is now beginning to yield results. Skanska supplied the ideas and decided on the design of the program, while the actual development work, as well as support and service, were delegated to its subsidiary Datech.

This new "Construction Program" makes possible a more efficient and continuous follow-up of the entire building process, from tender estimates to production budget and cost follow-up to post-completion calculations. The system is based on the concept of decentralized computer power and was therefore developed for personal computers. In spite of this, the Construction Program is a pivotal element of Skanska's information systems.

Datech, which was established in 1984, is an engineer-intensive company whose business concept is to facilitate and improve the

efficiency of engineering work with the aid of computer technology.

CAD-CAM (computer-aided design and manufacturing) technology is developed and applied in many parts of the Skanska Group, for example by the Myresjö group and Skanska Prefab.

CAD technology is being further developed in cooperation among Skanska's technical divisions and is currently being used in a number of concrete projects. For example, CAD is used for the illustrations included in bids, for advanced ground planning with the aid of terrain models and construction documents, making it possible to perform automatic calculations for cost accounting, planning and purchases.

Specialization and development work takes place within various product areas. No fewer than 18 areas are currently being reviewed, including Housing, Energy Installations and Shopping Centers. A specialist is responsible for each product area.

Development work is also done in the form of various conceptual projects. In residential construction, Skanska has a nationwide cooperation project with HSB, Sweden's largest cooperative housing organization. Over a five-year period, Skanska and HSB will jointly construct about 3,000 apartments throughout Sweden. This project also provides the basis for joint development of housing construction projects.

The Technology business segment is also functionally responsible for **machinery and supply operations.** The Skanska Group has an extensive, modern fleet of machinery including both large and small construction equipment, as well as on-site buildings and sheds. Considerable capital is tied up in these operations, which take place from a number of storage depots and workshops around the country. The main purpose is to contribute to efficient construction and strengthen the competitiveness of Skanska's contracting operations.

Specialized companies

Skanska's specialized companies had a good year in 1988, with higher revenues and good profitability. Continued expansion and development of companies in these niche operations are of strategic importance to the Group.



Bertil Kjellin, President

Skanska Prefab

Skanska Prefab is one of Sweden's leading manufacturers of prefabricated concrete products. With its well-developed marketing organization and production at 16 factories throughout Sweden, Skanska Prefab operates nationwide. Its market share varies between 20-35 percent, depending on the product category.

For ground installations, the company manufactures piping for fresh and waste water lines, paving stones and blocks, as well as tunnels, supporting walls and electric power and pumping stations. Major deliveries during 1988 included paving stones for Karlstad's main square and for Skanska's new office complex at Lilla Bommen in Gothenburg, transformer stations for Asea Brown Boveri and high-pressure water lines for the Lövhöjden and Älviken power plants.

Prefab's product range for building construction includes beams, columns, wall elements, cellular floors, stairways, garbage chutes and roofing tiles. Among major deliveries were those to the forest product company Södra Skogsägarna in Mörrum, the OKAB hotel in Edsbyn, the postal terminal in



Paving stones at Lomma Centrum outside Malmö. Concrete paving stones in various designs and colors are one of Skanska Prefab's products.

	1988	1987
Revenues, SEK M*	840	747
Employees	1,081	1,053

* Including intra-Group sales

Norrköping, the Saab prototype factory in Trollhättan, the Novum biotechnology center in Huddinge, the ICA convenience goods distribution center in Växjö and a bridge at the Seitevare power plant.

In recent years the company has developed favorably. The good construction market will probably result in continued high capacity utilization.



Björn Emt, President

Stabilator

Stabilator is a typical subcontractor which performs a special task or supplies a particular portion of a construction project. Its business concept is to be a leader in the specialized work it offers to clients.

Stabilator's fields of operations are foundation and reinforcement engineering, reinforcement of earth and rock tunnels, concrete rehabilitation and piping renovation. Through its subsidiaries Hålmeter AB, Svenska Rivteknik AB and Internordisk Spännarmering AB, it drills holes, performs demolition and renovation jobs and does prestressing. Stabilator also manufactures concrete piles, pile fittings and special machinery at its own factories and workshops.

Stabilator's clients are building contractors, property owners, power and mining companies, local and national government agencies and industrial firms.

During 1988 the volume of work in Sweden increased, compared with 1987.

International operations have declined and now represent 10 percent of revenues. A large foreign contract for concrete rehabil-



Underground reinforcement is one of Stabilator's specialties. At the Hylte power plant, subterranean tunnels were reinforced with shotcreting and grouting.

itation was received at the end of 1988, however.

Stabilator is increasing its commitment to technology and marketing in 1989 by appointing a technical manager. The company has good growth potential in the market during 1989 and onward.

	1988	1987
Revenues, SEK M*	450	366
Employees	744	499

* Including intra-Group sales



Per Wickman, President

	1988	1987
Revenues, SEK M	352	339
Employees	401	367

Industriventilation

IV – Industriventilation – develops, produces, delivers and maintains systems designed to give real estate owners and tenants a good indoor climate in an optimal fashion.

IV has offices in 25 locations around Sweden and has a well-developed organization for contracting, product sales and after-sales service. In Växjö and Kalmar it does its own manufacturing of products and systems.

IV had an eventful year in 1988. One of the largest orders ever to the subsidiary IV Produkt AB was for the air handling units atop Skanska's Trinity Tower office buildings in London. The order, worth about SEK 14 M, calls for delivery around the end of 1989.

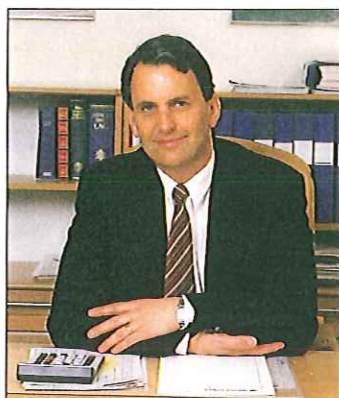
To ensure that it will have modern and suitable production facilities, IV is investing in new industrial premises in the vicinity of its existing production plant in Växjö.

During 1989 IV expects a heavy work load, while continuing to invest in such areas as



IV was responsible for supplying the ventilation system at the Mobilia department store in Malmö.

information, training and development. Other high-priority areas are efforts to improve quality assurance and material administration throughout the organization.



Leif Stridh, President

	1988	1987
Revenues, SEK M	221	121
Employees	175	168

Engdahl Stålteknik

Engdahl Stålteknik is a company that specializes in steel-frame buildings and whose goal is to supply complete building parts on a design-construct basis, including related planning. The company manufactures and installs frames, façades and roofs, mainly for office and industrial buildings.

Engdahl Stålteknik is rapidly expanding, and during 1988 it nearly doubled its revenues. Its offices and workshops are located in Kalmar and Malmö.

To be able to offer client-adapted, complete structures, the company has its own planning resources. A well-established quality assurance system controls all activities from cost accounting to completion. As one step toward greater standardization and prefabrication, the company invested in a computer-controlled cutting and drilling unit for steel beams.

Engdahl Stålteknik works primarily in Sweden's major metropolitan areas and at large industrial establishments, but also abroad.



Engdahl Stålteknik delivered a complete steel frame and a glass and aluminum façade for the Lilla Bommen project in Gothenburg.

Examples of projects carried out during 1988 are a complete factory hall for Nyge-Haglund in Nyköping with a floor area of 12,000 sq m (129,000 sq ft) and complete glass installations for the Stockholm Globe Arena project.

The market for steel frames and façades has developed favorably in recent years, and future prospects are considered good.



Stig Lewenhagen, President

Skanska Installation

To develop the Skanska Group's expertise and resources in the electrical installation field, effective from January 1, 1989 those installation units that were previously part of different regional districts – Stenbergs El i Stockholm AB, Stenbergs Elektriska AB, Malmö, and the electricity division of Gråbo Bygg AB – were brought together into one company, Skanska Installation AB.

The strategy of the company is to increase the Group's share of the total installation

market by means of growth and acquisitions. Operations take place through companies working on a commission basis, performing traditional installations but also able to offer operative services both within the overall construction market and industry.

The company will further develop its servicing know-how in order to increase sales to real estate companies, public agencies and industry.

Skanska's international operations

Skanska's international operations include civil engineering projects throughout the world, building construction and real estate activities mainly in Europe, plus operations in the United States.

SEK M	1988	1987
Revenues	1,717	2,171
Employees	5,761	6,440

Certain Swedish subsidiaries of Skanska carry out their own international operations on a small scale. These are not included in this presentation.

The market situation outside Europe is still difficult, with a low supply of work and stiff competition. Skanska is focusing its efforts on markets where it has previous experience.

In this tough market situation, the help of Swedish authorities in obtaining subsidized financing as part of the government export

credit and export guarantee systems is often of decisive importance in landing an assignment.

The emergence of an economically more integrated European Community – targeted for 1992 – will affect our operations. Skanska is carefully monitoring these developments.

Civil engineering



Civil engineering.

Manager: Lars Wiklander, Stockholm, Senior Vice President.
Marketing: Olle Bännmark, Senior Vice President.
Production development and special projects: Axel Samuelsson, Senior Vice President.

International civil engineering operations are run from Stockholm and involve projects throughout the world. About a dozen projects are currently underway, and most of them will be successfully completed during 1989–90.

During 1988 a few small projects were added to the order backlog.

The organization is built around project exports from Sweden, a permanent presence in Hong Kong, niche operations in specialized fields and major projects where our collective financial strength and technological expertise make us competitive.

Our projects in Hong Kong and Kenya, as well as the Saucelle power plant in Spain and the Kalutara Bridge in Sri Lanka, are proceeding as planned. The Mrica hydroelectric power project in Indonesia is being completed according to plans during 1989.

The Carhuaquero power plant in Peru, in contrast, is suffering from a limited supply of financing and is currently proceeding at minimum speed. The Fortuna dam project in Panama was completely on hold at year-end due to the political crisis in that country, but it is expected to resume during 1989.

During 1988 there were negotiations with Indian authorities on the Uri hydroelectric power project in Kashmir, where a consorti-

um headed by Skanska is offering to assume responsibility for a turnkey contract – which is unique in this type of major project.

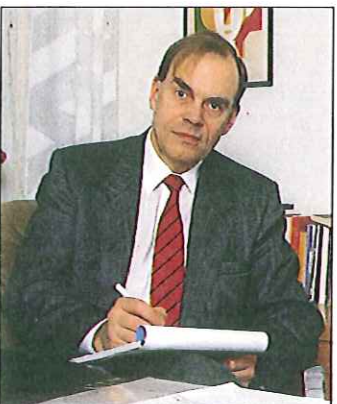
Negotiations are also underway on some projects in Africa and a hydroelectric power project in Colombia.

Internationally as well as in Sweden, there is a trend toward design-construct assignments combined with financing and early involvement in projects. Another trend is toward specialized operations on a small scale using advanced technology, such as raise boring, or construction management.

The difficult economic situation prevailing outside the industrialized countries in recent years is likely to improve during the 1990s, with increasing investments as a result. Some improvement is already discernible in southern Africa. The number of EC-financed projects is increasing at the same time, however, and for Skanska they entail a limitation on the number of available projects.

By concentrating on the right projects and offering suitable financing packages, advanced technology and management skills, however, Skanska's future prospects in international civil engineering can be regarded as somewhat more favorable than during the past few years.

Building construction



Building construction.

Manager: Mats Dahlbom, Malmö, Senior Vice President.
Skanska Baugesellschaft mbH, Hamburg: Manfred Viering, President.
Marion SA/Seppo SA, Paris: Göran Wallberg, President.

During 1988 the International operations unit in Malmö was narrowed to encompass primarily building construction. This means that the industrialized countries, mainly in Europe, will be an attractive market.

Marketing activities in Eastern Europe were resumed.

While narrowing its focus toward the construction of buildings – especially hotels, tourist facilities and hospitals – Malmö-based international specialists are concentrating

their efforts on design-construct contracts, where Skanska participates in financing packages or where Skanska's technological and project management know-how are properly used. Downsizing of operations is continuing.

During the fall of 1988, construction work on two large hospitals in Saudi Arabia was completed. They are being built and equipped on a package basis.



The large, technically demanding dam and hydroelectric power plant project in Mrica on the main Indonesian island of Java went into service in March 1989. Skanska was the coordinator and sponsor of the project, which was carried out in consortium with ABB Generation and a British construction company.

In Western Europe, the International real estate unit built **several hotels for Skanska's own account**, with Skanska Baugesellschaft as construction manager and the Scandic hotel chain assuming responsibility for operating the hotels. One project was in Vienna, where Skanska renovated an old granary located on the Danube into a first-class conference and tourist hotel. Skanska was also responsible for the design and planning, in cooperation with Austrian architects.

Near Alicante on Spain's Mediterranean coast, Skanska is building the Gran Vista single-family home development, with its nearly 500 terrace houses. Here Spanish and Swedish architects worked together to create homes that combine Spanish traditions with high Swedish standards.



In Tanzania, Skanska and C G Jensen have worked continuously since the Kidatu hydroelectric power project in 1971-75. Today the harbor area in Dar es Salaam is being upgraded. The work is being done in cooperation with C G Jensen and in consortium with Norwegian construction companies. Skanska is responsible for the project.



In the Gran Vista single-family home development on Spain's Costa Blanca, seven of nine phases have been completed. During 1988 Skanska took over sales of these houses to Swedish customers. New projects of a similar nature are in the pipeline.

Skanska's part of the big telecommunications cable network project in Nigeria, together with Sweden's Ericsson Group, was largely completed during the year.

Since 1984 Skanska has been constructing buildings in Botswana. Additional orders were received in 1988.

Skanska began establishing a presence in Beijing, China, for the construction of a Scandinavian Airlines (SAS) hotel there. Formal permission to begin work is expected during the spring of 1989.

Skanska Baugesellschaft, Hamburg, works together with the International real estate unit on a continuous basis.

The company also carries out design-construct assignments in the civil engineering and building construction sectors for outside clients. One example of such projects is a Scandic Crown Hotel in Dortmund for Scandilease, a subsidiary of Skandinaviska Enskilda Banken.

In 1988 Skanska Bau reported revenues of DEM 6.3 M (11.5), including intra-Group sales.

Marion SA and Sepco SA, Paris, have France and Francophone Africa as their market. In 1988 these companies' revenues totaled FRF 79 M (104).

Marion performs building construction and civil engineering jobs. Sepco, a slipforming specialist, participated as a subcontractor in the construction of numerous grain elevators, water towers, caissons, bridge columns, elevator and stairway shafts, television towers etc.

C G Jensen A/S Lennart Pajner, President

C G Jensen, Copenhagen, is Skanska's largest foreign subsidiary, with 1988 revenues of DKK 660 M.

The company has a broad range of operations in its Danish domestic market, including autonomous Greenland. One interesting current assignment is the first contracting job for the Great Belt bridge/tunnel, which includes the western bridge abutment and

its 2 million cubic meters of landfill.

Operations in Greenland are currently dominated by an oil-fired power project.

C G Jensen has been active in export markets since 1973, with Tanzania as the focus of these operations. It has carried out numerous projects of various kinds – irrigation systems for rice and sugar plantations, a sugar processing plant etc.

Skanska (USA) Inc. Lennart Larsson, President

Skanska (USA) is based in Greenwich, Connecticut. The company's fields of operations are property management, construction management and underground construction, primarily on the Eastern Seaboard. Revenues were USD 4.9 M (14.9) in 1988.

The associated company Karl Koch Erecting Co., based in New Jersey, which mainly works with bridge repairs in the New York

metropolitan area, had a successful year. Its revenues were USD 42 M (40).

During 1988 Skanska bought additional shares in Skandinavian Development Inc., bringing its holding up to 87.5 percent. The company owns and manages a hotel and three office buildings in Seattle. Its rental revenues in April-December 1988 amounted to USD 6.1 M.

Real estate operations

Swedish government rules for real estate ownership abroad have gradually been liberalized, so that nowadays it is possible for Swedish companies to create foreign properties for their own account – the requirement that they be sold after completion no longer exists. Trading in foreign real estate is also permitted.

The opportunities that arise as a result are attractive to Skanska. The Company's business concept in this area is to utilize Skanska's collective resources to create properties that have a market value higher than the production cost. Markets that show growth and stability are therefore of interest.

Skanska's International real estate unit has built up substantial market knowledge in London, Frankfurt, Hamburg, Copenhagen and Brussels and intends to become familiar with additional major European cities in the future. Properties of interest are office buildings, hotels, shops/shopping centers, high-tech business parks and high-value apartment buildings/single-family homes. Both new construction and renovation properties are considered suitable.

With Skanska's subsidiary Skanska Bauge-sellschaft mbH in Hamburg as construction manager, the International real estate unit has built a number of hotels for its own account, with Sweden's Scandic hotel chain as the operator. The hotels in Koblenz, West Germany, and in Vienna, Austria, are in op-

eration. A 200-room hotel in Ettlingen, near Karlsruhe, West Germany, will be completed in May 1989 and a 250-room hotel in Bremen will be finished during the fall of 1990.

During 1988 planning was underway for a residential, office and commercial project in downtown Hamburg. Construction is expected to begin during the summer of 1989.

Skanska is negotiating the purchase of sites for projects in several major West German cities and in Copenhagen, Denmark.

In London, construction began on Skanska's big office project near the Tower. Work is proceeding as planned. The office portion will be completed in 1990 and the project as a whole in 1991. After submitting tenders, many of Skanska's subsidiaries were engaged as subcontractors and suppliers: Engdahl Stålteknik for steel frames and façades, Industriventilation for rooftop air handling units, Skanska Konsulter for planning and SektionsByggarna for on-site office structures.

Late in December, Skanska signed an agreement to purchase building rights to a lot on top of the Monument underground station in the City of London, with a leasehold of 150 years. Here Skanska will construct an office building of about 8,000 sq m (over 85,000 sq ft) with an estimated market value of GBP 60 M.



Real estate operations
Manager: Walter Bengtsson, Malmö,
Senior Vice President.

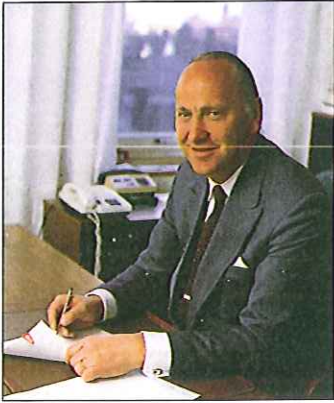


In 1988 the Group was active in nearly 30 countries and territories outside Sweden. Foreign revenues totaled SEK 1,778 M.

Country or territory	Revenues SEK M
Austria	4
Belgium	2
Botswana	19
China	20
Colombia	5
Denmark	443
Finland	18
France	78
Great Britain	12
Greenland	39
Hong Kong	97
Indonesia	16
Iran	2
Kenya	48
Lesotho	11
Libya	4
Netherlands	23
Nigeria	48
Norway	200
Panama	19
Peru	78
Portugal	5
Saudi Arabia	187
Spain	114
Sri Lanka	77
Tanzania	131
United States	68
West Germany	10

Skanska Fastigheter, real estate operations

Skanska Fastigheter manages one of Sweden's largest private real estate holdings. In 1988 Skanska completed nearly SEK 1 billion worth of properties for its own account, and properties with an estimated acquisition price of SEK 3.3 billion were under construction.



Manager: Bo G Boestad, Senior Vice President

Skanska carries out real estate operations both in Sweden and abroad. Skanska Fastigheter is responsible for the bulk of Swedish operations through a number of subsidiaries – including Fastighets AB Sulcus, Fastighets AB Betongblandaren, AB Mälarhus and Fastighets AB Vellonia – which are administered by three regional divisions and by the development property division in Stockholm.

In addition, property management is carried out by AB Drott (see page 36), by JM (see pages 38–39 and JM's own annual report) and by SektionsByggarna. Property management operations abroad are presented on page 33.

Skanska Fastigheter's business concept will continue to be the build-up of net asset value in its companies through the purchase of well-located properties for new construction and rental. The collective resources of the Skanska Group are utilized to accomplish this. Nearly 90 percent of existing real estate holdings were built by Skanska.

Skanska Fastigheter's task is to develop properties both technically and commercially throughout Sweden, with an emphasis on major metropolitan areas, where the bulk of its properties are located. More than 55 percent of rental revenues are collected in Greater Stockholm.

The occupancy rate in its finished properties is about 99 percent.

During 1988 the value of real estate in Sweden rose sharply.

Changes in real estate holdings

Properties worth SEK 733 M were completed during the year, and properties with an estimated acquisition price of SEK 3,300 M were under construction.

During 1988 Skanska's purchases included a stake in an obsolete hospital in Jönköping (50 percent) and in sites and buildings in Nacka, Borås, Linköping, Malmö and Helsingborg. Purchases of properties and of real estate participations totaled SEK 713 M.

Properties that were sold in 1988 included one with the designation Drevern 1 in Stockholm and another called Biskopen 67 in Skara. Real estate sales totaled SEK 267 M.

The Group: Real estate operations in figures

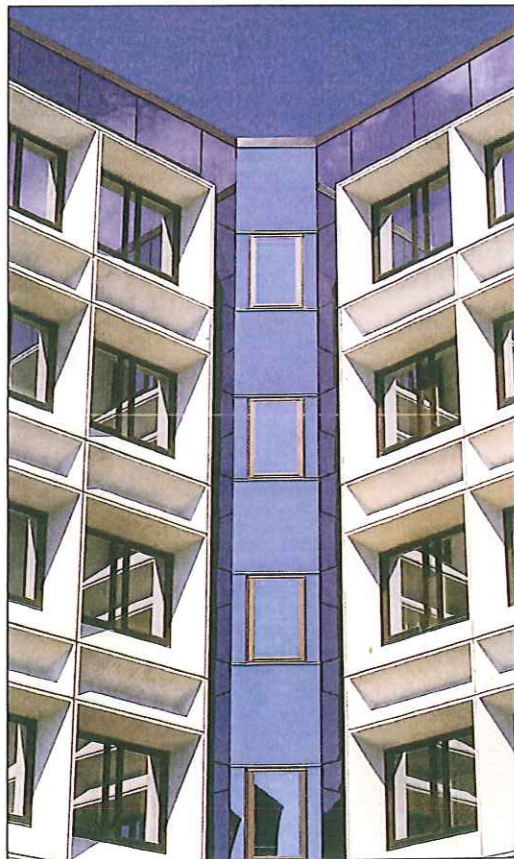
- At year-end, unrented premises in properties completed as of that date were equivalent to a lost income of 1 percent of total rental revenues.
- The average interest rate on borrowed funds – which totaled SEK 5,613 M – was 9.2 percent (10.5).
- The Group's investment and development properties have been written down by SEK 657 M beyond ordinary depreciation. This is reported as an untaxed reserve in the consolidated balance sheet.
- Investment properties are depreciated at the maximum annual amounts permitted by tax law. (In JM, however, they are depreciated by an average of 1.3 percent a year.)

1988	Book	Rental	Income before taxes, depreciation and interest
SEK M	values	revenues	
The Group's investment and development properties	7,648	1,575	1,066
Construction in progress and development properties	2,957	189	61
Investment and development properties in partly owned partnerships and limited partnerships (≤50%)	177	61	44



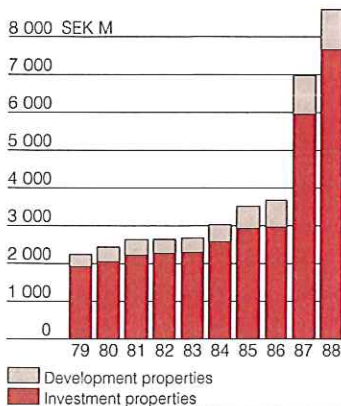


Jepp Buck 19, Kristianstad

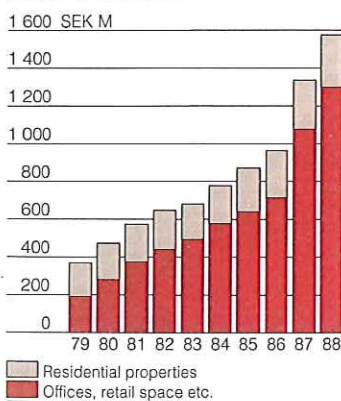


Trozgården 4, Falun (left)
Styckjunkaren 2, Solna

The Group: Investment and development properties, book values



The Group: Investment properties, rentals



The following properties were completed during 1988:

Property designation	Completed	Full annual rent, SEK M
Färöarna 1, Stockholm	January	*
Duvan 13, Karlstad	January	*
Trotzgården 4, Falun	January	*
Söderbymalm 3:472, Haninge	January	*
Kolonien 27, Helsingborg	Feb.-Sept.	6.6
Styckjunkaren 2, Solna	April	11.4
Hantverkaren 24, Stockholm	April	4.4
Arken 11, Mora	May	1.0
Jepp Buck 19, Kristianstad	May	1.0
Kyrkbyn 2:263, Kungsängen	June	1.5
Muraren 9, Skövde	September	2.3
Olivedal 15:2, Gothenburg	October	2.4

* Rent for properties completed in January is reported among the Group's investment properties.

To make possible a comparison between the book value and earnings of investment properties, a property completed in February-December is not transferred to investment properties until the year following completion.

Construction of properties for Skanska's own account underway throughout 1988:

Property	Estimated year of completion	Expected full annual rent, SEK M
Prästgården, Färgelanda	1989	2
Färöarna 2, Stockholm	1989	34
Novum, Huddinge (50%)	1989	20
Trekanten, Danderyd	1989	13
Överkikaren, Stockholm (50%)	1989	11
Lilla Bommen, Gothenburg	1989	47
Korpkulla, Upplands Väsby	1989	10
Kilen, Lund	1989	5
Forum, Nacka (50%)	1989	30
Trumman, Stockholm	1990	45
Energicentrum, Stockholm	1991	20
Gluten, Uppsala (50%)	1992	25

Construction of the following properties began during 1988:

Office buildings in Stockholm, Haninge, Kungsängen, Uppsala, Linköping, Skövde, Lerum and Munkedal, an exhibition and sports center in Växjö, a parking garage in Gothenburg and a shopping center in Bålsta. As for Eurostop facilities, see below.

The acquisition value of properties on which construction began during 1988 is estimated at SEK 800 M, and annual rents are expected to total about SEK 90 M.

We have a number of large, interesting properties in the planning stages, mainly in Greater Stockholm and Malmö. They include Blekholmstorget at Stockholm Central Station and the Scandinavian Center and the Buttericks building in Malmö.

Eurostop is an entirely new type of service centers which Skanska is building, among other places at strategic locations along the triangle of freeways connecting Stockholm, Malmö and Gothenburg. In the first stage, four centers are being built: in Jönköping and Halmstad, where construction began in 1988; and in Arlanda and Örebro, where construction begins in 1989. Their size varies from 12,000–60,000 sq m (130,000–650,000 sq ft). Rental revenues are expected to reach SEK 120 M per year.

Eurostop is 60 percent owned by Skanska's wholly owned subsidiary AB Mälarhus and 40 percent by two pension insurance companies, Försäkringsbolaget SPP Ömsesidigt and Arbetsmarknadsförsäkringar, Pensionsförsäkringsaktiebolaget (AMF).

Eurostop offers private motorists and commercial drivers a complete range of services in cooperation with such companies as Procordia Restauranger (food service), Sesam Hotel, Trygg-Hansa (insurance), the Swedish Post Office, Swedish Telecom, ICA (convenience goods), Detaljinvest (convenience goods), Svenska BP (service stations) and ABAB (security).

AB Drott

AB Drott, which was formed at the end of 1987 as a spin-off from Fastighets AB Sulcus, established itself during 1988 as an independent company with offices in downtown Malmö. Skanska's ownership stake is 86 percent.

Drott's business concept is to maintain efficient property management through purchases, sales and new construction of real estate in Skåne – Sweden's southernmost province – and to increase the value of its holdings by means of quality-conscious measures.

Drott currently manages some 30 properties in Skåne – including the Caroli City shopping-hotel-residential complex in downtown Malmö – with a book value totaling SEK 388 M.

Major investment properties

County, municipality, property designation/street address	Year built/renovated	Rentable space, sq m				Book value SEK M	Rental revenues SEK M	Site leasehold	Property-owning company
		Residential property	Retail space	Office space	Other categories				
Stockholm County									
Haninge									
Söderbymalm 3:380 m fl Runstensvägen, Nynäsvägen	1968, -87		18,097	3,646	9,349	169	25		Fast AB Vellonia
Söderbymalm 3:472 Rudsjöterrassen 3-5	1988		30,993	1,933		289	34		Fast AB Vellonia
Järfälla									
Jakobsberg 2:2583 Järfällavägen 102-104	1982		17,504	6,495		76	25		AB Mälarhus
Solna									
Nöten 5 Albygatan 107-109	1986		27,482	2,250		135	35		AB Mälarhus
Stockholm									
Färöarna 1 Gullfossgatan 2-12, Kista	1988		24,706	1,060		359	36	L	AB Mälarhus
Färöarna 3 (50%) Gullfossgatan 1-3, Kista	1986		22,383			97	24	L	Fast bol Färöarna HB
Grävlingen 12 Regeringsgatan 57-59	1977	3,367	18,268	4,754		49	48	L	AB Annex-grävlingen
Helgafjäll 1, 2, 4 Torshamnsgatan 24-26, 28-36, Kista	1979		28,879	7,999		74	37	L	Fast AB Vellonia
Nyboda hemmet 5 Sjöviksbacken 4-24	1968		17,342	15,348		14	27	L	Fast AB Vellonia
Storsätra 1 Storsätra gränd 6-26	1972		22,060	10,110		27	21	L	Fast AB Vellonia
Sundbyberg									
Godset 4 Sturegatan 1	1977	2,325	18,675	4,494		41	22	L	AB Mälarhus
Kronan 1 Sturegatan 2-4	1981	408	14,733	8,825		46	25	L	AB Mälarhus
Malmöhus County									
Malmö									
Erik Menved 34 Mäster Nilsgatan 2-24 Östergatan 20-24 Kattsundsgatan 1-27	1973	4,812	3,595	19,518	477	33	20		Fast AB Sulcus
Hålsjön 2, Svansjön 3 och 4 Hålsjögatan 3-41 Svansjögatan 1-57	1975	61,002	3,024	1,409	869	50	27		Fast AB Sulcus
Älvsborg County									
Borås									
Halleberg 1-13 Lars Kaggsgatan	1970	60,856				42	21		Byggm. i Borås Bostads AB

The Group's investment properties

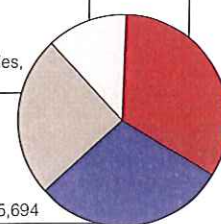
Breakdown of floor areas rented out, sq m

Office space, 831,565

Retail space, 296,066

Other categories, 626,190

Residential properties, 735,694



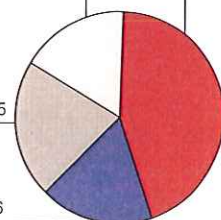
Breakdown of gross rental revenues, SEK M

Office space, 698

Retail space, 266

Other categories, 335

Residential properties, 276



JM, founded in 1945 and listed on the Stockholm Stock Exchange since 1982, is 64.4 percent owned by Skanska. JM is engaged in both construction and property management. In 1988 its income from construction work rose from SEK 19 M to SEK 55 M. Income from property management also improved.



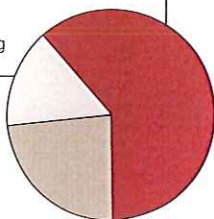
Sven Larsson, President

Breakdown of construction, 1988

Residential properties, 61% (56)

Industrial and civil engineering work, 15% (25)

Office and other building construction, 24% (19)



During 1988, JM's construction operations rose by about 33 percent. Some improvement in price levels was achieved. JM's capacity was fully utilized, and construction volume increased by 17 percent compared with 1987. Minor disruptions in construction arose due to a labor shortage and late deliveries of building material, however.

Although Sweden's economic expansion now seems to be entering a somewhat calmer phase, the construction market looks bright for JM. The production of new housing is expected to continue increasing during the next few years. This suits JM well, because residential properties account for more than half of JM's construction volume, while the company's operations are concentrated in those Swedish cities and towns where the need for new housing is greatest.

During 1988, production costs for residential properties climbed markedly. In some cases, this cost increase caused county housing boards to reject applications for government housing loans, thereby stopping certain new residential projects. In at least one case this also affected JM.

The slight weakening that is expected in construction for the business sector does not significantly affect JM's construction volume.

In its property management, JM prefers to achieve a return which is safe in the long term and is rising, instead of maximizing its visible earnings in the short term. Most of JM's real estate holdings were built for the company's own account. During 1988, JM invested SEK 447 M (311) in properties of its own.

According to an outside appraiser, the market value of the JM group's investment

properties rose from SEK 3,650 M to SEK 5,050 M.

The strategy chosen by JM requires a supply of land that is ready for construction, and it presupposes extensive knowledge of the entire property development process, from raw land to rentals and maintenance.

JM is continuing to construct office buildings and commercial space for its own account. Having completed office properties in downtown Stockholm and the Mörby district of Danderyd, JM is now investing in office and retailing properties in the expansive northern portion of Greater Stockholm, for example in Täby, Sollentuna, Vallentuna and Österåker. Major investments are also underway in downtown locations: both on Sergel Square in Stockholm and in central Gothenburg. JM has a 25 percent interest in the Nya Knutpunkten complex now under construction in Helsingborg.

JM has additional projects in the pipeline, involving the construction of office and commercial space with a total area of 180,000 sq m (nearly 2 million square feet) over the next few years. The largest is an extension of the Täby Centrum shopping mall, where during 1989 JM is starting construction of 28,000 sq m (300,000 sq ft) of space for rent. Most of it has already been reserved.

The large-scale construction of new office and commercial buildings in recent years may lead to some saturation in certain markets. JM's specialization in properties with good locations in the most expansive markets, plus some degree of conservatism – no construction begins before clients have signed long-term leases for at least half the available space – limits the company's risk exposure.

	1988	1987
Total revenues, SEK M	3,222	2,668
Of which, rental revenues, SEK M	329	274
Income before allocations and taxes, SEK M	155	250
Order bookings, SEK M	3,934	3,278
Order backlog, Dec. 31, SEK M	3,556	2,780
Employees (full-time equivalent)	2,972	3,066
Earnings per share after full taxes, SEK	20.10	30.00
Earnings per share, excluding sale of investment properties, SEK	19.05	8.40
Net asset value per share, without deducting for deferred taxes in untaxed reserves and excess values of completed investment properties, SEK	923	626
Pretax return on capital employed, %	12.7	18.7

Personnel. Effective from October 1, 1988, most of JM's construction workers are employed "until further notice." This transition to a more permanent form of employment means little to JM, however. Even before this, JM planned its construction work in such a way as to ensure continuity in its work load. Such continuity can also be preserved in the future, because JM will keep building properties on a large scale for its own account, thereby planning the timing of a large proportion of construction work itself.

Having permanent employees at all levels of the company also makes it easier for JM to train the entire work force and to supplement this training on a regular basis.

During 1988, JM's personnel were invited to subscribe for convertible debentures issued by the company. The response was good, with 54 percent of employees subscribing for an average investment of SEK 78,000. The total loan amount subscribed was SEK 133 M. The interest rate is Sweden's official discount rate plus 1 percentage point, and the maturity is 5 years. The settlement date was February 17, 1989.

Income from construction operations rose from SEK 19 M to SEK 55 M. Calculated as a percentage of invoiced sales, the margin was 2.0 percent, compared with 0.9 percent in 1987. Invoicing on contracts credited to income was 86 percent, or somewhat lower than in 1987. The order situation is still considered good.

Income from property management before subtracting real estate taxes amounted to SEK 101 M (81). Of this improvement, SEK 14 M consisted of higher net rental income. Gross rental revenues climbed to SEK 329 M (274). Only 2 percent of rental revenues were from residential properties. Real estate taxes amounted to SEK 15 M (17).

JM sold only a small quantity of investment properties during 1988. The resulting capital gain was SEK 7 M. In 1987, sale of investment properties yielded a gain of SEK 158 M.

The JM group's income before allocations and taxes was SEK 155 M (250).



For its own account, JM constructed a building in the downtown Stockholm city block known as Boken. It has 2,600 sq m (28,000 sq ft) of office space and 400 sq m (4,300 sq ft) of retailing space. The building was completed in the spring of 1988. Tenants include the Gota Group, a major financial services company, and Twilfit, a fashion retailer.

Industrial companies

Skanska's industrial companies showed strong growth during 1988. The Myresjö group is further strengthening its competitiveness.



Ants Suurkuusk, President

SEK M	1988	1987
Revenues	1,021	799
Employees	1,045	970

The Myresjö group – Companies in the building material industry

Because of increasing residential construction in Sweden, the positive trend of recent years at the Myresjö group continued during 1988. The group was able to utilize its delivery capacity almost to the maximum.

The Myresjö group includes Myresjöhus, with production facilities in Myresjö; Myresjöfönster AB, with facilities in Vetlanda and Sävsjö; Myresjökök AB in Älmhult; Combiglas AB in Vetlanda; and Myresjö NL BV in Schagen, the Netherlands.

The Myresjö group companies manufacture prefabricated building components such as ready-to-assemble wooden houses, windows, insulating panes, cabinet fittings and curtain walls. The operations of Myresjöhus AB also include a growing involvement in the assembly and completion of single-family homes for private individuals.

During 1988 the Myresjö companies' revenues outside the Skanska Group rose by 28

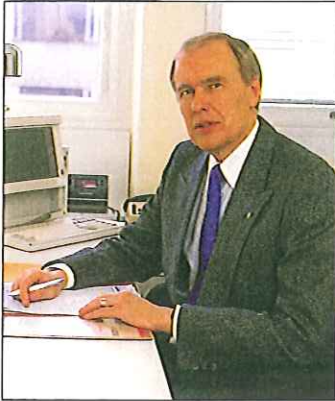
percent, while income after financial items and before Group contributions rose by 54 percent.

Most of the Myresjö group's 1988 capital expenditures, which totaled SEK 39 M, were intended to adapt production to a changing order structure which requires greater flexibility and short delivery times. A substantial proportion of these investments went toward production equipment for the new building system that Myresjöhus introduced during 1988.

During the year, the group approved an extensive capital spending plan for the next several years, which will enable the Myresjö group to continue expanding and to consolidate the technological lead that its companies enjoy in relation to other firms in the same industry.

On the "large-block line" at Myresjöhus, production takes place with the aid of CAD/CAM technology, and every house is manufactured according to customer specifications. Information from the main computer is transferred via a factory computer to two control systems, which in turn control twelve completely automated work stations on the line. Its capacity is 5.5 houses per shift with nine operators.





Sixten Wallin, President

SEK M	1988	1987
Revenues	140	126
Employees	148	143

SektionsByggarna

SektionsByggarna markets permanent buildings, with the aim of combining an efficient production method with good architecture. Most production consists of office buildings. During 1988 a number of hotel and social welfare or medical care buildings were also sold, including a large private convalescent home in Malmö.

Speed is an important competitive tool for SektionsByggarna. The company achieves it by manufacturing the superstructure in the form of completely finished building sections at its factory in Anneberg at the same time as the foundation is being completed at the building site.

Another characteristic of SektionsByggarna is that each assignment is a package deal – from the first conceptual sketch to the final building.

Flexator, a separate unit within SektionsByggarna, manufactures temporary, movable buildings. Flexator's systems include simple, standardized pavilions as well as buildings that fulfill high standards of adaptation to customer needs, functionality and attractive appearance. One example is a cardiac sur-

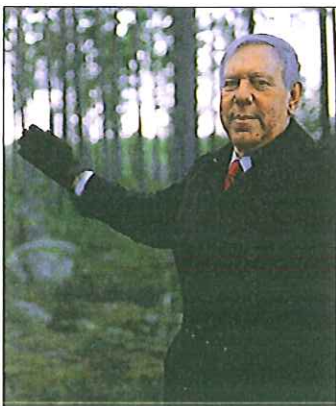


SektionsByggarna delivered a 521 sq m (5,600 sq ft) employee dining room to AB Bofors in Karlskoga.

gery unit at Sophiahemmet, a leading private hospital in Stockholm. Flexator's buildings are often leased out for placement on the client's own site, usually for 3–10 years.

Both product categories were in heavy demand during 1988. The average work load at the factory was the highest in the company's history.

A very good level of order bookings can be predicted for 1989.



Mauritz Bom, President

SEK M	1988	1987
Revenues	199	183
Employees	202	205

Forestry and sawmill companies

Skanska's forest product group manages 53,000 hectares (over 137,000 acres) of timberland and produces 100,000 cu m of wood products per year.

The group includes four forestry companies and a sawmill in southern Sweden: Boxholms Skogar, Bark & Warburg, Öρμο Skogar, Gusum Skogar and Boxholms Såg. Its main operations are located in Boxholm.

The wood harvest mainly goes to the sawmill and to nearby pulp mills. Of the sawmill's production, 70 percent is exported, mainly to Great Britain and West Germany.

During 1988 a new trimming saw facility was completed at Boxholms Såg. This and earlier investments in dryers are examples of how Boxholm has adapted to its customers' increased demands for quality and precise length. The sawmill is thus well-equipped for the future.

The companies' forestry operations are long-term. A full cycle from seedling to felled timber takes 80 years to complete. By continuing the efforts of earlier generations to ensure regrowth and good silviculture,



Felling is entirely mechanized today and is largely handled by outside subcontractors.

Skanska's forestry companies guarantee optimal production now and in the future.

A continued commitment to proper silviculture and high-quality timberland will secure future access to good raw material for the pulp, paper and wood product industries.

Financial operations

During the fall of 1989 the Group's financial operations will be transferred to a newly established, wholly owned subsidiary that will become an internal bank. This company will be responsible for the Group's liquidity management, borrowing and foreign currency transactions.



Manager: Gunnar Carleson, Senior Vice President

Construction companies require only limited capital for investments in their own operations. Many companies therefore find themselves in a situation where liquid assets can be used for investments in real estate holdings or to build up a stock portfolio.

Investments in shares. Skanska's portfolio of listed shares was created in 1974, when AB Opus and Protorp Förvaltnings AB, two investment companies began their operations. Skanska's shares in these companies were gradually supplemented with other shares of a strategic nature. Today, holdings in such industrial companies as Euroc, Graningeverken, Sandvik and SKF account for a large proportion of the Company's portfolio. The dividends paid by these companies – SEK 126 M in 1988 – are tax-exempt to Skanska. Another important part of the portfolio consists of shares in the investment companies Custos, Opus and Protorp. Of these, the Opus shares were sold early in 1989. Skanska's stake in JM should also be mentioned. This company is listed on the Stockholm Stock Exchange, but because it has been consolidated in the Group since 1987, Skanska's holding is not reported as part of its portfolio of listed shares.

If adjustments are made for the year's purchases and divestments, the value of the portfolio – excluding the unofficially listed shares of Graningeverken – rose by more than 63 percent in 1988. During the same period, the Affärsvärlden General Index of Swedish shares rose by 52 percent. During the period 1985–1988, Skanska's portfolio of listed shares surpassed this index by 30 percent.

Money market investments. The contracting business requires good preparedness in terms of liquidity. Aside from the seasonal fluctuations that are a natural part of its operations, the need for companies to become financial participants in various projects often arises. Most surplus funds are therefore invested in relatively short-term securities with high liquidity. During 1988 an unusually large proportion of existing excess liquidity was absorbed in share and real estate transactions. Early in 1989, Skanska's liquidity rose sharply, among other things because it received the proceeds from the sale of its Opus shares and from a convertible debenture loan of SEK 845 M.

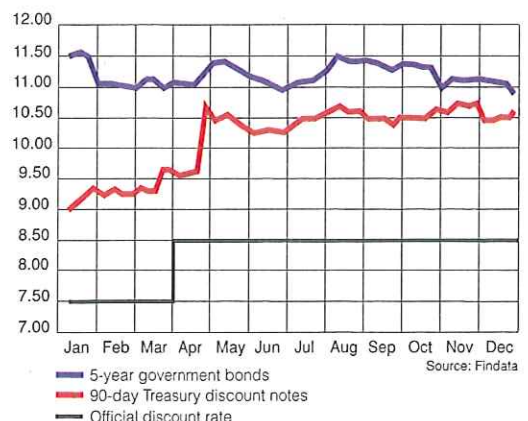
Foreign exchange matters. For many years, the Group's foreign currency strategy has consisted of minimizing the risks of currency exposures.

The decline in Skanska's construction work abroad and the growth in its own real estate investments outside Sweden have led to changes in handling foreign currencies. As a contractor, Skanska has often worked in countries with weak local currencies. Its own real estate investments generally occur in countries with strong currencies and stable political conditions, requiring a different strategy.

Among 1988 events worth mentioning, the Skanska Group company Trinity Tower Property Co. Ltd. signed an agreement for a loan of GBP 240 M to finance that firm's London property. In 1989 the Parent Company raised a loan of NOK 225 M to finance its purchase of shares in the Norwegian construction company Selmer-Sande Entreprenør a.s.

Internal bank. At the end of 1988 Skanska began research on the possibility of transferring the Group's financial operations to an "internal bank." The intention, among other things, is for most of the Group's financial operations to be handled by a newly established and wholly owned subsidiary, effective from the fall of 1989. This applies primarily to management of the Group's liquid assets and the handling of its foreign currency and borrowing matters. Among the aims of this new venture is to build up better expertise, gain a more rapid overview of financial risk exposure and take better advantage of possible economies of scale.

Market interest rates and official discount rate, 1988, %



Consolidated income statement

Amounts in SEK M		1988	1987	
Contracting operations etc.	Invoiced sales for the year	21,326	18,130	
	Plus amount invoiced but not credited to income as of Jan. 1	17,368	17,444	
	Less amount invoiced but not credited to income as of Dec. 31	-20,047 -2,679	-17,368 76	
	Invoiced sales on contracts credited to income during the year, factory operations etc.	18,647	18,206	
	Production costs for contracts credited to income, factory operations etc. plus the year's administrative expenses	-17,442	-17,313	
	Income from contracting operations etc. before depreciation	1,205	893	
	Depreciation Note 2	-385	-369	
	Income from contracting operations etc. after depreciation	820	524	
	Sales of investment and development properties	Sales revenues	599	675
		Book value	-477 122	-301 374
Development properties	Note 3	942	898	
	Rental revenues for the year	189	166	
	Operating and administrative expenses Note 4	-128	-129	
	Depreciation Note 2	-14	-14	
	Interest expenses	-42	-45	
		5	-22	
	Income from partly owned partnerships and limited partnerships	-28 -23	-9 -31	
	919	867		
Property management	Rental revenues for the year	1,575	1,335	
	Operating and administrative expenses Note 4	-509	-460	
	Depreciation Note 2	-230	-140	
	Interest expenses	-422	-331	
		414	404	
	Income from partly owned partnerships and limited partnerships	13 427	7 411	
	1,346	1,278		
Financial items	Dividends on shares and participations	213	188	
	Interest revenues	451	516	
	Interest expenses	-258	-281	
	Exchange differences on loans Note 5	2	18	
	Other financial items	-5 403	-2 439	
	1,749	1,717		
Extraordinary items	Gain on sale of fixed-asset properties	18	19	
	Gain on sale of shares	106	368	
	Merger loss	-124	-246 141	
	Income after extraordinary items	1,873	1,858	
	Income before acquisition	-12	-77	
	Minority interest	-57	-136	
	1,804	1,645		
Allocations	Writedown of shares and participations	-	-4	
	Inventory reserve	-15	-12	
	Payroll reserve	-77	-28	
	Reserve for uncompleted contracts	-275	51	
	Reserve for investment and development properties	-176	-106	
	Extra depreciation Note 2	-121	70	
	Investment reserves etc. Note 6	14 -650	-2 -31	
	Income before taxes	1,154	1,614	
Taxes Note 7	-385	-410		
Net profit for the year	769	1,204		

Consolidated balance sheet

Assets		Amounts in SEK M		1988	1987
Current assets	Bank balances _____	1,611			1,258
	Shares and participations _____ Note 8	121			134
	Bonds _____	452			350
	Accounts receivable _____	3,025			2,813
	Prepaid expenses and accrued revenues _____	166			184
	Current assets held by consortia _____ Note 9	1,008			1,014
	Other receivables _____ Note 10	3,493			3,035
	Inventories _____	411	10,287		413
Investment and development properties	Investment properties _____ Note 11	7,648			5,948
	Investment and development properties under construction _____	1,888			1,388
	Development properties _____ Note 12	1,069	10,605		1,030
Restricted accounts in Sveriges Riksbank	For special investment reserve _____	29			55
	For general investment reserve _____	63			72
	For development reserve _____	26	118		56
Fixed assets	Shares and participations _____ Note 13	4,804			4,016
	Other receivables _____	736			565
	Goodwill _____ Note 14	185			176
	Extraction rights _____	9			10
	Ships _____ Note 11	3			1
	Machinery and equipment _____ Note 11	1,129			1,077
	Advanced payments on fixed assets _____	33			18
	Buildings _____ Note 11	325			369
	Buildings under construction _____	18			7
	Hydroelectric power plants _____	218			224
	Land and other real estate _____ Note 11	139			142
Timberland _____ Note 11	329	7,928		330	6,935
Total assets			28,938		24,685
Assets pledged	Real estate mortgages _____	5,914			5,087
	Chattel mortgages _____	211			47
	Shares and other securities _____	12			97
	Bank assets _____ Note 15	3			10
Contingent liabilities	Sureties _____	866			747
	Guarantees _____	212			177

Liabilities and shareholders' equity Amounts in SEK M

1988

1987

		1988		1987	
Current liabilities	Accounts payable _____	2,030		1,684	
	Tax liability _____	142		324	
	Accrued expenses and prepaid revenues _____	2,137		1,899	
	Current liabilities of consortia _____	638		541	
	Other current liabilities _____ Note 16	1,604	6,551	1,881	6,329
Uncompleted contracts	Invoiced sales from beginning of contracts _____	20,047		17,368	
	Accumulated expenses from beginning of contracts _____	-16,422	3,625	-14,075	3,293
Loans on investment and development properties	Building credits _____	276		48	
	Mortgage loans _____	4,666		3,761	
	Other liabilities _____	671	5,613	648	4,457
Long-term liabilities	Building credits _____	44		36	
	Mortgage loans _____	184		124	
	Other liabilities _____	715		714	
	Deferred tax liability _____	205		165	
	Provision for pensions _____ Note 17	1,119		1,009	
	Convertible debenture loans _____ Note 18	1,002	3,269	-	2,048
Minority interests	In untaxed reserves _____ Note 19	197		267	
	In shareholders' equity _____	166	363	221	488
Untaxed reserves	Inventory reserve _____	153		138	
	Payroll reserve _____	620		543	
	Reserve for uncompleted contracts _____	2,964		2,689	
	Reserve for investment and development properties _____	657		481	
	Accumulated extra depreciation				
	Ships _____	1		1	
	Machinery and equipment _____	540		415	
	Fixed-asset properties _____	329		339	
	Investment and development properties _____	7		1	
	Investment reserves _____ Note 6	129	5,400	156	4,763
Shareholders' equity	Restricted equity _____ Note 20				
	Capital stock _____ Note 21	630		626	
	Restricted reserves _____	805		547	
	Unrestricted equity				
	Unrestricted reserves _____	1,913		930	
Net profit for the year _____	769	4,117	1,204	3,307	
Total liabilities and shareholders' equity		28,938		24,685	

Comments and notes to the financial statements

Accounting principles

Swedish law and practice

The form and content of Swedish annual reports are governed by the Swedish Companies Act and the Accounting Law, both of which went into effect in 1977. The Swedish Institute of Authorized Public Accountants (FAR) has also issued a series of authoritative opinions on the presentation of financial information by Swedish companies.

Tax legislation has also exercised a powerful influence on how Swedish companies report their earnings; these laws require companies to record in their books and financial statements the allocations of pretax income required for the company to be able to take advantage of the substantial tax incentives available to most corporate taxpayers.

In broad terms the pretax income reported by a Swedish company does not differ significantly from its taxable income, but it may materially differ from earnings determined on the basis of generally accepted accounting practices in many other countries. The major areas in which Swedish accounting principles uniquely differ from those broadly accepted in English-speaking countries are outlined below.

Differences from accounting principles in English-speaking countries

All companies

Deferred tax accounting is not generally practiced. The gross amounts of tax incentives (such as unrequired inventory and reserves for work in progress – roughly comparable to stock relief in Great Britain – and accelerated depreciation on existing assets as well as advance accelerated depreciation on assets yet to be acquired) have to be reported as specific allocations in the income statement and as separate items in the balance sheet in order for companies to make use of these incentives.

Equity accounting for investments in associated companies (owned 50 percent or less) is not required and is uncommon.

Extraordinary items are not as strictly defined as in the United States. Leasing arrangements do not have to be disclosed to the same extent as in certain other countries.

As a rule of thumb, Swedish financial statements can be adjusted to reflect U.S. accounting principles by adding to their reported net income 48 percent of the year's transfers to untaxed reserves and by adding to shareholders' equity 48 percent of untaxed reserves in the balance sheet. Of these items, 52 percent represents deferred taxes.

The construction industry

Swedish companies engaged in long-term construction or installation contracts normally apply the completed contract method for revenue recognition purposes rather than the percentage-of-completion method. This approach is governed both by the tax rules which permit revenue recognition to take place no later than one year after the final inspection of a completed project and by the traditional preference for conservative accounting. Companies applying the completed contract method do not disclose what their revenues would have been under the percentage-of-completion method.

Effective from 1983 the tax rules were changed to require revenue recognition of cost-plus contracts as and when the related invoicing takes place.

Construction companies classify their holdings of real estate under two categories:

Real estate used for the company's own business purposes, such as office premises, warehouses and depots, is classified as fixed assets and is subject to the usual Swedish rules (recording at original cost, with depreciation on a straight-line economic lifetime basis, plus tax-deductible accelerated allowances).

Real estate held for all other purposes is treated as a semi-current asset and is subject to special tax allowance rules somewhere between those applying to inventories (where a tax-deductible reserve of 50 percent of cost is allowed, reduced to 35 percent when the payroll reserve option is also used) and the less generous rules governing real estate proper. As a result, construction companies classify properties of their own construction held for long-term leasing purposes and properties acquired for development purposes (which may or may not be intended as long-term investments) under the single heading "Investment and development properties."

Tax assessment values

All real estate in Sweden is assessed by the tax authorities at roughly five-year intervals. In general, assessed values do not exceed two thirds of current market values.

Accounting and valuation principles adopted by Skanska

Revenue recognition

Total invoiced sales for the year are recognized as revenues, as is the practice among Swedish construction companies. Also included in revenues is the Company's share in invoiced sales pertaining to construction operations carried out together with other contracting companies in consortium form.

Revenues also include rental revenues, which are reported separately in the consolidated income statement.

Revenues do not include revenues from the sale of investment and development properties during the year, which are reported in the consolidated income statement.

Invoicing for the portion of production consisting of goods (finished concrete, concrete products, asphalt compounds etc.) follows the customary practice in other industries.

In Skanska's dominant field of activity, contracting operations, revenues consist of sales that were invoiced during the year on the basis of agreed invoicing plans. These may be tied either to stages of construction or to time schedules. This gives the Company a better idea of the production volume in a given year than if only the volume of contracts credited to income during the year were stated. Revenues do not include offices, factories, hydroelectric power plants etc. built for the Company's own operations.

Income

Income is calculated on the basis of contracts completed during the year = contracts credited to income.

Interest on pension liability

Interest on Pension Registration Institute (PRI) liability was set at 10.0 percent in keeping with a recommendation by the Swedish Institute of Authorized Public Accountants and PRI. The rest of the year's PRI provision comprised an operating expense.

Untaxed reserves

Valuation of inventories, provisions for guarantee risks and reserves for uncompleted contracts by construction companies are governed by the Municipal Tax Act and by National Tax Board regulations issued on January 20, 1983.

The reserve entitlement for inventories of materials and goods may not exceed 50 percent of the value of inventories. If an allocation is made to a payroll reserve, the entitlement is limited to 35 percent of this value.

In addition, a 15 percent allocation may be made to a reserve for a company's own real estate which comprises an inventory asset (investment and development properties) provided that no funds are set aside for a payroll reserve, and a 10 percent allocation is permitted if funds are set aside for this purpose.

As the Group has elected to allocate funds for 1988 to a payroll reserve (in which the allocation may not exceed 20 percent of direct payroll expenses), the inventory reserve is limited to 35 percent of the value of inventories and the allocation to the reserve for investment and development properties is limited to 10 percent of the total acquisition cost of the properties. Both construction companies and companies which deal in real estate are entitled to make allocations to reserves for investment and development properties.

The maximum provision for guarantee risks is 1 percent of the invoiced amount for contracts on which the guarantee period has not expired at year-end. The year's change in the provision is charged to operating income, and the provision itself is included among current liabilities in the balance sheet.

The provision for loss risks on uncompleted contracts may not exceed 15 percent of direct construction expenses incurred. The writedown entitlement should be viewed against the background of the difficulty of assessing the risks often connected with uncompleted contracts. In cases where a loss is expected on a given uncompleted contract, according to the customary practice the entire expected loss is charged against the year's income. This may not exceed the 15 percent provision entitlement. Cost-plus contracting assignments are not normally entitled to this provision.

Reserves for indirect costs are included under the heading "Reserve for uncompleted contracts."

Real estate

The Group's real estate holdings which are used in its own business, for example properties for its own offices, warehouses, factories and gravel pits, are reported as fixed assets. Other real estate is reported under the heading "Investment and development properties." This is divided into "Investment properties," "Investment and development properties under construction" and "Development properties."

The Group's holdings of real estate completed for its own account are booked as "Investment properties." Income from these operations is reported in the income statement as "Property management." "Investment and development properties under construction" include all construction both of properties intended for the Group's own account and properties intended to be sold after completion.

The Group's holdings of undeveloped land and redevelopment properties are booked as "Development properties." Expenses – i.e. uncapitalized outlays – and income attributable both to "Investment and development properties under construction" and "Development properties" are reported in the income statement under the heading "Development properties."

Properties constructed by the Group and booked during the year as real estate completed for its own account have been valued in the consolidated accounts at incurred costs plus a fair proportion of indirect costs, 5–8 percent. Provision is thus made for any intra-Group profits resulting from building contracts between construction and management companies. Annual depreciation on the value thus determined has been carried out mainly according to the highest percentages permitted by the tax authorities, including primary deductions.

Interest expenses during the construction period are not capitalized, but are booked as expenses in each respective year in the case of real estate in Sweden (except for JM). In the case of real estate investments abroad, such interest expenses are normally capitalized.

To permit as correct a comparison as possible between income from property management and the value of completed investment properties, completed properties are normally not reclassified from "Investment and development properties under construction" to "Investment properties" until January 1 of the year after the year of completion.

Investments in undeveloped land and redevelopment properties are booked at their acquisition cost plus other expenses incurred in cases where special exceptions have not been considered justified. Annual interest expenses have not, however, been added to value but have instead been charged against income in each respective year.

Uncompleted contracts

The balance sheet states the net amount of invoiced sales and expenses incurred. This amount is affected by the pace of invoicing for both outgoing and incoming bills. This pace does not always coincide with the percentage of completion. The amount is also affected by the profitability of uncompleted contracts. See also the second paragraph under the heading "Valuation principles."

Figures for invoiced sales and expenses incurred also include the Group's share in contracts carried out by consortia.

Principles of consolidation

There have been no major changes in the Company's principles of consolidation and valuation compared with prior years.

The consolidated financial statements have been drawn up using the purchase accounting method. In the consolidated financial statements, the income statements and balance sheets of foreign subsidiaries have been translated at year-end rates, except that shareholders' equity has been translated at the rate prevailing on the investment date. Translation differences have been included among "Other current liabilities."

Valuation principles

Current assets have been valued according to the lower value principle, i.e. their value may not exceed market value or acquisition cost, whichever is lower. Foreign receivables have been stated at the exchange rate on the accounting date or at year-end, whichever is lower, and liabilities have been stated at the higher of these rates.

Direct expenses and indirect work site expenses are counted as expenses incurred on uncompleted contracts. Estimated losses on uncompleted contracts have been subtracted from expenses.

Depreciation has been charged against operating income (using a declining balance method in the case of certain large machinery). Deprecia-

tion on the excess value of Group assets has also been made, using the following annual rates: Goodwill (equivalent to amortization in U.S.) 10 percent, ships 10 percent, machinery and equipment 10–20 percent, buildings 1–7 percent and land improvements 3.75 percent.

The rate of book depreciation on machinery and equipment has generally been 20 percent of acquisition cost for the past five years. In certain Group companies, the main rule in the Municipal Tax Act has been used instead. Buildings comprising investment and development properties have been written off at the highest annual percentage rate permitted for tax purposes.

Definition of financial ratios

The following definitions are in keeping with a recommendation by the Industry and Commerce Stock Exchange Committee.

Adjusted earnings per share

Income after financial items minus minority interest in income and full taxes, divided by the number of shares outstanding at year-end 1988.

The merger loss booked in the 1987 income statement also adversely affected that year's adjusted earnings per share before extraordinary items, even though the expense was booked as an extraordinary item.

Adjusted earnings per share after extraordinary items

Income before allocations and taxes minus minority interest in income and full taxes, divided by the number of shares outstanding at year-end 1988.

Return on shareholders' equity

Income after financial items minus minority interest in income and full taxes, as a percentage of average adjusted shareholders' equity, i.e. reported shareholders' equity plus 48 percent of reported untaxed reserves excluding the minority share in these.

Return on capital employed

Income after financial items plus interest expenses and exchange differences, as a percentage of average total assets minus operating liabilities. Operating liabilities are defined as current liabilities except for short-term loans, the balance of uncompleted contracts and deferred tax liability in untaxed reserves.

Equity/assets ratio

Reported shareholders' equity plus 50 percent of reported untaxed reserves as a percentage of total assets.

Notes to the consolidated financial statements (Amounts in SEK M if not otherwise specified.)

Note 1. Personnel

	Group		Parent Company	
	1988	1987	1988	1987
Average number of employees and wages, salaries and remuneration				
<i>Average number of employees</i>				
Sweden	23,829	22,879	17,333	16,507
Abroad	5,841	6,539	3,244	3,977
Total	29,670	29,418	20,577	20,484
<i>Wages, salaries and remuneration</i>				
Sweden				
Boards of Directors and Presidents	13.9	13.9	4.4	3.9
Of which, bonuses	(3.9)	(3.4)	(2.2)	(1.9)
Other employees	3,425.6	2,957.1	2,482.3	2,131.8
	3,439.5	2,971.0	2,486.7	2,135.7
Abroad				
Boards of Directors and Presidents	2.9	3.1	—	—
Other employees	352.4	394.9	147.5	165.7
Grand total	3,794.8	3,369.0	2,634.2	2,301.4
<i>Social welfare contributions and pensions</i>				
Sweden	1,497	1,303	1,060	919

The average number of employees in Sweden was calculated by taking total hours worked and dividing by a standard working year of 1,600 hours.

The complete legally required specification of personnel is attached to the annual report documents submitted to the Swedish Patent and Registration Office. This specification can be obtained from Group Public Relations, Skanska AB, S-182 25 Danderyd, Sweden, telephone +46 8 753 80 00.

Note 2. Depreciation

	Depreciation		Extra depreciation		Book depreciation for year ¹⁾	
	1988	1987	1988	1987	1988	1987
Goodwill ²⁾	18	13	—	—	18	13
Extraction rights	1	1	—	—	1	1
Ships	1	3	—	-3	1	0
Machinery and equipment ³⁾	332	323	125	-57	457	266
Fixed-asset properties including hydro-electric power plants	33	29	-10	-11	23	18
Investment and development properties ⁴⁾	244	154	6	1	250	155
Total depreciation	629	523	121	-70	750	453

¹⁾ Including depreciation against reserves.

²⁾ As for depreciation of goodwill, see Note 14.

³⁾ The amount for 1988 extra depreciation, SEK 125 M, includes SEK 174 M consisting of the Group's proportion of net losses in partly owned limited partnerships to the extent these losses are attributable to extra depreciation. The remaining extra depreciation, SEK -49 M, thus consists of elimination of reserves, as in 1987 (-57).

⁴⁾ SEK 37 M in extra depreciation of excess values is included in 1988 depreciation, totaling SEK 244 M.

Note 3. Development properties

Effective from 1987, the Group reports financial data on its development properties and investment and development properties under construction. See the comments to the consolidated financial statements, pages 46-47.

Note 4. Property management, operating and administrative expenses.

The national real estate tax introduced in 1985, which in 1988 totaled SEK 88 M (79) for investment properties, is reported under the heading "Taxes." This tax, based on assessed value, applies among other things to all apartment house units. Among exempted real estate are development and industrial properties.

Note 5. Exchange differences on loans

Exchange differences on loans refer to the difference between realized exchange gains arising through forward cover and unrealized losses due to revaluations of foreign loans.

Note 6. Investment reserves etc.

	1988		1987	
	Income statement	Balance sheet	Income statement	Balance sheet
<i>Special investment reserve</i>				
Opening balance		0		0
Acquired reserve				2
Withdrawal			2	-2
Change during the year/ Closing balance		0	2	0
<i>General investment reserve</i>				
Opening balance		90		98
Divested reserve				-2
Allocation	-2	2	-11	11
Withdrawal	12	-12	17	-17
Change during the year/ Closing balance	10	80	6	90
<i>Fire reserve</i>				
Opening balance		13		0
Allocation			-13	13
Withdrawal	13	-13		
Change during the year/ Closing balance	13	0	-13	13
<i>Real estate replacement reserve</i>				
Opening balance		0		0
Allocation	-11	11		
Change during the year/ Closing balance	-11	11	0	0
<i>Development reserve</i>				
Opening balance		53		56
Allocation	15	-15	3	-3
Change during the year/ Closing balance	15	38	3	53
Total, Change during the year/ Closing balance	27	129	-2	156
Direct writedown against fire reserves	-13			
Total, Change during the year according to income statement	14		-2	

Note 7. Taxes

	1988	1987
Corporate income tax	123	167
Profit sharing tax	171	162
Real estate tax	91	81
	385	410

As for the Parent Company's tax situation, see note 4 to the Parent Company financial statements.

Note 8. Shares (current assets)

List of shareholdings of Group companies comprising trading inventory assets as of December 31, 1988.

Listed shares	Number	Par value	Market value	Book value
		SEK 000	SEK 000	SEK 000
AGA, Series A	5,500	137	1,216	1,172
Asea, Series A	30,000	1,500	11,910	11,910
Asea, Series B	18,000	900	7,038	7,038
Astra, Series A	5,000	62	1,135	1,135
Bacho, Series B	10,000	250	2,650	2,624
Betongindustri, Series B	5,400	108	1,604	1,595
Cardo, Series B	24,000	1,200	6,360	6,360
Cardo, Series B warrants	8,800		1,153	1,080
Catena, Series A	75,000	1,500	8,925	8,925
Edebe	198,825	994	10,140	9,502
Euroc, Series A	30,000	1,500	12,150	7,904
Gambro	10,000	200	1,110	1,110
JM Bygg	8,000	160	7,600	4,814
Latour, Series B	200	10	23	19

Listed shares	Number	Par value SEK 000	Market value SEK 000	Book value SEK 000
PKBanken	25,600	640	4,480	4,399
Protorp	76,900	3,845	30,760	18,582
SCA, Series A	9,000	225	3,330	3,294
SE-Banken, Series A	15,000	150	2,595	2,418
Skandia	30,000	150	5,400	5,230
SKF, Series A	7,600	380	3,116	3,077
Volvo, Series B	20,000	500	7,720	6,778
Öresund	36,000	1,800	14,760	11,764
Total			145,175	120,730

Note 9. Current assets held by consortia

This amount represents the Group's share of all assets held by consortia (except for expenses incurred that are included under the heading "Un-completed contracts"). Liabilities (except for invoicing) are similarly shown under the heading "Current liabilities of consortia."

Note 10. Other receivables (current assets)

This heading refers primarily to short-term investments in the form of promissory notes and commercial paper issued by corporations and finance companies.

Note 11. Property, plant and equipment

	Acquisition price for remaining assets		Accumulated depreciation	
	1988	1987	1988	1987
a) Acquisition price and accumulated depreciation				
Ships (dredgers, bargers)	116	117	113	116
Machinery and equipment	3,187	3,006	2,058	1,929
Buildings (fixed-asset properties)	568	571	243	202
Hydroelectric power plants	230	230	12	6
b) Assessed values	1988	1987		
Investment and development properties				
Buildings	4,707	3,292		
Land and other real estate	1,649	735		
Fixed-asset properties				
Buildings, incl. power plants	521	430		
Land and other real estate	219	151		
Timberland	247	250		

Note 12. Development properties

Effective from 1987, the Group's holdings of redevelopment properties and undeveloped land are reported under this heading. See the comments to the financial statements, pages 46-47.

Note 13. Shares and participations (fixed assets)

Portfolio as of December 31, 1988:

Swedish companies

Shares, convertible debentures

and convertible participatory notes

listed on the Stockholm

Stock Exchange

	Number	% stake	Par value SEK 000	Market value SEK 000	Book value SEK 000
Active	360,000	3	3,600	21,387	15,427
Betongindustri	2,000	<1	40	594	200
Cardo	900,000	6	45,000	238,500	200,134
Catena	2,205,000	11	44,100	262,395	79,144
Catena convertible debentures	1,062,426		169,988	387,573	178,488
Custos, Series A	9,810,533	22	245,263	2,060,212	1,205,935
Custos, Series B	650,000	1	16,250	131,950	57,383
Euroc	3,052,500	26	152,625	1,235,652	180,400
FFNS Gruppen	4,000	<1	20	768	302
Geveko	302,550	20	15,128	78,663	64,362
Handelsbanken	1,400	<1	14	213	20
Hexagon	1,440	<1	36	180	118
Industrivärden	584,500	2	11,690	149,048	77,448
Industrivärden conv. participatory notes	97,110		11,168	24,763	16,509

	Number	% stake	Par value SEK 000	Market value SEK 000	Book value SEK 000
Klöver	368,036	4	7,361	94,585	29,760
Opus	9,510,000	27	95,100	813,105	79,450
Opus, convertible debentures	9,288		2,786	30,650	2,799
Piren	250,833	6	6,271	94,062	15,050
Protorp	2,440,000	25	122,000	976,000	191,538
Roslags Energi	1,320	<1	33	288	33
Sandvik	11,109,000	21	277,725	3,332,072	743,731
SKF, Series A	3,110,000	12	155,500	1,275,100	338,070
SKF, Series B	450,600	1	22,530	167,648	57,528
Öresund	640,839	16	32,042	262,744	160,362
				11,638,152	3,694,191

Other shares	Number	% stake	Par value SEK 000	Book value SEK 000
AB Alsike Fastighets AB	240	24	240	240
Atrium Fastighets AB	549,000	25	54,900	81,875
BGB i Malmö AB	9,482	13	948	1,219
Biobränsleteknik i Arvidsjaur AB	1,000	25	100	100
Bothnia Invest AB	1,000	1	100	100
Branäs Fritidscenter AB	15,000	8	1,500	1,500
Byggnads AB Tryckeriet	600	50	60	60
Calor-Celsius AB	125,000	25	12,500	42,925
Dala Djuggas Produktions AB	9,600	<1	2	480
Dala Tillväxt AB	1,000	2	100	0
FASAB Fastighetssystem AB	1,533	33	192	2,346
FV Fastighetsvärden AB	25,000	50	2,500	2,642
Fastighets AB Luxor	1,000	50	100	100
Fastighets AB Viggen	353	35	353	353
Förvaltnings AB Öreköp	250	50	250	250
Galleriafastigheter AB	5,000	50	500	500
Grängeverken AB	255,718	29	127,859	638,223
H-Invest AB	500	<1	50	50
Halmstads Byggmästares Gemensamma Byggnads AB	112	41	56	55
AB Helsingborgs Byggbetong	240	33	240	1,085
AB Hälsingborgs Byggelement	350	50	350	757
Ideon AB	3,500	18	3,500	4,242
Jönköpings Betong AB	1,000	50	100	100
AB Kalmar Betongindustri	160	10	80	40
Makadam AB Lapillus	126	50	126	126
Medeon AB	1,200	33	120	195
Miljönären-Lindfeldts Måleri AB	1,360	34	136	5,838
Nohab Industrifastigheter AB	20,000	50	1,000	1,000
AB Pålarbeten	500	50	50	5
AB Ramlösa Brunnsanläggning	625	50	62	75
Råsjö Torv AB	26,236	24	2,624	7,953
SFL Svensk Fastighets- leasing AB	500	50	50,000	65,412
AB Staven	10,000	33	1,000	1,142
AB Sydsten	60,000	40	3,000	3,880
Såbi AB	1,800	1	180	90
Trinova AB	500	4	50	50
Uddevallan Invest AB	50,000	4	5,000	5,000
Ullna Golf AB	3,500	1	350	505
Videum Fastighets AB	1,000	25	1,000	1,010
Wihlborg & Son AB	12,400	<1	248	2,015
Väst-Pålar AB	1,750	50	175	250
Bostadsföreningen Borgens (coop. housing assn.)		50		7,121
Mega-Carrier KB (limited partnership)	330	33	54,123	49,675
KB Metro-Flyg (same)	330	33	46,521	41,141
Miscellaneous shares and participations*				32,029
				1,003,754

Foreign companies	Number of shares	% stake	Par value in 000 of respective currency	Book value SEK 000
Ove Arkil A/S, Denmark	2,000	<1	DKK 200	1,073
Banister Continental Ltd., Canada	888,613	15	CAD 5,209	55,867
Beaconsfield Ltd., Bermuda	10,000	24	USD 100	1,010
Borggren, Dickson Construction Inc., United States	49,000	49	USD 49	3,767
CAC International N.V., Belgium	1,400	25	BEC 1,400	52
Datechnology Datech GmbH, West Germany	490	49	DEM 74	0
Entreprenørservice A/S, Norway	2,500	50	NOK 2,500	2,374
Forskarbyn A/S, Denmark	1	<1	DKK 100	0
Grove Equity Inc., United States	24	48	USD 33	203
Karl Koch Erecting Co., Inc., United States	49	49	USD 132	23,000
Kuin Holding BV, Netherlands	7	5	NLG 4	973
Sihkska A/S, Denmark	17,720	50	DKK 17,720	15,828
Skanska-Lekven A/S, Norway	50	50	NOK 250	235
Skanska West Africa Ltd., Nigeria	160,000	40	NGN 160	269
VSL Norge A/S, Norway	140	35	NOK 140	146
Yemen Construction & Development Co., North Yemen	3,000	3	YER 3,000	0
Miscellaneous shares and participations*				985
				105,782
Total				4,803,727

*Includes shareholdings under SEK 50,000 and participation units in partnerships, limited partnerships, etc. Complete data on participation units of SEK 50,000 and above can be obtained on request from the Company.

Note 14. Goodwill	Income statement*)		Balance sheet	
	1988	1987	1988	1987
Goodwill in JM	20	12	180	173
Goodwill in Svensk Rivteknik	1	1	4	2
Other goodwill	0	0	1	1
Elimination of negative goodwill	+3			
According to Income statement/ Balance sheet	18	13	185	176

*) Goodwill is depreciated by 10% annually.

Note 15. Assets pledged

Pledged bank deposits constitute collateral for contracting commitments.

Note 16. Other current liabilities

As of December 31, 1988, other current liabilities consisted of SEK 55 M in the current portion of long-term liabilities, SEK 738 M in other interest-bearing liabilities and SEK 811 M in non-interest-bearing liabilities.

Note 17. Provision for pensions

	The year's provision	Liability as of December 31, 1988
PRI liability	112	1,096
Other pension commitments	-2	23
	110	1,119

Note 18. Convertible debenture loans

	Skanska	JM	Drott
Amount (total SEK 1,002 M)	845	133	24*
Interest rate	9.5%	9.5%	9%
Maturity	1989-94	1989-94	1988-92
Convertible beginning in	1991	1991	1991
Conversion price	SEK 470	SEK 985	SEK 700
Maximum dilution of capital stock	2.8%	3.1%	20.0%
Maximum dilution of voting power	1.7%	1.5%	11.6%

*) Refers to minority share, 14%.

With regard to Skanska's convertible debenture issue, see also Note 13 to the Parent Company financial statements.

Note 19. Minority interest in untaxed reserves

Minority interest in untaxed reserves, SEK 197 M, is distributed as follows:

Inventory reserve	1
Payroll reserve	32
Reserve for uncompleted contracts	41
Reserve for investment and development properties	105
Accumulated extra depreciation	
Investment and development properties	1
Machinery and equipment	10
Fixed-asset properties	4
Special investment reserve	2
Development reserve	1
	197

Note 20. Change in shareholders' equity

	Capital stock	Restricted reserves	Unrestricted reserves
Opening Balance, Jan. 1, 1988	626	547	2,134
New share issues	4	132	
Transferred to restricted reserves		0	0
Dividend			-221
Capital discount		68	
Contribution from minority interests in subsidiaries*)		58	
Closing balance, Dec. 31, 1988	630	805	1,913

*) Refers to AB Drott.

Note 21. Capital stock

See Note 15 to the Parent Company balance sheet.

Parent Company income statement

Amounts in SEK M		1988	1987
Contracting operations etc.	Invoiced sales for the year _____	15,234	12,724
	Plus amount invoiced but not credited to income as of Jan. 1 _____	14,343	14,854
	Less amount invoiced but not credited to income as of Dec. 31 _____	-16,367 - 2,024	-14,343 511
	Invoiced sales on contracts credited to income during the year, factory operations etc. _____	13,210	13,235
	Production costs for contracts credited to income, factory operations etc. plus the year's administrative expenses _____	-12,412	-12,665
	Income from contracting operations etc. before depreciation _____	798	570
	Depreciation _____ Note 1	-249	-249
	Income from contracting operations etc. after depreciation _____	549	321
	Development properties and property management _____ Note 2	34	13
	Operating income after depreciation _____	583	334
Financial items	Dividends on shares and participations in subsidiaries _____	124	54
	in other companies _____	207	174
	Interest revenues _____	460	518
	Interest expenses _____	-268	-277
	Exchange difference on loans _____	3	15
	Other financial items _____	1 527	- 4 480
	Income after financial items _____	1,110	814
Extraordinary items	Gain on sale of fixed-asset properties _____	3	4
	Gain on sale of shares _____	106	359
	Shareholder contribution _____	- 11	- 7
	Merger loss _____	-	-246 110
	Income before allocations and taxes _____	1,208	924
Allocations	Group contributions _____	30	195
	Writedown of shares and participations in subsidiaries _____	- 5	- 11
	in other companies _____	-	- 4
	Inventory reserve _____	2	11
	Payroll reserve _____	- 54	- 5
	Reserve for uncompleted contracts _____	-227	116
	Reserve for investment and development properties _____	- 6	- 35
	Extra depreciation _____ Note 1	69	66
	Investment and development reserves _____ Note 3	17 -174	8 341
	Income before taxes _____	1,034	1,265
Taxes _____ Note 4	-187	-200	
Net profit for the year _____	847	1,065	

Parent Company balance sheet

Assets Amounts in SEK M

1988

1987

		1988	1987
Current assets	Bank balances _____	529	756
	Bonds _____	353	180
	Accounts receivable _____	2,047	1,709
	Prepaid expenses and accrued revenues _____	37	40
	Current assets held by consortia _____ Note 5	830	818
	Other receivables _____ Note 6	2,663	2,635
	Inventories _____	197	201
		6,656	6,339
Investment and development properties	Development properties _____ Note 7		345
		396	
Restricted accounts in Sveriges Riksbank	For general investment reserve _____	44	49
	For development reserve _____	22	39
		66	88
Fixed assets	Shares and participations in subsidiaries _____ Note 8	2,331	1,561
	Shares and participations in other companies _____ Note 8	4,583	3,969
	Receivables from subsidiaries _____	2,631	2,046
	Other receivables _____ Note 9	326	138
	Extraction rights _____	7	9
	Ships _____ Note 7	3	1
	Machinery and equipment _____ Note 7	751	734
	Own machinery being manufactured _____	2	4
	Advance payments on fixed assets _____	6	–
	Buildings _____ Note 7	141	140
	Buildings under construction _____	6	1
	Hydroelectric power plants _____ Note 7	218	224
	Land and other real estate _____ Note 7	83	83
		11,088	8,910
Total assets		18,206	15,682
Assets pledged	Real estate mortgages _____	205	239
	Bank assets _____ Note 10	2	4
	Shares _____	1	1
Contingent liabilities	Sureties for subsidiaries _____	798	576
	Other sureties _____	509	524
	Other guarantees _____	87	92

Liabilities and shareholders' equity Amounts in SEK M

1988

1987

		1988		1987	
Current liabilities	Accounts payable _____	1,370		1,075	
	Tax liability _____	89		193	
	Accrued expenses and prepaid revenues _____	1,342		1,188	
	Current liabilities of consortia _____	571		460	
	Other current liabilities _____ Note 11	889	4,261	1,156	4,072
Uncompleted contracts	Invoiced sales from beginning of contracts _____	16,367		14,343	
	Accumulated expenses from beginning of contracts _____	-13,166	3,201	-11,449	2,894
Loans on investment and development properties	Mortgage loans _____		157		138
Long-term liabilities	Liabilities to subsidiaries _____	1,026		1,051	
	Mortgage loans _____	1		37	
	Other liabilities _____	426		333	
	Provision for pensions _____ Note 12	881		780	
	Convertible debenture loan _____ Note 13	845	3,179	-	2,201
Untaxed reserves	Inventory reserve _____	69		71	
	Payroll reserve _____	510		456	
	Reserve for uncompleted contracts _____	2,717		2,490	
	Reserve for investment and development properties _____	41		35	
	Accumulated extra depreciation				
	Ships _____	1		1	
	Machinery and equipment _____	281		341	
	Fixed-asset properties _____	266		275	
	General investment reserve _____ Note 3	55		60	
	Development reserve _____ Note 3	36	3,976	40	3,769
Shareholders' equity	Restricted equity _____ Note 14				
	Capital stock _____ Note 15	630		626	
	Legal reserve _____	483		290	
	Unrestricted equity				
	Retained earnings _____	1,472		627	
Net profit for the year _____	847	3,432	1,065	2,608	
Total liabilities and shareholders' equity		18,206		15,682	

Notes to the Parent Company financial statements

Accounting principles

The accounting principles of the Parent Company are the same as those applied to the Group (see pages 46-47).

Notes (amounts in SEK M unless otherwise specified)

Note 1. Depreciation

	Depreciation		Extra depreciation		Book depreciation for year*	
	1988	1987	1988	1987	1988	1987
Ships	1	3	0	-3	1	0
Machinery and equipment	232	229	-60	-56	172	173
Fixed-asset properties including hydro-electric power plants	16	17	-9	-7	7	10
Total depreciation	249	249	-69	-66	180	183

* Including depreciation against reserves

Note 2. Development properties and property management

Revenues and expenses attributable to investment and development properties under construction, undeveloped land and redevelopment properties are reported under the heading "Development properties." Revenues and expenses attributable to the management of completed investment properties are reported under the heading "Property management." See also "Comments and notes to the Group financial statements," pages 46-47.

The year's income consists of	Development properties		Property management	
	1988	1987	1988	1987
Rental revenues	111	102	-	-
Operating and administrative expenses	-62	-64	-	-
Depreciation	-5	-5	-	-
Interest expenses	-14	-20	-	-
	30	13	-	-
Income from partly owned partnerships and limited partnerships	-16	-9	20	9
	14	4	20	9

Note 3. Investment and development reserves

	1988	1987
Development reserve		
Withdrawal	12	-
(SEK 8 M was transferred from Group companies, thus reducing the net balance in the reserve by SEK 4 M to SEK 36 M.)		
General investment reserve		
Withdrawal	5	8
Change during the year according to income statement	17	8

Note 4. Taxes

	1988	1987
Corporate income tax	37	61
Profit sharing tax	132	130
Real estate tax	18	9
	187	200

In 1988 the Company fully utilized its accumulated loss deductions, thereby reducing its national income tax for 1988 by about SEK 300 M, while its profit sharing tax (for the employee investment funds) is expected to increase by about SEK 60 M.

Note 5. Current assets held by consortia

This represents the Parent Company's share of all assets held by consortia (except for expenses incurred that are included under the heading "Uncompleted contracts"). Liabilities (except for invoicing) are similarly shown under the heading "Current liabilities of consortia."

Note 6. Other receivables (current assets)

This heading refers primarily to short-term investments in the form of promissory notes and commercial paper issued by corporations and finance companies. In 1988 it also includes receivables of SEK 845 M from employees who subscribed for convertible debentures.

Note 7. Property, plant and equipment

a) Acquisition price and accumulated depreciation	Acquisition price for remaining assets		Accumulated depreciation	
	1988	1987	1988	1987
Ships (dredgers, barges)	116	114	113	113
Machinery and equipment	2,254	2,154	1,503	1,420
Buildings	276	267	135	127
Hydroelectric power plants	230	230	12	6
b) Assessed values	1988	1987		
Investment and development properties				
Buildings	220	182		
Land and other real estate	94	52		
Fixed-asset properties				
Buildings, incl. power plants	317	232		
Land and other real estate	138	76		

Note 8. Shares and participations (fixed assets)

Subsidiaries ¹⁾	Number of shares (if <100)	% stake	Par value	Book value
			000	SEK 000
<i>Listed on Stockholm Stock Exchange</i>				
JM Byggnads och Fastighets AB	2,742,670	64	54,853	1,543,894
<i>Other subsidiaries</i>				
AB Angeredsasfalt & Co KB	61.8	65	618	618
Boxholms Skogar AB	1,250,000		125,000	149,990
Boxholms Såg AB	175,000		17,500	20,990
Byggnads AB Klensmeden & Co KB	19		950	950
AB Bålsta Värme & Sanitet	1,500		150	302
Datatechnology Datech AB	5,000		500	500
AB Drott*	750,000	75	7,500	37,050
AB Drott convertible debentures			131,250	131,250
Engdahl Stålteknik AB	10,000		1,000	50
AB Fakiren	3,000,000		150,000	95,295
Fastighets AB Betongblandaren	10,000		1,000	1,000
Fastighets AB Sulcus	50,000		5,000	5,000
Fastighets AB Vellonia	160,000		16,000	16,000
Fastighets AB Ragnar Wikstén	30,000		3,000	3,000
Fastighets AB Östman & Norell	17,000		1,700	1,700
Förvaltnings AB Albus	500,000		50,000	65,000
AB Gadus	10,000		1,000	1,000
Industriventilation Svenska AB	2,000		200	14,996
AB Järnmontering	5,000		500	500
Myresjö AB	150,000		25,000	31,500
AB Mälarhus	10,000		1,000	1,000
AB Norrbottens Cementgjuteri	30,000		3,000	4,500
AB Jan Ralling	10,000		1,000	1,000
Saxtorps Trading AB	1,000		100	1,170
SektionsByggarna AB	12,000		1,200	10,000
Sentab, Svenska				
Entreprenad AB	24,000		12,000	12,000
Skanska Installation AB	2,500		250	300
Skanska International AB	500,000		50,000	50,000
Skanska Konsulter AB	20,000		2,000	2,000
Skanska Prefab AB	500		50	73
Skånska Makadam AB	18,000		1,800	2,155
Stabilator AB	500		50	50
Sundsvalls Grus och Betong AB	10,000		1,000	2,825
Swedcon International AB & Co KB			400	400
Svenska Rivteknik AB	5,000		500	8,685
AB Tryckrör	54,000		5,400	3,900
Örmo Skogar AB	45,000		2,250	35,175
C G Jensen A/S, Denmark	382		DKK20,000	675
Marion SA, France	70,000		FRF 7,000	0
Marktune Ltd., Great Britain	75	75	GBP <1	1

Subsidiaries ¹⁾	Number of shares	% stake (if <100)	Par value 000	Book value SEK 000
SCEM Reinsurance SA, Luxembourg	500		LUF 50,000	8,214
Sepco SA, France	50,000		FRF 5,000	3,500
Skandinavian Development Inc., USA	875	88	USD 9	57
Skanska A/S, Norway	5,000		NOK 5,000	0
Skanska Baugesellschaft mbH, West Germany	share		DEM 10,000	31,428
Skanska Hispania SA, Spain	600	60	ESB 6,000	310
Skanska Saudi Arabia, Saudi Arabia	60	60	SAR 6,000	0
Trinity Tower Property Co Ltd., Great Britain	900,000	90	GBP 900	9,432
Oy Wallit, Finland	100		FIM 20	0
Miscellaneous shares and participations				21,800
				2,331,235
* If shares held by Sulcus are included, Skanska's stake is 86%.				
Other shares	Number	% stake	Par value 000	Book value SEK 000
<i>Listed on Stockholm Stock Exchange</i>				
Active	360,000	3	3,600	15,427
Cardo	900,000	6	45,000	200,134
Catena	2,205,000	11	44,100	79,144
Catena conv. debentures	1,062,426		169,988	178,488
Custos A	9,709,833	21	242,746	1,189,367
Custos B	650,000	1	16,250	57,383
Euroc	3,052,500	26	152,625	180,400
FFNS Gruppen	4,000	<1	20	302
Geveko	302,550	20	15,128	64,362
Industrivärden	584,500	2	11,690	77,448
Industrivärden conv. partic. notes	97,110		11,168	16,509
Klövern	368,036	4	7,361	29,760
Opus	9,510,000	27	95,100	79,450
Opus conv. debentures	9,288		2,786	2,799
Piren	242,500	6	6,250	14,550
Protorp	2,440,000	25	122,000	191,538
Sandvik	11,109,000	21	277,725	744,225
SKF A	3,110,000	12	155,500	344,813
SKF B	450,600	1	22,530	62,580
Öresund	640,839	16	32,042	160,361
				3,689,040
<i>Others</i>				
Atrium Fastighets AB	549,000	25	54,900	81,875
Banister Continental Ltd., Canada	888,613	15	CAD 5,209	55,867
CACI BV, Belgium	1,400	25	BEC 1,400	52
Calor-Celsius AB	125,000	25	12,500	42,925
Entreprenørservice A/S, Norway	2,500	50	NOK 2,500	2,374
Graningeverkens AB	255,718	29	127,859	638,223
Ideon AB	1,750	9	1,750	2,121
Karl Koch Erecting Co Inc, United States	49	49	USD 132	23,000
Råsjö Torv AB	25,204	23	2,520	7,638
Sihnska A/S, Denmark	17,720	50	DKK 17,720	15,828
Skanska West Africa Ltd., Nigeria	160,000	40	NGN 160	269
Uddevalle Invest AB	50,000	5	5,000	5,000
Wihlborg & Son AB	12,400	<1	248	2,015
Yemen Construction & Development Co., North Yemen	3,000	3	YIR 3,000	0
Miscellaneous shares and participations				17,106
				4,583,333

¹⁾ Certain indirectly owned property management and operating subsidiaries, some of which operate on a commission basis for the Parent Company.

	Number	% stake (if <100)	Par value 000	Book value SEK 000
Arlanda Flygghotell KB			150	150
Bark & Warburgs AB	6,200		6,200	46,716
Eurostop KB	3,050	60	3,050	6,930
Grundstücksgesellschaft Albergo mbH, West Germany			DEM 50	187
Grundstücksgesellschaft Atlantis mbH, West Germany			DEM 50	187
Grundstücksgesellschaft Prado mbH, West Germany			DEM 7,000	25,624
Grundstücksgesellschaft Rhemo mbH, West Germany			DEM 3,000	10,980
AB Gusum Skogar	80,000		4,000	19,500
Myresjöfönster AB	10,000		5,000	150
Myresjöhus AB	200,000		20,000	4,200
Myresjökök AB	10,000		1,000	5,000
Ohlsson & Skarne AB	50,000		5,000	5,048
Skanska (USA) Inc, U.S.	3,400		USD 5,700	26,145

Note 9. Other receivables (fixed assets)

On the basis of an exemption in accordance with Chapter 12, Section 8 of the Swedish Companies Act, loans in the amount of SEK 693,000 have been granted to employees who are also members of Boards of Directors of Group companies.

Note 10. Assets pledged

Pledged bank deposits constitute collateral for contracting commitments.

Note 11. Other current liabilities

As of December 31, 1988, other current liabilities consisted of SEK 56 M in the current portion of long-term liabilities, SEK 433 M in other interest-bearing liabilities and SEK 400 M in non-interest-bearing liabilities.

Note 12. Provision for pensions

	The year's provision incl. interest	Liability as of December 31, 1988
PRI liability	101	861
Other pension commitments	—	20
	101	881

Note 13. Convertible debenture loan

The convertible debenture loan falls due for payment on February 28, 1994. Conversion to Skanska shares may take place from February 18, 1991 until February 15, 1994. The conversion price is SEK 470 per share. Because the settlement date for payment was February 17, 1989, the loan is reported in the balance sheet as a current asset under the heading "Other receivables."

The capital discount of SEK 61 M – calculated on the basis of the difference between the 9.5 percent convertible debenture loan interest rate at the close of the subscription period on December 23, 1988 and the Company's alternative loan interest rate, estimated at 11.5 percent – was credited to the legal reserve (see Note 14) as a capital contribution and was deducted from the asset side. This asset will be depreciated successively during the life of the loan.

Note 14. Change in shareholders' equity

	Capital stock	Legal reserve	Retained earnings
Opening balance, Jan. 1, 1988	626	290	1,693
Dividend			-221
New share issue	4	132	
Capital discount (see Note 13)		61	
Closing balance, Dec. 31, 1988	630	483	1,472

Note 15. Capital stock

4,568,430 Series A shares (10 votes apiece), each with a par value of SEK 10
58,393,155 Series B shares (1 vote apiece), each with a par value of SEK 10
62,961,585

Statements of changes in financial position

Amounts in SEK M		1988	Group 1987	Parent Company 1988	1987
Funds supplied	Funds supplied from operations credited to income (see below) _____	2,113	1,726	1,335	1,196
	Increase in long-term liabilities _____	2,252	2,701	997	—
	New share issue _____	136	176	136	176
	Capital discount _____	68	—	61	—
	Contribution from minority interests in subsidiaries _____	58	—	—	—
		<u>4,627</u>	4,603	<u>2,529</u>	1,372
Funds applied	Dividend _____	221	188	221	188
	Increase in long-term receivables _____	171	150	772	185
	Decrease in long-term liabilities _____	—	—	—	6
	Net change in investment and development properties _____	2,483	4,272	56	350
	Investments in shares and participations _____	788	— 20	1,389	956
	Investments in other fixed assets _____	432	677	270	239
	<u>4,095</u>	5,267	<u>2,708</u>	1,924	
Change in working capital		<u>532</u>	-664	<u>-179</u>	-552
Specification of change in working capital	Change in balance of uncompleted contracts _____	-332	140	-307	251
	Decrease/Increase in inventories _____	- 2	7	- 4	- 31
	Decrease/Increase in trading inventory of shares _____	- 13	30	—	—
	Increase/Decrease in current receivables _____	748	924	548	- 2
	Increase in current liabilities _____	-222	-1,609	-189	-621
	Decrease/Increase in bank balances _____	353	- 156	-227	-149
Total change		<u>532</u>	- 664	<u>-179</u>	-552
Breakdown of item "Funds supplied from operations credited to income"	Income after extraordinary items _____	1,873	1,858	1,208	924
	Income before acquisition _____	- 12	- 77	—	—
	Minority share in income _____	- 57	- 136	—	—
	Income before allocations and taxes _____	1,804	1,645	1,208	924
	Depreciation _____	629	523	254	254
	Taxes _____	-385	- 410	-187	-200
	Deposit in/Withdrawal from restricted account in Sveriges Riksbank _____	65	- 32	22	23
	Group contributions _____	—	—	30	195
	Transferred investment reserve _____	—	—	8	—
		<u>2,113</u>	1,726	<u>1,335</u>	1,196

Proposed allocation of earnings

The Board of Directors and the President propose that the net profit for 1988, SEK 846,755,112, plus the retained earnings of SEK 1,472,532,917 carried forward from the preceding year, making a total of SEK 2,319,288,029, be allocated as follows:

A dividend to the shareholders of SEK 4.25 per share _____	267,586,736.25
To be carried forward _____	<u>2,051,701,292.75</u>
	<u>SEK 2,319,288,029.00</u>

Danderyd, Sweden, April 25, 1989

Bengt Haak

Sten Lindh	Assar Ericsson	Sven Johansson
Lennart Johansson	Carl-Olof Ternryd	Stig Herner
Percy Barnevik	Lars-Ove Håkansson President	Kjell Brändström

Auditors' Report for Skanska AB

We have examined the Annual Report, the consolidated financial statements, the accounts and the management by the Board of Directors and the President during 1988. Our examination has been carried out in accordance with generally accepted auditing practices.

Parent Company

The Annual Report has been prepared in conformity with the Swedish Companies Act.

We recommend that the annual meeting of shareholders adopt the income statement and balance sheet, distribute the earnings in accordance with the proposal in the Report of the Directors and discharge the members of the Board and the President from personal responsibility for their administration during 1988.

Group

The consolidated financial statements have been prepared in conformity with the Swedish Companies Act.

We recommend that the annual meeting adopt the consolidated income statement and balance sheet.

Danderyd, Sweden, April 26, 1989

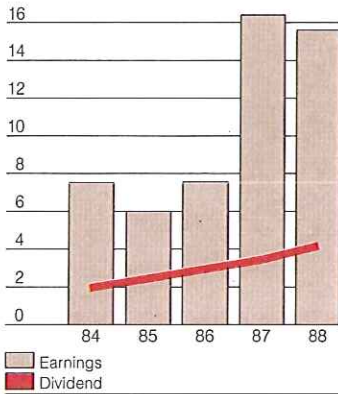
Bo Fridman
Authorized Public
Accountant

Erik Hultén
Authorized Public
Accountant

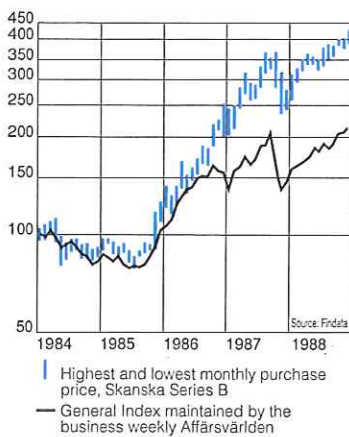
Data on Skanska shares

During 1988 the market price of a Skanska share on the Stockholm Stock Exchange rose from SEK 271 to SEK 424, or by 56 percent. During the same period, the General Index advanced by 52 percent.

Earnings and dividend per share, SEK



Share price movement, SEK



In March 1989, **Skanska's capital stock** amounted to SEK 629.6 M. This capital stock is divided into Series A and Series B shares. All have a par value of SEK 10. Series A shares carry 10 votes apiece, whereas Series B shares carry one vote apiece. Both A and B shares are issued as restricted and unrestricted (free) shares. Restricted shares may not be acquired by foreign citizens or companies.

Series B shares have been listed on the Stockholm Stock Exchange since 1965. Skanska shares are not quoted on any stock exchange outside Sweden.

On December 31, 1988, the market price of a Skanska share was SEK 424. On April 14, 1989, the market price was SEK 487 and the Company's total market capitalization was about SEK 31 billion.

In February 1989 the total number of shareholders in Skanska was 48,000. In addition, some tens of thousands of people are indirect shareholders through mutual funds. During 1988, 5,605,468 Skanska shares changed hands – an average of just over 22,156 shares per trading day.

Employees' shareholdings. Almost one out of two Group employees is a Skanska shareholder.

The largest increases in the number of employee shareholders have occurred as a result of special issues of new shares to employees in 1975, 1979, 1982 and 1987.

Today a person who took advantage of all four special issues owns a total of 410 shares, following stock dividends and the 5:1 split carried out in 1984. Their market value was about SEK 200,000 as of April 14, 1989. The costs per employee have consisted of a cash contribution of SEK 2,060 plus taxes on the salary-related benefit, which was about SEK 7,900.

Convertible debenture issue to personnel. Following approval by an extra meeting of shareholders on November 28, 1988, employees of Skanska AB and its Swedish subsidiaries, except for JM, were invited to subscribe for convertible debentures issued by the Company. The loan amount was set at a maximum of SEK 846 M.

The offer was oversubscribed by more than SEK 100 M. Just over 12,500 employees subscribed for convertible debentures, or more than 57 percent of those eligible.

In case of full conversion, the number of Series B shares in Skanska will increase by about 1.8 million. This is equivalent to approximately 2.8 percent of capital stock and 1.7 percent of voting power.

Changes in capital stock since Skanska's introduction on Stockholm Stock Exchange in 1965

Year	Stock dividend SEK M	New share issue SEK M	Par value of capital stock SEK M
1965			32.0
1967		3.4	35.4
1969	2:5	14.1	49.5
1973	1:3	16.5	66.0
1975	1:3	22.0	89.7
1977	1:2	44.9	134.6
1979	1:2	67.3	204.3
1981	2:3	136.2	340.5
1982	1:5	68.1	411.3
1983	1:2	205.6	616.9
1984	split 5:1		616.9
1987		8.7	625.6
1988		4.0	629.6

Shares by categories

	Number of shares	% of voting power	% of capital stock
A restricted	3,903,150	37.5	6.2
A free	665,280	6.4	1.1
B restricted	48,370,395	46.5	76.8
B free	10,022,760	9.6	15.9
Total	62,961,585	100.0	100.0

Shareholdings by size

February 1989	Number of shares held	Number of shareholders	% of all shareholders	Total number of shares held	% of capital stock	
1– 500	41,458	86.4	4,949,233	7.9		
501– 1,000	3,237	6.7	2,504,405	4.0		
1,001– 2,000	1,639	3.4	2,412,830	3.8		
2,001– 5,000	1,041	2.2	3,322,520	5.3		
5,001– 10,000	296	0.6	2,150,988	3.4		
10,001– 20,000	142	0.3	2,098,776	3.3		
20,001– 50,000	93	0.2	2,941,724	4.7		
50,001– 100,000	28	0.1	2,069,240	3.3		
100,001–	66	0.1	40,487,976	64.3		
			23,893*			
			48,000	100.0	62,961,585	100.0

* Printed share certificates still not exchanged for Swedish Securities Register Center (Värdepapperscentralen, VPC) registration documents, plus unclaimed stock dividend shares.

The largest shareholders in Skanska

According to the Swedish Securities Register Center (VPC), the largest shareholders and their percentages of total votes and shares in February 1989 were:

Shareholder	% of voting power	% of capital stock
Custos Group	13.2	9.5
Protorp Förvaltnings AB	10.3	12.4
Industrivärden Group	10.1	1.7
Skandinaviska Enskilda Banken pension funds	4.6	0.9
Svenska Handelsbanken pension fund	4.0	0.7
Tidnings AB Marieberg	3.9	0.7
Investment AB Öresund via AB Malmögia	3.6	0.6
Swedish National Pension Insurance Fund, Fourth Fund Board	2.5	3.7
Trygg-Hansa Group	2.0	3.2
Försäkringsbolaget SPP	1.9	3.2
Skandia Group	1.6	2.7
Employee investment funds (4)	1.4	2.3
Sparbankernas Aktiesparfond	1.2	2.0
Folksam Group	1.0	1.7
Other shareholders	61.3	45.3
	38.7	54.7
	100.0	100.0

Five-year Group financial summary

Amounts in SEK M		1988	1987	1986	1985	1984
Income statements						
	Income after depreciation					
	Contracting operations etc. _____	820	524	-12	52	191
	Sale of investment and development properties _____	122	374	161	54	25
	Development properties _____	-23	-31	-	-	-
	Property management _____	427	411	290	230	224
	Financial items _____	403	439	455	478	454
	Income before extraordinary items _____	1,749	1,717	894	814	894
	Extraordinary items _____	124	141	152	- 3	25
	Income before acquisition _____	-12	-77	-	-	-
	Minority interest in income _____	-57	-136	4	5	- 8
	Income before allocations and taxes _____	1,804	1,645	1,050	816	911
	Allocations _____	-650	-31	-181	-226	-366
	Taxes _____	-385	-410	-384	-332	-247
	Net profit for the year _____	769	1,204	485	258	298
Balance sheets						
	Bank balances _____	1,611	1,258	1,414	1,556	2,302
	Current receivables _____	8,265	7,530	6,576	5,549	5,941
	Inventories _____	411	413	406	404	417
	Investment and development properties _____	10,605	8,366	4,248	3,781	3,220
	Shares and participations (fixed assets) _____	4,804	4,016	4,040	4,127	3,041
	Long-term receivables _____	1,048	924	566	391	498
	Ships, machinery, equipment etc. _____	1,132	1,106	961	883	812
	Fixed-asset properties _____	1,062	1,072	1,085	947	760
	Current liabilities _____	6,551	6,329	4,720	4,221	3,847
	Uncompleted contracts (balance) _____	3,625	3,293	3,433	3,302	3,675
	Long-term liabilities _____	9,245	6,993	4,292	3,772	3,484
	Untaxed reserves _____	5,400	4,763	4,736	4,558	4,335
	Shareholders' equity _____	4,117	3,307	2,115	1,785	1,650
Total assets		28,938	24,685	19,296	17,638	16,991
Revenues		23,090	19,631	16,103	14,957	14,765
Number of employees		29,670	29,418	27,627	28,234	29,436
Financial ratios						
	Dividend per share, SEK _____	4.25*	3.50	2.98	2.44	1.96
	Adjusted earnings per share, SEK _____	15.60	16.30	7.39	5.87	7.34
	Adjusted earnings per share after full conversion, SEK _____	15.15	-	-	-	-
	Adjusted earnings per share after extraordinary items, SEK _____	17.20	19.38	9.07	5.82	7.54
	Adjusted earnings per share after extraordinary items and after full conversion, SEK _____	16.70	-	-	-	-
	Return on shareholders' equity, % _____	15.9	20.5	11.2	9.5	13.1
	Return on capital employed, % _____	16.4	20.8	16.2	17.1	18.9
	Equity/assets ratio, % _____	24.5	24.5	23.2	23.0	22.5

* Proposed by the Board of Directors.

Dividend and adjusted equity per share have been calculated on the basis of the number of shares outstanding on December 31, 1988.

Board of Directors

Sten Lindh
Pully, Switzerland, born 1922. Elected to the Board in 1969. Former Ambassador.

Lars-Ove Håkansson
Djursholm, born 1937. Elected to the Board in 1985. President of Skanska AB since 1986. President and Group Chief Executive since 1987. Holdings in Skanska AB: 2,720 shares, including 2,320 Series B.

Bengt Haak
Stockholm, born 1925. Chairman. Elected to the Board in 1971. President of Skanska AB, 1977-81. Group Chief Executive, 1981-83. Chairman of the Board since 1983. Holdings in Skanska AB: 5 Series B shares.

Percy Barnevik
Zürich, Switzerland, born 1941. Elected to the Board in 1986. President and Chief Executive Officer of ABB Asea Brown Boveri Ltd.

Assar Ericsson
Kyrkhult, born 1932. Elected to the Board in 1973. Concrete worker, employee representative (Swedish Trade Union Confederation, LO). Holdings in Skanska AB: 180 Series B shares and 100 convertible debentures.

Lennart Johansson
Gothenburg, born 1921. Elected to the Board in 1982. Dr.Eng., Chairman of AB SKF.

Kjell Brändström
Danderyd, born 1931. Elected to the Board in 1987. President of AB Industrivärden.



Carl-Olof Ternryd
Stockholm, born 1928. Elected to the Board in 1982. Dr.Eng., professor at Royal Institute of Technology.

Sven Johansson
Lund, born 1923. Elected to the Board in 1979. Professor of nuclear physics, Lund Institute of Technology.

Ulf Andersson
Deputy Board Member. Täby, born 1929. Elected in 1979. Office worker, employee representative (Federation of Salaried Employees in Industry and Services, PTK). Holdings in Skanska AB: 200 shares, including 100 Series B, and 170 convertible debentures.

Christer Olausson
Deputy Board Member. Karlshamn, born 1938. Elected in 1973. Carpenter, employee representative (LO). Holdings in Skanska AB: 170 convertible debentures.

Stig Herner
Gothenburg, born 1932. Elected to the Board in 1985. Engineer, employee representative (PTK). Holdings in Skanska AB: 2,750 Series B shares and 170 convertible debentures.

Auditors

Bo Fridman
Stockholm
Authorized Public Accountant

Erik Hultén
Malmö
Authorized Public Accountant

Deputy Auditors

Bernhard Öhrn
Stockholm
Authorized Public Accountant

Mats Göranson
Malmö
Authorized Public Accountant

Addresses

Skanska AB

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Telephone: +46-8-753 80 00
Fax: +46-8-755 71 26

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Malmö

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Fax: +46-40-11 82 16

Major Swedish subsidiaries

JM Byggnads och Fastighets AB

Box 27 319, S-102 54 Stockholm
Telephone: +46-8-782 87 00
Fax: +46-8-660 02 97

Ohlsson & Skarne AB

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Fax: +46-8-627 31 90

Skanska Prefab AB

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Fax: +46-40-97 71 15

Stabilator AB

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Fax: +46-8-753 47 90

Industriventilation

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Fax: +46-470-268 65

Engdahl Stålteknik AB

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Fax: +46-480-241 33

Skanska Installation AB

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Fax: +46-8-755 71 26

Myresjö AB

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Telephone: +46-383-911 00
Fax: +46-383-914 40

SektionsByggarna AB

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Telephone: +46-380-502 10
Fax: +46-380-506 07

Major foreign subsidiaries

C G Jensen A/S

Baltorpvej 158, DK-2750 Ballerup, Denmark
Telephone: +45-2-68 17 00
Fax: +45-2-68 12 01

Skanska Baugesellschaft mbH

Alsterufer 34, D-2000 Hamburg 36,
West Germany
Telephone: +49-40-44 78 74
Fax: +49-40-45 48 53

Marion SA and Sepco SA

133, rue du Chevaleret, F-75013 Paris,
France
Telephone: +33-1-458 442 50
Fax: +33-1-458 517 32

Trinity Tower Property Co. Ltd.

Thomas More Street, London E19LE,
England
Telephone: +44-1-702 91 31
Fax: +44-1-702 44 12

Skanska (U.S.A.) Inc.

73 Arch Street, Greenwich, CT 06830,
United States
Telephone: +1-203-869 17 60
Fax: +1-203-869 22 87

Skanska – one of Europe's largest construction and real estate companies – began operations in Malmö, Sweden, a little more than 100 years ago by pioneering the use of concrete in the Swedish building trade.

Starting with concrete blocks and decorative items for building construction, Skanska – known officially until 1984 as Skånska Cementgjuteriet – soon progressed to foundations, hydroelectric power plants and bridges. Its first company based outside Sweden was established in 1902, when the Russian-Swedish Concrete Piping Factory began operations in St. Petersburg (now Leningrad).

Since then, Skanska has broadened its operations and developed techniques and know-how in building construction, ground works, and underground and underwater construction. New technological solutions, increasingly large projects and a larger proportion of design-construct assignments characterize the market today. In response to these trends, the Company has pursued a strategy of greater specialization.

The Skanska Group works in the following eight business segments: Swedish construction operations, technology, specialized companies, international civil engineering operations, international building construction and real estate operations, Swedish real estate operations, industrial companies and financial operations.

Skanska is one of Sweden's largest private real estate owners and is continuing to build properties for its own account on a large scale. The experience and knowledge gained in this business segment are applied throughout the construction process.

The financial position of the Group has become stronger due to good profitability. Excess funds have been invested in shares and other securities. Skanska's stockholdings are of a long-term, strategic nature. The portfolio is dominated by shares in leading listed companies.

In 1965 Skanska shares were introduced on the A-list at the Stockholm Stock Exchange.

