

SKANSKA

Annual Report 2008



About Skanska

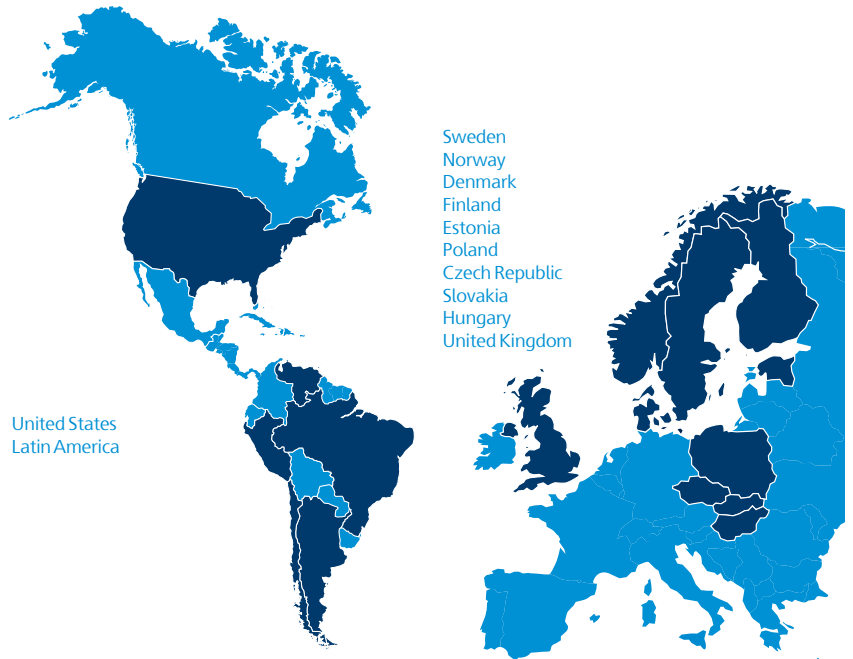
Skanska is one of the world's largest construction companies, with a leading position in a number of home markets in Europe, the United States and Latin America.

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

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

The Skanska Group has 58,000 employees, and in 2008 its revenue totaled SEK 144 billion.

Home markets

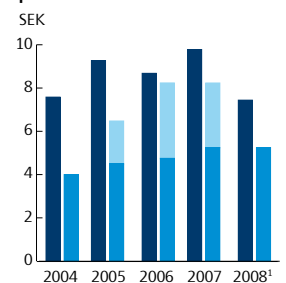


Key ratios

	SEK M	EUR M	USD M
Revenue	143,674	14,923 ³	21,802 ³
Operating income	4,086	424 ³	620 ³
Income after financial items	4,410	458 ³	669 ³
Earnings for the period per share, SEK/EUR/USD ¹	7.44	0.77 ³	1.13 ³
Return on equity, %	15.9	15.9	15.9
Return on capital employed, %	18.3	18.3	18.3
Order bookings ²	126,524	13,142 ³	19,199 ³
Order backlog ²	142,402	13,012 ⁴	18,440 ⁴

1 Earnings for the period attributable to equity holders divided by the average number of shares outstanding after repurchases.
2 Refers to Construction operations.
3 Average 2008 exchange rates: EUR 1 = SEK 9.63, USD 1 = SEK 6.59.
4 Exchange rates on 2008 balance sheet date: EUR 1 = SEK 10.94, USD 1 = SEK 7.72

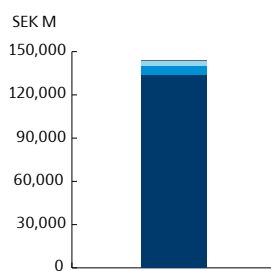
Earnings and dividend per share



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

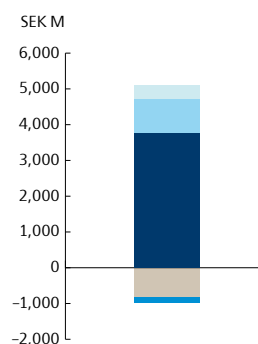
1 Proposed by the Board of Directors.

Revenue by business stream



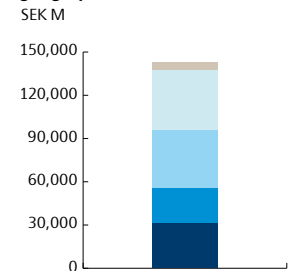
■ Construction, 93%
■ Residential Development, 4%
■ Commercial Development, 3%
■ Infrastructure Development, 0%

Operating income by business stream



■ Construction, 73%
■ Residential Development, negative
■ Commercial Development, 19%
■ Infrastructure Development, 8%
■ Centralt & elimineringsar, negative

Revenue by geographic area



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

Contents

President and CEO

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



Residential Development

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



Infrastructure Development

Despite higher yield requirements when appraising assets, the project portfolio contains surplus values of about SEK 6 billion.



Construction

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



Commercial Development

Well-consolidated projects and properties with a surplus value of about SEK 2 billion despite the economic downturn.



Sustainable development

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

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This document is in all respects a translation of the Swedish original Annual Report. In the event of any differences between this translation and the Swedish original, the latter shall prevail.



Late in 2008, international engineering consultancy Ångpanneföreningen (ÅF) moved into its new headquarters in Solna, near Stockholm. It is one of the first buildings in Sweden to meet the European Union’s GreenBuilding classification.

The Skanska Group

Senior Executive Team

Skanska Financial Services

Group Staff Units

Construction

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

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

Revenue SEK 139,498 M
USD 21,168 M
EUR 14,490 M

Share of Group 93%



Operating income SEK 3,761 M
USD 571 M
EUR 391 M

Share of Group 73%



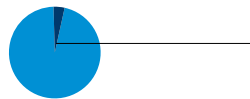
Residential Development

Skanska Residential Development Nordic

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

Revenue SEK 6,450 M
USD 979 M
EUR 670 M

Share of Group 4%



Operating income SEK -177 M
USD -27 M
EUR -18 M

Share of Group, negative



Commercial Development

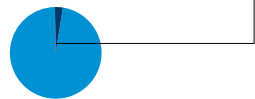
Skanska Commercial Development Nordic

Skanska Commercial Development Europe

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

Revenue SEK 3,961 M
USD 601 M
EUR 411 M

Share of Group 3%



Operating income SEK 953 M
USD 145 M
EUR 99 M

Share of Group 19%



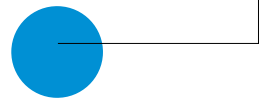
Infrastructure Development

Skanska Infrastructure Development

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

Revenue SEK 55 M
USD 8 M
EUR 6 M

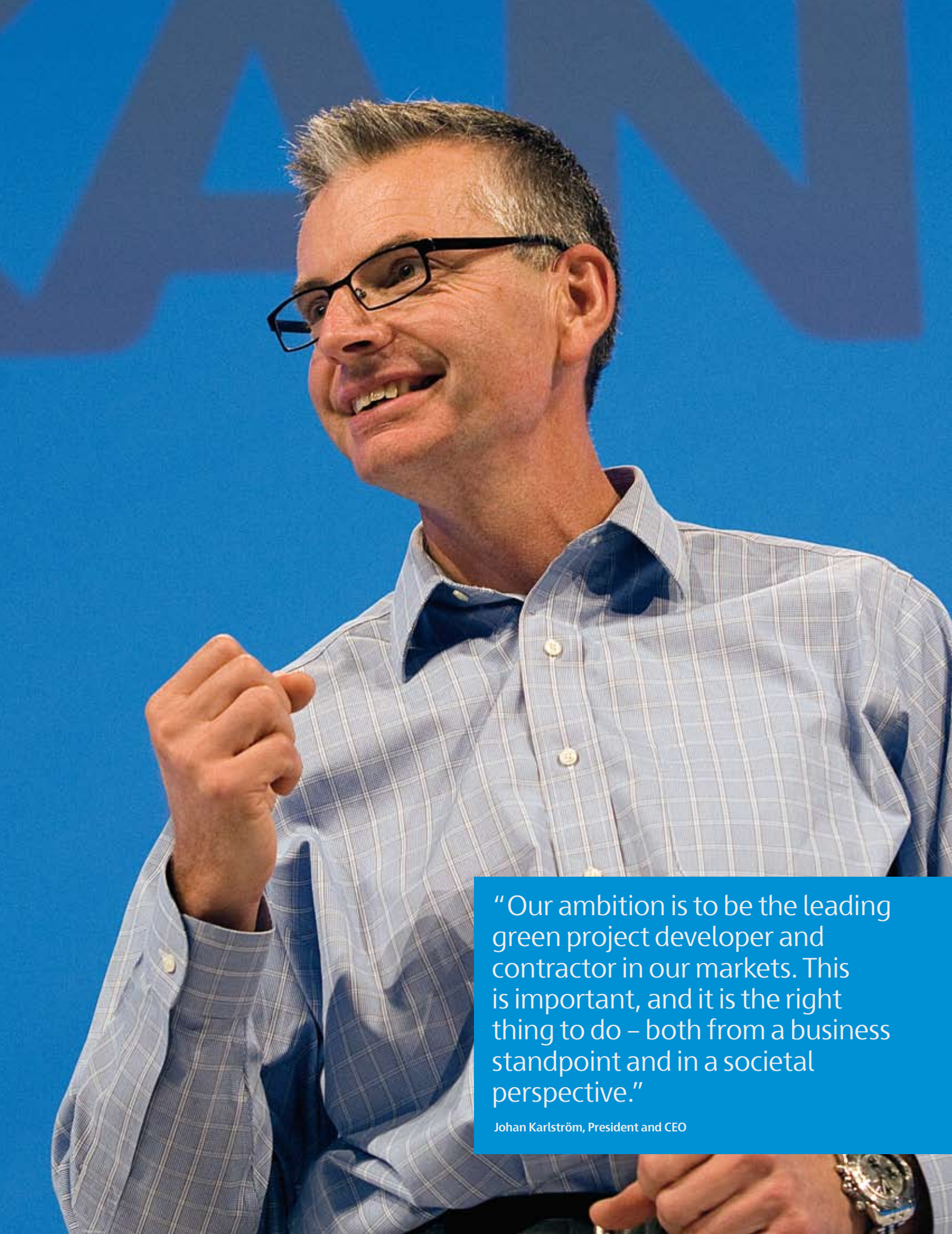
Share of Group 0%



Operating income SEK 396 M
USD 60 M
EUR 41 M

Share of Group 8%





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

Johan Karlström, President and CEO

Comments by the President and CEO

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

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

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

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

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

A strong year – in spite of everything

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

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

Activity was high and forward-looking. We developed and built thousands of projects while working intensively to gen-

erate new business, develop new projects, enhance the impact of our green know-how, improve the safety of our job sites and recruit and professionally develop the leaders and employees of tomorrow.

Frozen financial market

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

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

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

The financial crisis dominated the media – but there is also another picture. Despite its shaky surroundings, Skanska remains stable. The stability of the Group is not based only on financial strength. We also remain stable thanks to our diverse operations, which give us a broad base.

We are not dependent on any single sector or geographic market. We have a broad product mix – we construct buildings and infrastructure for both commercial and public sector customers, as well as energy and environmental facilities. We develop our own residential, commercial and infrastructure projects. And we are geographically dispersed in a way that is unique in our industry, with a strong presence in the United States and the Nordic countries as well as in the United Kingdom and Central Europe.

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



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

Strong balance sheet

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

Tools for new business

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

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

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

In the “Group overview” section

Enterprising employees

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

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

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

Green progress

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

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

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

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

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

Bright spots despite lower volume

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

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

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

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

Solna, March 2009



Johan Karlström,
President and CEO



Efficiency and profitability

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



Green construction is booming

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



Human resource development a high priority

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

Efficiency and profitability

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

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

Skanska's core businesses

Skanska operates in four business streams.

Construction

This business includes construction of non-residential and residential buildings as well as civil construction projects. It is Skanska's largest business stream, performing construction assignments for external customers (91 percent) as well as for Skanska's development business streams (9 percent). Operations are conducted in selected home markets – Sweden, Norway, Finland and Estonia,

Poland, the Czech Republic and Slovakia, the United Kingdom, the United States and Latin America. Skanska attaches special importance to metropolitan regions, which often demonstrate higher growth than their respective country as a whole. Skanska offers many of the products and services that are needed in growing cities – workplaces, schools, hospitals, sports and leisure facilities, as well as housing and infrastructure for transportation, energy, water and more. In individual markets, Skanska operates today in certain segments, but by taking advantage of its collective expertise, the Group can enhance its opportunities for growth and higher earnings in these markets.

Residential Development

Skanska initiates and develops residential projects for sale primarily to consumers. It operates in selected markets where Skanska has a permanent presence – Sweden, Norway, Denmark, Finland and

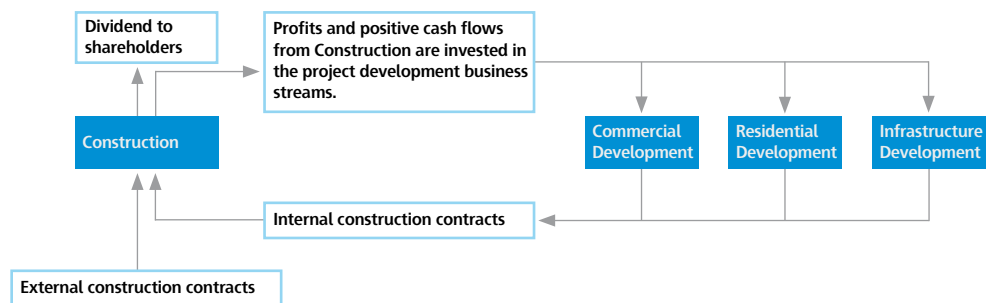
Estonia as well as the Czech Republic and Slovakia. Skanska is one of the leading residential developers in the Nordic region. Operations focus primarily on small and medium-sized residential units in attractive locations. Nordic operations are gathered in one business unit, Residential Development Nordic.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

Commercial Development

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

Synergies at Skanska

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



Mission

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

Vision

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

Goals

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

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

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

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

Infrastructure Development

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

Collaboration creates leverage

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

These include the Skanska Knowledge Center, which gathers information on the Group's intranet about approved processes for certain types of projects, other

recommended methods and various collaboration networks.

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

Size provides competitive advantages

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

and life-cycle costs are of crucial importance. The Group's size and international profile are also attractive qualities in the recruitment of new employees.

Nordic coordination

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

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

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

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



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

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

Both a local and a global player

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

Skanska's strengths

Employees

Skanska's skilled, dedicated employees combine expertise with the Group's over-

Skanska's key stakeholders

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

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



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

all focus on sustainable development in order to successfully deliver projects to customers. The Group's ability to transfer knowledge between different geographic markets also contributes to its strength.

Brand

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

Financial strength

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

Talent management vital

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

Identifying and developing the leaders of tomorrow is a core activity for both local units and the Group. For this reason, Skanska continuously measures and assesses the performance of employees with leadership potential. A substantial proportion of executive time and resour-

es is devoted to management development (see page 14).

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

Risk management procedures

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

Laying the groundwork for profitability

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

New initiatives in 2008

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

Profitability, safety, ethics and the environment

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

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

Green construction

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

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

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

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

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

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

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

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

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

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

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

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



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

Financial and qualitative targets

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

Operating margin

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

Working capital

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

Return on capital and equity

Commercial Development, Residential Development and Infrastructure Development – where Skanska invests in project development – have targets for return on capital employed. The target for adjusted return on capital employed in

Commercial Development and Infrastructure Development includes changes in market value but excludes currency rate effects. Commercial Development also has a long-term target based on value creation: accrued unrealized development gains after subtracting the costs of the development organization. For the Group, there is a target for return on equity.

Qualitative targets – the 5 zeros vision

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

- zero loss-making projects – by avoiding loss-making projects and unacceptable financial risks and selecting projects carefully
- zero work site accidents – by guaranteeing safety at and around job sites for employees as well as subcontractors, suppliers and the general public

Operating margin in Construction
Rolling 12 months



- zero environmental incidents – by carrying out projects in ways that minimize environmental impact
 - zero ethical breaches – by zero tolerance toward all anti-competitive activities
 - zero defects – leading to better final results and greater customer satisfaction
- In addition to the five zeros vision, there are also management development targets.

Remuneration connected to financial and qualitative targets

At Skanska many employees are covered by some form of flexible salary elements or bonus. Total remuneration can be divided into fixed salary, flexible cash remuneration and the Group's long-term incentive program, based on shares. (See Note 37, page 131.) The allocation from the latter two components is based on how well Skanska's financial targets have been met. The requirements in the Group's financial target plan have been broken down in such a way that every project, district, region etc. has targets that support Skanska's overall ambitions. If qualitative targets are not met, any flexible remuneration based on financial targets may be reduced. In all, such remuneration may be reduced by up to 50 percent if none of the qualitative targets is achieved.

Capital structure

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

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

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

	Group ¹			
Return on equity, target, %	21.0			
Return on equity, outcome, %	17.3			
	Construction ¹	Residential Development ¹	Commercial Development ²	Infrastructure Development ³
Operating margin, target, %	3.5	10.4		
Operating margin, outcome, %	2.8	-2.9		
Working capital, target, SEK bn	-12.3			
Working capital, outcome, SEK bn	-14.6			
Return on capital employed, target, %		15.5	11.7	18.0
Return on capital employed, outcome, %		-3.1	12.6	16.2
Value creation, target, SEK M			700	
Value creation, outcome, SEK M			946	
Investments, target, SEK M				700
Investments, outcome, SEK M				896

1 Outcome is calculated excluding currency rate effects. The figures shown are calculated using outcome in local currency with exchange rates on September 30, 2007, which were used in calculating targets.

2 Including unrealized development gains and changes in market value.

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

Long-term financial "Outperform" targets

	Group			
Return on equity, %	20.0			
	Construction	Residential Development	Commercial Development	Infrastructure Development
Operating margin, %	4.0	12.0		
Return on capital employed, target, %		18.0		16.0 ¹
Value creation, SEK M per annum			500-700 ²	

1 Including unrealized investment gains and changes in market value, excluding currency rate effects.

2 Accrued development gain minus expenses in the development organization, based on annual gross investments of SEK 4-5 billion.

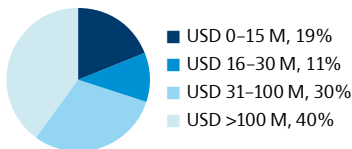
Risk management procedures

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

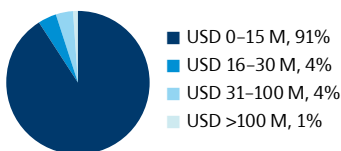
By focusing on selected home markets, Skanska's local business units become thoroughly familiar with each market and can analyze them continuously. These analyses are an integral element of the SET's work. Construction investments in a country normally follow the trend of GDP, with a time lag of one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

Order backlog SEK 142.4 bn

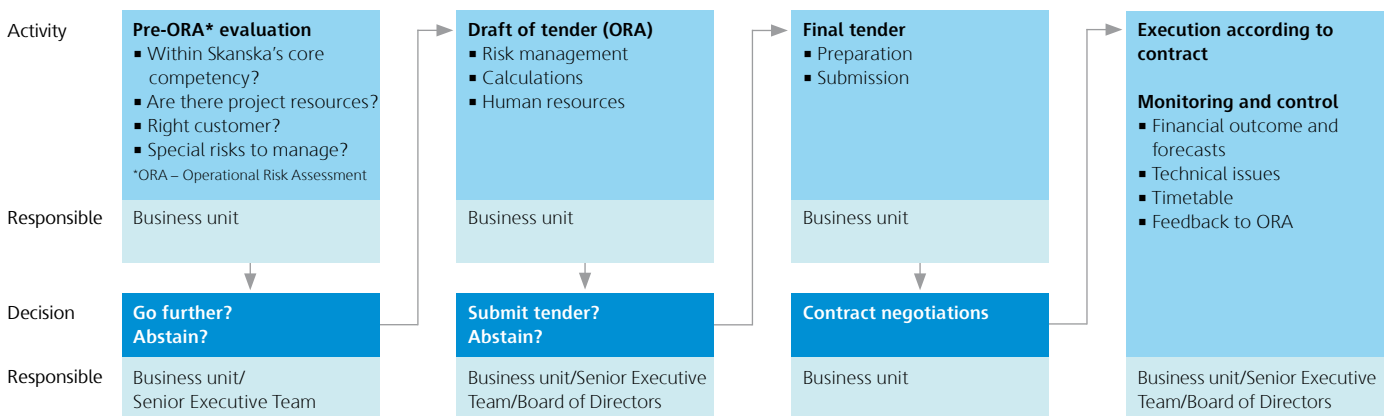
Project size



Number of projects



Skanska Tender Approval Procedure (STAP)



both public sector and private customers, which reduces the risk to its overall business.

Operational risks

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

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

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

basis, with adjustments in the percentage of completion being made for any changes in the estimated project completion cost.

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

Uniform risk management procedures

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

Analyses of earlier loss-making projects indicate that such factors as improper choices related to staffing and geographic

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

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

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

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

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

Risks related to material prices

In Skanska's operations there are many different types of contractual mechanisms. The degree of risk associated with the prices of goods and services varies greatly, depending on the contract type. In cases where Skanska works on a cost-plus basis, any price increases are passed

directly to the customer. In assignments for public sector customers, Skanska often has fixed-price contracts. Certain contracts contain indexing clauses that allow an upward revision of the contract value, equivalent to price increases.

Financial risks

Foreign exchange risks

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

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

Interest rate risks

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

At year-end 2008, the average interest refixing period for interest-bearing assets, SEK 15.1 billion, was 0.1 (0.1) years and on interest-bearing liabilities excluding pension liabilities, SEK 2.8 billion, it was 0.6 (0.5) years. The size of Skanska's interest-bearing pension liability, SEK 3.1 (1.1) billion, is largely connected to the interest rate on long-term central government debt. An increase or decrease in long-term interest rates leads to a decrease or increase in pension liability. Such changes are recognized directly in the equity of the Group (see Note 28, page 117).

Refinancing risks and liquidity

Refinancing risk is the risk caused by lack of liquidity or by difficulty in obtaining or rolling over external loans. At year-end 2008, the Group's unutilized credit facilities totaled SEK 8.9 billion (7.3) and the average maturity of the borrowing portfolio, including the maturity of unutilized credits, was 5.5 (6.5) years.

Risks related to financial turmoil

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

Impact on the Group of a change in SEK against all currencies and a change in USD against SEK, based on the 2008 income statement and balance sheet

SEK bn	+/- 10%	of which USD +/- 10%
Revenue	+/- 11.3	+/- 4.2
Operating income	+/- 0.2	+/- 0.1
Equity	+/- 1.3	+/- 0.3

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

Interest-bearing liabilities and assets

SEK bn	Dec 31, 2008	Dec 31, 2007
Interest-bearing gross liabilities	-5.9	-4.8
Cash and cash equivalents and interest-bearing receivables	15.1	19.4
Interest-bearing net receivables	9.2	14.6

Sensitivity of pension obligation to change in discount rate

SEK bn	Sweden	Norway	U.K.	Total
Pension obligation, December 31, 2008	4.8	2.4	4.1	11.3
Discount rate increase/decrease of 0.25 percent ¹	+/-0.2	+/-0.1	+/-0.2	+/-0.5

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

Green construction is booming

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

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

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

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

Tools for suitable solutions

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

Skanska offers green products as well as services and processes that enable it to deliver green projects. It is also intent on collaborating more closely with customers at an earlier stage in order to better understand and be able to satisfy their needs. In this way, Skanska can help customers achieve their goals, which may include impro-



ving energy efficiency, reducing emissions and obtaining green certification. In many cases, these solutions will also result in cost savings for customers – either through alternatives that directly lower the cost or through solutions that are cost-effective in the long term. The latter may apply, for example, to energy-efficient solutions that sometimes entail a somewhat higher initial cost.

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

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

Human resource development a high priority

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

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

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

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

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

During 2008, Skanska launched a new Skanska Employee Ownership Program (SEOP) aimed at all permanent employees,

for the purpose of strengthening their identification with the Company. During the first year of the program, 16 percent of Company employees joined SEOP. It is also possible for both new and former full-time employees to choose to join SEOP later.

Good managers a crucial factor

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

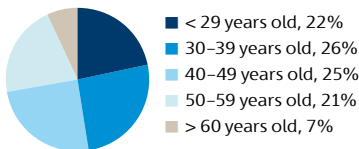
As part of its Great Boss concept, Skanska conducted its second annual

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

Measuring job satisfaction

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

Age distribution 2008



Female employees at Skanska

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

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



Trainee program leads to advanced positions

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



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

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

Management training

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

Greater exchanges of experience

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

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

Increased diversity

For many years, male engineers have been the dominant employee category at Skanska. To harmonize with society at large and with its own customer profile, Skanska needs to increase the diversity of its workforce in terms of educational or occupational background, gender and ethnicity. This enriches the Company by

adding experience from other industries, academic disciplines and cultures, while increasing its recruitment base for future managers. This is why Skanska is also seeking future employees outside the traditional ranks of male engineers.

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

Diversity in management positions

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

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

International trainee program

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

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

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

Employee turnover

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

Employee retention efforts

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

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

Keeping the expertise in projects

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

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

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

Share data

The overall market capitalization of Skanska amounted to SEK 32.2 billion at the end of 2008.

Skanska's Series B shares are quoted on the NASDAQ OMX Stockholm and traded under the SKA B symbol in round lots of 200 shares. Current price information is available at www.skanska.com/investors, in the Reuters system under the SKAb, ST symbol and in the Bloomberg system under the SKAB SS symbol. At the end of 2008, a total of 423.1 million shares were outstanding, with a quota value of SEK 3 per share. Of shares outstanding, 22.5 million were Series A shares with 10 votes apiece, 396.1 million Series B shares with one vote apiece and 4.5 million Series D shares with one vote apiece. Series D shares are held by Skanska, which may not exercise its voting right. Of outstanding Series B shares, Skanska repurchased 2.8 million shares (see also Note 26, page 114). Of shares in circulation, Series B shares accounted for 93.6 percent of share capital and 63.4 percent of voting power.

During 2008, Skanska shares traded on the Exchange totaled 732.7 (654.9) million, at a value of SEK 67.6 (92.0) billion. Average volume per trading day was 2.9 million shares, up 12 percent from an average of 2.6 million in 2007. Trading volume during 2008 was equivalent to 173 (165) percent of the total number of Series B shares at the end of the year.

Share performance

During 2008 the market price decreased by 36.5 percent to SEK 77.50 per share as the final price paid. Skanska's overall market capitalization thus decreased during 2008 to SEK 32.2 billion. The highest price paid for a Skanska share was SEK 125.50 on April 2. The lowest price paid was SEK 53.25 on November 21. The Stockholm all share index, or OMX Stockholm_PI (OMXSPI), fell by 42.0 percent during 2008. The Dow Jones Titans Construction Index, which includes Skanska, fell by 47.4 percent. Skanska's Series B shares are also included in the Dow Jones Stoxx 600, Dow Jones Stoxx30 Nordic, S&P Global 1200 and S&P Europe 350.

Ownership changes

At the close of 2008, the number of shareholders totaled 75,957 (75,815). The proportion of share capital owned by Swedish

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

Dividend policy

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

Dividend

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

Total return

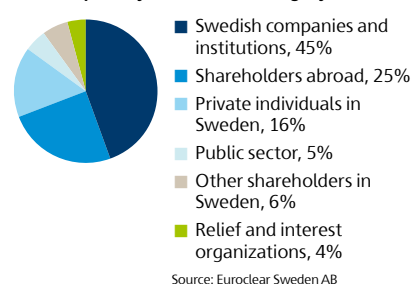
The total return of a share is calculated as the change in share price, together with the value of reinvested dividends. During 2008, total return on a Skanska share amounted to -31.9 percent, The Exchange's SIX Return Index fell by 39.0 percent during 2008. During the five-year period January 1, 2004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

During the same period, the SIX Return Index rose by 25 percent.

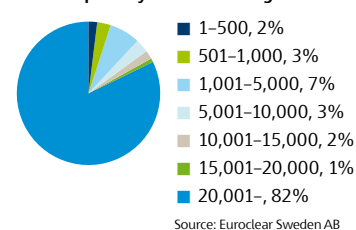
Share ownership program

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

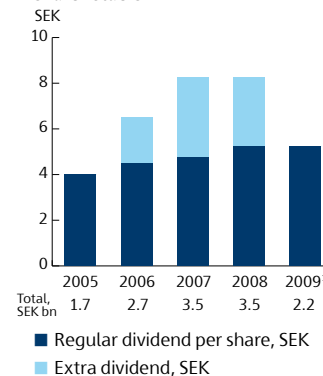
Share capital by shareholder category



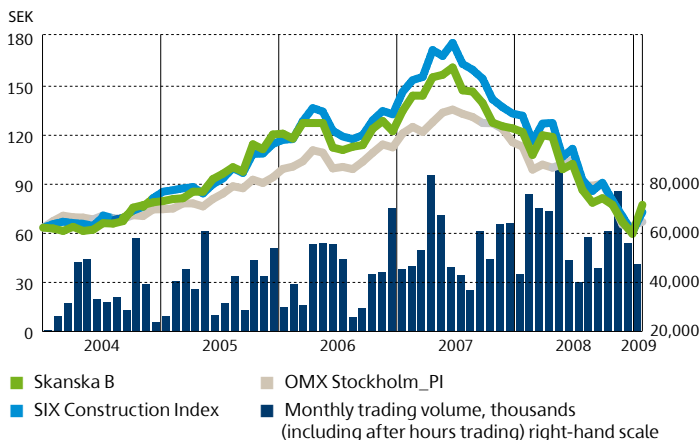
Share capital by size of holdings



Transfer of capital to Skanska's shareholders



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



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Equity and adjusted equity

SEK bn	2008	2007	2006
Equity attributable to equity holders	19.1	20.5	19.2
Unrealized surplus land value in Residential Development	1.0		
Unrealized Commercial Development gains ¹	1.9	3.0	1.8
Unrealized Infrastructure Development gains ¹	5.2	5.9	3.3
Adjusted equity ¹	27.2	29.3	24.3
Equity per share, SEK	45.87	49.01	45.85
Adjusted equity per share, SEK	65.42	70.07 ²	58.01 ²

¹ Less 10 percent standard corporate tax.

² Excluding surplus value of land in Residential Development.

Skanska share history

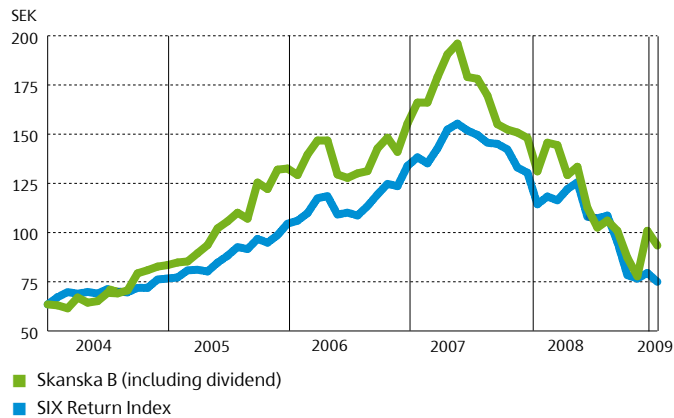
	2008	2007	2006	2005	2004
Year-end market price, SEK	77.50	122.00	135.00	121.00	79.75
Year-end market capitalization, SEK bn	32.2	51.1	56.5	50.6	33.4
Average number of shares for the year, million ¹	415.8	418.6	418.6	418.6	418.6
Highest share price during the year, SEK	125.50	165.50	136.50	125.50	83.75
Lowest share price during the year, SEK	53.25	110.25	98.50	79.00	57.50
Yield, percent ²	10.6	6.8	6.1	5.4	5.0
Regular dividend per share, SEK	5.25 ³	5.25	4.75	4.50	4.00
Extra dividend per share, SEK	-	3.00	3.50	2.00	-

¹ Number of shares outstanding after repurchases.

² Dividend as a percentage of respective year-end share price.

³ Based on the dividend proposed by the Board of Directors.

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



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Shares by category on December 31, 2008

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

¹ Skanska's holding.

Change in shares outstanding (millions) and share capital

Year and event	Reduction	Stock dividend	New share issue	Shares outstanding	Par value of share capital, SEK M
1997 redemption 1:10	-12.0	-	-	113.9	1,366.3
2001 cancellation of repurchased shares	-9.2	-	-	104.7	1,255.7
2001 split 4:1	-	314.0	-	418.6	1,255.7
2006 new share issue, Series D shares	-	-	4.5	423.1	1,269.2

The largest shareholders in Skanska AB, ranked by voting power, Dec. 31, 2008¹

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

¹ Not counting Series D shares (4,500,000) plus Series B shares (2,793,162) in Skanska's own custody.

Sources: Euroclear Sweden AB and SIS Ägarservice.

Major listed construction companies

	Absolute return 2008, %	Total return 2008, %	Total return 2004–2008, %	Market capitalization, SEK bn ¹	Revenue, SEK bn ²	Income after financial items, SEK bn ²	Return on equity, % ²	Return on capital employed, % ²
ACS (Spain)	-21	-18	146	89.0	205.2	21,300	21.7	8.0
Balfour Beatty Plc. (United Kingdom)	-34	-31	51	16.0	90.5	2,428	31.3	26.4
Bilfinger & Berger (Germany)	-31	-28	32	12.8	83.2	2,150	10.9	18.7
Bouygues SA (France)	-47	-45	9	104.7	285.2	18,961	22.8	14.4
FCC (Spain)	-55	-53	-20	38.9	133.7	12,226	27.5	9.3
Ferrovial (Spain)	-59	-58	-30	43.5	140.9	6,414	18.8	14.0
Fluor Corp. (United States)	-38	-38	126	97.6	110.0	4,278	27.7	25.0
Hochtief (Germany)	-61	-60	55	22.7	158.4	4,828	11.4	1.4
NCC (Sweden)	-64	-59	-10	7.3	58.4	2,608	34.0	28.0
Skanska (Sweden)	-36	-32	59	32.2	138.8	5,667	21.1	25.0
Vinci (France)	-42	-40	86	146.7	293.0	22,407	18.7	8.7

¹ Market capitalization on September 30, 2008.

² Refers to 2007.

Sources: Annual and interim reports for each company, Skanska Financial Services, Datastream, Bureau of Economics.

Construction

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





20
New railroad hub in Prague, Czech Republic



23
A billion liters of drinking water per day



26
New technology for more efficient stadium construction

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

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

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

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

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

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

Order backlog, totaling SEK 142.4 billion at the end of 2008, is divided among several thousand projects. Non-residential building construction accounts for 51 percent, civil construction 42 percent and residential construction 3 percent of order backlog for the business stream. The remaining 4 percent consists of services. At year-end, the part of backlog that Skanska plans to execute in 2009 corresponded to 64 percent of 2008 revenue.

A leading builder in selected markets

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

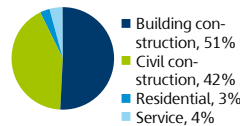
In its selected markets, the Skanska Group is regarded as one of the leaders or as having the potential to

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

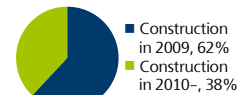
SEK M	2008	2007
Revenue	139,498	129,258
Operating income	3,761	4,443
Operating margin %	2.7	3.4
Capital employed, SEK bn	0.0	0.7
Operating cash flow	5,915	8,780
Order bookings, SEK bn	126.5	143.4
Order backlog, SEK bn	142.4	146.0
Number of employees	56,482	57,857

Construction order backlog, SEK 142 bn

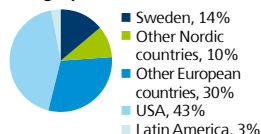
Operations



Duration



Geographic area



Customer structure



¹ Mainly private healthcare and educational institutions.



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

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

Local conditions

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

Non-residential, civil and residential construction

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

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

The Company's risk management processes are aimed at identifying and managing operational risks and thereby helping to ensure higher profitability. Risk analysis is carried out before deciding on a tender or commitment and then continuously during the implementation phase. This is both a matter of avoiding risks that may generate costs and of ensuring that the Company is compensated for the risks that it chooses to assume (see page 11). During 2008, Skanska's Construction units performed SEK 3.2 billion worth of work for projects in the Residential Development business stream. The corresponding figure for projects in Commercial Development was SEK 3.2 billion. For projects in Infrastructure Development in which Skanska is a co-owner, Construction units performed assignments worth SEK 5.8 billion.

The top Nordic contractors, sales, June 30, 2008¹

Company	Country	SEK bn	EUR bn
Skanska	Sweden	143.4	15.3
NCC	Sweden	58.5	6.3
YIT	Finland	27.4	2.9
PEAB	Sweden	33.9	3.6
Veidekke	Norway	23.9	2.6
Lemminkäinen	Finland	22.0	2.4
MT Højgaard	Denmark	14.0	1.5

¹ Rolling 12 months.

Source: Half-year reports of each respective company 2007/08.

The top global contractors¹, sales, June 30, 2008. ^{2,3}

Company	Country	SEK bn	EUR bn
VINCI	France	303.8	32.5
Bouygues	France	295.6	31.6
Grupo ACS	Spain	211.4	22.6
Hochtief AG	Germany	164.7	17.6
Skanska AB	Sweden	143.4	15.3
Fluor Corporation	USA	122.6	13.1

¹ Excluding Asian construction companies.

² Rolling 12 months.

³ Including non-construction-related operations.

Sources: Half-year report 2007–2008 of each respective company.

Skanska's home markets

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

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

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

Size provides competitive advantages

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

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

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

Greater efficiency

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

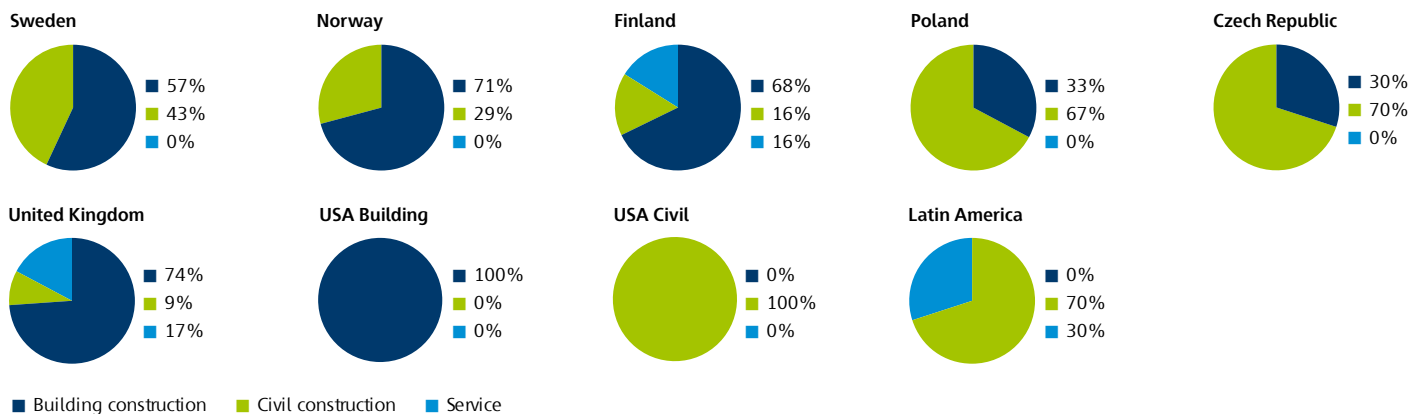
Pan-Nordic purchasing aims at economies of scale

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

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

Business units, Construction												
SEK M	Revenue		Operating income		Operating margin, %		Order bookings		Order bookings/revenue, %		Order backlog	
	2008	2007	2008	2007	2008	2007	2008	2007	2008	2007	2008	2007
Sweden	30,264	27,389	1,596	1,284	5.3	4.7	27,258	29,305	90	107	19,308	22,047
Norway	13,345	12,755	409	554	3.1	4.3	10,679	13,266	80	104	8,029	11,146
Finland and Estonia	9,403	9,751	23	396	0.2	4.1	6,681	9,780	71	100	5,768	7,569
Poland	7,619	7,900	411	368	5.4	4.7	9,363	5,382	123	68	5,613	3,880
Czech Republic and Slovakia	13,471	11,407	376	479	2.8	4.2	14,145	9,344	105	82	14,555	11,950
United Kingdom	17,908	17,691	-523	307	neg.	1.7	13,072	18,179	73	103	22,349	30,797
USA Building	30,317	27,184	442	295	1.5	1.1	26,047	34,602	86	127	32,879	31,526
USA Civil	11,548	10,831	737	543	6.4	5.0	13,683	17,676	118	163	29,535	22,497
Latin America	5,623	4,350	290	217	5.2	5.0	5,596	5,845	100	134	4,366	4,556
Total	139,498	129,258	3,761	4,443	2.7	3.4	126,524	143,379	91	111	142,402	145,968

Breakdown of order backlog, SEK 142 bn



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

Percentage of completion method

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

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



Dashwood House reaches new heights

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

Markets

The Nordic countries

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

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

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

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

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

Strong earnings in Sweden

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

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

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

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

Public sector crucial in 2009

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



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

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

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

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

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

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

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

Central Europe – strong civil construction market

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

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

A successful year in Poland

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

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

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

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



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

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

Stable market in the Czech Republic

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

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

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

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

The U.K. – divided picture

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

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

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

New ring road around London

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

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

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

The United States

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

Strong market for water and wastewater treatment plants

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

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

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

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



Gas pipeline in Amazonas

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

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

Hospitals, schools and office buildings

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

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

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

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

Upgrading of infrastructure

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

Latin America – Brazil the biggest market

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

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

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

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

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

New technology for more efficient stadium construction

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

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

Fewer errors along the way

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

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

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

Improved collaboration

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

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

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





Residential Development

Intensified sales and customer activities





30 A sedate, small-scale neighborhood in Prague



32 Apartments with city and lake views in Jyväskylä



33 Ulltorps Gårdar attracting families with children

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

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

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

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

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

In Finland, Skanska is offering a limited number of buyers a commitment to take over their old home when they sign a contract for a new, more expensive Skanska home. In Norway, the market situation has led to a market adjustment of prices. In both Sweden and Finland, Skanska is examining opportunities to develop whole residential projects for municipal housing companies.

As part of long-term efforts to strengthen its brand in the housing market, Skanska carried out an advertising campaign that boosted both the number of showings at residential units and visits to the Skanska website.

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

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

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

Responsible for the entire development chain

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

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

SEK M	2008	2007	Units started		Units sold	
Revenue	6,450	7,679	[Bar chart showing units started in 2007 and 2008 for Sweden, Norway, Finland, Denmark, Czech Republic]		[Bar chart showing units sold in 2007 and 2008 for Sweden, Norway, Finland, Denmark, Czech Republic]	
Operating income	-177	724				
Operating margin, %	-2.7	9.4				
Investments	-4,303	-4,993				
Divestments	3,632	5,416				
Operating cash flow from business operations ¹	-1,743	382				
Capital employed, average, SEK bn	6.3	4.4				
Return on capital employed, %	-3.1	14.9				
Number of employees	676	565				

¹ Before taxes, financing operations and dividends

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

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

The value enhancement process

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

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

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



A sedate, small-scale neighborhood in Prague

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

Increasing the value of building rights

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

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

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

Risk management

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

Ownership mechanisms vary in different markets

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

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

Product platforms

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

Great freedom of choice

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

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

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



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

Markets

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

Nordics – sharp downturn despite big needs

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

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

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

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

Residential Development

SEK M	Revenue		Operating income		Operating margin, %		Capital employed		Return on capital employed, %	
	2008	2007	2008	2007	2008	2007	2008	2007	2008	2007
Sweden	3,204	3,431	219	429	6.8	12.5	1,471	762	20.6	42.5
Norway	935	1,734	-29	99	neg.	5.7	1,500	1,413	neg.	6.6
Denmark	271	611	-249	-25	neg.	-4.1	903	943	neg.	-2.3
Finland including Estonia	866	1,248	-284	126	neg.	10.1	1,585	1,304	neg.	11.9
Nordic countries	5,276	7,024	-343	629	neg.	9.0	5,459	4,422	neg.	13.7
Czech Republic including Slovakia	1,174	655	166	95	14.1	14.5	847	14	33.5	32.2
Total	6,450	7,679	-177	724	neg.	9.4	6,306	4,436	neg.	14.9

Number of unutilized building rights in Skanska

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

¹ Including building rights in associated companies.

² Entitlements to acquire building rights under certain conditions.

Residential Development, number of units

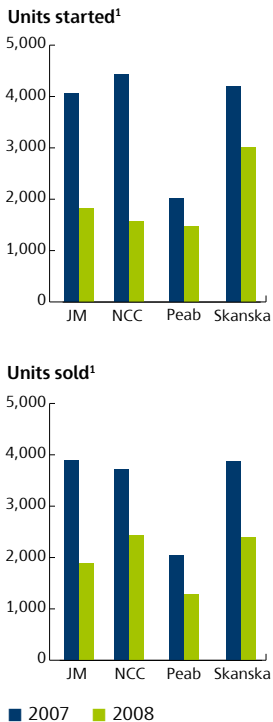
Market	Units started	Under construction	Pre-sold, %	Total units sold, 2008	Completed, unsold
Sweden	1,216	2,408	62	811	46
Norway	103	177	34	83	39
Finland including Estonia	671	756	40	777	529
Denmark	19	76	97	18	52
Nordic countries	2,009	3,417	57	1,689	666
Czech Republic including Slovakia	1,009	1,532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



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



Comparison of Nordic residential developers



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

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

Slowdown in Norway and Finland

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

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

greatly weakened housing market. Demand for housing is expected to remain very weak during 2009.

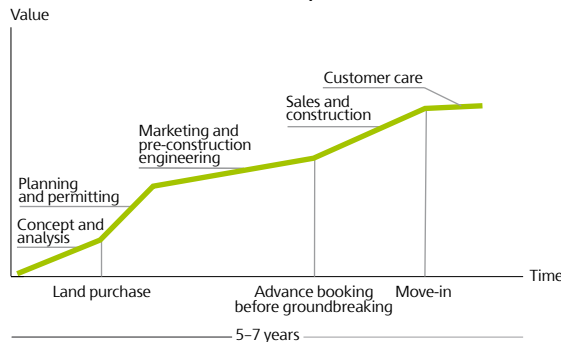
Czech Republic – good demand in Prague

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

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

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

Value creation in Residential Development



Generating value, step by step

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

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

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



Ullstorps Gårdar attracting families with children

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

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

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

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

Close to nature and the city

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

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

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

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

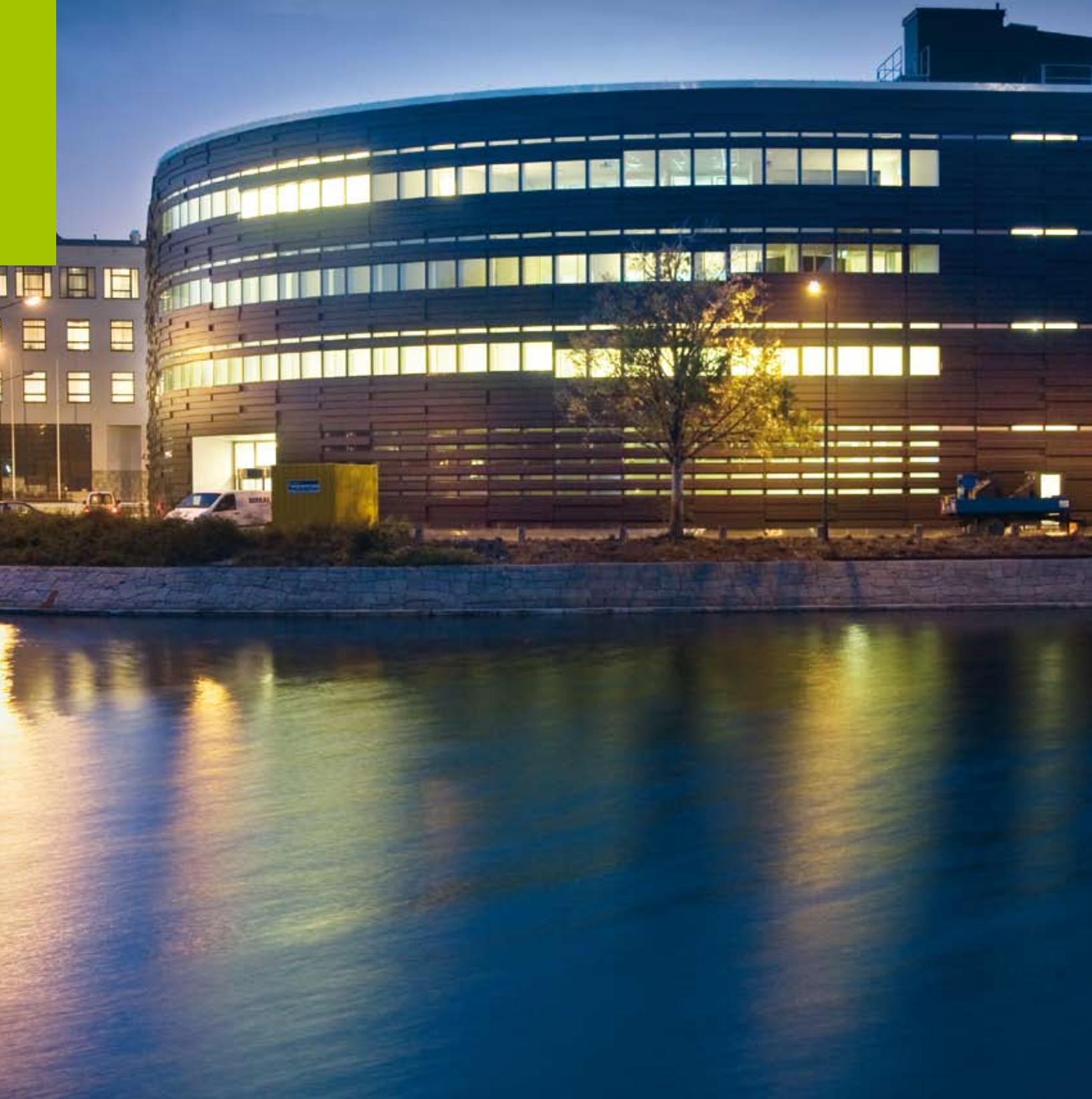
"If we have problems with anything in the house, we just phone the maintenance man. He arranges everything quickly, without any extra cost to us. That service will run for the first two years," Åsa explains.

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

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

Commercial Development

Good leasing business and many new projects





36 First LEED building in the Nordic countries



39 Terraces and distinctive architecture in Prague



40 The Skanska street in Warsaw is growing

Despite the economic downturn, Skanska Commercial Development is entering 2009 with well-consolidated projects and properties with a surplus value of about SEK 2 billion.

The strong market of previous years continued well into 2008, while the end of the year was dominated by financial turmoil and economic downturn. For the year as a whole, the business stream achieved good results both in terms of leasing and project divestments.

During 2008, nine new projects were started, all of them in the Nordic countries. Of these nine projects, six were office space. Leasing work resulted in the signing of leases for about 195,000 sq. m (2.1 million sq. ft.). Skanska divested completed and ongoing projects for a total of SEK 3.6 billion, with a capital gain of SEK 1.2 billion. During 2008, the business stream invested a total of SEK 5.6 billion in projects and building rights.

Opportunities even during downturns

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

Even during periods of downturn, project development opportunities thus become available. The task of land purchasing, leasing and divestments continues.

Skanska's financial strength enables the Group to act independently in making investments, which is an advantage amid the prevailing financial uncertainty. Risk management and measurement of risk levels occur continuously.

Decades of large divestments

During the past 20 years, Skanska's development of commercial projects has generated yearly capital gains averaging about SEK 1 billion. The annual value creation – the difference between accrued development gains and the cost of the internal organization – during the period 1999 to 2008 amounted to about SEK 450 M.

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

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

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

SEK M	2008	2007
Revenue	3,961	3,130
Operating income	953	910
of which gain from divestments of properties ¹	1,183	1,051
of which operating net, completed properties ²	115	113
Investment obligations, projects started during the year	2,390	5,290
Investments	-5,556	-2,440
Divestments	3,573	2,807
Operating cash flow from business operations ³	-2,328	298
Capital employed, SEK billion	11.5	7.3
Return on capital employed, %	10.4	14.2
Number of employees	176	141

Year	Divestments (SEK bn)	Investments (SEK bn)	Capital gains (SEK bn)
2004	4.5	-1.5	1.5
2005	4.5	-1.5	1.5
2006	3.5	-1.5	1.5
2007	3.0	-1.5	1.5
2008	3.5	-5.5	1.5

1 Additional gain included in eliminations was 55
2 After selling and administrative expenses.
3 Before taxes, financial activities and dividends.

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

Selected markets

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

Local presence

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

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



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

Tenants and investors – two customer categories

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

Focus on value creation

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

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

Value increases

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



First LEED building in Nordic countries

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

Attractive shopping mall

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



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

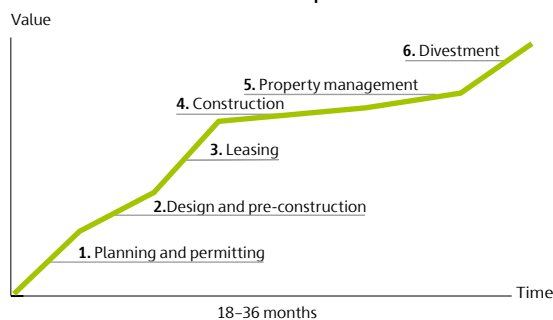
Large-scale leasing sharply increases the value of the project. Leasing activity begins at an early stage. In many cases, long-term leases are signed with major tenants as early as the planning stage, or within a short time after construction work begins. By the completion date, the goal is to have leased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

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

Close collaboration

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

Value creation in Commercial Development



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

Generating value, step by step

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

Energy-efficient solutions

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

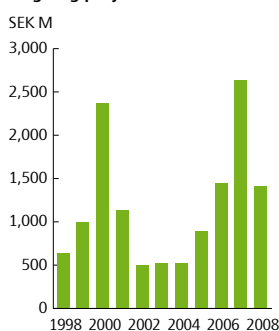
Risk management

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

Capital at risk

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

Capital at risk in ongoing projects



Ongoing projects – unsold

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

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

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

Markets

Nordic countries

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

Good leasing business

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

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

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

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

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

Green premises

Interest in environmentally friendly and energy-efficient commercial premises is rapidly increasing, and Skanska is a leader in developing them. For the past several years, Skanska's newly developed projects have demonstrated reductions in energy usage. Today the European Union's GreenBuilding classification creates the opportunity to receive acknowledgement of this effort. The standard for achieving the EU's GreenBuilding classification is 25 per-

cent less energy use and climate impact than the standard for new properties established by the Swedish National Board of Housing, Building and Planning.

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

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

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

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

Europe

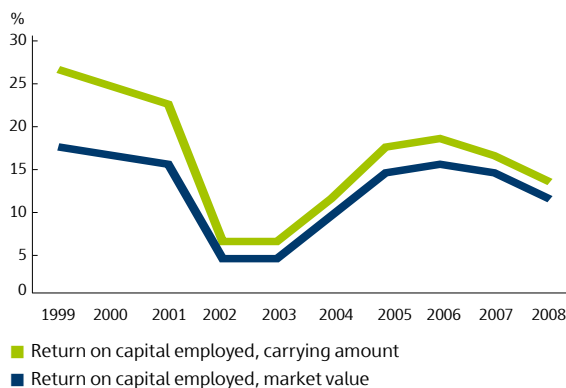
Skanska Commercial Development Europe initiates and develops real estate projects, with a focus on office and logistics buildings. Its operations are concentrated in major cities in Poland, Hungary and the Czech Republic.

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

Poland – strongest in Central Europe

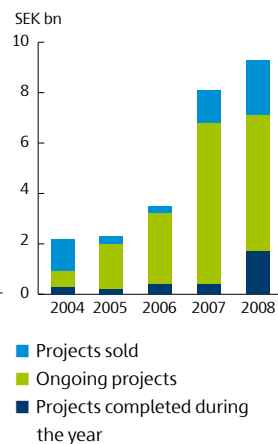
Activity was intensive in both the Polish and Czech leasing markets. Skanska signed leases for 35,000 sq. m (377,000 sq. ft.) of commercial space.

Adjusted return on capital employed at market value and carrying amount, 1999–2008¹

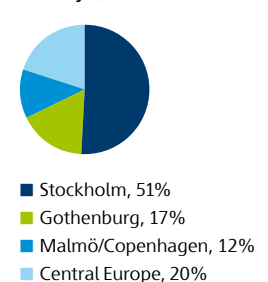


¹ Including operating net, accrued unrealized development gains as well as changes in market value.

Volume of Commercial Development¹



Completed properties, carrying amount, January 1, 2009



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

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

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

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

The outlook for 2009 remains relatively good for leasing operations in Poland and the Czech Republic,



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

Commercial Development – projects 2008

	Commercial Development Nordic	Commercial Development Europe	Total
Number of projects started	9	0	9
Total investment, SEK M	2,390	0	2,390
Number of ongoing projects	15	3	18
Leasable space, sq.m.	204	52	256
Economic occupancy rate, %	83	50	78
Ongoing projects sold	4	1	5
Leasable space, sq.m	46	27	73

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

Commercial Development – financial results

SEK M	Revenue		Operating income		Of which gain from divestments of properties		Capital employed		Return on capital employed, % ¹	
	2008	2007	2008	2007	2008	2007	2008	2007	2008	2007
Nordic	2,859	2,836	696	895	745	928	8,016	5,636	13.3	16.9
Europe	1,102	294	257	15	438	123	3,524	1,644	10.7	11.6

¹ Calculated in accordance with the definition of financial targets.

Commercial Development – Carrying amounts and market values

SEK bn	Carrying amount, Dec 31, 2008	Carrying amount upon completion	Market value, Dec 31, 2008	Surplus value	Leasable space, 000 sq m	Economic occupancy level, %	Operating net, SEK M	Yield on carrying amount, %	Yield on market value, %	Projected rental value fully leased, SEK M	Average lease, years
Completed projects	2.1	2.1	2.9	0.7	227	94	136 ³	6.4	4.8	322 ⁵	5.0
Completed projects in 2008	1.7	1.7	2.3	0.6	111	88	137 ⁴	8.1	6.1	159 ⁵	10.1
Ongoing projects	3.3	5.4	3.8 ²	0.5	256	78	418 ⁴	7.7	6.5	464 ⁶	11.2
Total	7.1	9.2	9.0	1.8	594		691				
Development properties ¹	2.5	2.5	2.7	0.2							
Total	9.6	11.7	11.6	2.0							

¹ "Development properties" refers to land with building rights for commercial use, totaling about 1 060,000 sq.m. (11.44 million sq.ft.).

² Internal appraisal on each respective completion date. Accrued market value at year-end totaled SEK 6,434 M.

³ Estimated operating net before corporate and business area overhead in 2008 on annual basis assuming current occupancy rate.

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

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

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

“Skanska street” growing in Warsaw

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

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

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

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

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

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

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

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

Warsaw projects along the “Skanska Street” (Jana Pawla II)

Atrium International Business Center, completed in 1993, sold
 Atrium Tower, 1997, sold
 Atrium Plaza, 1998, sold
 Atrium Centrum, 2001, sold
 Westin Plaza Hotel, 2003, completed
 Atrium City, completed in 2009, sold in 2008
 Atrium South, future building rights, 60,000 sq. m

In Warsaw also Marynarska Point, fully leased, 2008





Infrastructure Development

Continued interest and large surplus value





46 Stimulating school environment in Bristol



47 More than 1,100 beds at Derby City General Hospital



49 A much-anticipated highway in Poland

Despite higher yield requirements when appraising assets, the project portfolio in the Infrastructure Development business stream contains surplus value of about SEK 6 billion.

During 2008 the estimated unrealized development gain in Skanska's Infrastructure Development portfolio fell by SEK 0.3 billion to SEK 5.8 (6.1) billion. This decline was due to the divestment of the Ponte de Pedra hydro-power plant in Brazil, the increase in the discount rate, adjusted assumptions about reduced traffic flows on the Autopista Central toll highway in Chile as well as positive effects related to time value and investments.

During 2008, the divestment of Skanska's stake in Ponte de Pedra was recognized as income. In conjunction with this, development gains totaling SEK 684 M were realized. Earnings were also reduced by a net impairment loss related to the Breitener power plant in Brazil amounting to SEK 58 M.

Public-private partnerships

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

Public-private partnership projects create value-added for Skanska by generating large construction

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

The development process

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

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

Risk management – generating value-added

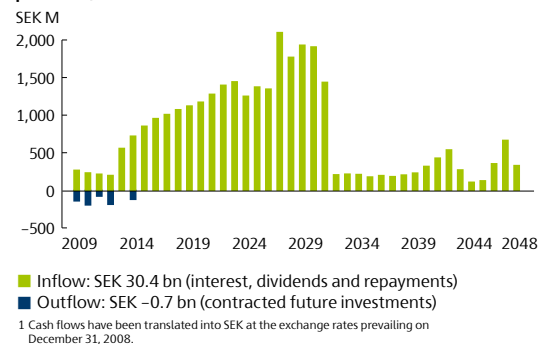
The investment, which is Skanska's part of the value chain, must meet ordinary commercial financial return targets. In order to create commercially attractive long-term assets, Skanska must efficiently manage risks and

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

SEK M	2008	2007
Revenue	55	116
Operating income	396	-107
Investments	-396	-73
Divestments	1,283	178
Operating cash flow from business operations ¹	749	-13
Capital employed, SEK bn	1.8	2.5
Gross present value, project portfolio	8,363	9,361
Return on capital employed, % ²	16.2	58.0
Employees	133	121

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

Estimated annual cash flow in Skanska ID's project portfolio, December 2008¹



opportunities during the development process, that is, before and after financial close. Substantial value-added is generated during this process.

Thorough selection process

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

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

After the consortium has been selected as the preferred bidder, final negotiations with the customer and potential financiers begin. Only when financial close

has been achieved are assignments included in the order books of the construction unit and in Skanska's market appraisal.

Integrated model

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

Two different compensation models

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

Phases in the development process

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

Appraisal methodology

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

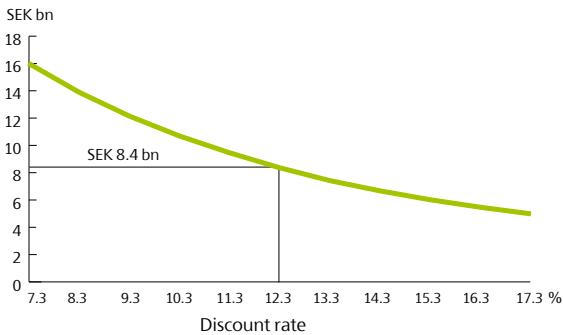
The availability model

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

The market risk model

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

Gross present value of cash flow from projects – sensitivity analysis



Financing of projects

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

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

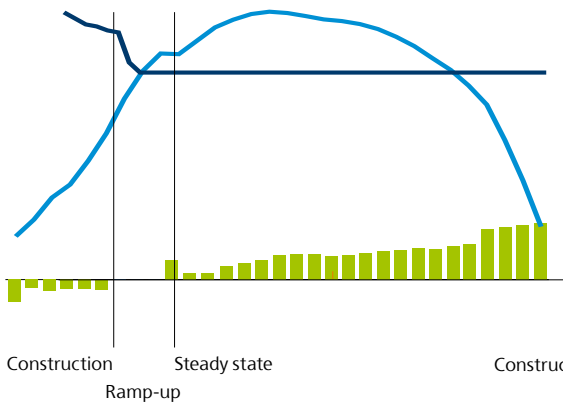
Appraisal methodology

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

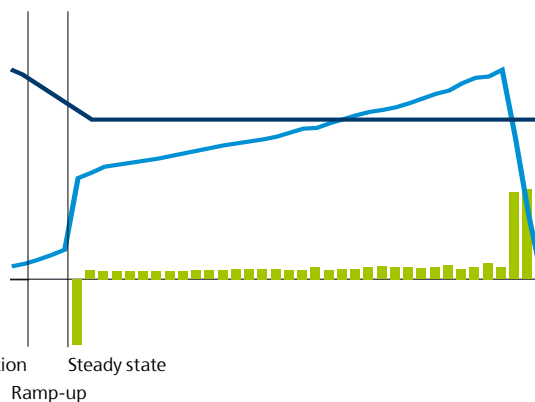
The yield requirement is also set on the basis of completed transactions involving comparable assets. The yield requirement that is selected is applied to all future cash flows starting on the appraisal date from an owner perspective. This means that cash flow is based on current borrowing for the project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

Sensitivity analysis		
SEK bn	Change	
Discount rate (-/+ 1 percentage point)	1.0	-0.9
Autopista cash flow (+/-10%)	0.6	-0.6
SEK/USD (-/+10%)	-0.6	0.6
SEK/GBP (-/+10%)	-0.1	0.1
SEK/EUR (-/+10%)	-0.05	0.05

Market risk concession, example



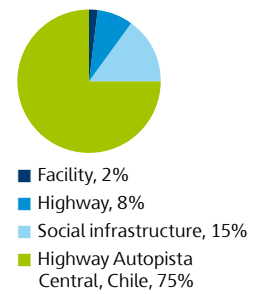
Availability project, example



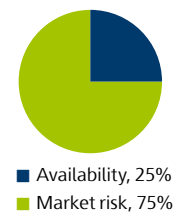
■ Discount rate, % ■ Net Present Value ■ Cash Flow value, annually

Estimated gross present value by

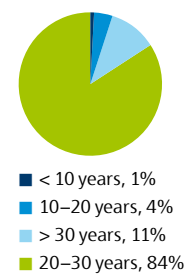
Category



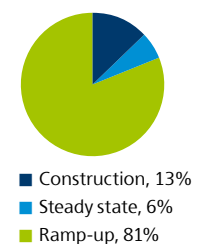
Payment type



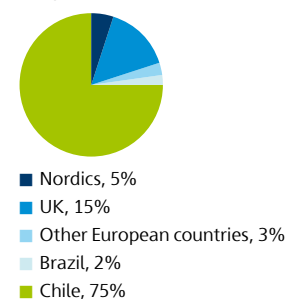
Remaining concession



Phase



Geographic location



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

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

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

Differences in the appraisal over time are due to changes in estimated future cash flow, in time value

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

The 2008 appraisal

At year-end 2008, the estimated gross present value of cash flows from projects totaled SEK 8.4 billion (9.4). Estimated unrealized development gains in Skanska decreased during 2008 by SEK 0.3 billion and thus amounted to SEK 5.8 billion (6.1). The reduction in value was due, among other things, to the divestment

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



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

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

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

in financial markets. Positive currency translation effects increased unrealized development gains by SEK 0.1 billion.

In the consolidated accounts, elimination of intra-Group profits totaled SEK 0.2 billion (0.4), which meant that unrealized development gains at Group level amounted to SEK 6.0 billion (6.5) at year-end.

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

Valuation in 2008 by category, SEK M

Category	Gross present value, Dec 2008	Discount rate, 2008, %	NPV, remaining investments ¹	Carrying amount, Dec 2008 ²	Unrealized development gain, 2008
Highways	653	9.2	0	274	379
Highway Autopista Central, Chile	6,277	13.1	0	1,274	5,003
Social infrastructure	1,255	9.3	457	371	427
Facilities	178	16,5	99	79	0
Total	8,363	12.3	556	1,998	5,809³
Accumulated development gain, 2007					6,072
Change, 2008					-263

¹ Nominal value SEK 722 million

² Invested capital plus accrued value of participations in project company income corresponding to Skanska's holding.

³ Eliminations at Group level reduce the carrying amount and hence increase the accumulated development gain by SEK 0.2 bn to approximately SEK 6.0 bn.

Definitions, Skanska ID's appraisal model

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

Project portfolio, SEK M

	Type	Category	Payment type	Country	Ownership, %	Invested capital, Dec 31, 2008	Total commitment	Year of operation/ full operation	Concession ends
In operation, fully or partially, December 2008									
Nelostie	Highway	Highway	Availability	Finland	50	32	32	1999	2012
E39	Highway	Highway	Availability	Norway	50	63	63	2005	2028
Autopista Central	Highway	Highway	Market risk	Chile	50	1,180	1,180	2004/2006	2031
Coventry	Hospitals	Social infrastructure	Availability	U.K.	25	97	97	2005/2007	2035
Bexley schools	Schools	Social infrastructure	Availability	U.K.	50	19	19	2005	2030
(Manaus) Breitener	Power plant	Facility	Availability	Brazil	35	146	244	2006	2025
Midlothian	Hospital	Social infrastructure	Availability	U.K.	50	17	17	2007/2008	2037
A1	Highway	Highway	Availability	Poland	30	96	96	2007/2010	2032
Mansfield	Hospital	Social infrastructure	Availability	U.K.	50	0	167	2006/2011	2043
Derby	Hospital	Social infrastructure	Availability	U.K.	25	109	109	2006/2008	2043
E18	Highway	Highway	Availability	Finland	41	100	100	2008/2009	2031
Bristol	Hospital	Social infrastructure	Availability	U.K.	50	48	48	2007/2008	2034
Under investment									
Barts and London	Hospital	Social infrastructure	Availability	U.K.	38	84	448	2006/2016	2048
Walsall	Hospital	Social infrastructure	Availability	U.K.	50	0	93	2007/2010	2041
Total, Skanska						1,993	2,714		
Accumulated share of earnings in JV						5			
Carrying amount, Skanska						1,998			

Markets

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

At year-end 2008, the project portfolio consisted of a total of 14 projects in Europe and Latin America. The unrealized development gain in the project portfolio was SEK 5.8 billion, equivalent to a decrease of SEK 0.3 billion compared to the 2007 appraisal.

Early in 2008 Skanska completed the sale of its stake in the Ponte de Pedra hydropower project in Brazil, with a capital gain of SEK 686 M. Skanska's good earnings on this divestment are an indication of the market value found in fully developed, operational projects.

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

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

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

Continued interest in PPP solutions

In the prevailing economic climate, with a general downturn in most markets, construction of infrastructure is a traditional employment-generating measure. There is heavy interest in public-private partnerships, but the current financial market turmoil has complicated and

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



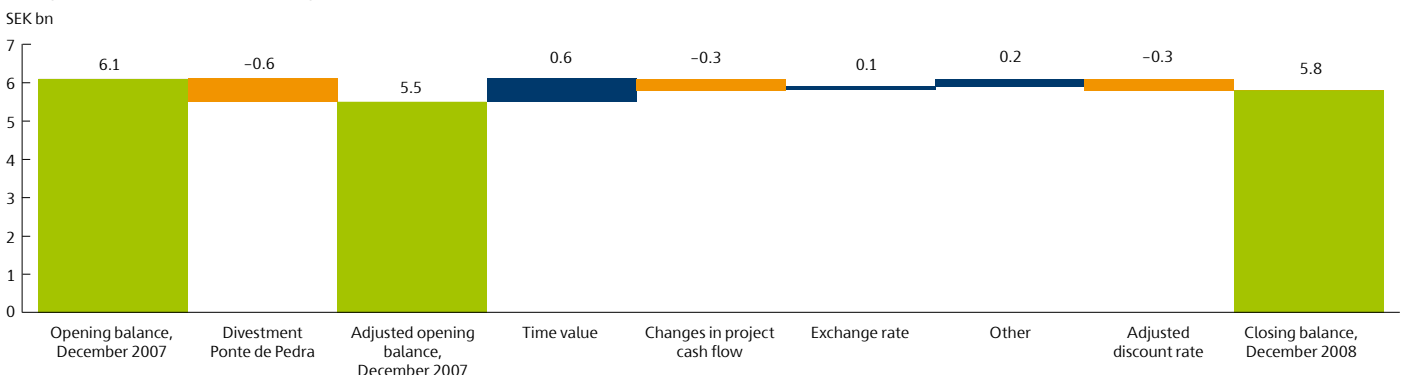
increased the cost of alternative financing solutions. This is not jeopardizing the projects for which Skanska has been selected, but in some cases it will delay the start of construction. Construction contracts are not included in the order books of Skanska's construction units until the financial close.

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

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

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

Changes in unrealized development gain, 2008





A much-anticipated highway opened

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

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

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

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

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

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

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

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

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

Sustainable development

Proof of progress



ONE KINGDOM STREET



52 Safety training and awareness



53 Proof of commitment – SOS Children's Village



56 Proof of performance – Empire State Building

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

What a ratings agency says:

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

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

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

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

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

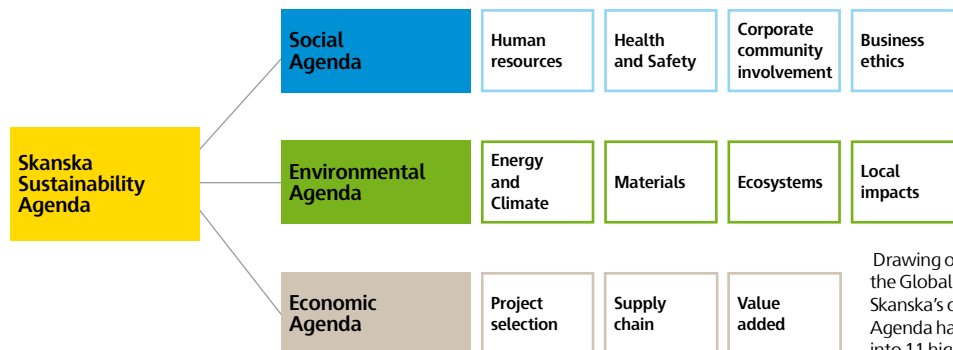
Through careful planning, the use of green construction techniques and thoughtful building management, the cradle-to-grave footprint of all structures can be reduced significantly. There is a big challenge that will be faced by Skanska and its customers during the next few years. That challenge is: does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

During 2008, Skanska's Sustainability Agenda was refined and improved. The challenges and opportunities for the business, in terms of sustainability, are now well defined; and have been addressed by a series of enhanced policies and strategies, all of which are now in place.

These high level aspirations cover every aspect of the operation, from health and safety to human rights, energy efficiency to diversity. From an operational perspective, systems, procedures and processes are now being defined and implemented that will help to deliver Skanska's vision of contributing to a more sustainable world. The year represented a period of tremendous progress, particularly in terms of being able to deliver evidence of this commitment.

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

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



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

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

Social Agenda Safety

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

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

In spite of the significant progress made in reducing accidents, Skanska regrettably has to report that twelve workplace fatalities occurred on projects during 2008, of whom seven were subcontractors and one was a member of the public. The dominant cause was falling from height, which accounted for eight of these fatalities. This figure is completely unacceptable. Skanska is determined to achieve its Zero Accidents objective and has decided to take extreme measures – never before seen in the construction sector – to ensure that this happens. From 2009, the entire organization will observe a “stand down” each time a fatality occurs. As well as marking respect for a colleague, this will involve a number of actions, designed to bring safety to the forefront of every employee, supplier and subcontractor. Within 15 days of a fatal accident occurring, information on the cause of the incident and lessons learned will be made available to every business



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

unit. During the global stand down, local managers will brief all personnel on the incident, emphasizing the question: “Could it happen to you and what actions can you take to avoid it?” It is expected that by applying Skanska's transparency and leadership to such a serious issue as workplace fatalities, the company will ultimately be able to achieve its goal of Zero Accidents.

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

SKANSKA

Looking Out For Safety

General tips

The Global Safety Tour program is designed to enable the leaders of the business to demonstrate their commitment to the improvement of safety within their Skanska Business Units. By discussing safety issues with the site management team and operatives we can gain a better understanding of the site safety culture. There is also the opportunity to share best practice and transfer learning between projects.

► Before entering the site

Have you received a safety induction or orientation regarding the following:

- What the major safety hazards are?
- What safety rules you need to follow? E.g. no smoking or use of mobile phones.
- What personal protective equipment you need to wear?
- Are there any restricted areas?
- What to do if you see something you consider unsafe?
- How to report an accident?



- The safety tours success depends upon you discussing safety issues and being constructive.
- Remember: If it looks wrong then it probably is.
- Further discussion with the site team will allow you to ask questions to understand the underlying reasons for any unsafe behavior and unsafe conditions that you may have seen.

One to One safety conversation



- Observe the work in action before approaching.
- Ask them about the job they are doing.
- Praise what you see is being done safely.
- Ask about injuries that could occur on the project.
- Ask them for their ideas on how the job could be done safer.

Working at height



- Do all working platforms have edge protection?
- Are all working platforms fully boarded out or are there gaps?
- If working platforms do not have edge protection are operatives wearing harnesses and tied off?
- Are all ladders tied?
- Do all ladders extend at least one meter above the platform level?

Looking Out for Safety

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



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



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



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

management program encourages the workforce to recycle waste. Money generated from the sale of waste paper and metal is used to purchase cotton shopping bags, which in turn are exchanged for free when local employees hand in their waste plastic bags. Not only are the cotton bags reusable, they also carry awareness-raising slogans, alerting the local community to the dangers of plastic to sea turtles. The animals often eat discarded plastic, mistaking it as food, and frequently die as a result.

Business ethics

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

Corporate community involvement

Wherever Skanska is located, employees are encouraged to make a positive contribution to the communities in which they work and live – through charitable donations, sponsorship, employee volunteering and other initiatives focused on three main areas: education, safety and disaster relief. At the Petrobras propylene plant, situated near the city of Curitiba in southern Brazil, an environmental



Proof of commitment

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

Personal protective equipment

- Is everyone on the site wearing safety helmets?
- Is everyone wearing hi-visibility clothing correctly?
- Is everyone wearing safety footwear?
- Are eye protection and gloves being worn?



Materials

- Do materials look as if there are stacked properly?
- Are materials easy to get to?



Site offices

- Are the offices clear of site materials?
- Are they clean and well organized so that the site team can work effectively?
- If we provide canteen / changing / washing / toilet / facilities for the operatives, are they clean and in good order?
- Is there easy access to the site offices?
- Is there site safety performance information visible in the canteens / changing rooms?



Public interface

- If there is a fence or hoarding around the site, does it look in good condition, stable and safe?
- Is the public road outside the site clear of mud?
- Is there clear traffic management in place?



Excavations

- Are excavations protected by covers or fenced off?
- Is there safe access into excavations, e.g. ladders?
- Are materials stored away from the edge of the excavation?

For more tips, ask your local safety expert or contact us at safety@skanska.com



Access and walkways

- Are all access ways obvious and clear?
- Are they well lit?
- Are there visible trip hazards? E.g. cables, hoses, or the walkways?

Environmental Agenda

Strong management systems

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

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

Customer focus

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

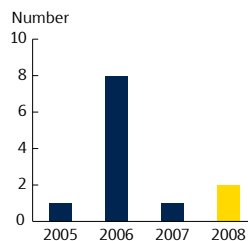
The green influence on the Company's business cannot be underestimated. From 2009, all new commercial development projects undertaken in the Nordic countries will be certified to the U.S. Leadership in Energy and Environment Design (LEED) standard. In Finland, the first building in the country to be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

Energy and climate

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

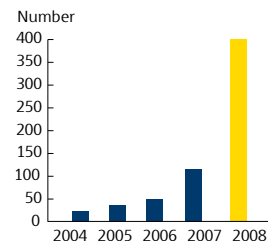
ISO14001 Major Non Conformance Citations

The frequency of MNCs in 2005–2008



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

Eco design professionals



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

being asked to become involved, with a view to producing a tool that can be used to accurately quantify the carbon content of all construction projects worldwide.

2008 Carbon footprint

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

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

Policy work

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

What a supplier says:

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

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

What a hazardous substances expert says:

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

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

What a carbon reporting expert says:

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

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

Green solutions

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

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

Materials selection and use

In order for society to function sustainably, the correct selection and use of materials is important. Sometimes it is necessary to invest more at the outset, in order to benefit from cost savings during the occupancy of a building. A good example is the Eko-Viikki ecological suburb of Helsinki, Finland. Its construction pioneered the voluntary Finnish M1 standards for low emissions and all indoor materials and substances exceeded the standards, which demand a total Volatile Organic Compound value of less than 200 µg/m³/hr. The average building was approximately 5 percent more expensive to construct than a conventional residential building in Finland, due to efficiency features and the use of more sustainable materials. However, Skanska's Eko-Viikki buildings consume up to a third less energy and water than a typical new residential building in Finland, and residents consequently pay lower utility bills.

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

Ecosystems

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

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



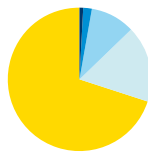
Skanska continues to lead on Climate by supporting the influential Poznan Communiqué.



Proof of performance

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

Value-added to society



- Income tax, 1%
- Dividends, 2%
- Retained earnings, 10%
- Employees, 17%
- Suppliers, 70%

Economic Agenda

Project selection

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

Supply chain

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

Adding value to society

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

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

For more information:

www.skanska.com/en/About-Skanska/Sustainability/

Report of the Directors

The Board of Directors and the President of Skanska AB (publ) hereby submit their report on the operations of both the Company and the Group during 2008.

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

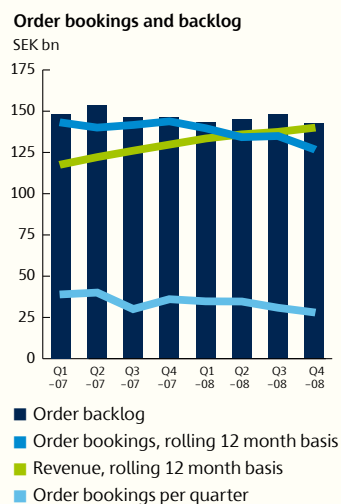
During the autumn, the economic downturn and turbulence in the financial market led to a gradual deterioration in business conditions, especially for residential development and building construction. The trend in the housing market remains negative, although a certain increase in customer interest occurred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

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

The costs of provisions for restructuring and impairment losses on assets lowered Skanska's earnings by a total of about SEK 1.3 billion.

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

Order bookings and backlog in Construction



Order bookings decreased by 12 percent and amounted to SEK 126.5 (143.4) billion. Adjusted for currency rate effects, order bookings decreased by 12 percent. Order bookings were 9 (+11) percent lower than revenue during 2008.

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

Skanska signed a number of major contracts during the year

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

For example, Skanska USA Building was awarded the construction management contract for an addition to the Virginia Mason Medical Center in Seattle, Washington, U.S.A. for about SEK 730 M. The same business unit also received two large hospital assignments, one in Tennessee worth about SEK 460 M and one in Michigan for about SEK 340 M.

In the United Kingdom as well, healthcare is an important segment for Skanska's construction operations. For example, Skanska UK was contracted to expand a hospital in Carstairs, Scotland, a contract worth about SEK 820 M.

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

In the office sector, Skanska UK was assigned to construct the St. Botolphs office building in London for about SEK 1.8 billion. One of Skanska's most prestigious projects is the renovation of United Nations headquarters in New York City, for which Skanska USA Building received several contracts with a total order amount of about SEK 1.5 billion.

Skanska's civil construction operations secured various large assignments.

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

In the Czech Republic, Skanska received various assignments to build or renovate highways and stretches of railroad, with contract values totaling several billion Swedish kronor. For example, it was commissioned to rebuild a section of the railroad between Prague and the German border, with a contract amount of SEK 835 M, and to build a new section of the R49 highway, which will connect the eastern parts of the Czech Republic with Slovakia, an order worth about SEK 890 M.

Skanska Poland also secured orders totaling billions of SEK in this sector; for example the business unit was awarded an assignment to build a stretch of highway in southwestern Poland. The contract amount totaled about SEK 700 M. The same unit also secured two road projects in southwestern Poland totaling SEK 960 M related to two bypass routes.

In the Nordic market, Skanska Sweden was contracted to build a new highway bridge in Gothenburg, worth SEK 1.1 billion.

The Skanska-led consortium's contract to construct a dual-track rail tunnel through Hallandsås (Halland Ridge) in southern Sweden was increased. Skanska's share of the increased contract amounted to SEK 600 M and its portion of the work is expected to be completed in 2014.

In U.S. civil construction, order bookings were stable and remained especially good in the New York City area. Skanska USA Civil was awarded contracts to construct two water treatment plants, one in Westchester County, New York, where Skanska's share of the contract amount was about SEK 3.5 billion, and one related to upgrading the Newtown Creek Water Pollution Control Plant in Brooklyn, New York, where Skanska's share is worth SEK 2.4 billion.

In Brazil, Skanska Latin America secured a contract to build a hydrodesulfurization unit at a refinery in Brazil, totaling nearly SEK 1 billion.

Order bookings and backlog

SEK M	Order bookings		Order backlog	
	2008	2007	2008	2007
Business unit				
Sweden	27,258	29,305	19,308	22,047
Norway	10,679	13,266	8,029	11,146
Finland	6,681	9,780	5,768	7,569
Poland	9,363	5,382	5,613	3,880
Czech Republic	14,145	9,344	14,555	11,950
United Kingdom	13,072	18,179	22,349	30,797
USA Building	26,047	34,602	32,879	31,526
USA Civil	13,683	17,676	29,535	22,497
Latin America	5,596	5,845	4,366	4,556
Total	126,524	143,379	142,402	145,968

Order backlog

Order backlog amounted to SEK 142.4 (146.0) billion, a decrease of 2 percent. Adjusted for currency rate effects, order backlog declined by 9 percent.

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

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

Revenue

Revenue by business stream		
SEK M	2008	2007
Construction	139,498	129,258
Residential Development	6,450	7,679
Commercial Development	3,961	3,130
Infrastructure Development	55	116
Central and eliminations	-6,290	-1,402
Skanska Group	143,674	138,781

Revenue rose to SEK 143.7 (138.8) billion, an increase of 4 percent. Adjusted for currency rate effects, revenue increased by 4 percent.

In the Construction business stream, revenue rose by 8 percent, both in local currencies and Swedish kronor.

Income

Income		
SEK M	2008	2007
Revenue	143,674	138,781
Cost of sales	-131,532	-125,807
Gross income	12,142	12,974
Selling and administrative expenses	-8,932	-7,970
Income from joint ventures and associated companies	876	402
Operating income	4,086	5,406

Gross income amounted to SEK 12,142 M (12,974). Gross income includes income from operating activities, including capital gains on divestments in Residential Development and Commercial Development. It also includes impairment losses in project development operations and loss provisions in ongoing projects, as well as certain restructuring expenses.

Selling and administrative expenses increased by 12 percent to SEK 8,932 M (7,970). Among the reasons behind this increase in expenses were the costs of increased tendering, development and marketing activities as well as the costs of restructuring measures.

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

Operating income

Operating income		
SEK M	2008	2007
Construction	3,761	4,443
Residential Development	-177	724
Commercial Development	953	910
Infrastructure Development	396	-107
Central	-827	-558
Eliminations	-20	-6
Operating income	4,086	5,406

Operating income amounted to SEK 4,086 M (5,406). Positive currency rate effects accounted for SEK 135 M.

Earnings were lowered by a total of about SEK 1.3 billion by the costs of provisions, mainly attributable to the Nordic markets, where a very sharp downturn in housing markets as well as an expected weakening in other building construction initiated an adjustment to the changed business volume.

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

Construction

The Construction business stream reported an operating income of SEK 3,761 M (4,443). The operating margin decreased to 2.7 (3.4) percent.

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

Poorer margins and operating income due to cost increases in certain projects adversely affected operations in the amount of about SEK 1.2 billion during the year.

In the United Kingdom, Skanska recognized project impairment losses of about SEK 670 M, mainly attributable to contracting work for public-private partnerships.

Earnings in Finland continued to be hurt by weak earnings in civil construction operations, which caused project impairment losses of about SEK 300 M. In the Czech Republic, higher costs in some building construction projects adversely affected earnings by about SEK 110 M. Project impairment losses of about SEK 150 M were recognized in Norwegian contracting operations, mainly related to one large civil construction project.

The costs of provisions related to various restructuring measures lowered operating income by about SEK 450 M.

Residential Development

The operating income in this business stream declined to SEK -177 M (724).

Earnings were adversely affected by the slowdown in Nordic housing markets, combined with general uncertainty among home buyers. This resulted in lower business volume and fewer project start-ups. Combined with cost inflation, this adversely affected margins, especially in Denmark, Finland and Norway. In Sweden, the Czech Republic and Slovakia, the negative trend has not yet been as dramatic and business volume remained good during the year, while the margin worsened somewhat in Sweden and was stable in the Czech Republic and Slovakia. As a consequence of sharp deterioration in markets, restructuring measures were taken and operating income was lowered by the costs of personnel cutbacks, impairment losses on land, provisions for unsold residential units as well as impairment losses on completed properties totaling about SEK 460 M.

Commercial Development

Operating income in the Commercial Development business stream totaled SEK 953 M (910). Operating income in the business stream included capital gains from property divestments amounting to SEK 1,183 M (1,051), with a total sale price of SEK 3,537 M (2,796). Of these gains, SEK 675 M (266) was attributable to ongoing projects that were divested ahead of completion. For these projects, Skanska applies the percentage of completion method.

Impairment losses on land in Hungary and Poland as well as for a completed project in Denmark and an impairment loss on shares in a partly owned company in Poland lowered earnings by about SEK 130 M.

Divestments of properties were made at prices that averaged 19 percent above the estimated market values assigned at the end of 2007.

Infrastructure Development

Operating income in Infrastructure Development amounted to SEK 396 M (-107). During the year, Skanska sold its stake in the Brazilian hydropower project Ponte de Pedra for about SEK 1.1 billion, with a capital gain of SEK 686 M. Skanska recognized an impairment loss of SEK 74 M on another hydropower project in Brazil, and other restructuring measures lowered operating income by SEK 20 M.

Central

Recognized central expenses increased to SEK -827 M (-558). This item included the cost of Group headquarters, results from a number of central companies and central provisions. This also encompassed the International unit, including a number of businesses (Denmark, Russia and International Projects) that are being discontinued.

Central expenses for 2008 included provisions of about SEK 120 M, among other things related to additional guarantee obligations of about SEK 100 M in Danish construction operations that are being discontinued.

Eliminations of intra-Group profits and losses

Eliminations of intra-Group profits and losses amounted to SEK –20 M (–6). This included eliminations of intra-Group profits and intra-Group losses in a net amount of SEK 127 M related to Infrastructure Development, eliminations of intra-Group profits in a net amount of SEK –109 M related to Commercial Development and miscellaneous items in a net amount of SEK –38 M.

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

Income after financial items

Income after financial items		
SEK M	2008	2007
Operating income	4,086	5,406
Interest income	403	535
Pension interest	101	92
Interest expenses	–264	–226
Capitalized interest expenses	193	61
Net interest income	433	462
Change in fair value	15	–104
Other financial items	–124	–97
Income after financial items	4,410	5,667
Taxes	–1,253	–1,546
Profit for the year	3,157	4,121

Net financial items totaled SEK 324 M (261).

Net interest income declined to SEK 433 M (462). Interest income declined to SEK 403 M (535), among other things due to a lower volume of interest-bearing assets and falling interest rates during the second half of 2008.

Net interest on pensions increased to SEK 101 M (92). This item consists of the estimated net amount on January 1 of interest on income and expenses related to plan assets and pension obligations. Interest expenses increased to SEK –264 M (–226), which was explained among other things by significantly rising interest rates in foreign currencies, especially in Latin America where Skanska is a net borrower.

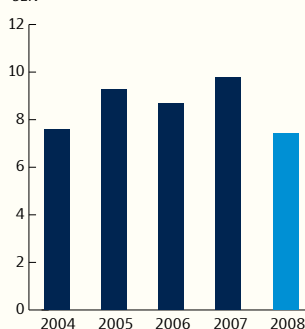
During 2008 Skanska capitalized interest expenses of SEK 193 M (61) in ongoing projects for its own account.

Change in fair value amounted to SEK 15 M (–104). This was mainly related to positive interest rate differences in currency hedging of investments in Skanska's development operations as well as currency hedging of Skanska's equity denominated mainly in U.S. dollars and Czech korunas. Other financial items totaled SEK –124 M (–97) and mainly consisted of currency rate differences plus various financial fees.

Profit for the year		
SEK M	2008	2007
Income after financial items	4,410	5,667
Taxes	–1,253	–1,546
Profit for the year	3,157	4,121
Profit for the year attributable to		
Equity holders	3,102	4,096
Minority interest	55	25
The year's earnings per share after repurchases, SEK	7.44	9.78

Profit for the year attributable to equity holders amounted to SEK 3,102 M (4,096). The year's tax expenses of SEK –1,253 M (–1,546) were equivalent to a tax rate of 28 (27) percent. Earnings per share amounted to SEK 7.44 (9.78).

Earnings per share



Residential, Commercial and Infrastructure Development

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

SEK M	Residential Development	Commercial Development	Construction	Total
Completed projects	761	2,126	106	2,993
Ongoing projects ¹	1,280	5,005	485	6,770
Undeveloped land and development properties	5,692	2,459	654	8,805
Total	7,733	9,590	1,245	18,568

¹ The amount SEK 5,005 M for Commercial Development includes projects completed in 2008 totaling SEK 1,686 M.

Residential Development

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

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

The carrying amount of current-asset properties in Residential Development totaled SEK 7.7 (6.2) billion. Of this, undeveloped land and development properties (the "land bank") were reported at SEK 5.7 (5.0) billion. This was equivalent to building rights for about 21,400 residential units. In addition, under certain circumstances Skanska has the right to acquire a further 8,200 building rights. There were also about 1,900 building rights in associated companies.

The estimated market value of undeveloped land and development properties was about SEK 6.7 billion.

Commercial Development

Carrying amount and market value

SEK M	Carrying amount, Dec 31, 2008	Carrying amount upon completion	Market value, Dec 31, 2008	Occupancy rate, %	Degree of completion, %
Completed projects	2,126	2,126	2,860	94	100
Projects completed in 2008	1,686	1,686	2,253	88	100
Undeveloped land and development properties (land bank)	2,459	2,459	2,696		
Subtotal	6,271	6,271	7,809		
Ongoing projects ¹	3,319	5,427	3,839	78	63
Total	9,590	11,698	11,648		

¹ Market value refers to accrued market value.

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

The carrying amount for ongoing projects was SEK 3.3 (2.1) billion. Their carrying amount upon completion is expected to total SEK 5.4 billion, with an estimated market value of SEK 6.4 billion, of which SEK 3.8 billion was accrued at the end of 2008. The degree of completion in ongoing projects was about 63 percent.

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

Including properties that were recognized as completed in 2008, estimated total market value amounted to some SEK 5.1 (3.6) billion, with a corresponding carrying amount of SEK 3.8 (2.6) billion. The change in market value of the identical portfolio of completed properties, adjusted for investments, amounted to about SEK -190 M, which was equivalent to a decrease of about 6 percent.

The carrying amount of undeveloped land and development properties (building rights) totaled about SEK 2.5 (1.5) billion, with an estimated market value of SEK 2.7 billion.

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

Other commercial properties

“Other commercial properties” are primarily part of the Nordic units of the Construction business stream. The carrying amount was SEK 1,245 M (748), and the gain on property divestments totaled SEK 219 M (217).

Infrastructure Development

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

The unit is part owner of 14 projects, of which 12 are fully or partially in operation. At year-end 2008, the carrying amount of shares, participations, concessions and subordinated receivables in Infrastructure Development totaled about SEK 2.0 (2.5) billion.

Remaining investment obligations related to ongoing projects nominally amount to about SEK 0.7 (1.1) billion, with a present value of about SEK 0.6 (0.8) billion. During 2008, two highway projects went into service, the A1 phase 1 in Poland and the E18 in Finland.

Skanska conducts an annual appraisal of the Infrastructure Development project portfolio. The appraisal that was carried out at year-end 2008 encompassed an update of the financial models and a review of the yield requirements applied. The assessment of market value was made in collaboration with external appraisal expertise. Market value consists of estimated present value of cash flow in the form of dividends and repayments of loans and equity from projects. On the appraisal date, this amounted to about SEK 8.4 (9.4) billion.

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

Unrealized development gain, Infrastructure Development		
SEK billion	Dec 31, 2008	Dec 31, 2007
Present value of cash flow from projects	8.4	9.4
Present value of remaining investments	-0.6	-0.8
Total present value	7.8	8.6
Carrying amount	-2.0	-2.5
Unrealized development gain, Skanska ID	5.8	6.1
Group eliminations	0.2	0.4
Unrealized development gain, Group	6.0	6.5

Surplus values in project development operations

To summarize, the surplus values in Skanska's project development operations were estimated at about SEK 9 billion, consisting of SEK 1 billion for land in Residential Development, SEK 2 billion in Commercial Development and SEK 6 billion in Infrastructure Development.

Investments

Investments/Divestments		
SEK M	2008	2007
Operations – Investments		
Intangible assets	-79	-38
Property, plant and equipment	-2,142	-1,894
Assets in Infrastructure Development	-396	-73
Shares	-7	-40
Current-asset properties	-10,553	-7,683
of which Residential Development	-4,333	-4,983
of which Commercial Development	-5,553	-2,362
of which other commercial properties	-667	-338
Investments	-13,177	-9,728
Operations – Divestments		
Intangible assets	1	2
Property, plant and equipment	637	507
Assets in Infrastructure Development	1,283	178
Shares	39	62
Current-asset properties	7,587	8,864
of which Residential Development	3,659	5,393
of which Commercial Development	3,537	2,796
of which other commercial properties	391	675
Divestments	9,547	9,613
Net investments in operations	-3,630	-115
Strategic investments		
Acquisitions of businesses	-5	-74
Strategic investments	-5	-74
Strategic divestments		
Divestments of businesses	2	192
Strategic divestments	2	192
Net strategic investments¹	-3	118
Total investments¹	-3,633	3
Depreciation/amortization, non-current assets	-1,383	-1,287

1 (+) divestments, (-) investments.

The Group's investments totaled SEK -13,182 M (-9,802) and its divestments totaled SEK 9,549 M (9,805). On a net basis, Group investments totaled SEK -3,633 M (3).

Investments in property, plant and equipment, which were related to continuous replacement investments in operations, increased to SEK -2,142 M (-1,894). Amortization on intangible non-current assets and depreciation on property, plant and equipment totaled SEK -1,383 M (-1,287).

Investments in the form of equity and subordinated loans in the Infrastructure Development business stream amounted to SEK -396 M (-73). The business stream sold SEK 1,283 M (178) in assets. Divestments consisted of the sale of Skanska's 50 percent stake in the Brazilian hydropower plant Ponte de Pedra and repayments of subordinated loans. Net divestments in Infrastructure Development totaled SEK 887 M (105).

Skanska made net investments of SEK -2,966 M (1,181) in current-asset properties. Projects were sold for SEK 7,587 M (8,864), while investments amounted to SEK -10,553 M (-7,683). This included proj-

ects carried out in the Residential Development and Commercial Development business streams and “Other commercial properties.”

In Residential Development, net investments in current-asset properties totaled SEK –674 M (410). Completed projects were sold for SEK 3,659 M while SEK –4,333 M was invested during the year. About SEK 1.2 billion was related to acquisitions of land equivalent to about 3,200 building rights.

The Commercial Development business stream made net investments in current-asset properties totaling SEK –2,016 M (434). Divestments in the form of sale of completed properties and ongoing projects increased to SEK 3,537 M (2,796). Investments amounted to SEK –5,553 M (–2,362).

Cash flow

The Group's operating cash flow		
SEK M	2008	2007
Cash flow from business operations before change in working capital	3,156	4,286
Change in working capital	1,879	4,432
Net investments in the business	-3,630	-115
Adjustments in payment dates of net investments	20	292
Taxes paid in business operations	-1,788	-1,128
Cash flow from business operations	-363	7,767
Net interest items and other financial items	460	172
Taxes paid in financing activities	-138	-52
Cash flow from financing activities	322	120
Cash flow from operations	-41	7,887
Net strategic investments	-3	118
Taxes paid on strategic divestments	0	-17
Cash flow from strategic investments	-3	101
Dividend etc ¹	-3,767	-3,458
Cash flow before change in interest-bearing receivables and liabilities	-3,811	4,530
Change in interest-bearing receivables and liabilities	-3,129	-1,571
Cash flow for the year	-6,940	2,959
Cash and cash equivalents, January 1	14,209	10,970
Reclassifications in cash and cash equivalents	0	400
Exchange rate differences in cash and cash equivalents	612	-120
Cash and cash equivalents, December 31	7,881	14,209

1 Of which, repurchases of shares

Cash flow for the year amounted to SEK –6,940 M (2,959).

Cash flow from business operations decreased to SEK -363 M (7,767). The overall decrease is explained by lower operating income, lower reduction in working capital, higher net investments as well as higher amounts of taxes paid.

Lower earnings in Construction and Residential Development operations are the contributing reason for the reduction in cash flow before change in working capital to SEK 3,156 M (4,286).

Reduced tied-up capital, especially in North American business units and in Skanska Sweden, was the primary reason why change in working capital still contributed a positive cash flow of SEK 1,879 M (4,432).

Increased net investments in the business affected cash flow by SEK –3,630 M (–115), of which net investments in property, plant and equipment intended for use in the business had an effect of SEK –1,505 M.

Increased investments in ongoing projects in both Residential and Commercial Development had a net negative impact on cash flow, amounting to SEK –2,966 M.

Taxes paid rose to SEK –1,926 M (–1,197). The increase was mainly attributable to the payment of tax on the divestment of Skanska's share of

the Ponte de Pedra hydropower plant in Brazil and higher tax payments in the United States.

Dividends, adjustments of minority interest and repurchases of shares totaled SEK –3,767 M (–3,458). “Change in interest-bearing receivables and liabilities” amounted to SEK –3,129 M (–1,571). This change is explained primarily by an increase in interest-bearing receivables and settlement of interest-bearing liabilities.

Financing and liquidity

At year-end 2008, the Group had interest-bearing net receivables of SEK 9,230 M (14,581). The Group's unutilized credit facilities totaled SEK 8,914 M (7,318) at year-end.

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

Interest-bearing assets including cash equivalents declined to SEK 15,135 M (19,415). Of these, receivables in foreign currencies accounted for 84 (72) percent. The average interest rate refixing period for all of the Group's interest-bearing assets was 0.1 (0.1) years, and the interest rate amounted to 1.77 (4.01) percent at year-end.

Change in interest-bearing assets and liabilities		
SEK M	2008	2007
Net receivables, January 1	14,581	10,377
Cash flow from business operations	-363	7,767
Cash flow from financing activities excluding changes in interest-bearing liabilities and receivables	322	120
Cash flow from strategic investments	-3	101
Dividend etc ¹	-3,767	-3,458
Acquired/divested interest-bearing liabilities	39	4
Exchange rate differences	889	99
Change in pension liability	-2,433	113
Reclassifications	0	-398
Other changes	-35	-144
Net receivables, December 31	9,230	14,581
1 Of which, repurchases of shares	-271	-

The Group's interest-bearing liabilities and provisions increased to SEK 5,905 M (4,834), of which pension liabilities and provisions amounted to SEK 3,206 M (1,265). The average interest rate refixing period for all Group interest-bearing liabilities, excluding pension liability, was 0.6 (0.5) years, and the average maturity amounted to 2.4 (2.3) years.

An unutilized credit facility of SEK 8.2 billion runs through 2014.

The interest rate for all Group interest-bearing liabilities, excluding pension liabilities, amounted to 4.06 (3.84) percent at year-end. The proportion of loans in foreign currencies increased to 58 (44) percent.

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

Return on equity and capital employed

At year-end 2008, the equity of the Group attributable to equity holders amounted to SEK 19,071 M (20,514). Return on equity decreased to 15.9 (21.1) percent.

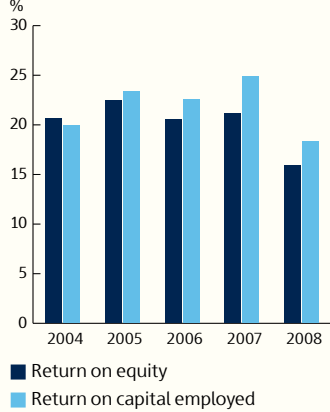
Aside from profit for the year, the change in equity is explained by disbursement of a dividend of SEK –3.5 billion, by actuarial losses of SEK –2.0 billion (after taxes) when reporting pensions, by positive currency translation differences of about SEK 1.3 billion and by repurchases of shares totaling about SEK –0.3 billion.

Return on capital employed decreased to 18.3 (25.0) percent. Capital employed amounted to SEK 25,154 M (25,558).

Equity/assets and debt/equity ratio

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

Return on equity and return on capital employed



Principal risks and uncertainties

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

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

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

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

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

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

Greater standardization, with shorter lead times, reduces the period of exposure and thus the risk of fluctuations in market demand.

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

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

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

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

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

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

Ongoing litigation

Skanska and another company that are alleged to have participated in collusive anti-competitive practices in the asphalt sector have been sued by a number of Swedish municipalities that maintain that they have suffered damage in procurements alleged to have been the object of collusive cartels between the contractors. Skanska has been sued for a total of SEK 57 M. Skanska denies the allegations. In keeping with the Group's accounting principles, no provision has been made for the damages suit.

In Finland, the Market Court issued a ruling in December 2007 in the Finnish Competition Authority's suit against a number of companies in the civil construction and asphalt sectors, among them Skanska, concerning alleged collusive anti-competitive activities. The Market Court ordered Skanska to pay the equivalent of SEK 13 M in infringement fines. The Competition Authority had sued for about SEK 100 M. Skanska decided to appeal the ruling after the Competition Authority had appealed the ruling.

In October 2006, Slovakia's Antitrust Office decided to fine six companies that had participated in tendering for a road project. Skanska was part of a joint venture led by a local Slovakian company. The fine in Skanska's case is the equivalent of SEK 67 M and was charged to 2006 earnings. Skanska denies the Authority's allegations and requested that the decision be reviewed by a court of law. In December 2008 the court decided to annul the decision of the Antitrust Office and remit the case to the Office for a new procedure.

Changes in the Board of Directors and Senior Executive Team

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

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

The work of the Board of Directors

The Board of Directors consists of eight members elected by the Annual Shareholders' Meeting without deputies plus three members and three deputy members appointed by the employees. The President and CEO is a member of the Board.

The work of the Board follows a yearly agenda, which is established in the Board's procedural rules. In preparation for each Board meeting, the Board receives documents compiled according to established procedures. These procedures are aimed at ensuring that the Board receives relevant information and background documentation in preparation for all Board meetings.

During 2008 the Board gathered for nine meetings, including its statutory meeting directly after the Annual Meeting. At its September 2008 meeting, the Board visited Skanska Poland and Skanska Commercial Development Europe's operations in Poland. At the meeting, the Board received information about Skanska's operations in Poland. Otherwise the Board discussed such matters as the company's strategic plan. In conjunction with the meeting, the Board carried out one work site visit.

Among the more important issues that the Board dealt with during 2008 were Group strategy, internal control, governance of the Group's operations, risk management and health and safety.

During the year, the Board examined the relevance and topicality of all statutory instructions.

The Board appointed from among its own members a Compensation Committee, an Audit Committee and a Project Review Committee. These committees routinely report to the Board at each meeting in accordance with the mechanisms specified in the Board's rules of procedure.

Research and development

High-priority tasks for research and development activities during 2008 were functionality, green construction and knowledge transfers.

The largest internal research and development projects in the Group were:

- The Xchange project, whose aim is to standardize building elements and processes, primarily for the Nordic market.
- The Moderna Hus concept, which has been fully developed for six different categories of buildings with varying performance.
- The Building Information Model (BIM), which has been successfully used in various projects in Finland and elsewhere.
- A new, proven system for optimizing installations in commercial properties was implemented and will mean greater robustness, low maintenance costs, greater flexibility during service life as well as optimal life cycle costs and life cycle environmental impact.
- Improved design methods that make it possible to reduce quantities of materials, for example for integral bridge abutments, reinforced soils for roads, etc.
- New communications technology that has connected our offices to enable active, live broadcast meetings between participants, making meetings and management processes more efficient.

Knowledge transfers within the Skanska Group have improved significantly and have been made available to all employees through the Group's "Skanska Knowledge Center" portal. The goal is to visualize and create capacity for utilizing the resources of knowledge and experience that exist in the Group.

Sustainable development

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

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

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

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

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

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

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

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

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

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

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

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

The Group's Swedish operations include activities that are required to obtain permits, in the form of quarries and gravel pits as well as activities that must be registered, mainly asphalt plants, concrete factories and stone crushing plants.

Human resources

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

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

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

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

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

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

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

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

Total absences due to illness, calculated as a proportion of regular working hours, was 3.4 (3.7) percent in Skanska's Swedish operations. Of this total, 42.3 (47.3) percent consisted of continuous absences of 60 days or more.

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

Remuneration to senior executives

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

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

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

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

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

tion to established targets and must coincide with the interests of the shareholders.

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

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

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

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

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

Groupwide share incentive programs

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

Long-term share incentive program, 2005-2007

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

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

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

Employee Ownership Program, 2008-2010

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

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

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

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

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

Employee-related costs for the long-term Skanska share award plan (SAP) and the Skanska employee ownership program (SEOP)			
Employee-related costs for share awards ¹ SEK M	SAP	SEOP ²	Total programs
Total preliminary cost for the program	146	167	313
Expensed January 1	-78	0	-78
Cost for the year	-30	-34	-64
Total expensed December 31	-108	-34	-142
Remaining to be expensed	38	133	171
Of which expensed in			
2009	25	56	81
2010	13	55	68
2011		22	22
Total	38	133	171
Dilution through 2008, %	0.22	0.09	0.31
Share awards earned through 2008			
Number of shares	910,649	357,129	1,267,778
Maximum dilution at end of program, %	0.32	0.45	0.77
Share awards earned at end of program			
Number of shares	1,352,361	1,876,951	3,229,312

¹ In compliance with IFRS 2.

² Refers to 2008 program, excluding social insurance contributions.

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

Repurchases of shares

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

Skanska has repurchased a total of 2,795,000 shares at an average price of SEK 96.97.

Annual Meeting

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

Proposed dividend

The Board of Directors proposes a regular dividend of SEK 5.25 (5.25) per share for the 2008 financial year. Last year, Skanska also paid an extra dividend of SEK 3.00 per share. The dividend for 2008 totals an estimated SEK 2,183 M (3,453).

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

The Board's reasons for its proposed dividend

The nature and scale of Skanska's operations can be seen in the Articles of Association and this Annual Report. The operations carried out in the Group do not pose risks beyond those that occur or can be assumed to occur in its industry or the risks that are otherwise associated with carrying out business operations. The Group's dependence on the economic does not deviate from what otherwise occurs in its industry.

The equity/assets ratio of the Group amounts to 23.1 (26.3) percent. The proposed dividend does not jeopardize the investments that have been deemed necessary. The financial position of the Group does not give rise to any judgment except that the Group can continue its operations and that the Group can be expected to meet its short- and long-term obligations.

With reference to the above and what has otherwise come to the Board's attention, it is the judgment of the Board that the dividend is

justified with reference to the demands that the nature, scale and risks of its operations place on the size of the Company's and the Group's equity and the Group's consolidation requirements, liquidity and position otherwise.

Parent Company

The Parent Company carries out administrative work and includes the Senior Executive Team and management units.

Profit for the year amounted to SEK 3,027 M (3,121). The average number of employees was 87 (79).

Market outlook

Construction

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

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

Residential Development

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

Commercial Development

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

Infrastructure Development

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

Events after the end of the financial year

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

Disclosure requirements in compliance with the Annual Accounts Act, Chapter 6, Section 2 a

Disclosure in compliance with the Swedish Annual Accounts Act, Chapter 6, Section 2 a concerning information about certain circumstances that may affect the possibility of taking over the Company through a public buyout offer is provided in Note 64, "Disclosures in compliance with the Annual Accounts Act, Chapter 6, Section 2 a."

Consolidated income statement

SEK M	Note	2008	2007
Revenue	8, 9	143,674	138,781
Cost of sales	9	-131,532	-125,807
Gross income		12,142	12,974
Selling and administrative expenses	11	-8,932	-7,970
Income from joint ventures and associated companies	20	876	402
Operating income	10, 12, 13, 22, 36, 38, 40	4,086	5,406
Financial income		536	646
Financial expenses		-212	-385
Net financial items	14	324	261
Income after financial items	15	4,410	5,667
Taxes	16	-1,253	-1,546
Profit for the year		3,157	4,121
Profit for the year attributable to Equity holders		3,102	4,096
Minority interest		55	25
Earnings per share, SEK	26, 44		
after repurchases		7.44	9.78
after repurchases and dilution		7.42	9.77
Average number of shares outstanding	26, 55		
after repurchases		416,985,073	418,553,072
after repurchases and dilution		417,781,483	418,992,099
Proposed regular dividend per share, SEK		5.25	5.25
Extra dividend per share, SEK		0.00	3.00

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

Consolidated balance sheet

SEK M	Note	2008	2007
ASSETS			
Non-current assets			
Property, plant and equipment	17, 40	6,919	5,973
Goodwill	18	4,442	4,584
Other intangible assets	19	804	658
Investments in joint ventures and associated companies	20	1,512	1,945
Financial non-current assets	21	309	728
Deferred tax assets	16	1,970	956
Total non-current assets		15,956	14,844
Current assets			
Current-asset properties	22	18,568	13,198
Inventories	23	901	769
Financial current assets	21	7,285	4,686
Tax assets	16	812	411
Gross amount due from customers for contract work	9	6,087	5,656
Trade and other receivables	24	25,988	25,168
Cash equivalents	25	0	521
Cash		7,881	13,688
Total current assets		67,522	64,097
Total assets	32	83,478	78,941
of which interest-bearing non-current assets	31	245	634
of which interest-bearing current assets	31	14,890	18,781
		15,135	19,415

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

Consolidated balance sheet

SEK M	Note	2008	2007
Equity	26		
Share capital		1,269	1,269
Paid-in capital		316	316
Reserves		2,456	1,330
Retained earnings		15,030	17,599
Equity attributable to equity holders		19,071	20,514
Minority interest		178	210
Total equity		19,249	20,724
Liabilities			
Non-current liabilities			
Financial non-current liabilities	27	1,077	955
Pensions	28	3,100	1,149
Deferred tax liabilities	16	1,760	2,069
Non-current provisions	29	86	96
Total non-current liabilities		6,023	4,269
Current liabilities			
Financial current liabilities	27	2,081	2,703
Tax liabilities	16	864	891
Current provisions	29	4,908	3,646
Gross amount due to customers for contract work	9	17,050	15,748
Trade and other payables	30	33,303	30,960
Total current liabilities		58,206	53,948
Total liabilities		64,229	58,217
Total equity and liabilities	32	83,478	78,941
of which interest-bearing financial liabilities	31	2,699	3,569
of which interest-bearing pensions and provisions	31	3,206	1,265
		5,905	4,834

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

Consolidated statement of recognized income and expenses

SEK M	2008	2007
Translation differences for the year	1,734	640
Hedging of exchange rate risk in operations outside Sweden	-378	17
Cash flow hedge		
Recognized directly in equity	-179	5
Transfer to income statement	-42	-80
Change in pension liability		
Actuarial gains and losses, pension obligations	-788	179
Difference between expected and actual return on plan assets	-1,645	-64
Social insurance contributions	-310	-9
Share-based payment	56	28
Other transfers of assets recognized directly in equity	-65	33
Tax attributable to items recognized directly in equity	749	-24
Changes in assets recognized directly in equity, excluding transactions with the Company's owners	-868	725
Profit for the year	3,157	4,121
Total changes in assets, excluding transactions with the Company's owners	2,289	4,846
Attributable to:		
Equity holders	2,276	4,777
Minority	13	69

See also Note 26.

Consolidated cash flow statement

SEK M	2008	2007
Operating activities		
Operating income	4,086	5,406
Adjustments for items not included in cash flow	-930	-1,120
Income tax paid	-1,535	-1,092
Cash flow from operating activities before change in working capital	1,621	3,194
Cash flow from change in working capital		
Investments in current-asset properties	-10,661	-7,209
Divestments of current-asset properties	7,715	8,682
Changes in inventories and operating receivables	316	-2,307
Change in operating liabilities	1,563	6,739
Cash flow from change in working capital	-1,067	5,905
Cash flow from operating activities	554	9,099
Investing activities		
Acquisitions of businesses	-5	-74
Investments in intangible assets	-79	-38
Investments in property, plant and equipment	-2,142	-1,894
Investments in Infrastructure Development assets	-396	-73
Investments in shares	-7	-40
Increase in interest-bearing receivables, loans provided	-3,098	-3,201
Disposals of businesses	2	192
Divestments of intangible assets	1	2
Divestments of property, plant and equipment	637	507
Divestments of Infrastructure Development assets	1,283	178
Divestments of shares	39	62
Decrease in interest-bearing receivables, repayments of loans provided	2,100	1,986
Income tax paid	-253	-53
Cash flow from investing activities	-1,918	-2,446
Financing activities		
Net interest items	331	370
Other financial items	129	-198
Borrowings	295	595
Repayment of debt	-2,426	-951
Dividend paid	-3,448	-3,453
Shares repurchased	-271	
Dividend to/Contribution from minority	-48	-5
Income tax paid	-138	-52
Cash flow from financing activities	-5,576	-3,694
Cash flow for the year	-6,940	2,959
Cash and cash equivalents, January 1	14,209	10,970
Reclassifications		400
Translation differences in cash and cash equivalents	612	-120
Cash and cash equivalents, December 31	7,881	14,209

Change in interest-bearing net receivables

SEK M	2008	2007
Interest-bearing net receivables, January 1	14,581	10,377
Cash flow from operating activities	554	9,099
Cash flow from investing activities excluding change in interest-bearing receivables	-920	-1,231
Cash flow from financing activities excluding change in interest-bearing liabilities	-3,445	-3,338
Change in pension liability	-2,433	113
Reclassifications		-398
Net receivable/liability acquired/divested	39	4
Translation differences	889	99
Other items	-35	-144
Interest-bearing net receivables, December 31	9,230	14,581

Consolidated operating cash flow statement

SEK M	2008	2007
Cash flow from business operations before change in working capital and taxes paid	3,156	4,286
Change in working capital excluding current-asset properties	1,879	4,432
Net investments in operations	-3,630	-115
Cash flow adjustment, net investments ¹	20	292
Taxes paid in business operations	-1,788	-1,128
Cash flow from business operations	-363	7,767
Net interest items and other net financial items	460	172
Taxes paid in financing items	-138	-52
Cash flow from financing activities	322	120
Cash flow from operations	-41	7,887
Net strategic investments	-3	118
Taxes paid on net strategic divestments	0	-17
Cash flow from strategic investments	-3	101
Dividend etc. ²	-3,767	-3,458
Cash flow before changes in interest-bearing receivables and liabilities	-3,811	4,530
Change in interest-bearing receivables and liabilities	-3,129	-1,571
Cash flow for the year	-6,940	2,959

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

² Of which, repurchases of shares

See also Note 35.

Parent Company income statement

SEK M	Note	2008	2007
Net sales	46	360	75
Gross income		360	75
Selling and administrative expenses		-659	-494
Operating income	49,50,62	-299	-419
Income from holdings in Group companies	47	3,584	3,678
Income from other financial non-current assets	47	92	238
Interest expenses and similar items	47	-267	-326
Income after financial items		3,110	3,171
Taxes on profit for the year	48	-83	-50
Profit for the year		3,027	3,121

See also Notes 1 and 65.

Parent Company balance sheet

SEK M	Note	2008	2007	SEK M	Note	2008	2007
Assets				Equity and liabilities			
Intangible non-current assets	49	13	14	Equity	55		
Property, plant and equipment	50			Share capital		1,269	1,269
Plant and equipment		2	2	Restricted reserves		598	598
Total property, plant and equipment		2	2	Restricted equity		1,867	1,867
Financial non-current assets	51			Retained earnings		2,471	3,060
Holdings in Group companies	52	10,565	10,565	Profit for the year		3,027	3,121
Holdings in joint ventures	53	0	2	Unrestricted equity		5,498	6,181
Other non-current holdings of securities		0	12	Total equity		7,365	8,048
Receivables from Group companies	63	4,203	719	Provisions	56		
Deferred tax assets	48	54	56	Provisions for pensions	57	146	154
Other non-current receivables		67	83	Other provisions		51	21
Total financial non-current assets		14,889	11,437	Total provisions		197	175
Total non-current assets		14,904	11,453	Non-current interest-bearing liabilities	58		
Current receivables				Liabilities to Group companies	63	7,366	3,307
Current receivables from Group companies	63	49	42	Total non-current interest-bearing liabilities		7,366	3,307
Tax assets		6	2	Current liabilities	58		
Other current receivables		57	106	Trade accounts payable		16	21
Prepaid expenses and accrued income	54	6	9	Liabilities to Group companies	63	12	6
Total current receivables		118	159	Other liabilities		11	4
Total current assets		118	159	Accrued expenses and prepaid income		55	51
Total assets	59	15,022	11,612	Total current liabilities		94	82
				Total equity and liabilities	59	15,022	11,612
				Assets pledged	60	67	82
				Contingent liabilities	60	91,930	90,740

See also Notes 1, 45, 65.

Parent Company statement of changes in equity

SEK M	Share capital	Restricted reserves	Unrestricted equity	Total equity
Equity, January 1, 2007	1,269	598	6,513	8,380
Dividend			-3,453	-3,453
Profit for 2007			3,121	3,121
Equity, December 31, 2007/ Equity January 1, 2008	1,269	598	6,181	8,048
Repurchase of 2,795,000 Series B shares			-271	-271
Dividend			-3,448	-3,448
Share-based payment			9	9
Profit for 2008			3,027	3,027
Equity, December 31, 2008	1,269	598	5,498	7,365

See also Note 55.

Parent Company cash flow statement

SEK M	2008	2007
Operating activities		
Operating income	-299	-419
Adjustments for items not included in cash flow	1	2
Income tax paid	-134	-75
Cash flow from operating activities before change in working capital	-432	-492
Cash flow from change in working capital		
Change in inventories and operating receivables	45	-39
Change in operating liabilities	135	40
Cash flow from change in working capital	180	1
Cash flow from operating activities	-252	-491
Investing activities		
Acquisitions of non-current assets		-14
Increase in interest-bearing receivables, loans provided		-5
Divestments of intangible assets		7
Divestments of financial non-current assets	13	
Decrease in interest-bearing receivables, loans provided	16	
Cash flow from investing activities	29	-12
Financing activities		
Net interest items	-175	-89
Dividends received	3,585	3,679
Borrowings	575	360
Repayment of debt	-92	-19
Dividend paid	-3,448	-3,453
Repurchases of shares	-271	
Income tax paid	49	25
Cash flow from financing activities	223	503
Cash flow for the year	0	0
Cash and cash equivalents, January 1	0	0
Cash equivalents, December 31	0	0

See also Note 61.

Notes including accounting and valuation principles

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

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Conformity with laws and standards

In compliance with the ordinance approved by the European Union (EU) on the application of international accounting standards, the consolidated financial statements have been prepared in compliance with International Financial Reporting Standards (IFRSs) and International Accounting Standards (IASs), issued by the International Accounting Standards Board (IASB), as well as the interpretations by the International Financial Reporting Interpretations Committee (IFRIC) and its predecessor the Standing Interpretations Committee (SIC), to the extent these standards and interpretations have been approved by the EU. In addition, the Swedish Financial Reporting Board's Recommendation RFR 1.1, "Supplementary Rules for Consolidated Financial Statements" has been applied, as have the Statements of the Swedish Financial Reporting Board.

The Parent Company applies the same accounting principles as the Group, except in those cases stated below in the section "Parent Company accounting and valuation principles."

The Parent Company's annual accounts and the consolidated annual accounts were approved for issuance by the Board of Directors on February 5, 2009. The Parent Company income statement and balance sheet and the consolidated income statement and balance sheet, respectively, will be subject to adoption by the Annual Shareholders' Meeting on April 6, 2009.

Conditions when preparing the Group's financial reports

The functional currency of the Parent Company is Swedish crowns or kronor (SEK), which is also the reporting currency of the Parent Company and of the Group. This implies that the financial reports are presented in Swedish kronor. All amounts are rounded off to the nearest million, unless otherwise stated.

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

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

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

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

New standards and interpretations

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

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

Application in advance of new or revised IFRSs and interpretations

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

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

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

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

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

IFRIC 12 deals with the question of how the operator of a service concession agreement should account for the infrastructure as well as the rights they receive and the obligations they undertake under the agreement. The interpretation will presumably

lead to more uniform earnings for each infrastructure project, viewed over the years. The interpretation has not yet been adopted by the EU.

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

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

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

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

Change in Swedish accounting legislation

Through a change in the Annual Accounts Act, disclosure shall be provided not only about the Parent Company but also about the Group, provided that an agreement to which a Group company is party is affected, changed or ended if control over the Group changes due to a public buyout offer. See Note 64.

IAS 1, "Presentation of Financial Statements"

Income statement

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

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

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

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

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

Assets

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

Cash and cash equivalents consist of cash and immediately available deposits at banks and equivalent institutions plus short-term liquid investments with a maturity from the acquisition date of less than three months, which are subject to only an insignificant risk of fluctuations in value. Checks that have been issued reduce liquid assets

only when cashed. Cash and cash equivalents that cannot be used freely are reported as current assets (current receivables) if the restriction will cease within twelve months from the balance sheet date. In other cases, cash and cash receivables are reported as non-current assets. Cash and cash equivalents that belong to a construction consortium are cash and cash equivalents with restrictions if they may only be used to pay the debts of the consortium.

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

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

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

Equity

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

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

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

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

Liabilities

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

IAS 27, "Consolidated and Separate Financial Statements"

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

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

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

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

Goodwill attributable to operations abroad is expressed in local currency. Translation to SEK complies with IAS 21.

IFRS 3, "Business Combinations"

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

Acquisitions of businesses, regardless of whether the acquisition concerns holdings in another company or a direct acquisition of assets and liabilities, are reported according to the purchase method of accounting. If the acquisition concerns holdings in a company, the method implies that the acquisition is regarded as a transaction through which the Group indirectly acquires the assets of a Group company and assumes its liabilities and contingent liabilities. Cost in the consolidated accounts is determined by means of an acquisition analysis in conjunction with the business combination. The analysis establishes both the cost of the holdings or the business and the fair value of acquired identifiable assets plus the liabilities and contingent liabilities assumed. The difference between the cost of holdings in a Group company and the fair value of acquired assets and liabilities and contingent liabilities assumed is goodwill on consolidation.

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

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

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

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

Foreign currency transactions

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

Functional currency is the currency of the primary economic environment where the companies in the Group conduct their business.

Financial reports of foreign operations

Assets and liabilities in foreign operations, including goodwill and other consolidated surpluses and deficits, are translated to Swedish kronor at the exchange rate prevailing on the balance sheet date. Revenue and expenses in a foreign operation are translated to Swedish kronor at the average exchange rate. If a foreign operation is located in a country with hyperinflation, revenue and expenses are to be translated in a special way. In the year's financial statements, it has not been necessary to do this. Translation differences that arise from currency translation of foreign operations are recognized directly in equity as a translation reserve.

Net investment in a foreign operation

Translation differences that arise in connection with translation of a foreign net investment and accompanying effects of hedging of net investments are recognized directly in the translation reserve in equity. When divesting a foreign operation, the accumulated translation differences attributable to the operation are realized in the consolidated income statement after subtracting any currency hedging. As for accumulated translation differences attributable to the period before January 1, 2004, these are stated at zero upon transition to IFRS.

Foreign currency loans and currency derivatives for hedging of translation exposure (equity loans) are carried at the exchange rate on the balance sheet date. Exchange rate differences are recognized, taking into account the tax effect, in the equity of the Group. Hedging of translation exposure reduces the exchange rate effect when translating the financial statements of foreign operations to SEK. Any forward contract premium is accrued until maturity and is recognized as interest income or an interest expense.

IFRS 5, "Non-current Assets Held for Sale and Discontinued Operations"

A discontinued operation is a portion of a company's operations that represents a separate line of business or a major operation in a geographic area and is part of a single coordinated plan to dispose of a separate line of business or a major operation carried out in a geographic area, or is a Group company acquired exclusively with a view to resale.

Classification as a discontinued operation occurs upon divestment, or at an earlier date when the operation meets the criteria to be classified as held for sale. A disposal group that is to be shut down can also qualify as a discontinued operation if it meets the above size criteria.

If a non-current asset or disposal group is to be classified as held for sale, the asset (disposal group) must be available for sale in its present condition. It must also be highly probable that the sale will occur. In order for a sale to be highly probable, a decision must have been made at management level, and active efforts to locate a buyer and complete the plan must have been initiated. The asset or disposal group must be actively marketed at a price that is reasonable in relation to its fair value, and it must be probable that the sale will occur within one year. Skanska also applies the principle that with regard to a single non-current asset, its value must exceed EUR 20 M.

Depreciation or amortization of a non-current asset is not made as long as it is classified as held for sale.

Non-current assets classified as held for sale as well as disposal groups and liabilities attributable to them must be presented separately in the balance sheet.

IAS 28, "Investments in Associates"

Reported as associated companies are companies in which the Skanska Group exercises significant but not controlling influence, which is presumed to be the case when the Group's holding amounts to a minimum of 20 percent and a maximum of 50 percent of the voting power. In addition, it is presumed that this ownership is one element of a long-term connection and that the holding shall not be reported as a joint venture.

The equity method

From the date when Skanska obtains a significant influence, holdings in associated companies are included in the consolidated financial statements according to the equity method. Any difference upon acquisition between the cost of the holding and the owner company's share of net fair value of the associated company's identifiable assets, liabilities and contingent liabilities is recognized in compliance with IFRS 3. The equity method implies that the carrying amount of the Group's shares in associated companies is equivalent to the Group's proportion of their share capital as well as goodwill in the consolidated accounts and any other remaining consolidated surpluses and deductions of internal profits. The Group's share of the associated company's income after financial items is recognized as "Income from joint ventures and associated companies" in the income statement. Any depreciation/amortization and impairment losses on acquired surpluses are taken into account. The Group's proportion of the tax expense of an associated company is included in "Taxes." Dividends received from an associated company reduce the carrying amount of the investment.

When the Group's share of recognized losses in an associated company exceeds the carrying amount of the holdings in the consolidated financial statements, the value of the holding is reduced to zero. Settlement of losses also occurs against long-term unsecured financial assets which, in substance, form part of Skanska's net investment in the associated company and are thus recognized as shares. Continued losses are not recognized unless the Group has provided guarantees to cover losses arising in the associated company.

Elimination of internal profits

When profits arise from transactions between the Group and an associated company, the portion equivalent to the Group's share of ownership is eliminated. If the carrying amount of the Group's holding in the associated company is below the elimination of internal profit, the excess portion of the elimination is recognized among provisions. The elimination of the internal profit is adjusted in later financial statements based on how the asset is used or when it is divested. If a loss arises from a transaction between the Group and an associated company, the loss is eliminated only if it does not correspond to an impairment loss on the asset. If a profit or loss has arisen in the associated company, the elimination affects the income recognized under "Income from joint ventures and associated companies."

The equity method is applied until the date when significant influence ceases.

Note 20 provides information about associated companies.

IAS 31, "Interests in Joint Ventures"

Companies operated jointly with other companies, and in which control is exercised jointly according to agreement, are reported as joint ventures.

The equity method, which is described in the section on associated companies, is applied when preparing the consolidated financial statements. The consolidated income statement recognizes the Group's share of the income in joint ventures before

taxes, adjusted for any depreciation, amortization and impairment losses on acquired surpluses, among "Income from joint ventures and associated companies." The Group's share of the tax expense of a joint venture is included in "Taxes." Dividends received from a joint venture are subtracted from the carrying amount of the investment. In connection with infrastructure projects, the Group's investment may include either holdings in or subordinated loans to a joint venture. Both are treated in the accounts as holdings.

Elimination of internal profits

Internal profits that have arisen from transactions between the Group and a joint venture are eliminated based on the Group's share of ownership. If the carrying amount of the Group's holding in a joint venture is below the elimination of internal profit, the excess portion of the elimination is recognized among provisions. The elimination of the internal profit is adjusted in later financial statements based on how the asset is used or when it is divested. If a loss instead arises from a transaction between the Group and a joint venture, the loss is eliminated only if it does not correspond to an impairment loss on the asset.

When Skanska's Construction operations perform assignments for a joint venture in Infrastructure Development operations, a loss is eliminated only to the extent that the carrying amount of Skanska's holding in the joint venture does not exceed 80 percent of estimated market value. If a profit or loss has arisen in a joint venture, the elimination affects the income recognized under "Income from joint ventures and associated companies."

Note 20 provides information about joint ventures.

IAS 11, "Construction Contracts"

Project revenues are reported in compliance with IAS 11. This implies that the income from a construction project is reported successively as the project accrues. The degree of accrual is mainly determined on the basis of accumulated project expenses in relation to estimated accumulated project expenses upon completion. If the outcome cannot be estimated in a satisfactory way, revenue is reported as equivalent to accumulated expenses on the balance sheet date (zero recognition). Anticipated losses are immediately reported as expenses. If the construction project also includes liability to the customer for divestment of completed housing units, the number of unsold units is taken into account when recognizing the earnings of the construction project, by recognizing a profit that is proportional to both the degree of accrual and the degree of sales. This means that if the degree of accrual is 50 percent and the degree of sales likewise is 50 percent, 25 percent of forecasted final profit is reported (forecasted loss is reported immediately as an expense at 100 percent).

Recognized as project revenue are the originally agreed contract amount as well as additional work, claims for special compensation and incentive payments, but normally only to the extent that these have been approved by the customer. All services that are directly related to the construction project are covered by IAS 11. Other services are covered by IAS 18.

If substantial non-interest-bearing advance payments have been received, the advance payment is discounted and recognized as an interest-bearing liability. The difference between a nominal amount and a discounted amount constitutes project revenue and is recognized as revenue according to the percentage of completion method. The upward adjustment in the present value of the advance payment in subsequent financial statements is reported as an interest expense.

The difference between accrued project revenue and a not yet invoiced amount is recognized as an asset (gross amount due from customers for contract work) according to the percentage of completion method. Correspondingly, the difference between an invoiced amount and not yet accrued project revenue is reported as a liability (gross amount due to customers for contract work). Income on the sale of land in conjunction with residential projects is included in project reporting. Major machinery purchases that are intended only for an individual project and significant start-up expenses are included to the extent they can be attributed to future activities as claims on the customer and are included in the asset or liability amount stated in this paragraph, however without affecting accrued project revenue.

Tendering expenses are not capitalized but are charged against earnings on a continuous basis. Tendering expenses that arose during the same quarter that the order was received, and that are attributable to the project, may be treated as project expenditures. In the case of infrastructure projects, instead of the quarter when the order was received, this applies to the quarter when the Group receives the status of preferred bidder. Tendering expenses that were recognized in prior interim or annual financial statements may not be recognized as project expenses in later financial statements.

Unrealized gains and losses on forward contracts related to hedging of operating transaction exposure are included, to the degree of completion, in the reporting of the respective project. If hedge accounting is not applicable, the liquidity effect when extending a forward contract that will meet future cash flow shall be included among

operating expenses. If the amount has a significant impact, it shall be excluded when determining degree of completion.

A construction consortium that has been organized to perform a single construction assignment is not an independent legal entity, since the participating co-owners are also directly liable for its obligations. Skanska's share of the construction assignment is thus recognized as an independent operation.

Most construction contracts contain clauses concerning warranty obligations on the part of the contractor, with the contractor being obliged to remedy errors and omissions discovered within a certain period after the property has been handed over to the customer. Such obligations may also be required by law. The main principle is that a provision for warranty obligations must be calculated for each individual project. Provision must be made continuously during the course of the project and the estimated total provision must be included in the project's expected final expenses. For units with similar projects, the provision may occur in a joint account instead and be calculated for the unit as a whole with the help of ratios that have historically provided a satisfactory provision for these expenses.

IAS 18, "Revenue"

Revenue other than project revenue is recognized in compliance with IAS 18. For lease income, this means that the revenue is divided evenly over the period of the lease. The total cost of benefits provided is recognized as a reduction in lease income on a straight-line basis over the lease period. Compensation for services performed that does not comprise project revenue is recognized as revenue based on the degree of completion on the balance sheet date, which is normally determined as services performed on the balance sheet date in proportion to the total to be performed. The difference that may then arise between services invoiced and services performed is recognized in the balance sheet among "Other operating receivables" (or "Other operating liabilities"). Deliveries of merchandise are reported as revenue when the essential risks and rewards associated with ownership of the merchandise have been transferred to the buyer. Divestment of completed current-asset properties belonging to Commercial Development is normally reported as a revenue item during the reporting period when a binding agreement on the sale is reached. However, if the property being divested is not yet completed and the buyer will occupy it only after completion, the gain is reported at the pace that the property is completed.

A dividend is recognized as revenue when the right to receive payment has been established.

Income from the sale of financial investments is recognized when the significant risks and rewards associated with ownership of the instruments have been transferred to the buyer and the Group no longer controls the instruments.

Interest is recognized using an interest rate that provides a uniform return on the asset in question, which is achieved by applying the effective interest method. Effective interest is the interest rate at which the present value of all future payments is equal to the carrying amount of the receivable.

Revenue is carried at the fair value of what is received or will be received. This means that receivables arising at the time of divestments are regarded as having been acquired at fair value (discounted present value of future incoming payments) if the interest rate on the date of the purchase is below the market interest rate and the difference is significant. For example, discounting of a receivable may occur in connection with a property divestment if the purchase price receivable is not settled immediately. This takes into account that any operating net until the property is transferred is recognized as interest.

Revenue is recognized only if it is probable that the economic benefits will flow to the Group. If uncertainty later arises with regard to the possibility of receiving payment for an amount that has already been recognized as revenue, the amount for which payment is no longer probable is instead recognized as an expense, instead of as an adjustment of the revenue amount that was originally recognized.

A divestment of a portion of a Group company to a minority interest is recognized directly in equity.

IAS 17, "Leases"

The accounting standard distinguishes between finance and operating leases. A finance lease is characterized by the fact that the economic risks and rewards incidental to ownership of the asset have substantially been transferred to the lessee. If this is not the case, the agreement is regarded as an operating lease.

Finance leases

Finance lease assets are recognized as an asset in the consolidated balance sheet. The obligation to make future lease payments is recognized as a non-current or current liability. Leased assets are depreciated during their respective useful life. When making payments on a financial lease, the minimum lease payment is allocated between interest expense and retirement of the outstanding liability. Interest expense is allocated over the lease period in such a way that each reporting period is charged an amount equivalent

to a fixed interest rate for the liability recognized during each respective period. Variable payments are recognized among expenses in the periods when they arise. Assets leased according to finance leases are not recognized as property, plant and equipment, since the risks incidental to ownership have been transferred to the lessee. Instead a financial receivable is recognized, related to future minimum lease payments.

Operating leases

As for operating leases, the lease payment is recognized as an expense over the lease term on the basis of utilization, and taking into account the benefits that have been provided or received when signing the lease.

The Commercial Development business stream carries out operating lease business. Information on future minimum lease payments (rents) is provided in Note 40, which also contains other information about leases.

IAS 16, "Property, Plant and Equipment"

Property, plant and equipment are recognized as assets in the balance sheet if it is probable that the Group will derive future economic benefits from them and the cost of an asset can be reliably estimated. Property, plant and equipment are recognized at cost minus accumulated depreciation and any impairment losses. Cost includes purchase price plus expenses directly attributable to the asset in order to bring it to the location and condition to be operated in the intended manner. Examples of directly attributable expenses are delivery and handling costs, installation, ownership documents, consultant fees and legal services. Borrowing costs are included in the cost of self-constructed property, plant and equipment. Impairment losses are applied in compliance with IAS 36.

The cost of self-constructed property, plant and equipment includes expenditures for materials and compensation to employees, plus other applicable manufacturing costs that are considered attributable to the asset.

Further expenditures are added to cost only if it is probable that the Group will enjoy future economic benefits associated with the asset and the cost can be reliably estimated. All other further expenditures are recognized as expenses in the period when they arise.

What is decisive in determining when a further expenditure is added to cost is whether the expenditure is related to replacement of identified components, or their parts, at which time such expenditures are capitalized. In cases where a new component is created, this expenditure is also added to cost. Any undepreciated carrying amounts for replaced components, or their parts, are disposed of and recognized as an expense at the time of replacement. If the cost of the removed component cannot be determined directly, its cost is estimated as the cost of the new component adjusted by a suitable price index to take into account inflation. Repairs are recognized as expenses on a continuous basis.

Property, plant and equipment that consist of parts with different periods of service are treated as separate components of property, plant and equipment. Depreciation occurs on a straight-line basis during the estimated period of service, taking into account any residual value at the end of the period.

Office buildings are divided into foundation and frame, with a depreciation period of 50 years; installations, depreciation period 35 years; and non-weight-bearing parts, depreciation period 15 years. Generally speaking, industrial buildings are depreciated during a 20-year period without allocation into different parts. Stone crushing and asphalt plants as well as concrete mixing plants are depreciated over 10 to 25 years depending on their condition when acquired and without being divided into different parts. For other buildings and equipment, division into different components occurs only if major components with divergent useful lives can be identified. For other machinery and equipment, the depreciation period is normally between 5 and 10 years. Minor equipment is depreciated immediately. Gravel pits and stone quarries are depreciated as materials are removed. Land is not depreciated. Assessments of an asset's residual value and period of service are performed annually.

The carrying amount of a property, plant and equipment item is removed from the balance sheet when it is disposed of or divested, or when no further economic benefits are expected from the use or disposal/divestment of the asset.

Provisions for the costs of restoring an asset are normally made in the course of utilization of the asset, because the prerequisites for an allocation at the time of acquisition rarely exist.

IAS 38, "Intangible Assets"

This accounting standard deals with intangible assets. Goodwill that arises upon acquisition of companies is recognized in compliance with the rules in IFRS 3.

An intangible asset is an identifiable non-monetary asset without physical substance that is used for producing or supplying goods or services or for leasing and administration. To be recognized as an asset, it is necessary both that it be probable that future economic advantages that are attributable to the asset will benefit the company and that the

cost can be reliably calculated. It is especially worth noting that expenditures recognized in prior annual or interim financial statements may not later be recognized as an asset. Research expenses are recognized in the income statement when they arise. Development expenses, which are expenses for designing new or improved materials, structures, products, processes, systems and services by applying research findings or other knowledge, are recognized as assets if it is probable that the asset will generate future revenue. Other development expenses are expensed directly. Expenses for regular maintenance and modifications of existing products, processes and systems are not recognized as development expenses. Nor is work performed on behalf of a customer and recognized in compliance with IAS 11 recognized as development expenses.

Intangible assets other than goodwill are recognized at cost minus accumulated amortization and impairment losses. Impairment losses are applied in compliance with IAS 36.

Amortization is recognized in the income statement on a straight-line basis over the period of service of intangible assets, to the extent such a period can be determined. Consideration is given to any residual value at the end of the period. Concession fees are amortized on a straight-line basis over the part of the concession period that occurs after the building or facility has gone into service for its intended purpose. Purchased service agreements are depreciated over their remaining contractual period (in applicable cases 3-6 years). Purchased software (major computer systems) is amortized over a maximum of five years.

Further expenditures for capitalized intangible assets are recognized as an asset in the balance sheet only when they increase the future economic benefits of the specific asset to which they are attributable.

IAS 36, "Impairment of Assets"

Assets covered by IAS 36 must be tested on every balance sheet date for indications of impairment. The valuation of exempted assets, for example inventories (including current-asset properties), assets arising when construction contracts are carried out and financial assets included within the scope of IAS 39 is tested according to the respective accounting standard.

Impairment losses are determined on the basis of the recoverable amount of assets, which is the higher of fair value less costs to sell and value in use. In calculating value in use, future cash flows are discounted using a discounting factor that takes into account risk-free interest and the risk associated with the asset. Estimated residual value at the end of the asset's useful life is included as part of value in use. For an asset that does not generate cash flows that are essentially independent of other assets, the recoverable amount is estimated for the cash-generating unit to which the asset belongs. A cash-generating unit is the smallest group of assets that generates cash inflows that are independent of other assets or groups of assets. For goodwill, the cash-generating unit is mainly the same as the Group's business unit or other unit reporting to the Parent Company. Exempted from the main rule are operations that are not integrated into the business unit's other operations. The same business unit may also contain a number of cash-generating units if it works in more than one segment.

In Construction and Residential Development, recoverable amount of goodwill is based exclusively on value in use, which is calculated by discounting expected future cash flows. The discounting factor is the weighted average cost of capital (WACC) applicable to the operation. See Note 18.

Impairment of assets attributable to a cash-generating unit is allocated mainly to goodwill. After that, a proportionate impairment loss is applied to other assets included in the unit.

Goodwill impairment is not reversed. According to IFRIC 10, this also applies within the same financial year. A goodwill-related impairment loss recognized in a previous interim report may not be reversed in a later interim report.

Impairment losses on other assets are reversed if there has been a change in the assumptions on which the estimate of recoverable amount was based.

An impairment loss is reversed only to the extent that the carrying amount of the asset after the reversal does not exceed the carrying amount that the asset would have had if no impairment loss had occurred, taking into account the amortization that would then have occurred.

IAS 23, "Borrowing Costs"

Borrowing costs are capitalized provided that it is probable that they will result in future economic benefits and the costs can be measured reliably. Generally speaking, capitalization of borrowing costs is limited to assets that take a substantial period of time for completion, which in the Skanska Group's case implies that capitalization mainly covers the construction of current-asset properties and properties for the Group's own use (non-current-asset properties). Capitalization occurs when expenditures included in cost

have arisen and activities to complete the building have begun. Capitalization ceases when the building is completed. Borrowing costs during an extended period when work to complete the building is interrupted are not capitalized. If separate borrowing has occurred for the project, the actual borrowing cost is used. In other cases, the cost of the loan is calculated on the basis of the Group's borrowing cost.

IAS 12, "Income Taxes"

Income taxes consist of current tax and deferred tax. Taxes are recognized in the income statement except when the underlying transaction is recognized directly in equity, in which case the accompanying tax effect is recognized in equity. Current tax is tax to be paid or received that is related to the year in question, applying the tax rates that have been decided or in practice have been decided as of the balance sheet date; this also includes adjustment of current tax that is attributable to earlier periods.

Deferred tax is calculated according to the balance sheet method, on the basis of temporary differences between carrying amounts of assets and liabilities and their values for tax purposes. The amounts are calculated based on how the temporary differences are expected to be settled and by applying the tax rates and tax rules that have been decided or announced as of the balance sheet date. The following temporary differences are not taken into account: for a temporary difference that has arisen when goodwill is first recognized, the first recognition of assets and liabilities that are not business combinations and on the transaction date affect neither recognized profit nor taxable profit. Also not taken into account are temporary differences attributable to shares in Group companies and associated companies that are not expected to reverse in the foreseeable future. Offsetting of deferred tax assets against deferred tax liabilities occurs when there is a right to settle current taxes between companies.

Deferred tax assets related to deductible temporary differences and loss carry-forwards are recognized only to the extent that they can probably be utilized. The value of deferred tax assets is reduced when it is no longer considered probable that they can be utilized.

IAS 2, "Inventories"

Aside from customary inventories of goods, the Group's current-asset properties are also covered by this accounting standard. Both current-asset properties and inventories of goods are measured item by item at the lower of cost and net realizable value. Net realizable value is the estimated selling price in the ordinary course of business less the estimated costs for completion and the estimated costs necessary to make the sale.

When item-by-item measurement cannot be applied, the cost of inventories is assigned by using the first-in, first-out (FIFO) formula and includes expenditures that have arisen from acquisition of inventory assets and from bringing them to their present location and condition. For manufactured goods, cost includes a reasonable share of indirect costs based on normal capacity utilization. Materials not yet installed at construction sites are not recognized as inventories, but are included among project expenses.

Except for properties that are used in Skanska's own business, the Group's property holdings are reported as current assets, since these holdings are included in the Group's operating cycle. The operating cycle for current-asset properties amounts to about 3 to 5 years.

Acquisitions of properties are recognized in their entirety only when the conditions exist for completion of the purchase. If advance payments related to ongoing property acquisitions have been made, these are recognized under the balance sheet item for current-asset properties. Property acquisitions through purchases of property-owning companies are recognized when the shares have been taken over by Skanska.

Current-asset properties are allocated between Commercial Development, Other commercial properties and Residential Development. Note 22 provides information about these properties.

Before impairment loss, properties both completed and under construction are carried at directly accumulated costs, a reasonable proportion of indirect costs and interest expenses during the construction period. Information on market appraisal of properties is provided at the end of this note.

Information on customary inventories of goods is found in Note 23.

IAS 37, "Provisions, Contingent Liabilities and Contingent Assets" Provisions

A provision is recognized in the balance sheet when the Group has a present legal or constructive obligation as a result of a past event, and it is probable that an outflow of economic resources will be required to settle the obligation and a reliable estimate of the amount can be made.

Skanska makes provisions for future expenses due to warranty obligations according to construction contracts, which imply a liability for the contractor to remedy errors and omissions that are discovered within a certain period after the contractor has handed over the property to the customer. Such obligations may also exist according to law. More about the accounting principle applied can be found in the section on IAS 11 in this note.

A provision is made for disputes related to completed projects if it is probable that a dispute will result in an outflow of resources from the Group. Disputes related to ongoing projects are taken into consideration in the valuation of the project and are thus not included in the balance sheet item "Reserve for legal disputes," which is reported in Note 29.

Provisions for restoration expenses related to stone quarries and gravel pits do not normally occur until the period that materials are being removed.

Provisions for restructuring expenses are recognized when a detailed restructuring plan has been adopted and the restructuring has either begun or been publicly announced.

Contingent liabilities

Contingent liabilities are possible obligations arising from past events and whose existence will be confirmed only by the occurrence or non-occurrence of one or more future events not wholly within the control of the Company. Also reported as contingent liabilities are obligations arising from past events but that have not been recognized as a liability because it is not likely that an outflow of resources will be required to settle the obligation or the size of the obligation cannot be estimated with sufficient reliability.

The amounts of contract fulfillment guarantees are included until the contracted property has been transferred to the customer, which normally occurs upon its approval in a final inspection. If the guarantee covers all or most of the contract sum, the amount of the contingent liability is calculated as the contract sum minus the value of the portion performed. In cases where the guarantee only covers a small portion of the contract sum, the guarantee amount remains unchanged until the property is handed over to the customer. The guarantee amount is not reduced by being offset against payments not yet received from the customer. Guarantees that have been received from subcontractors and suppliers of materials are not taken into account, either. If the Group receives reciprocal guarantees related to outside consortium members' share of joint and several liability, these are not taken into account. Tax cases, court proceedings and arbitration are not included in contingent liability amounts. Instead a separate description is provided.

In connection with contracting assignments, security is often provided in the form of a completion guarantee from a bank or insurance institution. The issuer of the guarantee, in turn, normally receives an indemnity from the contracting company or other Group company. Such indemnities related to the Group's own contracting assignments are not reported as contingent liabilities, since they do not involve any increased liability compared to the contracting assignment.

Note 33 presents information about contingent liabilities.

Contingent assets

Contingent assets are possible assets arising from past events and whose existence will be confirmed only by the occurrence or non-occurrence of one or more uncertain future events not wholly within the control of the Company.

In the Group's construction operations, it is not unusual that claims for additional compensation from the customer arise. If the right to additional compensation is confirmed, this affects the valuation of the project when reporting in compliance with IAS 11. As for claims that have not yet been confirmed, it is not practicable to provide information about these, unless there is an individual claim of substantial importance to the Group.

IAS 19, "Employee benefits"

This accounting standard makes a distinction between defined-contribution and defined-benefit pension plans. Defined-contribution pension plans are defined as plans in which the company pays fixed contributions into a separate legal entity and has no obligation to pay further contributions even if the legal entity does not have sufficient assets to pay all employee benefits relating to their service until the balance sheet date. Other pension plans are defined-benefit. The calculation of defined-benefit pension plans uses a method that often differs from local rules in each respective country. Obligations and costs are to be calculated according to the "projected unit credit method." The purpose is to recognize expected future pension disbursements as expenses in a way that yields more uniform expenses over the employee's period of employment. Actuarial assumptions about wage or salary increases, inflation and return on plan assets are taken into account in the calculation. Pension obligations concerning post-employment benefits are discounted to present value. Discounting is calculated primarily using an interest rate based on the market return on high quality corporate bonds (United Kingdom), or government bonds (Norway and Sweden), with maturities matching the pension obligations, on the balance sheet date. The fair value of plan assets, for example in pension funds, is to be subtracted from the estimated value of the obligations. The pension expense and the return on plan assets recognized in the income statement refer to the pension expense and return estimated on January 1. Divergences from actual pension expense and return comprise actuarial gains and losses. These are recognized directly in equity and do not have any impact on earnings.

When there is a difference between how pension expense is determined in a legal entity and the Group, a provision or receivable is recognized concerning the difference for taxes and social insurance contributions based on the Company's pension expenses. The provision or receivable is not calculated at present value, since it is based on present-value figures. Social insurance contributions on actuarial gains and losses are recognized directly in equity. Obligations related to contributions to defined-contribution plans are recognized as expenses in the income statement as they arise.

The Group's net obligation related to other long-term employee benefits, aside from pensions, amounts to the value of future benefits that employees have earned as compensation for the services they have performed during the current and prior periods. The obligation is calculated using the projected unit credit method and is discounted at present value, and the fair value of any plan assets is subtracted. The discount rate is the interest rate on the balance sheet date for high quality corporate bonds, or government bonds, with a maturity matching the maturity of the obligations.

A provision is recognized in connection with termination of employees only if the Company is obligated to end employment before the normal retirement date, or when benefits are offered in order to encourage voluntary termination. In cases where the Company terminates employees, the provision is calculated on the basis of a detailed plan that at least includes the location, function and approximate number of employees affected as well as the benefits for each job classification or function and the time at which the plan will be implemented.

Only an insignificant percentage of the Group's defined-benefit pension obligations were financed by premiums to the retirement insurance company Alecta. Since the required figures cannot be obtained from Alecta, these pension obligations are reported as a defined-contribution plan.

IFRS 2, "Share-based Payment"

The share incentive programs introduced during 2005 and 2008, respectively, are recognized as share-based payments that are settled with equity instruments, in compliance with IFRS 2. This means that fair value is calculated on the basis of estimated fulfillment of established income targets during the measurement period. This value is allocated over the respective vesting period. There is no reappraisal after fair value is established during the remainder of the vesting period except for changes in the number of shares because the condition of continued employment during the vesting period is no longer met.

Social insurance contributions

Social insurance contributions that are payable because of share-based payments are reported in compliance with Statement UFR 7 of the Swedish Financial Reporting Board. The cost of social insurance contributions is allocated over the period when services are performed. The provision that arises is reappraised on each financial reporting date to correspond to the estimated contributions that are due at the end of the vesting period.

IAS 7, "Cash Flow Statements"

In preparing its cash flow statement, Skanska applies the indirect method in compliance with the accounting standard. Aside from cash and bank balance flows, cash and cash equivalents are to include short-term investments whose transformation into bank balances may occur in an amount that is mainly known in advance. Short-term investments with maturities of less than three months are regarded as cash and cash equivalents. Cash and cash equivalents that are subject to restrictions are reported either as current receivables or as non-current receivables.

In addition to the cash flow statement prepared in compliance with the standard, the Report of the Directors presents an operating cash flow statement that does not conform to the structure specified in the standard. The operating cash flow statement was prepared on the basis of the operations that the various business streams carry out.

IAS 33, "Earnings per Share"

Earnings per share are reported directly below the consolidated income statement and are calculated by dividing the portion of profit for the year that is attributable to the Parent Company's equity holders (shareholders) by the average number of shares outstanding during the period.

For the share incentive programs introduced during 2005 and 2008, respectively, the dilution effect is calculated by dividing potential ordinary shares by the number of shares outstanding. The calculation of potential ordinary shares occurs in two stages. First there is an assessment of the number of shares that may be issued when established targets are fulfilled. The number of shares for the respective year covered by the programs is then determined the following year, provided that the condition of continued employment is met. In the next step, the number of potential ordinary shares is reduced by the value of the consideration that Skanska is expected to receive, divided by the average market price of a share during the period.

IAS 24, "Related Party Disclosure"

According to this accounting standard, information must be provided about transactions and agreements with related companies and physical persons. In the consolidated financial statements, intra-Group transactions fall outside this reporting requirement. Notes 36, 37 and 39 provide disclosures in compliance with the accounting standard. As for the Parent Company, this information is provided in Notes 62 and 63.

IAS 40, "Investment Property"

Skanska reports no investment properties. Properties that are used in the Group's own operations are reported in compliance with IAS 16. The Group's holdings of current-asset properties are covered by IAS 2 and thus fall outside the application of IAS 40.

IAS 14, "Segment Reporting"

A segment is a distinguishable portion of the Group that is either engaged in providing products or services (business streams) or goods and services within a particular economic environment (geographic area) that is subject to risks and returns that are different from other segments.

The division into business streams and markets reflects the internal organization of the Company and its reporting system.

Skanska's business streams are its primary segment reporting format. Skanska carries out its operations in four business streams: Construction, Commercial Development, Residential Development and Infrastructure Development. Skanska's geographic markets are its secondary segment reporting format. The markets are Sweden, the Nordic countries excluding Sweden, Europe excluding the Nordic countries, the United States and other markets. Infrastructure Development has consistently been reported as "Other markets."

The geographic division in the secondary segment reflects the division of Skanska's business into different home markets.

In transactions between business streams, pricing occurs on market terms.

IAS 10, "Events After the Balance Sheet Date"

Events after the balance sheet date may, in certain cases, confirm a situation that existed on the balance sheet date. According to the standard, such events shall be taken into account when financial reports are prepared. Information is provided about other events after the balance sheet date that occur before the signing of the financial report if its omission would affect the ability of a reader to make a correct assessment and a sound decision.

As stated earlier, divestment of a property is normally reported as income during the period when a binding agreement is signed, even if necessary regulatory approvals have not yet been received. Contractual terms that in some way are at the disposition of the counterparty may cause the reporting of income to be postponed while waiting for the terms to be fulfilled. In some cases this also applies to regulatory approvals.

Information about events after the balance sheet date is provided in Note 41.

IAS 32, "Financial Instruments: Presentation"

Offsetting of financial assets and financial liabilities occurs when a company has a legal right to offset items against each other and intends to settle these items with a net amount or, at the same time, divest the asset and settle the liability.

Prepaid income and expenses as well as accrued income and expenses that are related to the business are not financial instruments. Pension liabilities and receivables from or liabilities to employees are not financial instruments either. Nor are assets and liabilities not based on contracts, for example income taxes, financial instruments.

Information in compliance with the accounting standard is provided mainly in Notes 6, 21 and 27.

IAS 39, "Financial Instruments: Recognition and Measurement"

The accounting standard deals with measurement and recognition of financial instruments. Excepted from application in compliance with IAS 39 are, among others, holdings in Group companies, associated companies and joint ventures, leases, the rights under employment contracts, the Company's own shares and financial instruments to which IFRS 2, "Share-based Payments" applies.

All financial instruments covered by this standard, including all derivatives, are reported in the balance sheet.

A derivative is a financial instrument whose value changes in response to changes in an underlying variable, that requires no initial investment or one that is small and that is

settled at a future date. An embedded derivative is a contract condition that causes the value of the contract to be affected in the same way as if the condition were an independent derivative. This is the case, for example, when a construction contract is expressed in a currency which is a foreign currency for both parties. If it is customary for the foreign currency to be used for this type of contract, the embedded derivative will not be separated. According to IFRIC 9, a reassessment of whether embedded derivatives shall be separated from the host contract is needed only if the host contract is changed.

A financial asset or financial liability is recognized in the balance sheet when the Group becomes a party to the contractual provisions of the instrument. Trade accounts receivable are recognized in the balance sheet when an invoice has been sent. A liability is recognized when the counterparty has performed and there is a contractual obligation to pay, even if the invoice has not yet been received. Trade accounts payable are recognized when an invoice has been received.

A financial asset is derecognized from the balance sheet when the contractual rights are realized, expire or the Group loses control of them. The same applies to a portion of a financial asset. A financial liability is derecognized from the balance sheet when the contractual obligation is fulfilled or otherwise extinguished. The same applies to a portion of a financial liability.

Acquisitions and divestments of financial assets are recognized on the transaction date, which is the date that the Company undertakes to acquire or divest the asset.

Financial instruments are initially recognized at cost, equivalent to the instrument's fair value plus transaction costs, except instruments in the category "assets at fair value through profit or loss," which are recognized exclusive of transaction costs. Recognition then occurs depending on how they are classified as described below.

Financial assets, including derivatives, are classified as "assets at fair value through profit or loss," "held-to-maturity investments," "loans and receivables" and "available-for-sale assets."

"Assets at fair value through profit or loss," and "assets available for sale" are measured at fair value in the balance sheet. Change in value of "assets at fair value through profit or loss" is recognized in the income statement, while change in value of "available-for-sale assets" is recognized directly in equity. When the latter assets are divested, accumulated gains or losses are transferred to the income statement. Also in the latter category are shares carried at cost. "Held-to-maturity investments" and "loans and receivables" are measured at accrued cost.

Financial liabilities including derivatives are classified as "liabilities at fair value through profit or loss" and "other financial liabilities."

"Liabilities at fair value through profit or loss" are measured at fair value in the balance sheet, with change of value recognized in the income statement. "Other financial liabilities" are measured at accrued cost.

In reporting both financial assets and financial liabilities in Note 6, Skanska has chosen to separately report "Hedged accounted derivatives," which are included in "assets (or liabilities) at fair value through profit or loss."

Skanska uses currency derivatives and foreign currency loans to hedge against fluctuations in exchange rates. Recognition of derivatives varies depending on whether hedge accounting in compliance with IAS 39 is applied or not.

Unrealized gains and losses on currency derivatives related to hedging of operational transaction exposure are measured in market terms and recognized at fair value in the balance sheet. The entire change in value is recognized directly in operating income, except in those cases that hedge accounting is applied. In hedge accounting, unrealized gain or loss is recognized in operating income according to a project's degree of completion, while the remainder is recognized in equity. When the hedged transaction occurs and is recognized in operating income, accumulated changes in value are transferred from equity to operating income.

Unrealized gains and losses on embedded currency derivatives in commercial contracts are measured and recognized at fair value in the balance sheet. Changes in fair value are recognized in operating income.

Currency derivatives and foreign currency loans for hedging translation exposure are carried at fair value in the balance sheet. Because hedge accounting is applied, exchange rate differences after taking into account tax effect are recognized in consolidated equity. If a foreign operation is divested, accumulated exchange rate differences attributable to that operation are transferred from equity to the income statement. The interest component and changes in the value of the interest component of currency derivatives are recognized as financial income or expenses.

Skanska uses interest rate derivatives to hedge against fluctuations in interest rates. Hedge accounting in compliance with IAS 39 is not applied, however.

Unrealized gains and losses on interest rate derivatives are recognized at fair value in the balance sheet. Changes in value excluding the current interest coupon portion, which is recognized as interest income or an interest expense, are recognized as financial income or expenses in the income statement.

IFRS 7, "Financial Instruments: Disclosures"

This standard supplements the principles for recognizing, measuring and classifying financial assets and liabilities in IAS 32 and IAS 39. According to this standard, the Company must provide disclosures that make it possible to evaluate the significance of financial instruments for its financial position and performance as well as provide disclosures that make it possible to evaluate the nature and extent of risks arising from financial instruments to which the Company is exposed on the balance sheet date.

Disclosures in compliance with this accounting standard are presented in Note 6. The note shows how financial instruments have been grouped into classes and includes a reconciliation with the income statement.

IAS 20, "Accounting for Government Grants and Disclosure of Government Assistance"

"Government assistance" refers to action by government designed to provide an economic benefit specific to one company or a range of companies that qualify under certain criteria. Government grants are assistance by government in the form of transfers of resources to a company in return for past or future compliance with certain conditions relating to its operations.

Government grants are recognized in the balance sheet as prepaid income or reduction in the investment when there is reasonable assurance that the grants will be received and that the Group will meet the conditions associated with the grant.

The Swedish Financial Reporting Board's recommendation RFR 1.1, "Supplementary Accounting Regulations for Groups"

The recommendation specifies what further disclosures must be provided in order for the annual accounts to conform with Sweden's Annual Accounts Act. The additional information mainly concerns personnel-related disclosures.

Disclosure on the number of employees, allocated between men and women as well as among countries, is provided in Note 36. The number of employees during the year was calculated as an average of the average number of employees during the quarters included in the year. In this calculation, part-time employment is equivalent to 60 per cent of full-time employment. Operations divested during the year are not included.

Disclosure on gender breakdown must specify the situation on the balance sheet date. "Senior executives" in the various Group companies refers to the members of the management team of the respective business units. The information is provided in Notes 36 and 37.

In addition to Board members and the President and CEO, all other persons in the Group's Senior Executive Team must be included in the group for which a separate account shall be provided of the total amounts of salaries and other remuneration as well as expenses and obligations related to pensions and similar obligations. Furthermore, the same disclosures must be provided at an individual level for each of the Board members and for the President as well as previous holders of these positions. Employee representatives are exempted.

Note 17 provides information about assessed values for taxation purposes of non-current-asset properties located in Sweden. Disclosures of assessed values for tax purposes are also provided for current-asset properties in Note 22.

Note 36 provides information about loans, assets pledged and contingent liabilities on behalf of members of the Boards of Directors and Presidents in the Skanska Group.

Information must also be provided on remuneration to auditors and the public accounting firms where the auditors work. See Note 38.

Beyond what the recommendation specifies, information is provided about absence from work due to illness regarding the Group's Swedish companies in Note 36.

Order bookings and order backlog

In Construction assignments, an order booking refers to a written order confirmation or signed contract. This also includes orders from Residential Development and Commercial Development. For services related to fixed-price work, the order booking is recorded when the contract is signed, and for services related to cost-plus work, the order booking coincides with revenue. In Residential Development and Commercial Development, no order bookings are reported.

Order backlog refers to the difference between order bookings for a period and accrued revenue (accrued project expenses plus accrued project income adjusted for loss provisions) plus order backlog at the beginning of the period.

The order backlog in the accounts of acquired Group companies on the date of acquisition is not reported as order bookings, but is included in order backlog amounts.

Market appraisal

Commercial Development

Note 22, "Current-asset properties/Project development" states estimated market values for Skanska's current-asset properties. For completed properties that include

commercial space and for development properties, market values have been partly calculated in cooperation with external appraisers.

Residential Development

In appraising properties in Residential Development, estimates of market values have taken into account the value that can be obtained within the customary sales cycle.

Infrastructure Development

Skanska obtains an estimated market value for infrastructure projects by discounting estimated future cash flows in the form of dividends and repayment of loans and equity by a discount rate based on country, risk model and project phase for the various projects. The discount rate chosen is applied to all future cash flows starting on the appraisal date. The most recently updated financial model is used as a base. This financial model describes all cash flows in the project and serves as the ultimate basis for financing, which is carried out with full project risk and without guarantees from Skanska.

A market value is assigned only to projects that have reached financial close. All flows are appraised – investments in the project (equity and subordinated debenture loans), interest on repayments of subordinated loans as well as dividends to and from the project company. Today all investments are denominated in currencies other than Swedish kronor. This means there is also an exchange rate risk in market values.

Market values have been partly calculated in cooperation with external appraisers.

Exchange rates, Swedish kronor (SEK) per currency unit

Currency	Country/zone	Year-end exchange rate		Average exchange rate	
		Dec 31 2008	Dec 31 2007	Jan-Dec 2008	Jan-Dec 2007
ARS	Argentina	2.247	2.044	2.082	2.170
BRL	Brazil	3.275	3.663	3.605	3.475
CLP	Chile	0.012	0.013	0.013	0.013
CZK	Czech Republic	0.412	0.356	0.386	0.334
DKK	Denmark	1.469	1.267	1.291	1.242
EUR	EU euro zone	10.94	9.449	9.627	9.251
GBP	U.K.	11.19	12.85	12.09	13.52
NOK	Norway	1.107	1.184	1.169	1.154
PLN	Poland	2.633	2.623	2.741	2.448
USD	U.S.	7.723	6.427	6.590	6.758

Note 01 Parent Company accounting and valuation principles

The Parent Company has prepared its annual accounts in compliance with the Annual Accounts Act and the Swedish Financial Reporting Board's Recommendation RFR 2.1, "Accounting for Legal Entities." RFR 1.1 implies that in the annual accounts of the legal entity, the Parent Company must apply the International Financial Reporting Standards (IFRSs) and International Accounting Standards (IASs), issued by the International Accounting Standards Board (IASB), to the extent these have been approved by the EU, as well as the interpretations by the International Financial Reporting Interpretations Committee (IFRIC) and its predecessor the Standing Interpretations Committee (SIC), as far as this is possible within the framework of the Annual Accounts Act and with respect to the connection between accounting and taxation. A presentation of the various accounting standards can be found in the Group's Note 1. The statements of the Swedish Financial Reporting Board must also be applied.

Important differences compared to consolidated accounting principles

The income statement and balance sheet comply with the presentation formats in the Annual Accounts Act.

Defined-benefit pension plans are reported according to the regulations in the Security of Income Act. Pension obligations secured by assets in pension funds are not recognized in the balance sheet.

Holdings in associated companies and joint ventures, like holdings in Group companies, are carried at cost before any impairment losses.

The Parent Company applies IAS 37 for financial guarantee agreements on behalf of Group companies, associated companies and joint ventures.

Note 02 Key estimates and judgments

Key estimates and judgments

The Senior Executive Team has discussed with the Board of Directors and the Audit Committee the choices and disclosures related to the Group's important accounting principles and estimates, as well as the application of these principles and estimates.

Certain important accounting-related estimates that have been made when applying the Group's accounting principles are described below.

Goodwill impairment testing

In calculating the recoverable amount of cash-generating units for assessing any goodwill impairment, a number of assumptions about future conditions and estimates of parameters have been made. A presentation of these can be found in Note 18, "Goodwill." As understood from the description in this note, major changes in the prerequisites for these assumptions and estimates might have a substantial effect on the value of goodwill.

Pension assumptions

Skanska recognizes defined-benefit pension obligations according to the alternative method in IAS 19, "Employee Benefits." In this method, actuarial gains and losses are recognized directly in equity and thus give rise to no effect on income. The consequence is that future changes in actuarial assumptions, both positive and negative, will have an immediate effect on recognized equity and on interest-bearing pension liability.

Note 28, "Pensions," describes the assumptions and prerequisites that provide the basis for recognition of pension liability, including a sensitivity analysis.

Percentage of completion

Skanska applies the percentage of completion method, i.e. using a forecast of final project results, income is recognized successively during the course of the project based on the degree of completion. This requires that the size of project revenue and project expenses can be reliably determined. The prerequisite for this is that the Group has efficient, coordinated systems for cost estimating, forecasting and revenue/expense reporting. The system also requires a consistent judgment (forecast) of the final outcome of the project, including analysis of divergences compared to earlier assessment dates. This critical judgment is performed at least once per quarter according to the "grandfather principle," i.e. the immediate superior examines the project in a number of reviews at successively higher levels of the organization.

Disputes

Management's best judgment has been taken into account in reporting disputed amounts, but the actual future outcome may diverge from this judgment. See Note 33, "Assets pledged, contingent liabilities and contingent assets," and Note 29, "Provisions."

Investments in Infrastructure Development

Estimated market values are based on discounting of expected cash flows for each respective investment. Estimated yield requirements on investments of this type have been used as discount rates. Changes in expected cash flows, which in a number of cases extend 20-30 years ahead in time, and/or changes in yield requirements, may materially affect both estimated market values and carrying amounts for each investment.

Current-asset properties

The stated total market value is estimated on the basis of prevailing price levels in the respective location of each property. Changes in the supply of similar properties as well as changes in demand due to changes in targeted return may materially affect both estimated fair values and carrying amounts for each property.

In Residential Development operations, the supply of capital and the price of capital for financing residential unit buyers' investments are critical factors.

Prices of goods and services

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

Sharp increases in prices of materials may pose a risk, especially in long-term projects with fixed-price obligations. Delays in the design phase or changes in design are other circumstances that may adversely affect projects.

Note 03 Effects of changes in accounting principles

A. Reclassification of financial instruments

In compliance with the amendments to IAS 39 published on October 15, 2008, available-for-sale assets amounting to SEK 201 M have been reclassified to receivables recognized at accrued cost. This reclassification was made because in the current situation in the financial market, fair value could not be reliably determined. See also Note 6, "Financial instruments."

B. Transfer of construction operations in Denmark from Construction to Central

During 2007, Skanska divested most of its construction operations in Denmark. As a result, Denmark is no longer reported as a separate market in Construction, but is instead included in the item Central. The effect on Construction and Central, which is reported in Note 4, can be seen in the following table.

	Reported in 2007	Adjustment, Denmark	Adjusted, 2007
Construction			
Revenue	132,495	-3,237	129,258
Operating income	4,445	-2	4,443
Selling and administrative costs	-6,229	241	-5,988
Cash flow	8,747	-39	8,708
Capital employed	330	413	743
Order backlog	146,154	-186	145,968
Order bookings	146,373	-2,994	143,379
Central and eliminations			
Revenue	-4,639	3,237	-1,402
Operating income	-566	2	-564

Note 04 Segment reporting

The division into business streams and markets reflects the Company's internal organization and reporting system.

Skanska's business streams are reported as primary segments. Skanska carries out its operations in four business streams: Construction, Residential Development, Commercial Development and Infrastructure Development. Geographic markets are reported as secondary segments. "Other markets" refers to Latin America and the markets where the Infrastructure Development business stream operates.

Intra-Group pricing between business streams occurs on market terms.

A. Primary segment – Business streams

Construction is the Group's largest business stream. Construction includes both building and civil construction.

Residential Development creates residential projects for immediate sale. Housing units are adapted to selected customer categories. The business units are responsible for planning and selling the projects. Construction assignments are performed by Skanska's construction units in each respective market.

Commercial Development initiates, develops, leases and divests commercial property projects. Project development in this business stream focuses on office buildings, shopping malls and logistics properties located in Stockholm, Gothenburg, the Öresund region of southern Sweden and eastern Denmark, Helsinki (Finland), Prague and Ostrava (Czech Republic), Budapest (Hungary); and Warsaw and a few selected regional centers in Poland. Construction assignments are performed in most markets by Skanska's construction units.

Infrastructure Development specializes in identifying, developing and investing in privately financed infrastructure projects, such as highways, hospitals and power generating plants. The business stream focuses on creating new potential projects in the markets where the Group has operations. Construction assignments are performed in most markets by Skanska's construction units.

"Central and eliminations" includes the cost of Group headquarters and earnings of central companies. The International unit, with a number of businesses that are being discontinued, is also part of this item. In the consolidated financial statements, profits in Construction related to property and infrastructure projects equivalent to the Group's ownership stake in the projects are eliminated. These eliminations are reversed as the depreciation/contract period progresses or when projects are divested. See "Accounting and valuation principles," Note 1.

Assets and liabilities by business stream

Each business stream has operating responsibility for its capital employed. The capital employed by each business stream consists of its total assets minus tax assets and intra-Group receivables invested in Skanska's treasury unit ("internal bank") less non-interest-bearing liabilities excluding tax liabilities. Acquisition goodwill has been reported in the business stream to which it belongs.

Revenue and expenses by business stream

Each business stream has operating responsibility for its income statement down to and including operating income. If its assets include interest-bearing receivables and cash and cash equivalents other than funds invested in the Group's treasury unit, the company is also responsible for the interest income that these assets earn. No interest expenses or taxes are included in the income statements of the respective business streams.

	Construction		Residential Development		Commercial Development		Infrastructure Development		Central and eliminations		Group total	
	2008	2007	2008	2007	2008	2007	2008	2007	2008	2007	2008	2007
Income statement												
External revenue	132,373	124,556	6,450	7,679	3,946	3,119	54	115	851	3,312	143,674	138,781
Intra-Group revenue ¹	7,125	4,702			15	11	1	1	-7,141	-4,714	0	0
Total revenue	139,498	129,258	6,450	7,679	3,961	3,130	55	116	-6,290	-1,402	143,674	138,781
Cost of sales	-128,971	-118,904	-5,971	-6,521	-2,669	-1,980	-239	-208	6,318	1,806	-131,532	-125,807
Gross income	10,527	10,354	479	1,158	1,292	1,150	-184	-92	28	404	12,142	12,974
Selling and administrative expenses	-6,799	-5,988	-731	-549	-305	-256	-202	-188	-895	-989	-8,932	-7,970
Income from joint ventures and associated companies	33	77	75	115	-34	16	782	173	20	21	876	402
Operating income²	3,761	4,443	-177	724	953	910	396	-107	-847	-564	4,086	5,406
Interest income	96	116	28	13	52	22	17	1	504	475	697	627
Interest expenses									-264	-165	-264	-165
Change in fair value									15	-104	15	-104
Other financial items									-124	-97	-124	-97
Income after financial items	3,857	4,559	-149	737	1,005	932	413	-106	-716	-455	4,410	5,667
Taxes									-1,253	-1,546	-1,253	-1,546
Profit for the year	3,857	4,559	-149	737	1,005	932	413	-106	-1,969	-2,001	3,157	4,121
Profit for the year attributable to												
Equity holders											3,102	4,096
Minority											55	25
1 Revenue between the Group's business units is recognized as intra-Group revenue.												
2 of which depreciation/amortization	-1,346	-1,226	-2	-2	-2	-3	-22	-22	-11	-34	-1,383	-1,287
Of which impairment losses/reversals of impairment losses												
Goodwill		-8									0	-8
Other assets	-2	-7	-406	-11	-130	-35	-74		-18		-630	-53
Of which gains from divestment of residential units			814	1,115					4	-5	818	1,110
Of which gains from commercial property divestments	240	207			1,183	1,051			34	39	1,457	1,297
Of which gains from infrastructure project divestments							684	73	2	3	686	76

Note **04** Continued

	Construction		Residential Development		Commercial Development		Infrastructure Development		Central and eliminations		Group total	
	2008	2007	2008	2007	2008	2007	2008	2007	2008	2007	2008	2007
Assets												
Property, plant and equipment	6,862	5,911	6	4	11	10	17	18	23	30	6,919	5,973
Intangible assets	4,200	4,305	452	481			572	434	22	22	5,246	5,242
Investments in associated companies and joint ventures	182	175	121	88	1	55	1,426	2,030	-218	-403	1,512	1,945
Other shares and participations	44	51	20	30						11	64	92
Interest-bearing assets ¹	6,643	4,751	107	120	1,797	1,178	23	132	6,565	13,234	15,135	19,415
Current-asset properties	1,231	733	7,708	6,192	9,884	6,446			-255	-173	18,568	13,198
Tax assets									2,782	1,367	2,782	1,367
Non-interest-bearing receivables	30,411	29,069	1,483	1,497	589	277	49	43	720	823	33,252	31,709
Total assets	49,573	44,995	9,897	8,412	12,282	7,966	2,087	2,657	9,639	14,911	83,478	78,941
Liabilities												
Tax liabilities									2,624	2,960	2,624	2,960
Trade and other payables and non-interest-bearing provisions	49,563	44,252	3,591	3,976	742	687	276	132	1,528	1,376	55,700	50,423
	49,563	44,252	3,591	3,976	742	687	276	132	4,152	4,336	58,324	53,383
Capital employed	10	743	6,306	4,436	11,540	7,279	1,811	2,525	5,487	10,575	25,154	25,558
Operating cash flow²												
Cash flow from operations before investments	7,634	9,955	-998	-236	-304	-308	-138	-118	-1,159	-575	5,035	8,718
Net investments in the business	-1,854	-1,045	-671	423	-1,983	367	887	105	-9	35	-3,630	-115
Adjustments in payment dates of net investments	135	-130	-74	195	-41	239				-12	20	292
Taxes paid in business operations									-1,788	-1,128	-1,788	-1,128
Cash flow from business operations	5,915	8,780	-1,743	382	-2,328	298	749	-13	-2,956	-1,680	-363	7,767
Net strategic investments	-1	-72							-2	190	-3	118
Taxes paid on strategic divestments										-17	0	-17
Cash flow from strategic investments	-1	-72	0	0	0	0	0	0	-2	173	-3	101
Cash flow before financing operations and dividends	5,914	8,708	-1,743	382	-2,328	298	749	-13	-2,958	-1,507	-366	7,868
Net investments												
Investments	-2,897	-2,305	-4,303	-4,993	-5,556	-2,440	-396	-73	-30	9	-13,182	-9,802
Divestments	1,042	1,188	3,632	5,416	3,573	2,807	1,283	178	19	216	9,549	9,805
Net investments	-1,855	-1,117	-671	423	-1,983	367	887	105	-11	225	-3,633	3
Order bookings	126,524	143,379							65	3,309	126,589	146,688
Order backlog	142,402	145,968							6	199	142,408	146,167
Employees	56,482	57,857	676	565	176	141	133	121	348	1,751	57,815	60,435

1 Including external cash and cash equivalents, excluding deposits in Skanska's treasury unit.

2 Taxes paid by the Group are included in the item "Central and eliminations."

B. Secondary segment – Geographic markets

	Sweden	Other Nordic countries	Other Europe	United States	Other markets	Central and eliminations	Total
2008							
External revenue	30,888	24,454	40,529	41,275	5,677	851	143,674
Internal revenue ¹	4,813	992	746	590	1	-7,142	0
Total revenue	35,701	25,446	41,275	41,865	5,678	-6,291	143,674
Total assets	25,442	20,079	27,178	21,939	5,359	-16,519	83,478
Investments in non-current assets and businesses	-668	-411	-465	-528	-546	-11	-2,629
Investments in current-asset properties	-4,516	-3,155	-2,862			-20	-10,553
Total investments	-5,184	-3,566	-3,327	-528	-546	-31	-13,182
Divestments of non-current assets and businesses	69	25	444	96	1,305	23	1,962
Divestments of current-asset properties	3,008	2,419	2,164			-4	7,587
Total divestments	3,077	2,444	2,608	96	1,305	19	9,549
2007							
External revenue	30,181	25,007	37,801	38,015	4,465	3,312	138,781
Internal revenue ¹	2,996	1,571	146		1	-4,714	0
Total revenue	33,177	26,578	37,947	38,015	4,466	-1,402	138,781
Total assets	22,612	18,474	25,867	16,056	5,083	-9,151	78,941
Investments in non-current assets and businesses	-547	-421	-523	-343	-233	-52	-2,119
Investments in current-asset properties	-2,455	-3,990	-1,300			62	-7,683
Total investments	-3,002	-4,411	-1,823	-343	-233	10	-9,802
Divestments of non-current assets and businesses	158	31	180	138	195	239	941
Divestments of current-asset properties	3,977	4,022	916			-51	8,864
Total divestments	4,135	4,053	1,096	138	195	188	9,805

1 Revenue between the Group's business units is recognized as intra-Group revenue.

Note 04 Continued

C. Other information by business stream/reporting unit and breakdown of eliminations

Group	Revenue		Operating income		Operating margin, %		Return on capital employed, %		Order backlog		Order bookings	
	2008	2007	2008	2007	2008	2007	2008	2007	2008	2007	2008	2007
Construction¹												
Sweden	30,264	27,389	1,596	1,284	5.3	4.7			19,308	22,047	27,258	29,305
Norway	13,345	12,755	409	554	3.1	4.3			8,029	11,146	10,679	13,266
Finland	9,403	9,751	23	396	0.2	4.1			5,768	7,569	6,681	9,780
Poland	7,619	7,900	411	368	5.4	4.7			5,613	3,880	9,363	5,382
Czech Republic	13,471	11,407	376	479	2.8	4.2			14,555	11,950	14,145	9,344
United Kingdom	17,908	17,691	-523	307	neg	1.7			22,349	30,797	13,072	18,179
USA Building	30,317	27,184	442	295	1.5	1.1			32,879	31,526	26,047	34,602
USA Civil	11,548	10,831	737	543	6.4	5.0			29,535	22,497	13,683	17,676
Latin America	5,623	4,350	290	217	5.2	5.0			4,366	4,556	5,596	5,845
	139,498	129,258	3,761	4,443	2.7	3.4	>100	>100	142,402	145,968	126,524	143,379
Residential Development												
Sweden	3,204	3,431	219	429	6.8	12.5	20.6	42.5				
Norway	935	1,734	-29	99	neg	5.7	neg	6.6				
Denmark	271	611	-249	-25	neg	neg	neg	neg				
Finland	866	1,248	-284	126	neg	10.1	neg	11.9				
Nordic countries	5,276	7,024	-343	629	neg	9.0	neg	13.7				
Czech Republic	1,174	655	166	95	14.1	14.5	33.5	32.2				
	6,450	7,679	-177	724	neg	9.4	neg	14.9				
Commercial Development	3,961	3,130	953	910			10.4	14.2				
Infrastructure Development	55	116	396	-107			17.3	neg				
Central	1,072	3,719	-827	-558					6	199	65	3,309
Eliminations												
Intra-Group construction for												
Construction ²	-728	-265										
Residential Development ²	-3,181	-3,539										
Commercial Development	-3,166	-1,501	-143	-86								
Infrastructure Development ¹			103	-12								
Intra-Group property divestments	-36	-86	-21	-20								
Divestments, Commercial Development			55	37								
Divestments, Infrastructure Development			7	3								
Intra-Group property divestments												
Divestments, Commercial Development			17	18								
Divestments, Infrastructure Development	-251	270	-38	54								
	-7,362	-5,121	-20	-6								
Total	143,674	138,781	4,086	5,406			18,3	25,0	142,408	146,167	126,589	146,688

1 Construction included SEK 5,819 M (7,151) in intra-Group construction for Infrastructure Development. Elimination does not occur, since this revenue comprises invoicing to joint ventures, which are not consolidated but are instead recognized according to the equity method of accounting.

2 Because the Group applies the percentage of completion method, taking into account the degree of sales and completion, no intra-Group sales arise in the consolidated financial statements that need to be eliminated. Elimination is done in Residential Development. See Note 1, "Accounting and valuation principles," and IAS 11, "Construction Contracts."

Note 05 Non-current assets held for sale and discontinued operations

Non-current assets held for sale and discontinued operations are recognized in compliance with IFRS 5. See "Accounting and valuation principles," Note 1. During 2008 and 2007, no units were recognized as discontinued.

Nor were any non-current assets recognized as held for sale.

Note 06 Financial instruments

Financial instruments are reported in compliance with IAS 39, "Financial Instruments: Recognition and Measurement," IAS 32, "Financial Instruments: Presentation" and IFRS 7, "Financial Instruments: Disclosures."

The importance of financial instruments for the financial position and earnings of the Group

Financial instruments in the balance sheet

The following table presents the recognized and fair value of financial instruments by category as well as a reconciliation with total assets and liabilities in the balance sheet. Derivatives to which hedge accounting is applied are recognized separately both as financial assets and financial liabilities but belong to the category "at fair value through profit or loss." See also Note 21, "Financial assets," Note 24, "Trade and other receivables," Note 27, "Financial liabilities" and Note 30, "Trade and other payables."

	Financial assets at fair value through profit or loss	Hedge accounted derivatives	Held to maturity investments	Available for sale financial assets	Receivables	Total carrying amount	Fair value
2008							
Financial instruments							
Interest-bearing assets and derivatives							
Financial assets ¹							
Financial investments at fair value	38	238				276	276
Financial investments at amortized cost			933			933	933
Financial interest-bearing receivables					6,321	6,321	6,321
	38	238	933	0	6,321	7,530	7,530
Cash equivalents at fair value						0	0
Cash					7,881	7,881	7,881
	38	238	933	0	14,202	15,411	15,411
Trade accounts receivable²							
Other operating receivables including shares							
Shares recognized as available-for-sale assets ³				64		64	64
Other operating receivables ^{2,4}					167	167	167
	0	0	0	64	167	231	231
Total financial instruments	38	238	933	64	34,776	36,049	36,049
2007							
Financial instruments							
Interest-bearing assets and derivatives							
Financial assets ¹							
Financial investments at fair value	83	33		795		911	911
Financial investments at amortized cost			592			592	592
Financial interest-bearing receivables					3,819	3,819	3,820
	83	33	592	795	3,819	5,322	5,323
Cash equivalents at fair value				521		521	521
Cash					13,688	13,688	13,688
	83	33	592	1,316	17,507	19,531	19,532
Trade accounts receivable²							
Other operating receivables including shares							
Shares recognized as available-for-sale assets ³				92		92	92
Other operating receivables ^{2,4}					191	191	191
	0	0	0	92	191	283	283
Total financial instruments	83	33	592	1,408	37,909	40,025	40,026
1 The carrying amount for financial assets including shares, totaling SEK 7,530 M (5,322), can be seen in Note 21, "Financial assets."				2008	2007		
Financial non-current assets							
Financial investments excluding shares				1	390		
Financial receivables				244	246		
Financial current assets							
Financial investments				1,208	1,113		
Financial receivables				6,077	3,573		
				7,530	5,322		

² See Note 24, "Trade and other receivables."

³ The shares are measured at cost. The shares are reported in the consolidated balance sheet among financial assets. See also Note 21, "Financial assets."

⁴ In the consolidated balance sheet, SEK 25,988 M (25,168) is reported as "Trade and other receivables." See Note 24, "Trade and other receivables." Of this amount, SEK 20,407 M (20,211) were trade account receivables. These are reported as financial instruments. The remaining amount was SEK 5,581 M (4,766) and was allocated between SEK 167 M (191) in financial instruments and SEK 5,414 M (4,766) in non-financial instruments. The amount reported as financial instruments included accrued interest income, deposits, receivables on divested properties etc. Reported as non-financial instruments were, for example, interim items other than accrued interest, VAT receivables, pension-related receivables and other employee-related receivables.

Note 06 Continued

Reconciliation with balance sheet	2008	2007
Assets		
Financial instruments	36,049	40,025
Other assets		
Property, plant and equipment and intangible assets	12,165	11,215
Investments in joint ventures and associated companies	1,512	1,945
Tax assets	2,782	1,367
Current-asset properties	18,568	13,198
Inventories	901	769
Gross amount due from customers for contract work	6,087	5,656
Trade and other receivables ¹	5,414	4,766
Total assets	83,478	78,941

1 In the consolidated balance sheet, SEK 25,988 M (25,168) is reported as "Trade and other receivables." See Note 24, "Trade and other receivables." Of this amount, SEK 20,407 M (20,211) were trade account receivables. These are reported as financial instruments. The remaining amount was SEK 5,581 M (4,766) and was allocated between SEK 167 M (191) in financial instruments and SEK 5,414 M (4,766) in non-financial instruments. The amount reported as financial instruments included accrued interest income, deposits, receivables on divested properties etc. Reported as non-financial instruments were, for example, interim items other than accrued interest, VAT receivables, pension-related receivables and other employee-related receivables.

Liabilities	Financial liabilities at fair value through profit or loss	Hedge accounted derivatives	Financial liabilities at amortized cost	Total carrying amount	Fair value
2008					
Financial instruments					
Interest-bearing liabilities and derivatives					
Financial liabilities ¹					
Financial liabilities at fair value	224	235		459	459
Financial liabilities at amortized cost			2,699	2,699	2,624
	224	235	2,699	3,158	3,083
Operating liabilities					
Trade accounts payable			14,034	14,034	14,034
Other operating liabilities ²			1,646	1,646	1,646
	0	0	15,680	15,680	15,680
Total financial instruments	224	235	18,379	18,838	18,763
2007					
Financial instruments					
Interest-bearing liabilities and derivatives					
Financial liabilities ¹					
Financial liabilities at fair value	28	61		89	89
Financial liabilities at amortized cost			3,569	3,569	3,579
	28	61	3,569	3,658	3,668
Operating liabilities					
Trade accounts payable			14,909	14,909	14,909
Other operating liabilities ²			1,761	1,761	1,761
	0	0	16,670	16,670	16,670
Total financial instruments	28	61	20,239	20,328	20,338

1 The carrying amount for financial liabilities, totaling SEK 3,158 M (3,658), can be seen in Note 27, "Financial liabilities."

2 Other operating liabilities, totaling SEK 19,269 M (16,051), are reported in the balance sheet together with trade accounts payable of SEK 14,034 M (14,909). The total balance sheet item "Trade and other payables" amounts to SEK 33,303 M (30,960). See Note 30. Accrued interest expenses, checks issued but not cashed, liabilities for unpaid properties etc. are reported as other financial operating liabilities. Other non-financial operating liabilities are, for example, interim items other than accrued interest, VAT liabilities, pension-related liabilities and other employee-related liabilities.

Note 06 Continued

Reconciliation with balance sheet	2008	2007
Equity and liabilities		
Financial instruments	18,838	20,328
Other liabilities		
Equity	19,249	20,724
Pensions	3,100	1,149
Tax liabilities	2,624	2,960
Provisions	4,994	3,742
Gross amount due to customers for contract work	17,050	15,748
Trade and other payables ¹	17,623	14,290
Total equity and liabilities	83,478	78,941

1 Other operating liabilities, totaling SEK 19,269 M (16,051), are reported in the balance sheet together with trade accounts payable of SEK 14,034 M (14,909). The total balance sheet item "Trade and other payables" amounts to SEK 33,303 M (30,960). See Note 30. Accrued interest expenses, checks issued but not cashed, liabilities for unpaid properties etc. are reported as other financial operating liabilities. Other non-financial operating liabilities are, for example, interim items other than accrued interest, VAT liabilities, pension-related liabilities and other employee-related liabilities.

Financial assets and liabilities at fair value through profit or loss

"Financial assets and liabilities at fair value through profit or loss" belong to the category that has been identified as such on the first recognition date or consist of derivatives.

Assets

The Group has SEK 38 M (83) in financial assets at fair value through profit or loss.

The entire amount is attributable to derivatives.

Liabilities

The Group has SEK 224 M (28) in financial liabilities at fair value through profit or loss.

The entire amount is attributable to derivatives.

Hedge accounted derivatives

Derivatives belong to the category "Financial assets and liabilities at fair value through profit or loss."

Skanska separately reports hedge accounted derivatives.

Assets

The Group has SEK 238 M (33) in financial assets for hedge accounted derivatives. The amount consists of the positive fair value of forward currency contracts for hedging of net investments outside Sweden.

Liabilities

The Group has SEK 235 M (61) in financial liabilities for hedge accounted derivatives.

The amount consists of the negative fair value of forward currency contracts for hedging of net investments outside Sweden.

Reclassifications

In compliance with the amendments to IAS 39 adopted in October 2008, assets amounting to SEK 201 M were reclassified from assets available for sale to receivables. These assets met the definition of receivables and the Company intended to keep the assets until they mature in February 2009. On the reclassification date, recognized unrealized value of these assets amounted to SEK 0 M (0). The difference between the carrying amount and fair value could not be reliably determined on the reclassification date due to the prevailing situation in the financial market. The Company expects to recover the entire value of the reclassified assets. The carrying amount of assets that were reclassified during the report period or prior periods amounted to SEK 201 M (0).

Fair value

Fair value of financial instruments in the consolidated accounts can be seen in the table above.

In setting fair value, the official price quotation in an active market is primarily used. If this does not exist, fair value is calculated by discounting future cash flows based on quoted market interest rates for each respective maturity and currency. This method is the one most commonly used. A few transactions with option elements have been calculated using the Black-Scholes model. In calculating fair value in the borrowing portfolio, Skanska takes into account current market interest rates, which include the credit risk premium that Skanska is estimated to pay for its borrowing.

The total change in fair value of financial assets and liabilities calculated according to the Black-Scholes model amounts to SEK 0 M (2), which is recognized in the income statement.

The accumulated change in value of available-for-sale assets amounts to SEK 0 M (0).

Impact of financial instruments on the consolidated income statement and consolidated equity

Income and expenses from financial instruments recognized in the income statement	2008	2007
Recognized in operating income		
Interest income on loan receivables	41	8
Interest expenses on financial liabilities at cost	-8	-2
Impairment loss/reversal of impairment loss on loan receivables	-97	-33
Cash flow hedge removed from equity and recognized in income statement	42	80
Total income and expenses in operating income	-22	53
Recognized in financial items		
Interest income on financial assets at fair value through profit or loss		54
Interest income on available-for-sale assets	35	119
Interest income on held-to-maturity assets	10	11
Interest income on loan receivables	106	80
Interest income on cash	249	260
Divestments of available-for-sale financial assets	1	1
Distribution of available-for-sale financial assets	1	
Changes in market value of financial assets at fair value through profit or loss	7	1
Changes in market value of financial liabilities at fair value through profit or loss	23	3
Total income in financial items	432	529
Interest expenses on financial liabilities at fair value through profit or loss ¹	41	1
Interest expenses on financial liabilities at amortized cost	-111	-149
Changes in market value of financial assets at fair value through profit or loss	-3	-3
Changes in market value of financial liabilities at fair value through profit or loss	-1	
Net financial items from hedging of net investments in foreign subsidiaries ²	-11	-105
Impairment loss on available-for-sale financial assets	-17	-11
Net exchange rate differences	-50	-43
Expenses for borrowing programs	-8	-11
Bank-related expenses	-6	-9
Total expenses in financial items	-166	-330
Net income and expenses from financial instruments reported in income statement	244	252
Of which interest income on financial assets not at fair value through profit or loss	441	478
Of which interest income on financial liabilities not at fair value through profit or loss	-119	-151

1 The amount includes positive interest rate differences of SEK 48 M (1) in currency swaps for the Group's borrowing.

2 The amount includes interest expenses totaling SEK -10 M (-98) attributable to currency futures.

Reconciliation with financial items	2008	2007
Total income from financial instruments in financial items	432	529
Total expenses from financial instruments in financial items	-166	-330
Other interest income ¹	104	103
Other interest expenses	-1	-17
Other financial items	-45	-24
Total financial items	324	261

1 Includes SEK 101 M (92) in net interest on pensions.

See also Note 14, "Net financial items."

Income and expenses from financial items recognized directly in equity	2008	2007
Cash flow hedge recognized directly in equity	-179	5
Cash flow hedge removed from equity and recognized in income statement	-42	-80
Changes in value of available-for-sale assets	0	0
Translation differences for the year	1,752	629
Transferred translation differences on divested companies	-41	
Minus hedging of currency risk in foreign operations	-378	17
Total	1,112	571
of which recognized in cash flow hedge reserve	-221	-75
of which recognized in translation reserve	1,333	646
	1,112	571

Collateral

The Group has provided collateral (assets pledged) in the form of financial receivables amounting to SEK 870 M (446). See also Note 33, "Assets pledged, contingent liabilities and contingent assets." These assets may be utilized by a customer if Skanska does not fulfill its obligations according to the respective construction contract.

To a varying extent, the Group has obtained collateral for trade accounts payable in the form of guarantees issued by banks and insurance companies and, in some cases, in the form of guarantees from the parent companies of customers.

The Group did not obtain any asset during the year by taking control of collateral received.

Financial hedging

Transaction exposure occurs when expected future net payment flows are in a currency that is foreign to the local unit. Skanska uses currency derivatives to minimize the risks of transaction exposure.

Net investments in foreign Group companies of a long-term nature are hedged to some extent when the investment represents a relatively large proportion of the Group's equity. Investments in development operations are hedged, because the intention is to sell these assets over time. Foreign currency loans and/or currency derivatives are used to reduce exchange rate risk in translation exposure. Foreign exchange risks when borrowing are reduced through currency swaps, and the risk of unfavorable interest rate refixing is reduced through interest rate swaps.

Hedge accounting

Hedge accounting occurs to a limited extent as follows. In addition, hedging occurs in joint ventures in Infrastructure Development.

Cash flow hedging

Hedge accounting is applied to currency derivatives for contracted future net currency flows according to the table below.

Currency derivatives for which hedge accounting is applied	2009	2010
EUR sold at forward rate	-691	-53
USD bought at forward rate	3	
Total equivalent value	-688	-53

The fair value of currency derivatives outstanding varies with the current exchange rate. Fair value at the exchange rates on December 31 can be seen in the following table.

Fair value of currency derivatives used as hedging instruments	2009	2010	Total
EUR	4		4
Recognized gains	4	0	4
EUR	-56	-7	-63
Recognized losses	-56	-7	-63

Information on the changes recognized in the consolidated income statement and consolidated equity during the period is found in the above table with the heading "Impact of financial instruments on consolidated income statement and consolidated equity." The hedges meet effectiveness requirements, which means that unrealized gains or losses not included in project accounts are recognized in equity.

Hedging of net investments in foreign operations

Hedge accounting is applied when hedging net investments in foreign operations.

Net investments in North American, Norwegian, Polish and Czech operations are approximately 30 percent hedged by means of currency futures due to their significant impact on Group equity in case of exchange rate fluctuations.

Net investments in Commercial Development and Infrastructure Development operations are currency hedged, by means of funding in local currencies or by entering into currency futures contracts, since the intention is to sell these assets over time.

At year-end, Skanska had hedged net investments abroad amounting to SEK 6,204 M (5,234).

Hedging of net investments in foreign operations

Currency	2008			2007		
	Net investment	Hedge ¹	Percentage hedged	Net investment	Hedge ¹	Percentage hedged
USD	4,829	1,414	29%	3,457	1,808	52%
EUR	4,348	1,787	41%	4,933	2,235	45%
CZK	3,365	889	26%	2,760	0	0%
NOK	3,158	1,011	32%	3,391	51	2%
PLN	1,401	379	27%	1,243	0	0%
CLP	841	601	71%	1,039	596	57%
BRL	319	71	22%	555	451	81%
GBP	-46	52	n.a	1,018	93	9%
Others	1,250	0	0%	1,326	0	0%
Total	19,465	6,204	32%	19,722	5,234	27%

¹ After subtracting the tax portion.

The hedges consist of forward currency contracts and foreign currency loans. The positive fair value of forward currency contracts amounted to SEK 238 M (33) and negative fair value was SEK 235 M (61). The fair value of foreign currency loans amounted to SEK 691 M (656).

The hedges meet effectiveness requirements, which means that all changes due to changes in exchange rates are recognized in the translation reserve in equity.

See also Note 34, "Effect of changes in foreign exchange rates."

Fair value hedges

Skanska currently has no fair value hedges.

Risks attributable to financial instruments

The risks that arise through financial instruments and to which the Group is exposed are divided into credit risk, liquidity risk and market risk.

Credit risk describes the Group's risk related to financial assets, and the risk is that a counterparty will not fulfill its contractual payment obligations toward Skanska. Credit risk is divided into financial credit risk and customer credit risk.

Liquidity risk is defined as the risk that Skanska cannot meet its payment obligations due to lack of liquidity or to difficulties in obtaining or rolling over external loans.

Market risk is the Group's risk that the fair value of or future cash flows from financial instruments will fluctuate due to changes in market prices. Market risk is divided into foreign exchange risk, interest rate risk and other price-related risks. For example, other price-related risks include the risks of changes in share prices.

Skanska's ongoing projects are not recognized as a financial instrument and the risk in these projects is thus not reported in this note. Disclosures concerning these risks can be read in the Report of the Directors and in Note 2, "Key estimates and judgments."

Objectives and policy

The Group's Financial Policy states guidelines, objectives and limits for financial management and administration of financial risks in the Group. This policy document regulates the allocation of responsibility among Skanska's Board, the Senior Executive Team, Skanska Financial Services and the business units.

The purpose is to achieve a systematic assessment of both financial and business risks, using a Groupwide risk management model. The risk management model does not imply avoidance of risks, but is instead aimed at identifying and managing these risks.

Within the Group, Skanska Financial Services has operational responsibility for ensuring Group financing and for managing liquidity, financial assets and financial liabilities.

The objectives and policy for each type of risk are described in the respective sections below.

Credit risk

The maximum credit exposure for financial assets on the balance sheet date is equivalent to their fair value. This credit risk is divided below into financial credit risk, which refers to risk in interest-bearing assets, and customer credit risk, which refers to the risk in trade accounts receivable. The risk in other operating receivables is also described.

Financial credit risk – Risk in interest-bearing assets and derivatives

This is the risk that the Group runs in its relations with financial counterparties in the case of deposits of surplus funds, bank account balances and investments in financial assets. Credit risk also arises when using derivatives and consists of the risk that a potential gain will not be realized in case the counterparty does not fulfill its part of the contract.

In order to reduce the credit risk in derivatives, Skanska has signed standardized netting agreements with all financial counterparties with which it enters into derivative contracts.

Skanska endeavors to limit the number of financial counterparties, which must possess a rating at least equivalent to BBB+ at Standard & Poor's or the equivalent rating at Moody's. The permitted exposure volume per counterparty is dependent on the counterparty's credit rating and the maturity of the exposure.

Exposure was SEK 15,411 M and maturity mainly within 3 months, as indicated by the table headed "Liquidity reserve and maturity structure."

At year-end, past-due interest-bearing assets and derivatives were SEK 0 M (0). Impairment losses on interest-bearing receivables were SEK 0 M (0).

Customer credit risk – Risk in trade accounts receivable

Skanska's credit risk with regard to trade receivables has a high degree of risk diversification, due to the large number of projects of varying sizes and types with numerous different customer categories in a large number of geographic markets.

The portion of Skanska's operations related to construction projects extends only limited credit, since projects are invoiced in advance as much as possible. In other operations, the extension of credit is limited to customary invoicing periods.

Trade accounts receivable	2008	2007
Carrying amount	20,407	20,211
Impairment losses	575	277
Cost	20,982	20,488
Change in impairment losses, trade accounts receivable	2008	2007
January 1	277	245
Impairment loss/reversal of impairment loss for the year	101	36
Impairment losses settled	-15	-18
Reclassifications	176	
Exchange rate differences	36	14
December 31	575	277

Risk in other operating receivables including shares

Other financial operating receivables consist of accrued interest income, deposits, receivables for properties divested etc. No operating receivables became past-due and there were no impairment losses on operating receivables.

Other financial operating receivables are reported by time interval with respect to when the amounts fall due in the future.

	2008	2007
Due within 30 days	83	25
Due in over 30 days but no more than 1 year	83	162
Due in more than one year	1	4
Total	167	191

Holdings of less than 20 percent of voting power in a company are reported as shares. Their carrying amount is SEK 64 M (92). Shares are subject to changes in value. Impairment losses on shares total SEK -34 M (-24), of which SEK -17 M (-11) during the year.

Liquidity risk

Liquidity risk is defined as the risk that Skanska cannot meet its payment obligations due to lack of liquidity or to difficulties in obtaining or rolling over external loans.

The Group uses liquidity forecasting as a means of managing the fluctuations in short-term liquidity. Surplus liquidity shall, if possible, primarily be used to repay the principal on loan liabilities.

Funding

Skanska has several borrowing programs, which provide good preparedness for temporary fluctuations in the Group's liquidity requirements.

Bank credit facilities

Skanska's committed bank credit facilities consist of:

- A syndicated bank loan with a ceiling of EUR 750 M and a final due date of June 30, 2014. On December 31, 2008, the degree of utilization was 0 percent, since the loan facility had not yet been used.
- Two bilateral loan agreements with the Nordic Investment Bank amounting to EUR 40 M and EUR 30 M, respectively. These loans fall due in 2012. The Group's unutilized credit lines at year-end amounted to SEK 8,914 M (7,318).

Market funding programs

Skanska has two market funding programs.

- Commercial paper (CP) program related to short-term borrowing for maturities of up to one year. The loan ceiling in the CP program amounts to SEK 6,000 M. On December 31, 2008, the borrowed amount was SEK 0 M.
- Medium Term Note (MTN) program for borrowing with maturities between 1-10 years. The loan ceiling in the MTN program amounts to SEK 8,000 M. On December 31, 2008, the borrowed amount was SEK 0 M (665).

These borrowing programs are mainly intended for borrowing in the Swedish credit market, but it is possible to borrow in EUR within the framework of these programs.

Liquidity reserve and maturity structure

The objective is to have a liquidity reserve of at least SEK 4 billion available within one week in the form of cash equivalents or committed credit facilities. At year-end 2008, this amounted to about SEK 17 (21) billion.

The maturity structure of financial interest-bearing assets and derivatives was distributed over coming years according to the following table.

Maturity period by asset class	Maturity				Total
	Within 3 months	Over 3 months, within 1 year	Over 1 year, within 5 years	More than 5 years	
2008					
Financial investments at fair value	36	240			276
Financial investments at amortized cost	332	600	1		933
Financial interest-bearing assets	3,553	2,028	732	8	6,321
Cash equivalents at fair value					0
Cash	7,881				7,881
Total	11,802	2,868	733	8	15,411
2007					
Financial investments at fair value		524	387		911
Financial investments at amortized cost		589		3	592
Financial interest-bearing assets	2,542	1,031	236	10	3,819
Cash equivalents at fair value	521				521
Cash	13,688				13,688
Total	16,751	2,144	623	13	19,531

The future maturity structure of financial interest-bearing liabilities and derivatives was distributed according to the following table.

Maturity period by liability class	Maturity				Total
	Within 3 months	Over 3 months, within 1 year	Over 1 year, within 5 years	More than 5 years	
2008					
Financial liabilities at fair value	219	240			459
Financial liabilities at amortized cost	552	83	2,009	55	2,699
Total	771	323	2,009	55	3,158
2007					
Financial liabilities at fair value		89			89
Financial liabilities at amortized cost	398	1,327	1,782	62	3,569
Total	398	1,416	1,782	62	3,658

Of total interest-bearing financial liabilities, 12 (42) percent carried fixed interest rates and 88 (58) percent carried variable interest rates. The allocation between fixed and variable interest rate fixing has been adjusted, taking into account interest rate swap contracts. The Group's interest rate swap portfolio on December 31 amounted to a nominal SEK 647 M (1,100). A net amount of SEK 547 M (100) of liabilities was swapped from fixed to variable interest rates.

On December 31, 2008, the average maturity of the borrowing portfolio was 2.4 (2.3) years.

The Group's most commonly occurring payment terms for trade accounts payable, by market, can be seen in the following table.

	Number of days from invoicing to due date
Sweden	30
Norway	30
Finland	14
Poland	30
Czech Republic	80
United Kingdom	30
United States	45
Latin America	45

Note 06 Continued

Other operating liabilities that consist of financial instruments fall due for payment according to the table below.

Other operating liabilities	2008	2007
Due within 30 days	1,125	924
Due in over 30 days but no more than one year	173	431
Due in more than 1 year	348	406
	1,646	1,761

Market risk

The Group uses various derivative instruments, mainly interest rate swaps and currency futures, to control and adapt its risk exposure to fluctuations in interest rates and foreign exchange rates. Derivative contracts, including derivatives that are embedded in other not closely related instruments or in commercial contracts, are continuously recognized at fair value in the balance sheet. Their change in fair value is recognized in the income statement, except for hedges of net investments in foreign operations and part of the cash flow hedges of transaction exposure for which hedge accounting is applied.

Interest rate risk

Interest rate risk is the risk that changes in interest rates will affect the Group's future earnings and cash flow. Interest rate risk is defined as the possible negative impact on net financial items in case of a one percentage point increase in interest rates across all maturities. The risk may never exceed SEK 100 M.

Various forms of derivative contracts, mainly interest rate swaps and currency swaps, are used in order to adapt the interest rate refixing period and currency.

Interest rate risk (excluding pension liability)

The average interest rate refixing period for all interest-bearing liabilities was 0.6 (0.5) years. The average interest rate for these amounted to 4.06 (3.84) percent at year-end.

The average interest rate refixing period for all interest-bearing assets was 0.1 (0.1) years. The average interest rate for these was 1.77 (4.01) percent at year-end.

The objective of Skanska's financial asset management is to achieve a satisfactory return, given a relatively low risk level. The average maturity of interest-bearing assets may not exceed 12 months.

The fair value of the Group's portfolio of derivatives related to borrowing was SEK -180 M (55), of which SEK -1.0 M (3.2) can be related to changes in market interest rates.

The fair value of interest-bearing financial assets and liabilities, plus derivatives, would change by about SEK 31 M in case of a one percentage point change in market interest rates across the yield curve, given the same volume and interest rate refixing period as on December 31, 2008.

Foreign exchange risk

Foreign exchange risk is defined as the risk of negative impact on the Group's earnings due to fluctuations in exchange rates. This risk can be divided into transaction exposure, i.e. net operating and financial (interest/principal payment) flows, and translation exposure related to net investments in foreign subsidiaries.

Transaction exposure

Although the Group has a large international presence, its operations are of a local nature in terms of foreign exchange risks. Project revenue and costs are mainly denominated in the same currency, and transaction risks from exchanges between different currencies are thus very limited.

The objective is that all transaction exposures for each respective business unit shall be currency hedged. The foreign exchange risk for the Group may amount to a total

of SEK 50 M, with risk calculated as the effect on earnings of a five percentage point shift in exchange rates. As of December 31, 2008, foreign exchange risk accounted for SEK 34 M of transaction exposure. Expected contracted net flows in currencies that are foreign to the respective Group company are distributed among currencies and maturities as follows.

The Group's expected net foreign currency flow	2009	2010	2011 and later
EUR	1,053	58	
JPY	91		
CZK	-74		
PLN	-27		
RUB	-10		
USD	4	-7	-9
DKK	-4		
Other currencies	3		
Total equivalent value	1,036	51	-9

The fair value of outstanding currency derivatives varies with the current exchange rate. Fair value using the exchange rates prevailing on December 31, 2008 can be seen in the following table, which shows fair value related to the Group's currency hedges of transaction exposure for which hedge accounting is not applied, and fair value of embedded derivatives.

Fair value of derivatives related to transaction exposure for which hedge accounting is not applied	2009
EUR	22
PLN	1
JPY ¹	3
Other currencies	2
Recognized gains	28
EUR	-27
JPY ¹	-3
Other currencies	-1
Recognized gains	-31

1 Flows in JPY are attributable to a road project in Slovakia.

Skanska applies hedge accounting mainly in its Polish operations for contracted flows in EUR. The effects of these hedges are reported above in the "Hedge accounting" section.

Translation exposure

To a certain extent, Skanska currency hedges equity in those markets/currencies where a relatively large share of the Group's equity is invested. At the end of 2008, about 30 percent of equity in North American, Norwegian, Polish and Czech companies in the Skanska Group was currency hedged. See the "Hedge accounting" section.

The translation difference in the equity of the Group may be significant for certain periods of major exchange rate fluctuations. The largest exposures on December 31, 2008 were in USD, EUR, CZK and NOK. An exchange rate shift where the krona falls/rises by 10 percent would have an effect of SEK 1.3 billion against other currencies after taking hedges into account.

See also the table under the section "Hedging of net investments abroad" above as well as Note 34, "Effect of changes in foreign exchange rates."

Note 07 Business combinations

Business combinations (acquisitions of businesses) are reported in compliance with IFRS 3, "Business Combinations." See "Accounting and valuation principles," Note 1.

Acquisitions of Group companies/businesses

During the year, one small acquisition was made. The total investment was SEK -5 M (-74). In the first quarter, Skanska's Finnish construction operations acquired the assets and liabilities of a civil construction business from Tekri Oy. Upon the purchase, SEK 4 M was allocated to goodwill. No contingent liabilities were included in the year's acquisition. The acquisition is part of the Construction business stream. There are no plans to divest any part of the acquired company's operations. The acquired unit accounted for SEK 5 M of Group revenue and SEK 0 M of Group earnings.

In 2007 the Group reported four small acquisitions. The construction company Stamart Martin s.r.o. in Slovakia was the largest.

Acquisitions of shares/businesses	Country	Ownership percentage ¹	Purchase price	Investment
2008				
Operations from Tekri Oy	Finland		5	5
Total			5	5
2007				
Stamart Martin s.r.o.	Slovakia	100	51	51
Rakennus Vuorenpää Oy (bought from minority shareholder)	Finland	100	12	12
Forserumsten HB (purchase of 50%)	Sweden	100	6	6
Wexio AB	Sweden	100	5	5
Total			74	74

¹ Refers to both voting power and percentage of share capital unless otherwise stated.

Net assets of the acquired companies on the acquisition date

	Carrying amount in acquired companies before acquisition	Fair value adjustment	Fair value recognized by Skanska Group
2008			
Property, plant and equipment	1		1
Net identifiable assets and liabilities	1	0	1
Group goodwill			4
Purchase price paid¹			5
Less cash and cash equivalents in acquired companies			0
Effect on consolidated cash and cash equivalents, investment			5

¹ Purchase price is stated including SEK 0 M in acquisition-related expenses.

	Carrying amount in acquired companies before acquisition	Fair value adjustment	Fair value recognized by Skanska Group
2007			
Property, plant and equipment	7	12	19
Intangible assets	0	6	6
Interest-bearing receivables	10		10
Current-asset properties	4		4
Non-interest-bearing receivables	74		74
Interest-bearing liabilities	-1		-1
Non-interest-bearing liabilities including deferred tax liabilities	-83	-5	-88
Net identifiable assets and liabilities	11	13	24
Acquired minority interest			5
Group goodwill			45
Purchase price paid¹			74
Less cash and cash equivalents in acquired companies			0
Effect on consolidated cash and cash equivalents, investment			74

¹ Purchase price is stated including SEK 1 M in acquisition-related expenses.

Note 08 Revenue

Projects in Skanska's contracting operations are reported in compliance with IAS 11, "Construction Contracts." See Note 9.

Revenue other than project revenue is recognized in compliance with IAS 18, "Revenue." See "Accounting and valuation principles," Note 1.

"Other markets" refers to Latin America and those markets where the Infrastructure Development business stream operates.

Revenue by primary and secondary segment

Primary segment – Business streams	Secondary segment – Geographic markets					Central and eliminations	Total revenue
	Sweden	Other Nordic countries	Other Europe	United States	Other markets		
2008							
Construction	30,264	22,748	38,999	41,865	5,622		139,498
Residential Development	3,204	2,072	1,174				6,450
Commercial Development	2,233	626	1,102				3,961
Infrastructure Development					55		55
Other							
Central						1,072	1,072
Eliminations ¹	-4,813	-992	-746	-590	-1	-220	-7,362
Total	30,888	24,454	40,529	41,275	5,676	852	143,674
2007							
Construction	27,389	22,506	36,998	38,015	4,350		129,258
Residential Development	3,431	3,593	655				7,679
Commercial Development	2,357	479	294				3,130
Infrastructure Development					116		116
Other							
Central						3,719	3,719
Eliminations ¹	-2,996	-1,571	-146		-1	-407	-5,121
Total	30,181	25,007	37,801	38,015	4,465	3,312	138,781

Revenue by category

	2008	2007
Construction contracts	126,708	120,717
Services	8,079	7,903
Sales of goods	792	849
Rental income	508	448
Divestments of properties	7,587	8,864
Total	143,674	138,781

1 For allocation of eliminations, see Note 4, "Segment reporting," Point C.

As for other types of revenue, dividends and interest income are recognized in financial items. See Note 14, "Net financial items."

Other matters

Invoicing to associated companies and joint ventures amounted to SEK 5,918 M (7,031).

For other related party transactions, see Note 39, "Related party transactions."

Note 09 Construction contracts

Construction contracts are recognized as revenue at the pace of project completion. See "Accounting and valuation principles," Note 1.

Information from the income statement

Revenue recognized during the year amounted to SEK 126,708 M (120,717).

Information from the balance sheet

Gross amount due from customers for contract work	2008	2007
Accrued revenue	89,071	84,727
Invoiced revenue	-82,984	-79,071
Total, asset	6,087	5,656
Gross amount due to customers for contract work	2008	2007
Invoiced revenue	205,659	168,139
Accrued revenue	-188,609	-152,391
Total, liability	17,050	15,748

Accrued revenue in ongoing projects including recognized gains minus recognized loss provisions amounted to SEK 277,680 M (237,118).

Advance payments received totaled SEK 281 M (439).

Amounts retained by customers, which have been partly invoiced according to an established plan and which the customer is retaining in accordance with contractual terms until all the conditions specified in the contract are met, amounted to SEK 4,230 M (2,861).

Note 10 Operating income

Operating income by business stream

	Operating income	
	2008	2007
Construction	3,761	4,443
Residential Development	-177	724
Commercial Development	953	910
Infrastructure Development	396	-107
Central	-827	-558
Eliminations	-20	-6
Total	4,086	5,406

The Parent Company and other corporate units are reported as "Central." Also included is SEK -145 M (116) for the International unit, which has a number of operations that are being shut down or phased out.

Eliminations of profits from intra-Group sales and transfers of these are reported as "Eliminations." The amounts are explained in the following table:

	2008	2007
Intra-Group profits carried as investments in joint ventures		
Provision/reversal of provision for the year	103	-12
Transfers for the year over service life	17	18
Transfers for the year through divestments	7	3
Intra-Group profits carried as current-asset properties		
Provision for the year related to contracting work	-143	-86
Provision for the year related to intra-Group divestments	-21	-20
Transfer for the year through divestments	55	37
Other	-38	54
Total	-20	-6

Operating expenses by category of expenses

During 2008, revenue increased by SEK 4,893 M to SEK 143,674 M (138,781). Operating income decreased by SEK 1,320 M to SEK 4,086 M (5,406). Personnel expenses for the year amounted to SEK -26,232 M (-25,544). Other operating expenses adjusted for current-asset properties divested and income in joint ventures and associated companies amounted to SEK -106,907 M (-100,428).

	2008	2007
Revenue	143,674	138,781
Personnel expenses ¹	-26,232	-25,544
Depreciation/amortization	-1,383	-1,287
Impairment losses	-630	-61
Other operating expenses ²	-111,343	-106,483
Operating income	4,086	5,406

1 Recognized as personnel expenses are wages, salaries and other remuneration plus social insurance contributions, recognized according to Note 36, "Personnel," and non-monetary remuneration such as free healthcare and car benefits.

2 Other operating expenses are allocated according to the following table.

	2008	2007
Carrying amount of current-asset properties divested	-5,312	-6,457
Income from joint ventures and associated companies	876	402
Other	-106,907	-100,428
Total other operating expenses	-111,343	-106,483

Analysis of operating income

	2008	2007
Gains from divestments of current-asset properties		
Commercial Development	1,238	1,080
Other commercial properties	219	217
Residential Development	818	1,110
	2,275	2,407
Impairment losses		
Goodwill impairment losses		-8
Impairment losses on other intangible assets	-7	-15
Impairment losses/reversals of impairment losses on property, plant and equipment	5	3
Impairment losses/reversals of impairment losses on current-asset property	-516	-41
Impairment losses on investments in joint ventures	-112	
	-630	-61
Expenses for restructuring provisions		
Construction	-447	
Residential Development	-50	
Infrastructure Development	-20	
Central	-110	
	-627	
Income from joint ventures and associated companies (excluding impairment losses)	988	402
Other operating income	2,080	2,658
Total according to the income statement	4,086	5,406

Disclosures in revenue and expenses from financial instruments are provided in Note 6, "Financial instruments."

Note 11 Selling and administrative expenses

Selling and administrative expenses are recognized as one item. See "Accounting and valuation principles," Note 1.

Selling and administrative expenses

	2008	2007
Construction	-6,799	-5,988
Residential Development	-731	-549
Commercial Development	-305	-256
Infrastructure Development	-202	-188
Central and eliminations	-895	-989
Total	-8,932	-7,970

Note 12 Depreciation/amortization

Depreciation and amortization are carried out in compliance with IAS 16, "Property, Plant and Equipment," and IAS 38, "Intangible Assets."

See Note 1, "Accounting and valuation principles."

Depreciation and amortization are presented below by business stream.

For further information on depreciation and amortization, see Note 17, "Property, plant and equipment," and Note 19, "Intangible assets."

Depreciation/amortization by asset class and business stream

	Construction	Residential Development	Commercial Development	Infrastructure Development	Central and eliminations	Total
2008						
Intangible assets	-69	-1		-19	-2	-91
Property, plant and equipment						
Property	-76					-76
Plant and equipment	-1,201	-1	-2	-3	-9	-1,216
Total	-1,346	-2	-2	-22	-11	-1,383
2007						
Intangible assets	-85	-1		-19	-2	-107
Property, plant and equipment						
Property	-51				-1	-52
Plant and equipment	-1,090	-1	-3	-4	-30	-1,128
Total	-1,226	-2	-3	-23	-33	-1,287

Note 13 Impairment losses/Reversals of impairment losses

Impairment losses are recognized in compliance with IAS 36, "Impairment of Assets." See "Accounting and valuation principles,"

Note 1. Impairment losses on current-asset properties are recognized in compliance with IAS 2, "Inventories."

Impairment losses/reversals of impairment losses are presented below by business stream.

For further information on impairment losses/reversals of impairment losses, see Note 19, "Intangible assets, Note 17, "Property, plant and equipment" and Note 22, "Current-asset properties/Project development."

Impairment losses/reversals of impairment losses by asset class and business stream

	Construction	Residential Development	Commercial Development	Infrastructure Development	Central and eliminations	Total
2008						
Recognized in operating income						
Goodwill						0
Other intangible assets	-7					-7
Property, plant and equipment						
Property	-2				-4	-6
Plant and equipment	9	2				11
Investments in joint ventures and associated companies			-28	-74	-10	-112
Current-asset properties						
Commercial Development	-2		-102		-4	-108
Residential Development		-408				-408
	-2	-406	-130	-74	-18	-630
Recognized in financial items						
Financial assets	-2	-15				-17
Total	-4	-421	-130	-74	-18	-647
2007						
Recognized in operating income						
Goodwill	-8					-8
Other intangible assets	-15					-15
Property, plant and equipment						
Property	-6					-6
Plant and equipment	14	-5				9
Current-asset properties						
Commercial Development			-35			-35
Residential Development		-6				-6
	-15	-11	-35	0	0	-61
Recognized in financial items						
Financial assets	-4	-7				-11
Total	-19	-18	-35	0	0	-72

Note 14 Net financial items

	2008	2007
Financial income		
Interest income	403	535
Net interest in pensions	101	92
Gain on distributions of shares	1	
Gain on divestments of shares	1	1
Change in fair value	30	4
Net other financial items		14
	536	646
Financial expenses		
Interest expenses	-264	-226
Capitalized interest expenses	193	61
Change in fair value	-15	-108
Net exchange rate differences	-50	-43
Impairment losses	-17	-11
Net other financial items	-59	-58
	-212	-385
Total	324	261

Disclosures on how large a portion of income and expenses in net financial items comes from financial instruments are presented in Note 6, "Financial instruments."

Net interest items

In 2008, net interest items amounted to SEK 324 M (261) altogether. Net interest items declined by SEK 433 (462). Interest income declined to SEK 403 M (535), among other things because the volume of interest-bearing assets declined. Interest expenses including capitalized interest increased to SEK -264 M (-226). This is explained, among other things, by significantly rising interest rates on foreign currencies, especially in Latin America, where Skanska is a net borrower.

During the year, Skanska capitalized interest expenses of SEK 193 M (61) in ongoing projects for its own account.

Interest income was received at an average interest rate of 3.15 (3.63) percent. Interest expenses, excluding interest on pension liability, were paid at an average interest rate of 5.03 (3.73) percent.

Net interest on pensions increased to SEK 101 M (92). The item consists of the estimate net amount on January 1 of interest on revenue and expenses on plan assets and pension liabilities related to defined-benefit pension plans.

The Group had net interest items of SEK 33 M (6) that were recognized in the income statement. See "Accounting and valuation principles," Note 1.

Change in fair value

Change in fair value amounted to SEK 15 M (-104). This was primarily related to positive interest rate differences in currency hedging of investments in Skanska's development operations as well as currency hedging of equity mainly in USD and CZK.

Net other financial items

These items amounted to SEK -59 M (-44) and mainly consisted of various financial fees.

Note 15 Borrowing costs

Borrowing costs related to investments that require a substantial period for completion are capitalized. See "Accounting and valuation principles," Note 1.

During 2008, borrowing costs were capitalized at an interest rate of about 4 percent.

	Interest capitalized during the year		Total accumulated capitalized interest included in cost	
	2008	2007	2008	2007
Intangible assets			94	94
Current-asset properties	193	61	312	193
Total	193	61	406	287

Note 16 Income taxes

Income taxes are reported in compliance with IAS 12, "Income Taxes." See "Accounting and valuation principles," Note 1.

Tax expenses

	2008	2007
Current taxes	-1,734	-1,363
Deferred tax benefits/expenses from change in temporary differences	6	-141
Deferred tax benefit from change in loss carry-forwards	533	9
Taxes in joint ventures	-56	-49
Taxes in associated companies	-2	-2
Total	-1,253	-1,546

Tax items recognized directly in equity

	2008	2007
Deferred taxes attributable to cash flow hedging	14	14
Deferred taxes attributable to pensions	735	-38
Total	749	-24

There was no deferred tax attributable to financial assets classified as held for sale. Income taxes paid in 2008 amounted to SEK -1,926 M (-1,197).

Relation between taxes calculated at weighted average tax rate and taxes recognized

The Group's recognized taxes amounted to 28 (27) percent.

The Group's weighted nominal tax rate was estimated at 31 (29) percent.

The average nominal tax rate in Skanska's home markets in Europe amounted to about 25 (26) percent and in the United States about 40 (40) percent.

The relation between taxes calculated according to an aggregation of nominal tax rates and recognized taxes of 28 (27) percent is explained in the table below.

	2008	2007
Income after financial items	4,410	5,667
Tax according to aggregation of nominal tax rates, 31 (29) percent	-1,367	-1,643

Tax effect of:

Property divestments	185	121
Losses not offset by deferred tax assets	-61	-10
Other items ¹	-10	-14
Recognized tax expenses	-1,253	-1,546

¹ The tax rate in Sweden was changed from 28 percent to 26.3 percent effective from January 1, 2009. Deferred tax assets and deferred tax liabilities for Group companies in Sweden were adjusted to the new tax rate. The change in deferred taxes due to the change in tax rate resulted in a positive net tax effect of about SEK 60 M (0) and is included in "Other items."

Note 16 Continued

Tax assets and tax liabilities

	2008	2007
Tax assets	812	411
Tax liabilities	864	891
Net liability	52	480

Tax assets and tax liabilities refer to the difference between estimated income tax for the year and preliminary tax paid as well as income taxes for prior years that have not yet been settled.

Deferred tax assets and deferred tax liabilities

	2008	2007
Deferred tax assets according to the balance sheet	1,970	956
Deferred tax liabilities according to the balance sheet	1,760	2,069
Net deferred tax assets (+), deferred tax liabilities (-)	210	-1,113

	2008	2007
Deferred tax assets for loss carry-forwards	599	73
Deferred tax assets for other assets	480	333
Deferred tax assets for provisions for pensions	853	441
Deferred tax assets for ongoing projects	272	197
Other deferred tax assets	1,268	1,040
Total before net accounting	3,472	2,084
Net accounting of offsettable deferred tax assets/liabilities	-1,502	-1,128
Deferred tax assets according to the balance sheet	1,970	956

	2008	2007
Deferred tax liabilities for shares and participations	294	309
Deferred tax liabilities for other non-current assets	320	389
Deferred tax liabilities for other current assets	501	333
Deferred tax liabilities for ongoing projects	1,385	1,265
Other deferred tax liabilities	762	901
Total before net accounting	3,262	3,197
Net accounting of offsettable deferred tax assets/liabilities	-1,502	-1,128
Deferred tax liabilities according to the balance sheet	1,760	2,069

Change in net deferred tax assets (+), liabilities (-)

	2008	2007
Net deferred tax liabilities, January 1	-1,113	-916
Recognized in equity	749	-24
Deferred tax expenses	539	-132
Deferred taxes, acquisitions of companies		-13
Deferred taxes, divestments of companies		-19
Exchange rate differences	35	-9
Net deferred tax assets/liabilities, December 31	210	-1,113

The net amount of deferred tax assets and deferred tax liabilities changed by SEK 1,323 M. The change was largely due to increased deferred tax assets from loss carry-forwards and increased deferred tax assets for pensions.

Deferred tax assets other than for loss carry-forwards refer to temporary differences between carrying amounts for tax purposes and carrying amounts recognized in the balance sheet. These differences arise, among other things, when the Group's valuation principles diverge from those applied locally by a subsidiary. These deferred tax assets are mostly realized within five years.

Deferred tax assets arise, for example, when a recognized depreciation/amortization/impairment loss on assets becomes deductible for tax purposes only in a later period, when eliminating intra-Group profits, when the provisions for defined-benefit pensions differ between local rules and IAS 19, when the required provisions become tax-deductible in a later period and when advance payments to ongoing projects are taxed according to the cash principle.

Deferred tax liabilities on other assets and other deferred tax liabilities refer to temporary differences between carrying amounts for tax purposes and carrying amounts in the balance sheet. These differences arise, among other things, when the Group's valuation principles diverge from those applied locally by a Group company. These deferred tax liabilities are mostly realized within five years.

For example, deferred tax liabilities arise when depreciation/amortization for tax purposes in the current period is larger than the required economic depreciation/amortization and when accrued profits in ongoing projects are taxed only when the project is completed.

Temporary differences attributable to investments in Group companies, branches, associated companies and joint ventures for which deferred tax liabilities were not recognized totaled SEK 0 M (0). In Sweden and a number of other countries, divestments of holdings in limited companies are tax-exempt under certain circumstances. Temporary differences thus do not normally exist for shareholdings by the Group's companies in these countries.

Temporary differences and loss carry-forwards that are not recognized as deferred tax assets

	2008	2007
Loss carry-forwards that expire within one year	52	
Loss carry-forwards that expire in more than one year but within three years	37	188
Loss carry-forwards that expire in more than three years	2,059	2,024
Total	2,148	2,212

Skanska has loss carry-forwards in a number of different countries. In some of these countries, Skanska currently has no operations or limited ones.

In certain countries, current earnings generation is at such a level that the likelihood that a loss carry-forward can be utilized is difficult to assess. There may also be limitations on the right to offset loss carry-forwards against income. In these cases, no deferred tax asset is reported for these loss carry-forwards.

Note 17 Property, plant and equipment

Property, plant and equipment are reported in compliance with IAS 16, "Property, Plant and Equipment." See Note 1, "Accounting and valuation principles."

Office buildings and other buildings used in the Group's business are recognized as property, plant and equipment. Machinery and equipment are recognized as a single item ("Plant and equipment").

Property, plant and equipment by asset class

	2008	2007
Property	1,925	1,873
Plant and equipment	4,956	3,965
Property, plant and equipment under construction	38	135
Total	6,919	5,973

Depreciation of property, plant and equipment by asset class and function

	Cost of sales		Selling and administration		Total	
	2008	2007	2008	2007	2008	2007
Property	-62	-44	-14	-9	-76	-53
Plant and equipment	-1,046	-959	-170	-168	-1,216	-1,127
Total	-1,108	-1,003	-184	-177	-1,292	-1,180

Impairment losses/reversals of impairment losses on property, plant and equipment

During 2008, net reversals of impairment losses in the amount of SEK +5 M (+3) were recognized. All impairment losses/reversals of impairment losses were recognized under "Cost of sales."

Impairment losses/reversals of impairment losses	Property		Plant and equipment	
	2008	2007	2008	2007
Impairment losses	-7	-17		-21
Reversals of impairment losses	1	11	11	30
Total	-6	-6	11	9

Amount of impairment losses/reversals in based on	Property		Plant and equipment	
	2008	2007	2008	2007
Net realizable value	-7		8	20
Value in use	1	-6	3	-11
Total	-6	-6	11	9

Note 17 Continued

Information about cost, accumulated depreciation, accumulated revaluations and accumulated impairment losses

	Property		Plant and equipment		Property, plant and equipment under construction	
	2008	2007	2008	2007	2008	2007
Accumulated cost						
January 1	3,114	2,857	13,753	12,082	135	165
Investments	106	229	1,966	1,604	73	67
Acquisitions of companies		17	1	2		
Divestments of companies			-3	-91		
Divestments	-363	-232	-476	-424	-77	
Reclassifications	63	111	-507	373	-101	-106
Exchange rate differences for the year	286	132	737	207	8	9
	3,206	3,114	15,471	13,753	38	135
Accumulated depreciation						
January 1	-900	-851	-9,768	-8,454		
Divestments of companies				29		
Divestments and disposals	50	38	339	277		
Reclassifications	60	-3	611	-325		
Depreciation for the year	-76	-53	-1,216	-1,127		
Exchange rate differences for the year	-45	-31	-429	-168		
	-911	-900	-10,463	-9,768		
Accumulated impairment losses						
January 1	-341	-316	-20	-26		
Divestments	27	10	3			
Reclassifications	-40	1	-44			
Impairment losses/reversals of impairment losses for the year	-6	-6	11	9		
Exchange rate differences for the year	-10	-30	-2	-3		
	-370	-341	-52	-20		
Carrying amount, December 31	1,925	1,873	4,956	3,965	38	135
Carrying amount, January 1	1,873	1,690	3,965	3,602	135	165
Information on assessed value for tax purposes, Sweden						
	2008	2007				
Buildings	406	396				
corresponding carrying amount of buildings	209	200				
Land	312	327				
corresponding carrying amount of land	94	87				

Other matters

Information about capitalized interest is presented in Note 15, "Borrowing costs."

For information about finance leases, see Note 40, "Leases."

Skanska has obligations to acquire property, plant and equipment in the amount of SEK 40 M (0).

Skanska did not receive any compensation from third parties for property, plant and equipment that was damaged or lost, either in 2008 or 2007.

Note 18 Goodwill

Goodwill is recognized in compliance with IFRS 3, "Business Combinations." See Note 1, "Accounting and valuation principles." For key judgments, see Note 2.

Goodwill according to the balance sheet amounted to SEK 4,442 M (4,584) and was mainly attributable to acquisitions during 2000, when Skanska acquired goodwill through acquisitions of businesses in Norway, the U.K. and the Czech Republic. During 2008, goodwill increased by SEK 4 M (45) through acquisition of one small unit in Finland. See Note 7, "Business combinations."

Goodwill value by business unit

	2008	2007	Change during the year	of which exchange rate differences	of which acquisition of companies ¹	of which divestment activities
Construction						
Norway	980	1,048	-68	-68		
Finland	461	397	64	63	4	-3
Poland	20	20	0	0		
Czech Republic	554	478	76	76		
United Kingdom	1,635	1,877	-242	-242		
USA Building	313	261	52	52		
USA Civil	28	23	5	5		
Residential Development						
Nordic countries	451	480	-29	-29		
Total	4,442	4,584	-142	-143	4	-3

of which acquisition goodwill in Group financial statements

	2008	2007
Construction		
Norway	967	1,033
Finland	181	156
Czech Republic	457	395
United Kingdom	1,142	1,311
Residential Development		
Nordic countries	440	470
Total	3,187	3,365

1 See Note 7, "Business combinations."

In Construction and Residential Development, the goodwill recoverable amount is based exclusively on value in use. Goodwill value together with other non-current asset, current-asset property and net working capital values are tested annually.

Expected cash flows are based on forecasts for each submarket in the countries where the Group has operations. For Construction, these forecasts include such variables as demand, cost of input goods, labor costs and the competitive situation. Residential Development establishes forecasts for the various segments of its operations. Important variables taken into account include demographic and interest rate trends.

The forecasts are based on previous experience, Skanska's own assessments and external sources of information. The forecast period encompasses three years. The growth rate that is used to extrapolate cash flow forecasts beyond the period covered by the three-year forecasts is the normal growth rate for the industry in each respective country. Normally, two percent has been used.

Each unit uses a unique discount factor based on weighted average cost of capital (WACC). Parameters that affect the WACC are: interest rates for borrowing, market risks and the ratio between borrowed funds and equity. For Construction units, a WACC is stated on the basis of capital employed consisting 100 percent of equity. In Residential Development, the WACC is based on capital employed consisting of 50 percent equity and 50 percent borrowed funds. The WACC interest rate is stated before taxes. The following table shows how the carrying amount relates to the recoverable amount

for the respective business units for Skanska's largest goodwill items, which are tested at the Group level. The carrying amount is expressed as 100. The tests are based on an assessment of developments during the coming three-year period.

	Construction operations				Residential Development Nordic
	Norway	Finland	Czech Republic	United Kingdom	
Recoverable amount, 100	100	100	100	100	100
Carrying amount ¹	n.a.	1	16	n.a.	67
Interest rate, percent (WACC)	10.1	10.4	10.6	10.1	8.2
Carrying amount in relation to recoverable amount, 100 in case of increase in interest rate					
+ 1 percentage point	n.a.	1	18	n.a.	84
+5 percentage points ²	n.a.	1	26	n.a.	173

1 For Skanska's operations in Norway and the United Kingdom, the carrying amount was negative due to a negative working capital that exceeds the value of property, plant and equipment.

2 Value > 100 indicates that the recoverable amount exceeds the carrying amount and an impairment loss needs to be recognized.

Note 18 Continued

Goodwill impairment losses

During 2008, the Group recognized goodwill impairment losses of SEK 0 M (-8).

In 2007, goodwill impairment losses were related to impairment losses in a small unit in Norway and were based on a calculation of value in use. The impairment loss was recognized as selling and administrative expenses in the income statement.

Information about cost and accumulated impairment losses

	Goodwill	
	2008	2007
Accumulated cost		
January 1	4,724	4,626
Acquisitions of companies	4	45
Divestments of companies	-3	
Reclassifications	-24	
Exchange rate differences for the year	-128	53
	4,573	4,724
Accumulated impairment losses		
January 1	-140	-136
Impairment losses for the year		-8
Reclassifications	24	
Exchange rate differences for the year	-15	4
	-131	-140
Carrying amount, December 31	4,442	4,584
Carrying amount, January 1	4,584	4,490

Note 19 Intangible assets

Intangible assets are recognized in compliance with IAS 38, "Intangible Assets." See "Accounting and valuation principles," Note 1.

Intangible assets and useful life applied

	2008	2007	Useful life
			applied
Expressway concession	572	434	26 years
Other intangible assets, externally acquired	232	224	3-50 years
Total	804	658	

The Group has no remaining carrying amounts for intangible assets that were internally generated.

The expressway concession in Santiago, Chile has been in full operation since 2006 and will be amortized over the concession period. The increase in Skanska's ownership of the expressway from 48 percent to 50 percent is the main reason behind the increased carrying amount for the expressway concession.

"Other intangible assets, externally acquired" includes acquired patents in Sweden, acquired service contracts in the United Kingdom, extraction rights for gravel pits and rock quarries in Sweden and computer software.

Extraction rights for rock quarries and gravel pits are amortized as material is extracted. Computer software is amortized in 3-5 years.

Service contracts are amortized over a period of 3-6 years and patents are amortized over 10 years.

Amortization of other intangible assets by function

All intangible assets were amortized, because they have a limited useful life.

Amortization by function	2008	2007
Cost of sales	-63	-47
Selling and administration	-28	-60
Total	-91	-107

Impairment losses/reversals of impairment losses on other intangible assets

During 2008, impairment losses/reversals of impairment losses on other intangible assets were recognized in the amount of SEK -7 M (-15). The impairment losses were attributable to the Construction business stream and were based on the value in use of the assets.

Information about cost, accumulated amortization and accumulated impairment losses

	Expressway concession		Other intangible assets, acquired		Intangible assets, internally generated ¹	
	2008	2007	2008	2007	2008	2007
Accumulated cost						
January 1	481	480	599	558	64	64
Acquisitions of companies				6		
Divestments of companies			-1			
Other investments	187		79	37		
Divestments of companies			-2	-2		
Reclassifications			6			
Exchange rate differences for the year	-33	1	56			
	635	481	737	599	64	64
Accumulated amortization						
January 1	-47	-29	-358	-267	-64	-64
Divestments			1			
Amortization for the year	-19	-18	-72	-88		
Reclassifications			-6	0		
Exchange rate differences for the year	3		-47	-3		
	-63	-47	-482	-358	-64	-64
Accumulated impairment losses						
January 1			-17	-2		
Amortization for the year			-7	-15		
Reclassifications			-1			
Exchange rate differences for the year			2			
	0	0	-23	-17	0	0
Carrying amount, December 31	572	434	232	224	0	0
Carrying amount, January 1	434	451	224	289	0	0

1 Internally generated intangible assets consisted of computer software.

Other matters

Information about capitalized interest is presented in Note 15, "Borrowing costs." Direct research and development expenses amounted to SEK 70 M (75).

Note 20 Investments in joint ventures and associated companies

Investments in joint ventures and associated companies are reported according to the equity method of accounting. Income from joint ventures and associated companies is reported on a separate line in operating income. This income consists of the Group's share of the income in joint venture and associated companies after financial items, adjusted for any impairment losses in goodwill on consolidated and intra-Group profits.

Income from joint ventures and associated companies is presented in the following table.

	2008	2007
Share of income in joint ventures according to the equity method ^{1,2}	161	261
Share of income in associated companies according to the equity method ¹	1	8
Divestments of joint ventures	690	112
Transfers of intra-Group profits in Infrastructure Development during useful life	17	18
Transfers of intra-Group profits in Infrastructure Development through divestments	7	3
Total	876	402

1 When calculating the income of joint ventures and associated companies according to the equity method, the Group's share of taxes is recognized on the "Taxes" line in the income statement. The Group's share of taxes in joint ventures amounted to SEK -56 M (-49) and its share of taxes in associated companies amounted to SEK -2 M (-2). See also Note 16, "Income taxes."

2 The amount includes impairment losses of SEK -112 M. Impairment losses for the year were SEK 74 M on shares in a Brazilian hydropower project in Infrastructure Development and SEK -38 M in a hotel project in Poland.

Carrying amount according to the balance sheet and the change that occurred during 2008 can be seen in the following table.

	Joint ventures	Associated companies	Total
January 1	1,911	34	1,945
Investments	208		208
Divestments	-518		-518
Reclassifications	34	-1	33
Exchange rate differences for the year	-41	-2	-43
The year's provision/reversal for intra-Group profit on contracting work	103		103
Exchange rate differences for the year, derivatives	-65		-65
The year's change in share of income in associated companies and joint ventures after subtracting dividends received	-151		-151
Carrying amount, December 31	1,481	31	1,512

Joint ventures

Joint ventures are reported in compliance with IAS 31, "Interests in Joint Ventures." See "Accounting and valuation principles," Note 1.

The Group has holdings in joint ventures with a carrying amount of SEK 1,481 M (1,911).

Infrastructure Development included a carrying amount in joint ventures totaling SEK 1,426 M (2,030). The value of these companies in the consolidated accounts was reduced by intra-Group profits of SEK -220 M (-408), which arose due to contracting work for these joint ventures, among other things.

Income from joint ventures

Share of income in joint ventures is reported in the income statement, because these holdings are an element of Skanska's business.

Share of income in joint ventures according to the equity method comes mainly from Infrastructure Development operations.

Infrastructure Development

Infrastructure Development specializes in identifying, developing and investing in privately financed infrastructure projects, such as roads, hospitals and power generating plants. The business stream focuses on creating new project opportunities in the markets where the Group has operations.

Income from holdings in joint ventures in Infrastructure Development improved during 2008. This is explained by the divestment of the Brazilian hydropower plant project Ponte de Pedra.

Skanska increased its ownership stake in its largest project – the Autopista Central toll expressway in Chile – from 48 to 50 percent.

During 2008 two road projects opened, the A1 phase 1 in Poland and the E18 in Finland, and Skanska was awarded two new assignments, the A1 phase 2 in Poland and the M25 in the United Kingdom. The task of arranging loans for these new projects is underway.

Specification of major holdings of shares and participations in joint ventures

Company	Operations	Country	Percentage of share capital	Percentage of voting power	Currency	Consolidated carrying amount	
						2008	2007
Joint ventures in Infrastructure Development							
Autopista Central S.A. ^{1,2}	Highway	Chile	50	50	CLP	524	636
preceding year			48	48			
Breitener Energetica S/A ³	Power plant	Brazil	35	35	BRL	79	181
Bristol PFI Development Ltd	Education	U.K.	50	50	GBP	0	0
Bristol PFI (Holdings) Ltd	Education	U.K.	61	46	GBP	0	0
Bristol PFI Ltd	Education	U.K.	61	46	GBP	5	46
Capital Hospitals (Holdings) Ltd	Healthcare	U.K.	38	38	GBP	53	80
Central Nottinghamshire Hospital (Holdings) Ltd	Healthcare	U.K.	50	50	GBP	60	0
Derby Healthcare Holdings Ltd	Healthcare	U.K.	25	25	GBP	148	32
Gdansk Transport Company S.A	Highway	Poland	30	30	PLN	0	39
Investors in Community (Bexley Schools) Ltd	Education	U.K.	50	50	GBP	15	18
Midlothian Schools Holdings Ltd	Education	U.K.	50	50	GBP	24	33
Orkdalsvegen AS	Highway	Norway	50	50	NOK	14	12
The Coventry and Rugby Hospital Comp.Ltd	Healthcare	U.K.	25	50	GBP	89	63
The Walsall Hospital Company Plc	Healthcare	U.K.	50	50	GBP	1	0
Tieyhtiö Nelostie Oy	Highway	Finland	50	50	EUR	49	39
preceding year				41			
Tieyhtiö Ykköstie Oy	Highway	Finland	41	41	EUR	145	48
						1,206	1,227
Sold in 2008							
Ponte de Pedra Energetica S/A	Power plant	Brazil	50	50	BRL		395
Other joint ventures						275	289
Total						1,481	1,911

1 There is also an investment in a concession fee. Its carrying amount was SEK 572 M (434). See Note 19, "Intangible assets."
 2 The carrying amount was affected during 2008 by the purchase of an additional 2 percentage point stake as well as an investment repayment.
 3 During 2008, an impairment loss of SEK -74 M on Skanska's holding was recognized.

Information on the Group's share of the income statements and balance sheets of joint ventures reported according to the equity method

Income statement	2008	2007	The amount includes Infrastructure Development operations totaling		Reconciliation with shares in joint ventures	2008	2007
			2008	2007			
Revenue	3,914	3,918	3,420	3,056	Skanska's portion of equity in joint ventures, adjusted for surplus value and goodwill	1,698	2,316
Operating expenses	-3,434	-3,356	-3,011	-2,681	- Intra-Group profit in consolidated financial statements	-220	-408
Operating income	480	562	409	375	+ losses in Infrastructure Development not posted because Skanska's portion is already zero	3	3
Financial items	-319	-301	-311	-275	Carrying amount of shares	1,481	1,911
Income after financial items	161	261	98	100			
Taxes	-56	-49	-42	-4	Assets pledged		
Profit for the year	105	212	56	96	Shares in joint ventures pledged as collateral for loans and other obligations amounted to SEK 783 M (1,417).		
Balance sheet							
Non-current assets	14,478	13,071	14,299	12,896	Other matters		
Current assets	5,743	7,543	4,990	6,653	Skanska's portion of the total investment obligations of partly owned joint ventures amounted to SEK 4,228 M (9,509).		
Total assets	20,221	20,614	19,289	19,549	Skanska has undertaken to invest an additional SEK 722 M (1,108) in Infrastructure Development in the form of equity holdings and loans. The remaining portion is expected to be financed mainly in the form of bank loans or bond loans in the respective joint ventures and in the form of participations and loans from other co-owners.		
Equity attributable to equity holders ¹	1,698	2,316	1,423	2,027	The downturn in investment obligations was mainly due to project completion. Contingent liabilities for joint ventures amounted to SEK 767 M (651).		
Minority	7	6					
Non-current liabilities	15,530	16,480	15,124	15,815			
Current liabilities	2,986	1,812	2,742	1,707			
Total equity and liabilities	20,221	20,614	19,289	19,549			

1 Equity exceeded the carrying amount of shares in joint ventures by consolidated intra-Group profits on contracting work for Infrastructure Development, which was not charged to income in these operations and was thus not reported in the table.

Note 20 Continued

Associated companies

Associated companies are reported in compliance with IAS 28, "Investments in Associates." See "Accounting and valuation principles," Note 1.

The carrying amount of associated companies was SEK 31 M (34).

Information on the Group's share of revenue, income, assets, liabilities and equity in associated companies

	2008	2007
Revenue	23	40
Income	2	7
Assets	38	80
Equity ¹	-1,054	-1,051
Liabilities	1,092	1,131
	38	80

1 Reconciliation between equity and carrying amount of holdings according to the equity method of accounting

	2008	2007
Equity in associated companies	-1,054	-1,051
Adjustment for losses not recognized	1,085	1,085
Carrying amount according to balance sheet	31	34

Unrecognized portion of losses in associated companies

	2008	2007
Loss for the year	0	0
Losses in prior years	-1,085	-1,085

The losses occurred in partly owned limited partnerships that previously carried out aircraft leasing. After impairment losses, these holdings are recognized at SEK 0. The Group has no obligations to provide additional capital.

Other matters

The associate companies have no liabilities or contingent liabilities which the Group may become responsible for paying. Nor are there any obligations for further investments.

Note 21 Financial assets

Financial investments, financial receivables and shareholdings where ownership is less than 20 percent and the Group has no significant influence are recognized as financial non-current assets.

Financial investments and financial receivables are recognized as financial current assets.

See also Note 6, "Financial instruments."

Financial non-current assets

	2008	2007
Financial investments		
Financial assets at fair value through profit or loss		
Derivatives		2
Held-to-maturity investments	1	3
Financial assets available for sale ^{1, 2}	64	477
	65	482

Financial receivables, interest-bearing

Receivables from associated companies		
Receivables from joint ventures	36	25
Restricted cash	164	160
Other interest-bearing receivables	44	61
	244	246
Total	309	728

of which interest-bearing financial non-current assets	245	634
of which non-interest-bearing financial non-current assets	64	94

Financial current assets

	2008	2007
Financial investments		
Financial assets at fair value through profit or loss		
Derivatives	38	81
Hedge accounted derivatives	238	33
Held-to-maturity investments	932	589
Financial assets available for sale ¹	0	410
	1,208	1,113

Financial assets, interest-bearing

Restricted cash	3,207	2,008
Discounted operating receivables ³	734	1,041
Other interest-bearing receivables ⁴	2,136	524
	6,077	3,573
Total	7,285	4,686

of which interest-bearing financial current assets	7,009	4,572
of which non-interest-bearing current financial assets	276	114

Total carrying amount, financial assets	7,594	5,414
of which financial assets excluding shares	7,530	5,322

1 During 2007 the Group recognized SEK 887 M in the category "Financial assets available for sale." During 2008 these matured or were sold as the liquidity surplus decreased. In October 2008 only SEK 201 M remained, and this was reclassified to "Financial receivables." See also Note 6, "Financial instruments."

2 Including SEK 64 M (92) in shares carried at cost. During 2008, shareholdings were affected by impairment losses of SEK -17 M (-11). Of these losses, SEK -2 M was charged to the Construction business stream and SEK -15 M to the Residential Development business stream. The impairment losses were charged to financial items. See Note 14, "Net financial items." Of the total impairment losses, SEK -17 M, SEK -9 M was based on net realizable value and SEK -8 M on value in use.

3 The amount included SEK 348 M (707) in discounted receivables on properties divested in Commercial Development. The remainder consisted of SEK 386 M (334) in discounting of operating receivables in Czech operations.

4 The amount included SEK 1,403 M (412) in accrued receivables from buyers of Commercial Development properties.

Note 22 Current-asset properties/Project development

Current-asset properties are reported in compliance with IAS 2, "Inventories."

See Note 1 "Accounting and valuation principles."

The allocation of balance-sheet items among the various business streams can be seen below.

Balance sheet item	Business stream	2008	2007
Commercial Development	Commercial Development	9,590	6,260
Other commercial properties	Construction	1,245	748
Residential Development	Residential Development	7,733	6,190
Total		18,568	13,198

For a further description of the respective business streams, see Note 4, "Segment reporting."

Completed properties, properties under construction and development properties are all reported as current-asset properties.

Divestments of current-asset properties

	2008	2007
Divestment proceeds		
Commercial Development	3,537	2,796
Other commercial properties	391	675
Residential Development	3,659	5,393
	7,587	8,864
Carrying amount		
Commercial Development	-2,299	-1,716
Other commercial properties	-172	-458
Residential Development	-2,841	-4,283
	-5,312	-6,457
Gross income		
Commercial Development	1,238	1,080
Other commercial properties	219	217
Residential Development	818	1,110
	2,275	2,407

Breakdown of divestments by Commercial Development between completed properties and properties

	Completed properties		Properties under construction and development properties		Total	
	2008	2007	2008	2007	2008	2007
Divestment proceeds	915	1,372	2,622	1,424	3,537	2,796
Carrying amount	-554	-839	-1,745	-877	-2,299	-1,716
Gross income	361	533	877	547	1,238	1,080

Impairment losses/reversals of impairment losses

Current-asset properties are valued in compliance with IAS 2, "Inventories," and are this carried at cost or net realizable value, whichever is lower. Adjustments to net realizable value via an impairment loss are recognized, as are reversals of previous impairment losses, in the income statement under "Cost of sales."

Net realizable value is affected by the type and location of the property and by the yield requirement in the market.

The following table shows that during 2008, impairment losses totaling SEK 41 M (47) were reversed. The reason for this was the net realizable value increased during the year.

	Impairment losses		Reversals of impairment losses		Total	
	2008	2007	2008	2007	2008	2007
Commercial Development	-102	-35			-102	-35
Other commercial properties	-7		1		-6	0
Residential Development	-448	-53	40	47	-408	-6
Total	-557	-88	41	47	-516	-41

Carrying amount

	Completed properties		Properties under construction		Development properties		Total current-asset properties	
	2008	2007	2008	2007	2008	2007	2008	2007
Commercial Development ¹	2,126	2,239	5,005	2,501	2,459	1,520	9,590	6,260
Other commercial properties	106	121	485	109	654	518	1,245	748
Residential Development	761	341	1,280	886	5,692	4,963	7,733	6,190
Total	2,993	2,701	6,770	3,496	8,805	7,001	18,568	13,198

1 Of the amount for properties under construction, SEK 5,005 M, SEK 1,686 M consisted of properties completed during 2008 and SEK 3,319 M of ongoing projects.

	Commercial Development		Other commercial properties		Residential Development		Total current-asset properties	
	2008	2007	2008	2007	2008	2007	2008	2007
Carrying amount								
January 1	6,260	5,583	748	956	6,190	5,288	13,198	11,827
Acquisitions of companies				4			0	4
Divestments of companies				-4			0	-4
Investments	5,553	2,362	667	338	4,333	4,983	10,553	7,683
Carrying amount, properties divested	-2,299	-1,716	-172	-458	-2,841	-4,283	-5,312	-6,457
Impairment losses/reversals of impairment losses	-102	-35	-6		-408	-6	-516	-41
The year's provision for intra-Group profits in contracting work	-143	-86					-143	-86
Reclassifications	-102	94	-19	-108	-13	-20	-134	-34
Exchange rate difference for the year, derivatives	9	1					9	1
Exchange rate differences for the year	414	57	27	20	472	228	913	305
December 31	9,590	6,260	1,245	748	7,733	6,190	18,568	13,198

The carrying amount of current-asset properties is allocated between properties carried at cost and properties carried at net realizable value, as shown in the following table:

	Cost		Net realizable value		Total	
	2008	2007	2008	2007	2008	2007
Commercial Development	9,010	6,086	580	174	9,590	6,260
Other commercial properties	1,205	719	40	29	1,245	748
Residential Development	7,319	6,128	414	62	7,733	6,190
Total	17,534	12,933	1,034	265	18,568	13,198

Fair value of current-asset properties

The estimated market value of completed commercial properties on December 31, 2008, partly carried out in collaboration with external appraisers, was SEK 5.1 billion (3.6), with a corresponding carrying amount of SEK 3.8 billion (2.6).

Commercial Development

SEK billion	Surplus value 31-dec-08
Completed projects	1.3
Undeveloped land and development properties	0.2
Ongoing projects ¹	0.5
Total	2.0

1 Surplus value refers to accrued surplus value

Information on assessed value for tax purposes, current-asset properties, Sweden

	Assessed value		Corresponding carrying amount	
	2008	2007	2008	2007
Buildings	2,673	2,093	5,449	3,398
Land	2,317	2,510	1,883	2,456
Total	4,990	4,603	7,332	5,854

Assets pledged

Current-asset properties used as collateral for loans and other obligations totaled SEK 1 M (5). See Note 33, "Assets pledged, contingent liabilities and contingent assets."

Other matters

Information on capitalized interest is reported in Note 15, "Borrowing costs."

Skanska has committed itself to investing SEK 1,591 M (863) in current-asset properties.

Note 23 Inventories etc.

Inventories are reported in compliance with IAS 2, "Inventories." See "Accounting and valuation principles," Note 1.

	2008	2007
Raw materials and supplies	588	549
Products being manufactured	23	185
Finished products and merchandise	290	35
Total	901	769

There were no significant difference between the carrying amount for inventories and their fair value.

No portion of inventories was adjusted due to an increase in net realizable value.

No merchandise was used as collateral for loans and other obligations.

Note 24 Trade and other receivables

Non-interest-bearing business receivables are reported as "Trade and other receivables." Trade and other receivables are part of the Group's operating cycle and are recognized as current assets.

	2008	2007
Trade accounts receivable from joint ventures	348	276
Other trade accounts receivable	20,059	19,935
Other operating receivables from associated companies	0	16
Other operating receivables	3,927	3,542
Prepaid expenses and accrued income	1,654	1,399
Total	25,988	25,168

of which, financial instruments reported in Note 6, "Financial instruments"

	2008	2007
Trade accounts receivable	20,407	20,211
Other operating receivables including accrued interest income	167	191
	20,574	20,402
of which non-financial instruments	5,414	4,766

Note 25 Cash equivalents

Investments with an insignificant risk of fluctuations in value and which can easily be transformed into cash are reported as cash equivalents. Their maturity from the acquisition date is three months or shorter.

Cash equivalents amounted to SEK 0 M (521). The 2007 amount consisted entirely of financial instruments in the category "Financial assets available for sale." See also Note 6, "Financial instruments."

Note 26 Equity/Earnings per share

In the consolidated financial statements, equity is allocated between equity attributable to equity holders (shareholders) and minority interest.

Minority interest accounts for about one percent of total equity.

After taking into account tax effects, equity changed during the year as follows.

Equity changed during the year as follows:

	2008	2007
Opening balance	20,724	19,337
Attributable to equity holders		
Dividend	-3,448	-3,453
Translation differences	1,333	646
Effect of actuarial gains and losses on pensions	-2,008	68
Effect of share-based payments	56	28
Effect of cash flow hedges	-207	-61
Repurchases of shares	-271	
Change in minority interest	-87	38
Profit for the year attributable to		
Equity holders	3,102	4,096
Minority	55	25
Equity	19,249	20,724

Equity attributable to equity holders is allocated as follows:

	2008	2007
Share capital	1,269	1,269
Paid-in capital	316	316
Reserves	2,456	1,330
Retained earnings	15,030	17,599
Total	19,071	20,514

The following reserves are found in the consolidated financial statements:

	2008	2007
Translation reserve	2,649	1,316
Cash flow hedge reserve	-193	14
Fair value reserve	0	0
Total	2,456	1,330

Paid-in capital

Paid-in capital in excess of quota (par) value from historical issues of new shares is recognized as "Paid-in capital."

Retained earnings

Retained earnings include the profit for the year plus undistributed Group profits earned in prior years. The statutory reserve is part of retained earnings, along with actuarial gains and losses on pensions, which in compliance with IAS 19 was recognized directly in equity in the amount of SEK -2,008 M (68). In compliance with IFRS 2, the year's change in share-based payment was recognized directly in equity in the amount of SEK 56 M (28). See below.

Translation reserve

The translation reserve consists of accumulated translation differences from the translation of financial reports for operations abroad. The translation reserve also includes exchange rate differences that have arisen when hedging net investments in operations abroad. The translation reserve was reset at zero upon the transition to IFRSs on January 1, 2004. Translation differences for the year amounted to SEK 1,752 M (629) and consisted of positive translation differences in USD, EUR, CZK and DKK as well as a negative translation difference in NOK (for currency abbreviations, see Note 34, "Effect of changes in exchange rates").

During the year, the translation reserve declined by SEK -41 M, of which SEK -3 M was due to divestments of subsidiaries and SEK -38 M due to divestments of joint ventures.

During 2008, the translation reserve was affected by exchange rate differences of SEK -378 M (17) due to currency hedging. The Group has currency hedges against net

Note 26 Continued

investments mainly in USD, EUR, NOK, CZK, PLN, BRL and CLP. The accumulated translation reserve totaled SEK 2,649 M (1,316). The allocation by currency can be seen in the following table.

Accumulated translation reserve by currency

SEK billion	Accumulated translation reserve		Translation differences for the year	Currency risk hedging for the year
	2008	2007	2008	2008
CZK	1.0	0.6	0.5	-0.1
EUR	0.6	0.2	0.6	-0.3
USD	0.5	-0.1	0.8	-0.2
PLN	0.3	0.3	0.0	0.0
DKK	0.2	0.0	0.1	0.0
NOK	0.1	0.2	-0.2	0.1
CLP	0.1	0.1	0.0	0.0
BRL	0.0	0.1	-0.1	0.0
GBP	-0.1	0.0	-0.1	0.0
Other currencies	-0.1	-0.1	0.2	0.1
Total	2.6	1.3	1.8	-0.4

Cash flow hedge reserve

Hedge accounting is applied mainly to Infrastructure Development in the United Kingdom and to Skanska's operations in Poland. Recognized in the cash flow hedge reserve are unrealized gains and losses on hedging instruments. The change during 2008 amounted to SEK -207 M (-61), and the closing balance of the reserve totaled SEK -193 M (14).

Fair value reserve

The fair value reserve includes the accumulated net change in the fair value of financial assets available for sale until the asset is derecognized from the balance sheet.

IFRS 2, "Share-based Payment"

The share incentive programs introduced in 2005 and 2008, respectively, are recognized as share-based payment, which is settled with an equity instrument in compliance with IFRS 2. This implies that fair value is calculated on the basis of estimated fulfillment of financial targets during a measurement period. After the close of the measurement period, fair value is established.

This value is allocated over the four- and three-year vesting period, respectively. There is no reappraisal after fair value is established during the remainder of the vesting period, aside from changes in the number of shares because the condition of continued employment during the vesting period is no longer met.

Dividend

After the balance sheet date, the Board of Directors proposed a regular dividend of SEK 5.25 (5.25) per share. The previous year, an extra dividend of SEK 3.00 per share was also paid. The dividend is subject to the approval of the Annual Shareholders' Meeting on April 6, 2009.

The overall proposed dividend is:

	2008	2007 ¹
Regular dividend	2,183	2,197
Extra dividend	0	1,256
Total	2,183	3,453

¹ The dividend amount changed by the record date due to repurchases of shares. The total dividend amounted to SEK 3,448 M, a decrease of SEK 5 M.

Shares

Information on the number of shares as well as earnings and equity per share can be seen in the table below.

	2008	2007
Number of shares, December 31	423,053,072	423,053,072
of which Series A and B shares ¹	418,553,072	418,553,072
of which Series D shares (not entitled to dividends, in Skanska's own custody)	4,500,000	4,500,000
Average price, repurchased shares	96.97	
Number of Series B shares repurchased	2,795,000	
Number of Series B shares in Skanska's own custody, December 31	2,793,162	
Number of shares outstanding, December 31		
After repurchases	415,759,910	418,553,072
After repurchases and dilution	416,956,302	419,150,515
Average number of shares outstanding		
After repurchases	416,985,073	418,553,072
After repurchases and dilution	417,781,483	418,992,099
Average dilution, percent	0.21	0.10
Earnings per share		
After repurchases, SEK	7.44	9.78
After repurchases and dilution	7.42	9.77
Equity per share, SEK	45.74	49.01

¹ For allocation of Series A and Series B shares, see Parent Company financial statements, Note 55, "Equity, Parent Company."

Dilution effect

In the share incentive programs introduced in 2005 and 2008, respectively, the number of potential ordinary shares is calculated during the measurement period based on the estimated number of shares that will be issued due to the fulfillment of the established targets. The number of potential ordinary shares thus calculated is then reduced by the difference between the payment Skanska is expected to receive and the average share price during the period.

Excluding social insurance contributions, the cost of both share incentive programs is estimated at a total of about SEK 313 M, allocated over three years, corresponding to 3,229,312 shares. The maximum dilution at the close of the vesting period is estimated at 0.77 percent. During 2008, the cost of both programs amounted to SEK 64 M excluding social insurance contributions, equivalent to 1,267,778 shares. The dilution effect up to and including 2008 totaled 0.31 percent.

Capital management

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

In the Board's judgment, the Group's equity totals a reasonable amount in view of the requirements posed by Skanska's financial position and market circumstances. The ambition is to use the net cash surplus to expand investments in the Group's development business streams – Residential, Commercial and Infrastructure Development. Cash and cash equivalents that are not being utilized are invested in short-term instruments such as government securities, bank-issued or corporate bonds with a credit rating no lower than BBB.

Other matters

Disclosures on income and expenses from financial instruments recognized directly in equity are presented in Note 6, "Financial instruments."

Note 26 Continued

	Equity attributable to equity holders					Minority interest	Total equity
	Share capital	Paid-in capital	Reserves	Retained earnings	Total		
Equity, January 1, 2007	1,269	316	745	16,860	19,190	147	19,337
Change in translation reserve for the year			646		646	11	657
Change in cash flow reserve for the year			-75		-75		-75
Change in share-based payment for the year				28	28		28
Change in actuarial gains and losses on pensions for the year ¹				106	106		106
Other transfers of assets recognized directly in equity ²					0	33	33
Taxes attributable to items recognized directly in equity ³			14	-38	-24		-24
Changes in assets recognized directly in equity, excluding transactions with the Company's owners	0	0	585	96	681	44	725
Profit for the year				4,096	4,096	25	4,121
Total changes in assets, excluding transactions with the Company's owners	0	0	585	4,192	4,777	69	4,846
Dividend				-3,453	-3,453	-6	-3,459
Equity, December 31, 2007/Equity/January 1, 2008	1,269	316	1,330	17,599	20,514	210	20,724
Change in translation reserve for the year			1,333		1,333	23	1,356
Change in cash flow hedge reserve for the year			-221		-221		-221
Change in share-based payment for the year				56	56		56
Change in actuarial gains and losses on pensions for the year ¹				-2,743	-2,743		-2,743
Other transfers of assets recognized directly in equity ²					0	-65	-65
Taxes attributable to items recognized directly in equity ³			14	735	749		749
Changes in assets recognized directly in equity, excluding transactions with the Company's owners	0	0	1,126	-1,952	-826	-42	-868
Profit for the year				3,102	3,102	55	3,157
Total changes in assets, excluding transactions with the Company's owners	0	0	1,126	1,150	2,276	13	2,289
Repurchases of 2,795,000 Series B shares				-271	-271		-271
Dividend				-3,448	-3,448	-45	-3,493
Equity, December 31, 2008	1,269	316	2,456	15,030	19,071	178	19,249

1 Includes social insurance contributions in the amount of SEK -310 M (-9).

2 Reported as "Other transfers of assets recognized directly in equity" was SEK -65 M (33) in minority interest. Of this amount, SEK -63 M (38) was related to reclassification and SEK -2 M (-5) to purchases from minority interests.

3 The amount recognized among reserves, SEK 14 M (14), was related to the cash flow hedge reserve. The amount recognized in retained earnings, SEK 735 M (-38), was related to the year's change in actuarial gains and losses on pensions.

Note 26 Continued

Specification of reserves included in "Equity attributable to equity holders"

	2008	2007
Translation reserve		
January 1	1,316	670
Transfer of translation differences in companies divested	-41	
Translation differences for the year	1,752	629
Less hedging of currency risk in operations abroad	-378	17
	2,649	1,316
Cash flow hedge reserve		
January 1	14	75
Cash flow hedges:		
Recognized directly in equity	-179	5
Transferred to income statement	-42	-80
taxes attributable to hedging for the year	14	14
	-193	14
Total reserves	2,456	1,330

Fair value reserve

The fair value reserve amounted to SEK 0 M.

Note 27 Financial liabilities

Financial liabilities are allocated between non-current and current liabilities. Normally, a maturity date within one year is required if a liability is to be treated as current. This does not apply to discounted operating liabilities, which are part of Skanska's operating cycle and are consequently recognized as current liabilities regardless of their maturity date.

Concerning financial risks and financial policies, see Note 6, "Financial instruments."

Financial non-current liabilities	2008	2007
Other financial liabilities		
Liabilities to credit institutions	820	741
Other liabilities	257	214
Total	1,077	955
of which interest-bearing financial non-current liabilities	1,077	955
Financial current liabilities	2008	2007
Financial liabilities at fair value through profit or loss		
Derivatives	224	28
Hedge accounted derivatives	235	61
Other financial liabilities		
Bond loans	0	678
Liabilities to credit institutions	415	425
Liabilities to joint ventures	9	3
Discounted liabilities ¹	1,042	1,468
Other liabilities	156	40
Total	2,081	2,703
of which interest-bearing financial current liabilities	1,622	2,614
of which non-interest-bearing financial current liabilities	459	89
Total carrying amount for financial liabilities	3,158	3,658

1 Of the total amount, SEK 1,042 M (1,468), SEK 281 M (439) consisted of discounted advance payments from customers. The amount also included SEK 199 M (596) in discounted liabilities in property operations consisting of discounted liabilities on purchases of current-asset properties. The remaining amount, SEK 563 M (433), consisted of discounted operating liabilities in the Czech Republic.

Note 28 Pensions

Provisions for pensions are reported in compliance with IAS 19, "Employee Benefits." See "Accounting and valuation principles," Note 1.

Pension liability according to the balance sheet

According to the balance sheet, interest-bearing pension liability amounts to SEK 3,100 M (1,149).

Skanska has defined-benefit pension plans in Sweden, Norway and the U.K. The pension in these plans is mainly based on final salary. The plans include a large number of employees, but Skanska also has defined-contribution plans in these countries. The previous defined-benefit plans in the U.S. have been settled and replaced with defined-contribution plans. Group companies in other countries mainly have defined-contribution plans.

Defined-benefit plans

The pension plans mainly consist of retirement pensions. Each respective employer usually has obligation to pay a lifetime pension. Benefits are based on the number of years of employment. The employee must belong to the plan for a certain number of years to earn a full retirement pension entitlement. For each year, the employee earns increased pension entitlements, which are reported as pension earned during the period plus an increase in pension obligation.

Pension plans are funded by securing pension obligations with assets in pension funds and provisions in the balance sheet. The plans are funded by payments from the respective Group companies and in some cases the employees.

The plan assets in each pension plan are smaller than the pension obligation. For this reason, the difference is recognized as a liability in the balance sheet. The ceiling rule that, in some cases, limits the value of these assets in the balance sheet does not apply when plan assets are smaller than pension obligations.

On the balance sheet date, the pension obligation amounted to SEK 11,340 M (11,157). The increased obligation for pensions earned during the period and lower long-term interest rates, and thus lower discount rates, were partly offset by benefits paid and settlement of U.S. plans.

Plan assets amounted to SEK 8,240 M (10,008). The lower value of plan assets was largely due to the international decline in the value of equities and mutual funds as well as settlement of U.S. plans.

Actuarial gains and losses may be recognized directly in equity in the balance sheet, according to the alternative rule in IAS 19. Skanska applies this alternative method. Actuarial gains and losses during 2008 amounted to SEK -788 M (179), mainly due to lower discount rates. Actuarial gains and losses on plan assets during 2008 amounted to SEK -1,645 M (-64), due to the international decline in value. The accumulated net loss amounted to SEK -3,728 M (-1,295), which is included in recognized pension liability.

The return on plan assets recognized in the income statement amounted to SEK 618 M (569), while actual return amounted to SEK -1,027 M (505). The divergence was attributable to pension plans in all three countries where Skanska has defined-benefit plans.

The plan assets consisted mainly of equities, interest-bearing securities and mutual fund units. No assets were used in Skanska's operations. The number of directly owned shares in Skanska AB totaled 600,000 (250,000) Series B shares. There was also an insignificant percentage of indirectly owned shares in Skanska AB via investments in various mutual funds.

Plan assets

	Sweden	Norway	United Kingdom
2008			
Equities	18%	31%	47%
Interest-bearing securities	56%	56%	51%
Alternative investments	26%	13%	2%
Expected return	5.50%	6.75%	6.75%
Actual return	-7.70%	-16.00%	-11.70%
2007			
Equities	26%	33%	50%
Interest-bearing securities	52%	56%	48%
Alternative investments	22%	11%	2%
Expected return	5.00%	5.75%	6.25%
Actual return	6.10%	6.50%	3.50%

Note 28 Continued

The ITP 1 occupational pension plan in Sweden is a defined-contribution plan. Skanska pays premiums for employees covered by ITP 1, and each employee selects a manager. The Company offers employees the opportunity to select Skanska as the manager. For employees who have selected Skanska as their manager, there is a guaranteed minimum amount that the employee will receive upon retirement. This guarantee means that the portion of the ITP plan for which Skanska is the manager is recognized as a defined-benefit plan. The net amount of obligations and plan assets for ITP 1 managed by Skanska is recognized in the Company's balance sheet. This net amount was marginal, since payments into this portion of the plan began late in 2008.

The ITP 2 occupational pension plan in Sweden is a defined-benefit plan. A small portion is secured by insurance from the retirement insurance company Alecta. This is a multi-employer insurance plan, and there is insufficient information to report these obligations as a defined-benefit plan. Pensions secured by insurance from Alecta are therefore reported as a defined-contribution plan.

Defined-contribution plans

These plans mainly cover retirement pension, disability pension and family pension. The premiums are paid regularly during the year by the respective Group company to separate legal entities, for example insurance companies. The size of the premium is based on salary. The pension expense for the period is included in the income statement.

Obligations related to employee benefits, defined-benefit plans

	2008	2007	2006
Pension obligations, funded plans, present value on December 31	11,340	11,157	10,888
Plan assets, fair value, December 31	-8,240	-10,008	-9,332
Net liability according to balance sheet	3,100	1,149	1,556

Pension obligations and plan assets by country

	Sweden	Norway	United Kingdom	United States ¹	Total
2008					
Pension obligations	4,753	2,405	4,182		11,340
Plan assets	-3,070	-1,763	-3,407		-8,240
Net liability according to balance sheet	1,683	642	775		3,100
2007					
Pension obligations	4,176	2,104	4,347	530	11,157
Plan assets	-3,371	-2,046	-4,157	-434	-10,008
Net liability according to balance sheet	805	58	190	96	1,149

¹ Defined-benefit plans in the United States were settled during 2008.

Total pension expenses in the income statement

	2008	2007
Pensions earned during the year	-554	-566
Less: Funds contributed by employees	27	30
Interest on obligations	-517	-477
Expected return on plan assets	618	569
Pension expenses, defined-benefit plans	-426	-444
Pension expenses, defined-contribution plans	-882	-732
Social insurance contributions, defined-benefit and defined-contribution plans ¹	-80	-91
Total pension expenses	-1,388	-1,267

¹ Refers to special payroll tax in Sweden and employer fee in Norway.

Allocation of pension expenses in the income statement

	2008	2007
Cost of sales	-1,157	-1,029
Selling and administrative expenses	-332	-330
Financial items	101	92
Total pension expenses	-1,388	-1,267

Actuarial gains and losses recognized directly in equity

	2008	2007	2006	2005	2004
January 1	-1,295	-1,410	-2,061	-590	0
Actuarial gains and losses on pension obligations ¹	-788	179	467	-2,098	-766
Difference between expected and actual return on plan assets	-1,645	-64	184	627	176
Accumulated	-3,728	-1,295	-1,410	-2,061	-590

¹ Allocation of changed assumptions and experience-based changes:

	2008	2007	2006
Changed assumptions	-646	474	296
Experience-based changes	-142	-295	171
Total actuarial gains and losses on pension obligations	-788	179	467

See also "Consolidated statement of recognized income and expenses," which shows the tax portion and social insurance contributions recognized directly in equity.

Pension obligations

	2008	2007
January 1	11,157	10,888
Pensions earned during the year	554	566
Interest on obligations	517	477
Benefits paid by employers	-161	-156
Benefits paid from plan assets	-230	-182
Reclassifications	5	-33
Actuarial gains (-), losses (+) during the year	788	-179
Curtailments and settlements	-552	-142
Exchange rate differences	-738	-82
Pension obligations, present value	11,340	11,157

Plan assets

	2008	2007
January 1	10,008	9,332
Expected return on plan assets	618	569
Funds contributed by employers	510	479
Funds contributed by employees	27	30
Benefits paid	-230	-182
Reclassifications	24	72
Actuarial gains (+), losses (-) during the year	-1,645	-64
Curtailments and settlements	-439	-142
Exchange rate differences	-633	-86
Plan assets, fair value	8,240	10,008

Funds contributed are expected to total about SEK 600 M during 2009 through payments to funds in Norway and the United Kingdom.

Reconciliation of interest-bearing pension liability

	2008	2007
Pension liabilities, January 1	1,149	1,556
Pension expenses	426	444
Benefits paid by employers	-161	-156
Funds contributed by employees	-510	-479
Reclassifications	-19	-105
Actuarial gains (-), losses (+) during the year	2,433	-115
Curtailements and settlements	-113	
Exchange rate differences	-105	4
Net liability according to balance sheet	3,100	1,149

Actuarial assumptions

	Sweden	Norway	United Kingdom
2008			
Discount rate, January 1	4.25%	4.75%	5.50%
Discount rate, December 31	4.00%	4.00%	5.50%
Expected return on plan assets for the year	5.50%	6.75%	6.75%
–of which equities	7.25%	8.25%	8.00%
–of which interest-bearing securities	3.75%	5.25%	5.25%
Expected pay increase, December 31	3.50%	3.75%	4.50%
Expected inflation, December 31	2.00%	2.50%	3.00%

2007

Discount rate, January 1	3.75%	4.25%	5.00%
Discount rate, December 31	4.25%	4.75%	5.50%
Expected return on plan assets for the year	5.00%	5.75%	6.25%
–of which equities	6.75%	7.75%	7.50%
–of which interest-bearing securities	3.25%	4.25%	4.50%
Expected pay increase, December 31	3.50%	3.75%	4.50%
Expected inflation, December 31	2.00%	2.50%	3.00%

	Sweden	Norway	United Kingdom
Life expectancy after age 65, men	20 years	18 years	22 years
Life expectancy after age 65, women	23 years	21 years	25 years
Life expectancy table ¹	DUS06	K2005	PA92

¹ Life expectancy is based on local life expectancy tables in each respective country. If life expectancy increases by one year, pension obligation is expected to increase by about 4 percent.

Expected return on interest-bearing securities is established on the basis of market interest rates on the balance sheet date for high-grade long-term corporate bonds or government bonds in each respective country, adjusted for current holdings in each respective portfolio.

For the equities market as a whole, a risk premium of 3 percent is added. This premium is adjusted for the risk profile of each respective equities market.

Sensitivity of pension obligation to change in discount rate

	Sweden	Norway	United Kingdom	Total
Pension obligations, December 31, 2008	4,753	2,405	4,182	11,340
Discount rate increase of 0.25% ¹	-200	-100	-200	-500
Discount rate decrease of 0.25% ¹	200	100	200	500

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

Sensitivity of plan assets to changed return

	Sweden	Norway	United Kingdom	Total
Plan assets, December 31, 2008	3,070	1,763	3,407	8,240
Return increase of 5% ¹	150	100	150	400
Return decrease of 5% ¹	-150	-100	-150	-400

¹ If actual return increases by 5 percent in relation to expected return, the actuarial gain is estimated at about SEK 400 M. If actual return decreases by 5 percent in relation to expected return, the actuarial loss is estimated at about SEK 400 M.

Note 29 Provisions

Provisions are reported in compliance with IAS 37, "Provisions, Contingent Liabilities and Contingent Assets." See "Accounting and valuation principles," Note 1.

Provisions are allocated in the balance sheet between non-current liabilities and current liabilities. Provisions are both interest-bearing and non-interest-bearing. Provisions that are part of Skanska's operating cycle are recognized as current. Interest-bearing provisions that fall due within a year are treated as current.

	2008	2007
Non-current provisions		
Interest-bearing	86	96
Current provisions		
Interest-bearing	20	20
Non-interest-bearing	4,888	3,626
Total	4,994	3,742

The amount for interest-bearing provisions included SEK 68 M (78) in provision to the employee fund in Sweden.

The change in provisions, allocated among the reserve for legal disputes, provision for warranty obligations and other provisions can be seen in the following table.

	Legal disputes		Warranty obligations		Other provisions		Total	
	2008	2007	2008	2007	2008	2007	2008	2007
January 1	884	857	1,474	1,351	1,384	1,387	3,742	3,595
Provisions for the year	235	407	335	247	1,635	402	2,205	1,056
Provisions utilized	-187	-171	-112	-192	-572	-338	-871	-701
Unutilized amounts that were reversed, change in value	-21	-155	-73	-44	-169	-68	-263	-267
Exchange rate differences	21	25	39	55	117	17	177	97
Reclassifications	16	-79	-140	57	128	-16	4	-38
December 31	948	884	1,523	1,474	2,523	1,384	4,994	3,742

Specification of "Other provisions"

	2008	2007
Restructuring measures ¹	936	83
Employee fund, Sweden	68	78
Employee-related provisions	528	566
Environmental obligations	109	94
Provision for social insurance contributions on pensions	256	162
Miscellaneous provisions	626	401
Total	2,523	1,384

Restructuring measures allocated by business stream

	2008
Construction	496
Residential Development	50
Infrastructure Development	20
Central ²	370
Total	936

1 Provisions for restructuring measures refer primarily to the Nordic markets, where a very sharp downturn occurred in the housing market. With an expected weakening in other building construction as well, Skanska has recognized expenses for an adjustment to reduced volume.

2 "Central" also includes International operations, with a number of businesses in the process of being discontinued.

Normal cycle time for "Other provisions" is about 1–3 years.

Provisions for warranty obligations refer to expenses that may arise during the warranty period.

Such provisions in Construction are mainly based on individual assessments of each project or on average experience-based cost, expressed as a percentage of sales during a five-year period. The expenses are charged to each project on a continuous basis. Provisions for warranty obligations in other business streams are based on individual assessments of each project. The change in 2008 was mainly related to Construction.

Provisions for legal disputes refer to provisions in the Construction business stream for projects that have been completed.

The provision to the employee fund in Sweden refers to a refund of surplus funds from the retirement insurance company SPP, now Alecta. The provision is used in consultation with trade union representatives to enable employees with reduced work capacity to remain employed on a part-time basis. The employee is compensated for loss of income and loss of future pension benefits.

Employee-related provisions included such items as the cost of profit-sharing, certain bonus programs and other obligations to employees.

Among provisions for environmental obligations are the costs of restoring gravel pits to their natural state in Swedish operations.

Note 30 Trade and other payables

Non-interest-bearing liabilities in business operations are recognized as "Trade and other payables." Such liabilities are part of the Group's operating cycle and are consequently recognized as current liabilities.

	2008	2007
Accounts payable to joint ventures	8	3
Other trade payables	14,026	14,906
Other operating liabilities to joint ventures	65	
Other operating liabilities ¹	8,751	7,087
Accrued expenses and prepaid income	10,453	8,964
Total	33,303	30,960

of which financial instruments reported in Note 6, "Financial instruments"

	2008	2007
Accounts payable	14,034	14,909
Other operating liabilities including accrued expenses	1,646	1,761
	15,680	16,670

of which non-financial instruments

	2008	2007
	17,623	14,290

1 "Other operating liabilities" included SEK 1,045 M (903) for checks issued but not yet cashed in the U.S. and the U.K.

Note 31 Specification of interest-bearing receivables per asset and liability

The following table allocates financial current and non-current assets as well as liabilities between interest-bearing and non-interest-bearing items.

	2008			2007		
	Interest-bearing	Non-interest bearing	Total	Interest-bearing	Non-interest bearing	Total
ASSETS						
Non-current assets						
Property, plant and equipment		6,919	6,919		5,973	5,973
Goodwill		4,442	4,442		4,584	4,584
Other intangible assets		804	804		658	658
Investments in joint ventures and associated companies		1,512	1,512		1,945	1,945
Financial non-current assets	245	64	309	634	94	728
Deferred tax assets		1,970	1,970		956	956
Total non-current assets	245	15,711	15,956	634	14,210	14,844
Current assets						
Current-asset properties		18,568	18,568		13,198	13,198
Inventories		901	901		769	769
Financial current assets	7,009	276	7,285	4,572	114	4,686
Tax assets		812	812		411	411
Gross amount due from customers for contract work		6,087	6,087		5,656	5,656
Trade and other receivables		25,988	25,988		25,168	25,168
Cash equivalents			0	521		521
Cash	7,881		7,881	13,688		13,688
Total current assets	14,890	52,632	67,522	18,781	45,316	64,097
TOTAL ASSETS	15,135	68,343	83,478	19,415	59,526	78,941
LIABILITIES						
Non-current liabilities						
Financial non-current liabilities	1,077		1,077	955		955
Pensions	3,100		3,100	1,149		1,149
Deferred tax liabilities		1,760	1,760		2,069	2,069
Non-current provisions	86		86	96		96
Total non-current liabilities	4,263	1,760	6,023	2,200	2,069	4,269
Current liabilities						
Financial current liabilities	1,622	459	2,081	2,614	89	2,703
Tax liabilities		864	864		891	891
Current provisions	20	4,888	4,908	20	3,626	3,646
Gross amount due to customers for contract work		17,050	17,050		15,748	15,748
Trade and other payables		33,303	33,303		30,960	30,960
Total current liabilities	1,642	56,564	58,206	2,634	51,314	53,948
TOTAL LIABILITIES	5,905	58,324	64,229	4,834	53,383	58,217
Interest-bearing net receivables	9,230			14,581		

Note 32 Expected recovery periods of assets and liabilities

Amounts expected to be recovered	2008			2007		
	Within 12 months	12 months or longer	Total	Within 12 months	12 months or longer	Total
ASSETS						
Non-current assets						
Property, plant and equipment ¹	1,290	5,629	6,919	1,180	4,793	5,973
Goodwill ¹		4,442	4,442		4,584	4,584
Other intangible assets ¹	90	714	804	107	551	658
Investments in joint ventures and associated companies ²		1,512	1,512		1,945	1,945
Financial non-current assets		309	309		728	728
Deferred tax assets ³		1,970	1,970		956	956
Total non-current assets	1,380	14,576	15,956	1,287	13,557	14,844
Current assets						
Current-asset properties ⁴	8,000	10,568	18,568	7,100	6,098	13,198
Inventories	764	137	901	696	73	769
Financial current assets	6,787	498	7,285	4,686		4,686
Tax assets	812		812	411		411
Gross amount due from customers for contract work ⁵	5,584	503	6,087	5,352	304	5,656
Trade and other receivables ⁵	25,215	773	25,988	24,192	976	25,168
Cash equivalents			0	521		521
Cash	7,881		7,881	13,688		13,688
Total current assets	55,043	12,479	67,522	56,646	7,451	64,097
TOTAL ASSETS	56,423	27,055	83,478	57,933	21,008	78,941
LIABILITIES						
Non-current liabilities						
Financial non-current liabilities		1,077	1,077		955	955
Pensions ⁶	150	2,950	3,100	231	918	1,149
Deferred tax liabilities		1,760	1,760		2,069	2,069
Non-current provisions		86	86		96	96
Total non-current liabilities	150	5,873	6,023	231	4,038	4,269
Current liabilities						
Financial current liabilities	1,073	1,008	2,081	1,813	890	2,703
Tax liabilities	864		864	891		891
Current provisions	3,065	1,843	4,908	2,640	1,006	3,646
Gross amount due to customers for contract work	15,868	1,182	17,050	14,485	1,263	15,748
Trade and other payables	32,283	1,020	33,303	30,463	497	30,960
Total current liabilities	53,153	5,053	58,206	50,292	3,656	53,948
TOTAL LIABILITIES	53,303	10,926	64,229	50,523	7,694	58,217

1 In case of amounts expected to be recovered within twelve months, expected annual depreciation/amortization has been recognized.

2 Allocation cannot be estimated.

3 Deferred tax assets are expected to be recovered in their entirety in more than twelve months.

4 Recovery within one year on current-asset properties is based on a historical assessment from the past three years.

5 Current receivables that fall due in more than twelve months are part of the operating cycle and are thus recognized as current.

6 "Within twelve months" refers to expected benefit payments.

Note 33 Assets pledged, contingent liabilities and contingent assets

Assets pledged

	2008	2007
Mortgages, current-asset properties	1	5
Shares and participations	783	1,417
Receivables	870	446
Total	1,654	1,868

The use of shares and participations as assets pledged refers to shares in joint ventures belonging to Infrastructure Development. These assets are pledged as collateral when obtaining outside lending for these joint ventures.

Assets pledged for liabilities

	Property mortgages		Shares and receivables		Total	
	2008	2007	2008	2007	2008	2007
Own obligations						
Liabilities to credit institutions	1	1			1	1
Other liabilities			870	446	870	446
Total own obligations	1	1	870	446	871	447
Other obligations		4	783	1,417	783	1,421
Total	1	5	1,653	1,863	1,654	1,868

Contingent liabilities

Contingent liabilities are reported in compliance with IAS 37, "Provisions, Contingent Liabilities and Contingent Assets." See "Accounting and valuation principles," Note 1.

Contingent liabilities	2008	2007
Contingent liabilities related to construction consortia	5,122	3,359
Contingent liabilities related to joint ventures	767	651
Other contingent liabilities	1,722	1,041
Total	7,611	5,051

The Group's contingent liabilities related to construction consortia totaled about SEK 5.1 billion (3.4). This amount referred to the portion of the joint and several liability for the obligations of construction consortia affecting consortium members outside the Group. Such liability is often required by the customer. To the extent it is deemed likely that Skanska will be subject to liability claims, the obligation is reported as a liability in the balance sheet.

Contingent liabilities related to joint ventures refer mainly to guarantees issued when joint ventures belonging to the Residential Development and Infrastructure Development business streams have raised loans.

Most of the Group's other contingent liabilities, about SEK 1.7 billion (1.0), were related to obligations attributable to the operations of Residential Development Nordic.

Skanska and another company have been sued by a number of Swedish municipalities that maintain that they have suffered damage in procurements alleged to have been the object of collusive cartels between the contractors. Skanska has been sued for a total of SEK 57 M. Skanska denies the allegations.

In Finland, the Market Court issued a ruling in December 2007 in the Finnish Competition Authority's suit against a number of companies in the civil construction and asphalt sectors, among them Skanska, concerning alleged collusive anti-competitive activities. The Market Court ordered Skanska to pay the equivalent of SEK 13 M in infringement fines. The Competition Authority had sued for about SEK 100 M. The ruling has been appealed to a higher court.

In October 2006, Slovakia's Antitrust Office decided to fine six companies that had participated in tendering for a road project. Skanska was part of a joint venture led by a local Slovakian company. The fine in Skanska's case is the equivalent of SEK 67 M and was charged to 2006 earnings. Skanska denied the Authority's allegations and has requested that the decision be reviewed by a court of law. In December 2008 the court decided to annul the decision of the Antitrust Office and remit the case to the Office for a new procedure.

No provisions have been made for the above litigation, other than those in which a court ruling has been issued, since the outcome of these cases is characterized by great uncertainty. In accordance with the accounting principles applied by Skanska, the amounts requested have not been included in the table of the Group's contingent liabilities either.

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

Contingent assets

The Group has no contingent assets of significant importance in assessing the position of the Group.

See "Accounting principles and valuation principles," Note 1.

Note 34 Effect of changes in foreign exchange rates

Exchange rates are dealt with in compliance with IAS 21, "The Effect of Changes in Foreign Exchange Rates." See "Accounting and valuation principles," Note 1.

Exchange rates

During 2008 the Swedish krona fluctuated against the Group's other currencies. The krona weakened late in the year, and consequently the balance sheet was greatly impacted. The effect on the income statement was a total of ± 0 percent on overall revenue. For further analysis, see below.

Currency	Country/zone	Average exchange rate			Change in percent	
		2008	2007	2006	2007-2008	2006-2007
ARS	Argentina ¹	2.082	2.170	2.395	-4	-9
CZK	Czech Republic	0.386	0.334	0.327	16	2
DKK	Denmark	1.291	1.242	1.240	4	0
EUR	EU euro zone	9.627	9.251	9.253	4	0
GBP	United Kingdom	12.09	13.52	13.57	-11	0
NOK	Norway	1.169	1.154	1.150	1	0
PLN	Poland	2.741	2.448	2.377	12	3
USD	United States	6.590	6.758	7.376	-2	-8

¹ The headquarters of Skanska's Latin American home market is in Argentina. Operations are mainly carried out using two currencies, ARS and BRL (Brazil). During 2008 the average exchange rate of ARS against the Swedish krona fell by 4 percent, while BRL rose by 2 percent. Also taking into account the other Latin American currencies in which Skanska carries out operations, the currency rate effect on the income statement in Latin American operations changed by a total of 0 percent..

Currency	Country/zone	Exchange rate at balance sheet date			Change in percent	
		2008	2007	2006	2007-2008	2006-2007
ARS	Argentina ¹	2.247	2.044	2.235	10	-9
CZK	Czech Republic	0.412	0.356	0.329	16	8
DKK	Denmark	1.469	1.267	1.213	16	4
EUR	EU euro zone	10.94	9.449	9.042	16	5
GBP	United Kingdom	11.19	12.85	13.47	-13	-5
NOK	Norway	1.107	1.184	1.097	-7	8
PLN	Poland	2.633	2.623	2.358	0	11
USD	United States	7.723	6.427	6.861	20	-6

Income statement

The average exchange rate of SEK against the Group's other currencies both strengthened and weakened. The sharp appreciation of USD against SEK late in the year did not affect the average exchange rate. The average USD/SEK exchange rate instead fell by 2 percent, which had a total impact of SEK -1.1 billion on revenue. The total currency rate effect in the Group's revenue was SEK 259 M (-3,189), equivalent to +0.2 (-2.2) percent. See also the table below.

Currency rate effect by respective currency

2008	USD	EUR	GBP	NOK	CZK	PLN	Others	Total
Revenue	-1.071	401	-2.118	183	1.974	815	75	259
Operating income	-29	-10	62	5	74	44	-11	135
Income after financial items	-31	-10	46	8	71	51	-8	127
Profit for the year	-18	-7	31	6	53	40	-3	102
2007	USD	EUR	GBP	NOK	CZK	PLN	Other	Total
Revenue	-3.483	-2	-65	45	248	229	-161	-3.189
Operating income	-73	0	-1	2	12	11	-10	-59
Income after financial items	-88	0	-2	3	12	12	1	-62
Profit for the year	-50	0	-1	2	8	10	7	-24

Balance sheet

The consolidated balance sheet increased by SEK 5.0 billion during the year due to changes in exchange rates. The Swedish krona weakened against essentially all of the Group's currencies except GBP and NOK. The largest impact on the Group's balance sheet total came from USD, which increased by 20 percent from the beginning of the year. This affected the balance sheet by SEK +3.6 billion. See also the table below on the allocation of the exchange rate difference in the balance sheet by currency.

Effects of changes in exchange rates on the balance sheet compared to the previous year

SEK billion	2008	2007
Assets		
Property, plant and equipment	0.5	0.1
Intangible assets	-0.2	0.0
Shares and participations	0.0	0.1
Interest-bearing receivables	1.1	-0.1
Current-asset properties	0.9	0.3
Non-interest-bearing receivables	2.1	0.2
Cash and cash equivalents	0.6	-0.1
Total	5.0	0.5
Equity and liabilities		
Equity attributable to equity holders	1.4	0.6
Minority	0.0	0.0
Interest-bearing liabilities	0.8	-0.3
Non-interest-bearing liabilities	2.8	0.2
Total	5.0	0.5
Effect of exchange rate differences on the Group's interest-bearing net receivables	0.9	0.1

Effects of exchange rate differences on total assets, by currency

SEK billion	2008	2007
USD	3.6	-1.0
EUR	1.3	0.3
GBP	-1.3	-0.5
NOK	-0.8	0.7
DKK	0.4	0.0
PLN	0.0	0.4
CZK	1.3	0.6
Others	0.5	0.0
Total	5.0	0.5

Note 34 Continued

Consolidated balance sheet by currency, SEK billion

2008	USD	GBP	EUR	NOK	CZK	PLN	DKK	Other foreign currencies ¹	Hedge loans ²	SEK	Total
Assets											
Property, plant and equipment	1.5	0.2	0.3	0.7	1.4	0.3	0.1	0.8		1.6	6.9
Intangible assets	0.4	1.7	0.5	1.4	0.6	0.0		0.5		0.1	5.2
Shares and participations		0.4	0.2	0.1		0.0		0.7		0.2	1.6
Interest-bearing receivables	5.9	2.2	2.2	3.7	2.9	2.1	1.0	-15.5		2.8	7.3
Current-asset properties			4.8	1.5	0.9	0.0	1.5	0.4		9.5	18.6
Non-interest-bearing receivables	11.2	3.9	2.0	3.7	3.0	2.0	0.3	3.9		6.0	36.0
Cash and cash equivalents	3.2	0.1	0.1	0.2	0.5	0.1	0.1	0.1		3.5	7.9
Total	22.2	8.5	10.1	11.3	9.3	4.5	3.0	-9.1		23.7	83.5
Equity and liabilities											
Equity attributable to equity holders ³	4.8	0.0	4.4	3.2	3.4	1.4	0.9	1.4		-0.4	19.1
Minority					0.1			0.1		0.0	0.2
Interest-bearing liabilities	0.2	1.9	2.2	1.6	0.4	0.2	1.2	-14.1	2.3	10.0	5.9
Non-interest-bearing liabilities	17.2	6.6	3.5	6.5	5.4	2.9	0.9	3.5		11.8	58.3
Total	22.2	8.5	10.1	11.3	9.3	4.5	3.0	-9.1	2.3	21.4	83.5
2007											
2007	USD	GBP	EUR	NOK	CZK	PLN	DKK	Other foreign currencies ¹	Hedge loans ²	SEK	Total
Assets											
Property, plant and equipment	1.1	0.3	0.3	0.6	1.4	0.4	0.1	0.5		1.3	6.0
Intangible assets	0.3	2.0	0.4	1.5	0.5	0.0	0.0	0.4		0.1	5.2
Shares and participations	0.0	0.3	0.2	0.1	0.0	0.0	0.0	1.2		0.2	2.0
Interest-bearing receivables	2.7	4.1	2.8	3.1	2.2	2.3	1.3	-15.0		1.7	5.2
Current-asset properties	0.0	0.0	2.7	1.5	0.6	0.0	1.4	0.2		6.8	13.2
Non-interest-bearing receivables	9.0	3.9	1.6	4.2	2.9	1.9	0.6	3.0		6.0	33.1
Cash and cash equivalents	3.2	0.1	0.0	0.2	0.5	0.0	0.0	0.3		9.9	14.2
Total	16.3	10.7	8.0	11.2	8.1	4.6	3.4	-9.4		26.0	78.9
Equity and liabilities											
Equity attributable to equity holders ³	3.5	1.0	4.9	3.4	2.8	1.2	1.0	1.9		0.8	20.5
Minority	0.0	0.0	0.1	0.0	0.1	0.0	0.0	0.0		0.0	0.2
Interest-bearing liabilities	0.2	1.8	0.4	0.7	0.4	0.4	1.2	-14.3	2.3	11.7	4.8
Non-interest-bearing liabilities	12.6	7.9	2.6	7.1	4.8	3.0	1.2	3.0		11.2	53.4
Total	16.3	10.7	8.0	11.2	8.1	4.6	3.4	-9.4	2.3	23.7	78.9

1 Including elimination of intra-Group receivables and liabilities.

2 Aside from hedge loans in EUR and GBP (EUR, USD, GBP and NOK), Skanska hedged equity in foreign currencies via forward contracts amounting to SEK 6.3 (5.0) billion before taxes, allocated among USD (2.0), EUR (0.2), CZK (1.2), PLN (0.5), NOK (1.4), CLP (0.8) and BRL (0.1).

3 The respective currencies are calculated including Group goodwill and the net amount of Group surpluses after subtracting deferred taxes.

Effect on the Group of change in SEK against other currencies and change in USD against SEK

The following sensitivity analysis, based on the 2008 income statement and balance sheet, shows the sensitivity of the Group to a unilateral 10 percent change in SEK against all currencies as well as a unilateral 10 percent change in USD against SEK.

SEK billion	of which USD	
	+/-10%	+/-10%
Revenue	+/- 11.3	+/- 4.2
Operating income	+/- 0.2	+/- 0.1
Equity	+/- 1.3	+/- 0.3

"Plus" means a weakening of the Swedish krona. "Plus" for USD thus means increased value against SEK.

Other matters

For information on the translation reserve in equity on January 1 and December 31 that was recognized directly in equity, see Note 26, "Equity/Earnings per share."

Note 35 Cash flow statement

Aside from the cash flow statement prepared in compliance with IAS 7, "Cash Flow Statements," Skanska is preparing a cash flow statement based on the operations carried out by the respective business streams. This is called the "Consolidated operating cash flow statement." The connection between the respective cash flow statements is explained below.

Adjustments for items not included in cash flow

	2008	2007
Depreciation/amortization and impairment losses/reversals of impairment losses	1,901	1,348
Income from divestments of property, plant and equipment and current-asset properties	-3,132	-2,700
Income after financial items from joint ventures and associated companies	-181	-287
Dividends from joint ventures and associated companies	272	186
Provision for the year, intra-Group profits on contracting work	40	98
Pensions recognized as expenses but not related to payments	136	229
Other items that have not affected cash flow from operating activities	34	6
Total	-930	-1,120

Taxes paid

Taxes paid are divided into operating activities, investing activities and financing activities.

Total taxes paid for the Group during the year amounted to SEK -1,926 M (-1,197).

Information about interest and dividends

	2008	2007
Interest income received during the year	421	523
Interest payments made during the year	-268	-254
Dividends received during the year	272	186

Cash and cash equivalents

Cash and cash equivalents in the cash flow statement consist of cash plus cash equivalents. The definition of cash and cash equivalents in the balance sheet can be seen in Note 1, "Accounting and valuation principles." The same rule that has been used in determining cash and cash equivalents in the balance sheet has been used in determining cash and cash equivalents according to the cash flow statement. Only amounts that can be used without restrictions are recognized as cash and cash equivalents.

	2008	2007
Cash	7,881	13,688
Cash equivalents	0	521
Total	7,881	14,209

Information about assets and liabilities in acquired Group companies/businesses

	2008	2007
Assets		
Property, plant and equipment	1	19
Intangible assets	4	51
Non-interest-bearing receivables		74
Interest-bearing receivables		10
Current-asset properties		4
Total	5	158
Liabilities		
Minority		-5
Interest-bearing liabilities		1
Non-interest-bearing liabilities		88
Total	0	84
Purchase price paid	-5	-74
Cash and cash equivalents in acquired companies	0	0
Effect on cash and cash equivalents, investment	-5	-74

Acquired Group companies are described in Note 7, "Business combinations."

Information about assets and liabilities in divested Group companies/businesses

	2008	2007
Assets		
Property, plant and equipment	-3	-62
Intangible assets	-4	
Shares and participations		-1
Interest-bearing receivables		-5
Current-asset properties		-4
Non-interest-bearing receivables	-41	-15
Cash and cash equivalents		0
Total	-48	-87
Equity and liabilities		
Income from divestments of Group companies	-4	-1
Interest-bearing liabilities	-39	
Non-interest-bearing liabilities	-3	106
Total	-46	105
Purchase price paid	2	192
Cash and cash equivalents in divested companies	0	0
Effect on cash and cash equivalents, divestment	2	192

Divestments of Group companies in 2008 were attributable to two small phase-outs, one in Finland and one in Russia. Divestments in 2007 almost exclusively involved the discontinuation of portions of Skanska's Danish operations.

Other matters

The Group's unutilized credit facilities amounted to SEK 8,914 M (7,318) at year-end.

Relation between consolidated operating cash flow and consolidated cash flow statement

The difference between the consolidated operating cash flow statement and the consolidated cash flow statement in compliance with IAS 7, "Cash Flow Statements," is presented below.

The consolidated cash flow statement that was prepared in compliance with IAS 7 recognizes cash flow divided into:

- Cash flow from operating activities
- Cash flow from investing activities
- Cash flow from financing activities

The consolidated operating cash flow statement recognizes cash flow divided into:

- Cash flow from business operations
- Cash flow from financing operations
- Cash flow from strategic investments
- Dividend etc.
- Change in interest-bearing receivables and liabilities

The consolidated operating cash flow statement refers to operating activities as "business operations." Unlike the cash flow statement in compliance with IAS 7, "business operations" also includes net investments, which are regarded as an element of business operations together with tax payments on these. Such net investments are net investments in property, plant and equipment and intangible non-current assets as well as net investments in Infrastructure Development.

Investments of a strategic nature are recognized under cash flow from strategic investments.

Under cash flow from financing activities, the operating cash flow statement recognizes only interest and other financial items as well as taxes paid on the same. Dividends are recognized separately. Loans provided and repayment of loans are also recognized separately along with changes in interest-bearing receivables at the bottom of the operating cash flow statement, resulting in a subtotal in that statement that shows cash flow before changes in interest-bearing receivables and liabilities.

Cash flow for the year

	2008	2007
Cash flow from business operations according to the operating cash flow statement	-363	7,767
less investments in property, plant and equipment and intangible assets	664	1,296
less tax payments on property, plant and equipment divested and divestment of assets in Infrastructure Development	253	36
Cash flow from operating activities	554	9,099
Cash flow from strategic investments according to operating cash flow statement	-3	101
Net investments in property, plant and equipment and intangible assets	-664	-1,296
Increase and decrease in interest-bearing receivables	-998	-1,215
Taxes paid on property, plant and equipment and intangible assets sold and assets in Infrastructure Development	-253	-36
Cash flow from investing activities	-1,918	-2,446
Cash flow from financing operations according to operating cash flow statement	322	120
Increase and decrease in interest-bearing liabilities	-2,131	-356
Dividend etc. ¹	-3,767	-3,458
Cash flow from financing activities	-5,576	-3,694
Cash flow for the year	-6,940	2,959
1 Of which repurchases of shares	-271	

Relation between the Group's investments in the cash flow statement and investments in the operating cash flow statement

Total net investments are recognized in the cash flow statement divided into operating activities and investing activities, taking into account the settlement of payments for investments and divestments. Purchases and divestments of current-asset properties are recognized under operating activities, while other net investments are recognized under investing activities.

	2008	2007
Net investments in operating activities	-2,946	1,473
Net investments in investing activities	-667	-1,178
	-3,613	295
less cash flow adjustments, net investments	-20	-292
Total net investments	-3,633	3

The consolidated operating cash flow statement recognizes net investments divided into net investments in operations and strategic net investments as follows.

Investments/Divestments

	2008	2007
Operations – Investments		
Intangible assets	-79	-38
Property, plant and equipment	-2,142	-1,894
Assets in Infrastructure Development	-396	-73
Shares	-7	-40
Current-asset properties	-10,553	-7,683
of which Residential Development	-4,333	-4,983
of which Commercial Development	-5,553	-2,362
of which other commercial properties	-667	-338
	-13,177	-9,728

Operations – Divestments

	2008	2007
Intangible assets	1	2
Property, plant and equipment	637	507
Assets in Infrastructure Development	1,283	178
Shares	39	62
Current-asset properties	7,587	8,864
of which Residential Development	3,659	5,393
of which Commercial Development	3,537	2,796
of which other commercial property	391	675
	9,547	9,613

Net investments in operations

	-3,630	-115
Strategic investments		
Acquisitions of businesses	-5	-74
	-5	-74

Strategic divestments

Divestments of businesses	2	192
	2	192

Net strategic investments

	-3	118
Total investments	-3,633	3

Wages, salaries, other remuneration and social insurance contributions

	2008	2007
Wages, salaries and other remuneration		
Board members, Presidents, Executive Vice Presidents and other executive team members ¹	502	539
of which bonuses	187	233
Other employees	19,909	19,299
Total wages, salaries and other remuneration	20,411	19,838
Social insurance contributions	5,292	5,092
of which pension expenses	1,507	1,360

¹ The amount related to Board members, Presidents, Executive Vice Presidents and other executive team members included remuneration to former Board members, President and Executive Vice Presidents during the financial year.

Of the Group's total pension expenses, SEK 83 M (74) was related to the category "Board members, Presidents, Executive Vice Presidents and other executive team members." The amount included remuneration to former Board members, Presidents and Executive Vice Presidents.

Average number of employees

Personnel is calculated as the average number of employees.

See "Accounting and valuation principles," Note 1.

	2008	of whom men	of whom women	2007	of whom men	of whom women
Sweden	11,490	10,254	1,236	10,963	9,871	1,092
Norway	4,539	4,156	383	4,779	4,389	390
Denmark	204	162	42	1,460	1,242	218
Finland	3,097	2,740	357	3,212	2,870	342
United Kingdom	5,403	4,542	861	5,451	4,604	847
Poland	5,226	4,500	726	5,399	4,656	743
Czech Republic	5,772	4,846	926	5,998	5,018	980
Slovakia	1,117	942	175	1,128	957	171
United States	8,457	7,322	1,135	7,952	6,911	1,041
Argentina	4,471	4,233	238	4,817	4,707	110
Brazil	3,755	3,481	274	4,509	4,327	182
Peru	1,988	1,902	86	1,887	1,829	58
Other countries	2,296	2,130	166	2,880	2,685	195
Total	57,815	51,210	6,605	60,435	54,066	6,369

Men and women on Boards of Directors and on executive teams at balance sheet date

	2008	of whom men	of whom women	2007	of whom men	of whom women
Number of Board members	214	93%	7%	234	91%	9%
Number of Presidents and members of executive teams in business units	170	89%	11%	185	90%	10%

Absence from work due to illness

Figures on absence from work due to illness (sick leave) apply only to operations in Sweden.

	Swedish operations	
	2008	2007
Total absence from work due to illness as a percentage of regular working time	3.4%	3.7%
Percentage of total absence from work due to illness for a continuous period of 60 days or more	42.3%	47.3%

Absence from work due to illness as a percentage of each category's working time:

Men	3.5%	3.9%
Women	2.6%	2.5%

Absence due to illness by age category

Age 29 or younger	3.5%	3.4%
Age 30-49	2.6%	2.7%
Age 50 or older	4.5%	5.2%

Other matters

No loans, assets pledged or contingent liabilities have been provided on behalf of any Board member or President in the Group.

Note 37 Remuneration to senior executives and Board members

A Preparation and decision-making processes

Principles for remuneration to senior executives are established annually by the Annual Shareholders' Meeting. The salary and other benefits of the President and CEO are established by the Board of Directors of Skanska AB, following recommendations from the Board's Compensation Committee based on the decision of the Annual Meeting. The Committee sets limits on the salaries, bonuses and other benefits of Executive Vice Presidents, heads of Group staff units and heads of business units.

During 2008, from the statutory Board meeting in April and onward, the Compensation

Committee consisted of Sverker Martin-Löf, Chairman of the Board, and Finn Johnson and Lars Pettersson, Board members. The Compensation Committee met five times during the year.

The Annual Shareholders' Meeting approves the total amount of directors' fees for members of the Board, following a recommendation from the Nomination Committee.

B Principles for remuneration to the Senior Executive Team

The Senior Executive Team includes the President and CEO and the Executive Vice Presidents of Skanska AB. The Team consisted of seven persons during 2008.

The Board of Directors will present to the Annual Shareholders' Meeting in April 2009 a set of guidelines for salary and other remuneration to senior executives, for the approval of the Meeting. This proposal mainly coincides with the principles of remuneration that were approved by the Annual Shareholders' Meeting in 2008:

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

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

In case of employment termination, the normal period of notice is six to twelve months. Severance pay may correspond to a maximum of 24 months of fixed salary or, alternatively, a period of notice of maximum 24 months.

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

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

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

B1 Targets and performance related to variable remuneration

Variable remuneration may consist of two parts: variable salary, which is cash-based, and the share incentive program, which provides compensation in the form of shares.

The new long-term Employee Ownership Program is presented under section E of this note. The "Outperform" targets as well as the "starting point" stated below are common to both parts of variable remuneration. The table below specifies, by business stream, what starting point was decided for each Outperform target for 2008.

Targets for variable salary elements

	Measure of earnings	Starting point	Outperform	Outcome	Fulfillment level
Construction	Operating margin	2.8%	3.5%	2.8%	0%
Residential Development	Operating margin	6.1%	10.4%	-2.9%	0%
Commercial Development	Value creation SEK M	500	700	946	100%
Infrastructure Development	Investments SEK M	350	700	896	100%
Group target	Operating income ¹ SEK M	4 355	5 535	4 295	0%
	Return on equity	17.3%	21.0%	17.3%	0%

¹ Outcome is calculated excluding currency rate effects. The figures shown are calculated using outcome in local currency with exchange rates on September 30, 2007, which were used in calculating targets. The Outperform target at Group level is 95 percent of the total Outperform targets of the business streams.

In addition to the above financial performance factors, each person in the Senior Executive Team has non-financial targets that may reduce final outcome. These non-financial targets concern health and safety, the environment, business ethics and management development. A reduction occurs if the operations for which the person is responsible have not achieved the established targets.

For the President and CEO, the financial target has been the same as the operating income of the Group according to the above table. The President and CEO has also had non-financial targets. The 50 percent maximum variable remuneration of the President and CEO (i.e. excluding the Share Award Program) was not earned, because the financial targets were not achieved. The annual variable remuneration of the President and CEO was thus 0 percent of fixed salary.

For the other members of the Senior Executive Team, annual variable remuneration is either 100 percent tied to the Group target and/or to the business units they are directly responsible for. The non-financial targets are related to the business units that certain individuals in the Senior Executive Team are responsible for. The outcome for the other members of the Senior Executive Team averaged 50 percent fulfillment of financial targets and 48 percent after subtracting for non-financial targets.

C Benefits to the Board and Senior Executive Team

Remuneration and benefits recognized as expenses in 2008

SEK thousand	Director's fee/basic salary	Variable remuneration ¹	Allocated value of share incentive programs ²	Other remuneration and benefits	Pension expense	Total
Chairman of the Board						
Sverker Martin-Löf	1,675					1,675
Other Board members						
Finn Johnsson	625					625
Bengt Kjell	725					725
Lars Pettersson	525					525
Matti Sundberg	600					600
Jane Garvey	450					450
Sir Adrian Montague	600					600
Board	5,200					5,200
President and CEO						
Stuart Graham ⁴	1,646	0	121	3,515	3,466	8,745
Johan Karlström	7,618	0	165	91	2,745	10,618
Other senior executives (6 persons)	21,867	8,428	371	1,140	9,716	41,521
Total	36,331	8,428	656	4,743	15,927	66,084

1 Variable remuneration including the incentive program related to the 2008 financial year will be finally fixed and disbursed after a follow-up of the outcome in the first quarter of 2009. The amounts included under the heading "Variable remuneration" in the above table refer to the 2008 financial year.

2 The value stated refers to the full allotment of matching shares for 2008, at the share price on December 30, 2008. The Senior Executive Team received 8,475 matching shares and zero performance shares. See Note E. In order to receive matching shares, an additional three years of service are required.

3 The former President and CEO had so-called expert tax status in Sweden, which expired in September 2005. Because of this, during 2005 an agreement was reached on special compensation amounting to a total of no more than SEK 10,400,000 with disbursement allocated over a future three-year period. Neither variable remuneration nor pension is affected by this. During 2008, compensation of SEK 3,457,000 was paid. The remaining amounts in the table are other benefits.

4 The amount for Stuart Graham was attributable to his period as President and CEO.

All remuneration and benefits were charged to Skanska AB, except that SEK 5,190,000 to the President and CEO and SEK 3,820,000 to other members of the Senior Executive Team were charged to other Group companies.

In 2008, outstanding pension obligations to Presidents and CEOs including former Presidents and CEOs amounted to SEK 102,590,000. Outstanding obligations to other current and former members of the Senior Executive Team amounted to SEK 86,300,000. For Board members appointed by the employees, no disclosures are made concerning salaries and remuneration as well as pensions, since they do not receive these in their capacity as Board members. For Board members who previously, before the beginning of the financial year, were employees of the Company, disclosures are made concerning pension obligations in their former role as employees.

C1 Directors' fees

The 2008 Annual Shareholders' Meeting decided that fees would be paid to those members of the Board of Directors who are not employed by the Company, totaling SEK 5,200,000, plus a special appropriation for committee work. See the table below.

SEK thousand	Director's fee	Audit Committee	Compensation Committee	Project Review Committee	Total
Chairman of the Board					
Sverker Martin-Löf	1,350	100	75	150	1,675
Other Board members					
Finn Johnsson	450	100	75	0	625
Bengt Kjell	450	125	0	150	725
Lars Pettersson	450	0	75	0	525
Matti Sundberg	450	0	0	150	600
Jane Garvey	450	0	0	0	450
Sir Adrian Montague	450	0	0	150	600
Board of Directors	4,050	325	225	600	5,200

C2 Chairman of the Board

During 2008 the Chairman of the Board, Sverker Martin-Löf, received a director's fee of SEK 1,350,000 and SEK 325,000 related to committee work, altogether SEK 1,675,000.

C3 Members of the Board

Other members of the Board did not receive any remuneration beyond their regular directors' fees and remuneration for committee work.

C4 The President and CEO

During the period April-December 2008 the President and CEO, Johan Karlström, received a salary, fees and other remuneration from Group companies in the amount of SEK 7,618,000. No variable remuneration was paid for the period April-December, since financial targets were not achieved. Variable remuneration for the President and CEO may amount to a maximum of 50 percent of fixed annual salary.

The President and CEO is also covered by the Group's 2008 share incentive program, with an allocation of matching shares and performance shares, defined under section E of this note. Mr. Karlström purchased 8,500 shares during 2008, which resulted in 2,125 matching shares equivalent to SEK 165,000. No performance shares were allotted, since the Outperform targets were not met.

The President and CEO will be eligible for a pension from age 60 at the earliest. Annual pension provisions will total 40 percent of fixed annual salary. The cost during 2008 totaled SEK 2,745,000.

A mutual notice period of 24 months will apply, with retention of fixed salary and benefits excluding variable remuneration. No severance pay will be disbursed in case of termination.

C5 The Company's former President and CEO

Stuart Graham stepped down from the position of President and CEO of Skanska on April 3, 2008 and is continuing his employment at Skanska as Chairman and Senior Advisor of Skanska Inc. in the United States. During the period January-March 2008, Mr. Graham received a salary, fees and other remuneration from Group companies in the amount of SEK 5,103,000. No variable remuneration was paid for the year, since financial targets were not achieved. Mr. Graham purchased 6,200 shares as part of the 2008 share incentive program, which resulted in 1,550 matching shares equivalent to SEK 120,000. No performance shares were allotted, since the Outperform targets were not met. Variable remuneration and the outcome of the share incentive program for the 2008 financial year will be finally fixed and disbursed after a follow-up of the outcome during the first quarter of 2009.

Mr. Graham has a defined-benefit pension and the cost for the period January-March amounted to SEK 3,466,000. The pension entitlement is earned on a straight-line basis and will be disbursed during the remainder of his life. The pension is conditional upon future employment in the Group

D Other members of the Senior Executive Team

During 2008, the other members of the Senior Executive Team totaled six persons. Members of the Senior Executive Team received a fixed salary and variable remunera-

tion based on the Group's earnings. In addition, senior executives of Skanska were covered by the Group's 2008 share incentive program, with an allocation of share awards, defined under section E of this note. A total of 19,200 shares were purchased by the Senior Executive Team during 2008, which resulted in 4,800 matching shares, equivalent to SEK 370,000. No performance shares were allotted, since Outperform targets were not met. Variable remuneration and the outcome of the share incentive program for the 2008 financial year will be finally fixed and disbursed after a follow-up of the outcome during the first quarter of 2009.

D1 Pension benefits

The retirement age for members of the Senior Executive Team is 60–65 years. They are entitled to pension benefits according to the premium-based ITP 1 occupational pension system or defined-benefit pension solutions that are mainly equivalent in cost to the ITP 2 plan. The ITP 1 premium is 4.5 percent of gross cash salary up to 7.5 base amounts of income per year (as defined by Swedish social insurance rules, and amounting to SEK 360,000 in 2008) and 30 percent of gross cash salary above that. The ITP 2 plan guarantees a lifetime pension from age 65. The pension amount is a certain percentage of final salary, and the service period to qualify for a full pension is 30 years. The pension entitlement is 10 percent for portions of salary up to 7.5 base amounts, 65 percent for portions between 7.5 and 20 base amounts (in 2008: SEK 960,000) and 32.5 percent for portions of salary up to 30 base amounts (in 2008: SEK 1,440,000). In addition, this group is covered by a supplementary pension entitlement for portions of salary exceeding 30 base amounts. This is a defined-contribution pension entitlement and the premium is 20 percent of pensionable salary exceeding 30 base amounts.

D2 Notice periods etc.

In case of termination by the Company, notice periods range from six months to twelve months. Salary and other remuneration are disbursed without reduction during the notice period. After the notice period, severance pay is disbursed for 12–18 months. When payments are disbursed after the notice period, other income must normally be subtracted from the amount payable.

E Share incentive Programs – Skanska Employee Ownership Program

In 2007, a Shareholders' Meeting of Skanska approved the introduction of a long-term share ownership program for employees of the Skanska Group, which replaces the earlier three-year share incentive program which expired during 2007. The program is aimed at about 45,000 permanent employees of the Skanska Group, including some 2,000 key employees and about 300 executives, including the President and CEO and the rest of the Senior Executive Team.

The program offers employees, key employees and executives the opportunity – provided they have made their own investment in Series B Skanska shares during a given financial year – to receive Series B Skanska shares from Skanska free of charge. For each four Series B shares purchased, the employee will be entitled, after a three-year vesting period, to receive 1 Series B Skanska share free of charge. In addition, depending on the fulfillment of certain earnings-based performance conditions during the purchase period, after the vesting period the employee will be able to receive additional Series B Skanska shares free of charge.

The purchase period covers the years 2008–2010 and the vesting period runs for three years from the date the employee invests in shares. For each 4 investment shares purchased, employees may – in addition to 1 matching share – receive a maximum of 3 performance shares. For each 4 investment shares, key employees may – in addition to 1 matching share – receive a maximum of 7 performance shares. For each 4 investment shares, executives may – in addition to 1 matching share – receive a maximum of 15 performance shares.

The maximum number of investment shares that each employee participating in the program may acquire, through monthly savings, depends on the employee's salary and whether an employee is participating in the program as an employee, a key employee or an executive.

To be able to receive matching and performance shares, a person must be employed in the Skanska Group throughout the vesting period and must, during this period, have kept his or her investment shares.

The program has two cost ceilings. The first one depends on the extent to which financial Outperform targets are met, which limits Skanska's total cost per year to

SEK 200–630 M, related to fulfillment of financial Outperform targets at the Group level. The other cost ceiling is that Skanska's total cost per year may not exceed 15 percent of earnings before interest and taxes (EBIT). The actual cost ceiling is the lower of these two cost ceilings.

During 2008, 33,900 shares were purchased by the Senior Executive Team, of which 14,700 by the current and former President and CEO. This resulted in a total of 8,475 matching shares for the Senior Executive Team, equivalent to 3,675 for the current and former President and CEO. No performance shares were allotted to the Senior Executive Team, since overall financial targets were not achieved. The business areas shown below achieved their established targets, which resulted in performance shares for participants in these units.

Business unit	Measure of earnings	Starting point	Outperform	Outcome
Sweden	Operating margin	3.5%	4.5%	5.3%
Poland	Operating margin	3.0%	4.0%	5.4%
USB	Operating margin	1.0%	1.4%	1.5%
USC	Operating margin	4.0%	5.2%	6.4%
LA	Operating margin	3.6%	5.0%	5.2%
CZ (RD)	Operating margin	11.0%	14.0%	14.1%
CDN	Value creation, SEK M	400	525	675
CDE	Value creation, SEK M	100	175	271
ID	Investments, SEK M	350	700	896

In the Skanska Group, a total of 16 percent of potential participants joined SEOP.

Total cost of the 2008 program, excluding social insurance contributions, will be an estimated SEK 167 M allocated over three years. The year's cost of the program was about SEK 34 M. The remaining cost of the 2008 program through 2010 is projected at SEK 133 M.

The dilution effect through 2008 is estimated at 357,129 shares or 0.09 percent of the number of shares outstanding. Maximum dilution for the program at the end of the vesting period in 2013 is projected at 1,876,951 shares or 0.45 percent.

F Previous share incentive programs

The previous share incentive program, the Skanska Share Award Plan, was applicable during the years 2005–2007 to senior executives and other key employees of the Skanska Group, expired in 2007. The Plan covered about 300 employees in the Group, including the President and CEO, the other members of the Senior Executive Team and staff units, the Presidents of business units and their executive teams.

The Plan meant that employees were offered the opportunity to be granted "share awards" entitling the holder to receive Series B shares in the Company free of charge, provided that certain targets were met. The maximum yearly allocation for each participant per year was equivalent to 30 percent of the value of the participant's annual salary in Series B shares. Each participant's allocation of share awards was dependent upon the fulfillment of a number of established earnings- and performance-related conditions, which were based on the "Outperform" targets approved by the Board of Directors. In order to receive the shares, three years of employment are required after the end of the measurement period.

The cost of the Plan, excluding social insurance contributions, is estimated at about SEK 146 M, allocated over four years. In 2008, the cost of the Plan totaled SEK 30 M excluding social insurance contributions. The remaining cost of the Plan through 2010 is estimated at SEK 38 M.

The dilution effect through 2008 is estimated at 910,649 shares or 0.22 percent of the number of shares outstanding.

The maximum dilution in the Plan at the end of the vesting period will amount to 1,352,361 shares or 0.32 per cent.

Early in 2009, share awards related to 2005 are being distributed to those individuals in the Plan who have remained employees in the Group, about 400,000 shares.

G Local incentive programs

Salaries and other remuneration are adopted with reference to prevailing conditions in the rest of the construction industry and customary practices in each local market. The Skanska Group applies a remuneration model for the affected executives and managers that consists of a fixed annual salary plus variable remuneration which is based on financial targets achieved.

Note 38 Fees and other remuneration to auditors

	2008	2007
KPMG		
Audit assignments	52	58
Other audit-related assignments	7	6
Tax advisory services	11	9
Total	70	73

"Audit assignments" refers to examination of the annual accounts as well as the administration by the Board of Directors and the President, as well as other tasks that are incumbent upon the Company's auditors to perform. "Other audit-related assignments" refers to advisory services related to accounting issues and advisory services concerning the disposal and acquisition of businesses.

Note 39 Related party disclosures

Through its ownership and percentage of voting power, AB Industrivärden has a significant influence, as defined in compliance with IAS 24, "Related Party Disclosures." All transactions have occurred on market terms.

Skanska sells administrative services to pension funds that manage assets intended to cover the Group's pension obligations.

Associated companies and joint ventures are companies related to Skanska. Information on transactions with these is presented in the following tables.

Information on remuneration and transactions with senior executives is found in Note 36, "Personnel," and Note 37, "Remuneration to senior executives and Board members."

Transactions with joint ventures	2008	2007
Sales to joint ventures	5,918	7,031
Purchases from joint ventures	131	146
Dividends from joint ventures	272	186
Receivables from joint ventures	384	317
Liabilities to joint ventures	82	6
Contingent liabilities for joint ventures	767	651
Transactions with associated companies	2008	2007
Purchases from associated companies	7	

Skanska's pension fund directly owns 600,000 (250,000) Series B shares in Skanska. There is also an insignificant holding of indirectly owned shares via investments in various mutual funds.

Note 40 Leases

Skanska is a lessee in both finance and operating leases.

When Skanska is a lessee, finance lease assets are recognized as a non-current asset in the balance sheet, while the future obligation to the lessor is recognized as a liability in the balance sheet.

As a financial lessor, Skanska recognizes the present value of its claim on the lessee as a financial receivable.

As an operating lessor, Skanska leases properties to tenants via its Commercial Development operations.

A. Skanska as a lessee

Finance leases

Leased property plant and equipment including buildings and land ("Property") as well as machinery and equipment ("Plant and equipment") are recognized in the consolidated financial statements as finance leases.

Of the amount in the balance sheet for finance leases, most is related to car leases in Sweden. Agreements with lease companies in other countries are operating leases.

Finance leases, carrying amount	2008	2007
Property, plant and equipment		
Property	46	5
Plant and equipment	246	204
Total	292	209
Cost	866	328
Depreciation for the year	-97	-50
Accumulated depreciation, January 1	-477	-69
Carrying amount	292	209

Variable fees for finance leases included in 2008 income amounted to SEK -4 M (-3).

No property leased to Skanska has been subleased to others.

Future minimum lease payments and their present value can be seen in the following table

Expenses, due date	Future minimum lease payments		Present value of future minimum lease payments	
	2008	2007	2008	2007
Within one year	-13	-63	-9	-51
Later than one year but within five years	-127	-70	-96	-52
Later than five years	-43	-50	-37	-40
Total	-183	-183	-142	-143

Reconciliation, future minimum lease payments and their present value	2008	2007
Future minimum lease payments	-183	-183
Less interest charges	41	40
Present value of future minimum lease payments	-142	-143

Operating leases

Most of the amounts for future minimum lease payments are related to leased cars and office space for operations in the United Kingdom. Also included are site leasehold agreements, especially in Stockholm.

The Group's leasing expenses related to operating leases in 2008 totaled SEK -609 M (-615), of which SEK -491 M (-546) was related to minimum lease payments and SEK -118 M (-69) was related to variable payments. The Group had SEK 0 M (5) in leasing income related to subleasing on operating leases.

The due dates of future minimum lease payments for noncancellable operating leases were distributed as follows:

Expenses, due dates	2008	2007
Within one year	-438	-423
Later than one year but within five years	-758	-940
Later than five years	-457	-454
Total	-1,653	-1,817

Of this amount, SEK 0 M (2) was related to properties that were subleased.

Note 40 Continued

B. Skanska as lessor

Finance leases

Skanska owns a property in Sweden and a hotel property in the Czech Republic that are leased to customers under finance leases.

The present value of the claim related to future minimum lease payments is recognized in the balance sheet as a financial non-current asset. At the balance sheet date, it amounted to:

	2008	2007
Gross investment in finance leases	38	11
Unearned financial income	-7	-1
Net investment in finance leases	31	10
Non-guaranteed residual value belonging to the lessor	-3	-3
Present value of claim related to future minimum lease payments	28	7

The due dates of future minimum lease payments for noncancellable operating leases were distributed as follows:

Income, due dates	Gross investment in finance leases		Present value of claims related to future minimum lease payments	
	2008	2007	2008	2007
Within one year	4	3	4	3
Later than one year but within five years	11	8	7	4
Later than five years	24	0	17	0
Total	39	11	28	7

Reserves for doubtful receivables related to minimum lease payments amounted to SEK 1 M (0).

The variable portion of lease payments included in 2008 income amounted to SEK 0 M (0).

Operating leases

Operating lease business in the form of property leasing is mainly carried out by the Commercial Development business stream. These properties are recognized as current assets in the balance sheet. See Note 4, "Segment reporting."

In 2008, Commercial Development's lease income amounted to SEK 398 M (313).

In 2008, the Group's variable lease income related to operating leases amounted to SEK 19 M (8).

The due dates of future minimum lease payments for noncancellable operating leases were distributed as follows:

Income, due dates	2008	2007
Within one year	711	471
Later than one year but within five years	2,347	1,358
Later than five years	1,360	729
Total	4,418	2,558

The carrying amount of current-asset properties in Commercial Development totaled SEK 9,590 M (6,260).

Note 41 Events after the balance sheet date

The financial reports were signed on February 5, 2009 and will be submitted for adoption by the Annual Shareholders' Meeting of Skanska AB on April 6, 2009.

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

Note 42 Consolidated quarterly results

SEK M	2008				2007			
	Q4	Q3	Q2	Q1	Q4	Q3	Q2	Q1
Order bookings	27,614	30,411	34,271	34,293	36,554	30,375	40,024	39,735
Income								
Revenue	39,026	36,052	37,050	31,546	38,409	36,405	35,447	28,520
Cost of sales	-36,139	-32,565	-33,649	-29,179	-34,685	-33,078	-31,989	-26,055
Gross income	2,887	3,487	3,401	2,367	3,724	3,327	3,458	2,465
Selling and administrative expenses	-2,751	-1,964	-2,247	-1,970	-2,205	-1,854	-2,144	-1,767
Income from joint ventures and associated companies	-63	66	190	683	118	98	105	81
Operating income	73	1,589	1,344	1,080	1,637	1,571	1,419	779
Interest income	95	125	112	172	214	147	110	156
Interest expenses	-50	-44	19	4	-63	-35	-29	-38
Change in fair value	3	32	5	-25	-28	-26	-24	-26
Other financial items	-50	-51	-12	-11	-34	-15	-28	-20
Net financial items	-2	62	124	140	89	71	29	72
Income after financial items	71	1,651	1,468	1,220	1,726	1,642	1,448	851
Taxes	-81	-447	-383	-342	-482	-399	-419	-246
Profit for the period	-10	1,204	1,085	878	1,244	1,243	1,029	605
Profit for the period attributable to								
Equity holders	-44	1,199	1,074	873	1,237	1,237	1,022	600
Minority	34	6	10	5	7	6	7	5
Order backlog	142,408	148,081	145,035	143,327	146,167	147,663	155,604	150,517
Capital employed	25,154	24,981	24,196	26,128	25,558	23,569	22,545	25,262
Interest-bearing net receivables	9,230	6,908	7,570	11,679	14,581	7,646	7,587	10,558
Debt/equity ratio	-0,5	-0,4	-0,4	-0,6	-0,7	-0,4	-0,4	-0,5
Return on capital employed, %	18,3	25,7	25,8	26,2	25,0	22,8	20,5	23,0
Cash flow								
Cash flow from operating activities	3,178	439	-522	-2,541	7,831	498	533	237
Cash flow from investing activities	-270	-562	-513	-573	-198	-1,158	-871	-219
Cash flow from financing activities	-1,078	-1,237	-3,179	-82	139	-52	-3,830	49
Cash flow for the period	1,830	-1,360	-4,214	-3,196	7,772	-712	-4,168	67
Business streams								
Order bookings								
Construction	27,646	30,382	34,224	34,272	35,645	29,621	39,638	38,475
Central and eliminations	-32	29	47	21	909	754	386	1,260
Total	27,614	30,411	34,271	34,293	36,554	30,375	40,024	39,735
Revenue								
Construction	38,271	35,590	35,116	30,521	35,777	34,077	32,650	26,754
Residential Development	1,187	1,318	1,980	1,965	2,067	1,752	1,818	2,042
Commercial Development	1,080	964	1,574	343	985	762	1,118	265
Infrastructure	20	12	8	15	72	15	21	8
Central and eliminations	-1,532	-1,832	-1,628	-1,298	-492	-201	-160	-549
Total	39,026	36,052	37,050	31,546	38,409	36,405	35,447	28,520
Operating income								
Construction	961	1,395	923	482	1,271	1,365	1,144	663
Residential Development	-530	59	143	151	215	123	140	246
Commercial Development	124	341	450	38	248	233	353	76
Infrastructure Development	-169	-25	9	581	12	-4	-19	-96
Central	-327	-141	-208	-151	-101	-108	-227	-122
Eliminations	14	-40	27	-21	-8	-38	28	12
Total	73	1,589	1,344	1,080	1,637	1,571	1,419	779

Note 43 Five-year Group financial summary

Income statements	2008	2007	2006	2005	2004
Revenue	143,674	138,781	125,603	124,667	121,263
Cost of sales	-131,532	-125,807	-114,220	-113,402	-111,706
Gross income	12,142	12,974	11,383	11,265	9,557
Selling and administrative expenses	-8,932	-7,970	-6,985	-6,686	-6,951
Income from disposal of discontinued operations	-	-	-	184	1,587
Income from joint ventures and associated companies	876	402	364	237	168
Operating income	4,086	5,406	4,762	5,000	4,361
Net financial items	324	261	223	120	-34
Income after financial items	4,410	5,667	4,985	5,120	4,327
Taxes	-1,253	-1,546	-1,330	-1,230	-1,141
Profit for the year	3,157	4,121	3,655	3,890	3,186
Profit for the year attributable to					
Equity holders	3,102	4,096	3,635	3,879	3,173
Minority	55	25	20	11	13
Cash flow					
Cash flow from operating activities	554	9,099	3,717	6,707	6,519
Cash flow from investing activities	-1,918	-2,446	-3,200	-323	1,206
Cash flow from financing activities	-5,576	-3,694	-2,860	-2,746	-5,804
Cash flow for the year	-6,940	2,959	-2,343	3,638	1,921

Note 43 Continued

Balance sheets, SEK M	Dec 31, 2008	Dec 31, 2007	Dec 31, 2006	Dec 31, 2005	Dec 31, 2004
ASSETS					
Non-current assets					
Property, plant and equipment	6,919	5,973	5,457	5,243	5,507
Goodwill	4,442	4,584	4,490	4,154	3,899
Intangible assets	804	658	740	644	535
Investments in joint ventures and associated companies	1,512	1,945	1,894	1,834	862
Financial non-current assets ^{1,3}	309	728	1,500	1,236	1,137
Deferred tax assets	1,970	956	1,976	2,282	1,633
Total non-current assets	15,956	14,844	16,057	15,393	13,573
Current assets					
Current-asset properties ²	18,568	13,198	11,827	10,482	11,948
Inventories	901	769	484	501	610
Financial current assets ³	7,285	4,686	3,154	2,260	2,490
Tax assets	812	411	330	330	269
Gross amount due from customers for contract work	6,087	5,656	5,222	5,610	3,579
Trade and other receivables	25,988	25,168	23,263	22,985	21,744
Cash equivalents		521	2,131	3,095	3,053
Cash	7,881	13,688	8,839	10,583	5,815
Assets classified as held for sale				72	
Total current assets	67,522	64,097	55,250	55,918	49,508
TOTAL ASSETS	83,478	78,941	71,307	71,311	63,081
of which interest-bearing	15,135	19,415	15,441	16,975	12,421
EQUITY					
Equity attributable to equity holders	19,071	20,514	19,190	18,454	16,251
Minority interest	178	210	147	133	117
Total equity	19,249	20,724	19,337	18,587	16,368
LIABILITIES					
Non-current liabilities					
Financial current liabilities ³	1,077	955	2,039	2,424	3,046
Pensions	3,100	1,149	1,556	2,407	1,112
Deferred tax liabilities	1,760	2,069	2,892	2,831	2,744
Non-current provisions	86	96	119	143	135
Total non-current liabilities	6,023	4,269	6,606	7,805	7,037
Current liabilities					
Financial current liabilities ³	2,081	2,703	1,396	1,080	1,006
Tax liabilities	864	891	728	595	998
Current provisions	4,908	3,646	3,476	3,200	2,740
Gross amount due to customers for contract work	17,050	15,748	11,357	11,782	10,428
Trade and other payables	33,303	30,960	28,407	28,220	24,504
Liabilities classified as held for sale				42	
Total current liabilities	58,206	53,948	45,364	44,919	39,676
TOTAL EQUITY AND LIABILITIES	83,478	78,941	71,307	71,311	63,081
of which interest-bearing	5,905	4,834	5,064	5,864	5,192
1 of which shares	64	92	59	59	74
2 Current-asset properties					
Commercial Development	9,590	6,260	5,583	5,804	7,408
Other commercial properties	1,245	748	956	1,396	1,272
Residential Development	7,733	6,190	5,288	3,282	3,268
	18,568	13,198	11,827	10,482	11,948
3 Items related to non-interest-bearing unrealized changes in value of derivatives/securities are included in the following amounts:					
Financial non-current assets		2	8	107	
Financial current assets	276	114	116	35	
Financial non-current liabilities			6	22	
Financial current liabilities	459	89	60	196	

Note 43 Continued

Financial ratios etc.^{4,5}

	Dec 31 2008	Dec 31 2007	Dec 31 2006	Dec 31 2005	Dec 31 2004
Order bookings	126,589	146,688	134,392	117,097	121,903
Order backlog	142,408	146,167	135,179	128,743	113,740
Average number of employees	57,815	60,435	56,085	53,806	53,803
Regular dividend per share, SEK ⁴	5.25	5.25	4.75	4.50	4.00
Extra dividend per share, SEK	0.00	3.00	3.50	2.00	
Earnings per share after repurchases, SEK	7.44	9.78	8.68	9.27	7.58
Earnings per share after repurchases and dilution, SEK	7.42	9.77	8.68	9.27	
Capital employed	25,154	25,558	24,401	24,451	21,560
Interest-bearing net receivables (+)/net debt (-)	9,230	14,581	10,377	11,111	7,229
Equity per share, SEK	45.87	49.01	45.85	44.09	38.83
Equity/assets ratio, %	23.1	26.3	27.1	26.1	25.9
Debt/equity ratio	-0.5	-0.7	-0.5	-0.6	-0.4
Interest cover	-13.9	-15.9	-21.3	-37.4	122.8
Return on equity, %	15.9	21.1	20.5	22.0	20.6
Return on capital employed, %	18.3	25.0	22.5	23.3	19.9
Number of shares at year-end	423,053,072	423,053,072	418,553,072	418,553,072	418,553,072
of which Series A and B shares	418,553,072	418,553,072			
of which Series D shares (not entitled to dividend, in Skanska's own custody)	4,500,000	4,500,000	4,500,000		
Average price, repurchased shares, SEK	96.97				
Number of repurchased Series B shares	2,795,000				
Number of Series B shares in own custody at year-end	2,793,162				
Number of shares outstanding at year-end					
After repurchases	415,759,910	418,553,072			
After repurchases and dilution	416,956,302	419,150,515			
Average number of shares outstanding					
After repurchases	416,985,073	418,553,072	418,553,072	418,553,072	418,553,072
After repurchases and dilution	417,781,483	418,992,099	418,827,470	418,561,923	
Average dilution, percent	0.21	0.10			

⁴ Proposed by the Board of Directors: Regular dividend of SEK 5.25 per share.

⁵ For definitions, see Note 44.

Note 44 Definitions

Average capital employed	Calculated on the basis of five measuring points: half of capital employed on January 1 plus capital employed at the end of the first, second and third quarters plus half of capital employed at year-end, divided by four.
Average visible equity	Calculated on the basis of five measuring points: half of equity attributable to equity holders on January 1 plus equity attributable to equity holders at the end of the first, second and third quarters plus half of equity attributable to equity holders at year-end, divided by four.
Capital employed in business streams, markets and business/reporting units	Total assets minus tax assets and deposits in Skanska's treasury unit minus non-interest-bearing liabilities minus provisions for taxes and tax liabilities.
Consolidated capital employed	Total assets minus non-interest-bearing liabilities.
Consolidated operating cash flow	In the consolidated operating cash flow statement, which includes taxes paid, investments are recognized both in cash flow from business operations and in cash flow from strategic investments. See also Note 35.
Consolidated return on capital employed	Operating income plus financial income as a percentage of average capital employed.
Debt/equity ratio	Interest-bearing net debt divided by visible equity including minority interest.
Earnings per share after repurchases	Profit for the year attributable to equity holders divided by the average number of shares outstanding after repurchases.
Earnings per share after repurchases and dilution	Profit for the year attributable to equity holders divided by the average number of shares outstanding after repurchases and dilution.
Equity/assets ratio	Visible equity including minority interest as a percentage of total assets.
Equity per share	Visible equity attributable to equity holders divided by the number of shares outstanding after repurchases at year-end.
Interest-bearing net receivables	Interest-bearing assets minus interest-bearing liabilities.
Interest cover	Operating income and financial income plus depreciation/amortization divided by net interest items.
Net working capital	Net non-interest-bearing receivables and liabilities including taxes.
Operating cash flow	Cash flow from operations before taxes and before financial activities. See also Note 36.
Operating net on properties	Rental income and interest subsidies minus operating, maintenance and administrative expenses as well as real estate tax. Site leasehold rent is included in operating expenses.
Order backlog	Contracting assignments: The difference between order bookings for the period and accrued revenue (accrued project costs plus accrued project income adjusted for loss provisions) plus order backlog at the beginning of the period. Services: The difference between order bookings and accrued revenue plus order backlog at the beginning of the period.
Order bookings	Contracting assignments: Upon written order confirmation or signed contract. Also includes orders from Residential Development and Commercial Development. Services: For fixed-price assignments, upon signing of contract. For cost-plus assignments, order bookings coincide with revenue. No order bookings are reported for Residential Development and Commercial Development.
Return on capital employed in business streams, markets and business/reporting units	Operating income plus financial income minus interest income from Skanska's treasury unit and other financial items as a percentage of average capital employed.
Return on equity	Profit attributable to equity holders as a percentage of average visible equity attributable to equity holders.
Yield on properties	Operating net divided by year-end carrying amount.

Parent Company notes

Note 45 Financial instruments, Parent Company

Financial instruments are presented in compliance with IFRS 7, "Financial Instruments: Disclosures." This note contains figures about the Parent Company's financial instruments. See also Note 1 to the consolidated financial statements, "Accounting and valuation principles," and Note 6, "Financial instruments."

Financial instruments in the balance sheet	2008	2007
Assets		
Non-current receivables from Group companies	4,203	719
Trade accounts receivable	48	42
Total financial instruments, assets	4,251	761
Liabilities		
Non-current liabilities to Group companies	7,366	3,307
Trade accounts payable	28	27
Total financial instruments, liabilities	7,394	3,334

The fair value of the Parent Company's financial instruments does not deviate in any case from the carrying amount. All assets belong to the category "Receivables." No assets were carried at fair value through profit or loss. All financial liabilities belonged to the category of "Carried at accrued cost."

Reconciliation with balance sheet	2008	2007
Assets		
Financial instruments	4,251	761
Other assets		
Property, plant and equipment and intangible assets	15	16
Holdings in Group companies, joint ventures and other securities	10,565	10,579
Other non-current receivables	67	83
Tax assets	60	58
Other current receivables and accrued receivables	64	115
Total assets	15,022	11,612
Equity and liabilities		
Financial instruments	7,394	3,334
Other liabilities		
Equity	7,365	8,048
Provisions	197	175
Other current liabilities and accrued liabilities	66	55
Total equities and liabilities	15,022	11,612

Impact of financial instruments on the Parent Company income statement

Financial income and expenses recognized in net financial items	2008	2007
Interest income on receivables	92	237
Interest expenses on financial liabilities carried at accrued cost	-267	-327
Total	-175	-90

The Parent Company has no income or expenses from financial instruments that are recognized directly in equity.

Risks attributable to financial instruments

The Parent Company almost exclusively holds financial instruments in the form of intra-Group receivables and liabilities. All external management of lending, borrowing, interest and currencies is handled by the Group's treasury unit, the subsidiary Skanska Financial Services AB. See also Note 6 to the consolidated financial statements, "Financial instruments".

Credit risk

The carrying amount of financial instruments, assets, corresponded to the maximum credit exposure on the balance sheet date. There were no impairment losses on financial instruments on the balance sheet date.

Note 46 Net sales, Parent Company

The Parent Company's net sales consisted of intra-Group consulting services.

The amount included SEK 355 M (75) in sales to subsidiaries. For other related party transactions, see Note 63, "Related party disclosures."

Note 47 Financial items, Parent Company

	Income from holdings in Group companies	Income from other financial non-current assets	Interest expenses and similar items	Total
2008				
Dividends	3,584			3,584
Interest income		92		92
Interest expenses			-267	-267
Other				0
Total	3,584	92	-267	3,409
2007				
Dividends	3,678			3,678
Interest income		238		238
Interest expenses			-327	-327
Other			1	1
Total	3,678	238	-326	3,590

Dividends

The amount for dividends consisted of dividends in compliance with a decision by the Annual Shareholders' Meeting, SEK 3,000 M (3,000), and Group contributions received, SEK 584 M (678).

Net interest items

Of interest income, SEK 90 M (237) was related to Group companies.

Of interest expenses, SEK -267 M (-327) were related to Group companies.

Note 48 Income taxes, Parent Company

	2008	2007
Current taxes	-81	-54
Deferred tax expenses/income from change in temporary difference	-2	4
Total	-83	-50

The relation between the Swedish tax rate of 28 percent and taxes recognized is explained in the table below.

	2008	2007
Income after financial items	3,110	3,171
Taxes at tax rate of 28 percent	-871	-888
Tax effect of:		
Dividends from subsidiaries	840	840
Employee-related expenses	-16	
Other nondeductible expenses	-35	
Other	-1	-2
Recognized tax expense	-83	-50
Deferred tax assets	2008	2007
Deferred tax assets for employee-related provisions	56	58
Minus deferred tax liabilities for holdings	-2	-2
Total	54	56

Deferred tax assets and deferred tax liabilities are calculated on the basis of the new tax rate of 26.3 percent that was approved by the Swedish Parliament in December 2008.

Change in deferred taxes in balance sheet

	2008	2007
Deferred tax assets, January 1	56	52
Deferred tax expense/income	-2	4
Deferred tax assets, December 31	54	56

The Parent Company expects to be able to utilize deferred tax assets to offset Group contributions from Swedish operating subsidiaries.

Note 49 Intangible assets, Parent Company

Intangible assets are reported in compliance with IAS 38, "Intangible Assets." See Note 1, "Accounting and valuation principles".

Amortization of intangible assets amounted to SEK -1 M (-1) during the year and was included in selling and administrative expenses.

In determining the amortization amount, the Parent Company paid particular attention to estimated residual value at the end of useful life.

	Intangible assets	
	2008	2007
Accumulated cost		
January 1	21	28
Divestments		-7
	21	21
Accumulated amortization		
January 1	-7	-6
Amortization for the year	-1	-1
	-8	-7
Accumulated impairment losses		
January 1	0	0
	0	0
Carrying amount, December 31	13	14
Carrying amount, January 1	14	22

Note 50 Property, plant and equipment, Parent Company

Property, plant and equipment are reported in compliance with IAS 16, "Property, Plant and Equipment." See Note 1, "Accounting and valuation principles."

Machinery and equipment owned by the Parent Company are recognized as property, plant and equipment. The year's depreciation on property, plant and equipment amounted to SEK 0 M (-1) and was included in selling and administrative expenses.

	Machinery and equipment	
	2008	2007
Accumulated cost		
January 1	9	9
Additions	1	
Disposals	-1	
	9	9
Accumulated depreciation		
January 1	-7	-6
Depreciation for the year	0	-1
	-7	-7
Carrying amount, December 31	2	2
Carrying amount, January 1	2	3

Note 51 Financial non-current assets, Parent Company

Holdings and receivables are reported as financial non-current assets.

Holdings are allocated between holdings in Group companies and joint ventures.

See Note 52, "Holdings in Group companies," and Note 53, "Holdings in joint ventures."

Receivables are allocated between receivables from Group companies, deferred tax assets and other non-current receivables.

Tax assets are described in Note 48, "Income taxes." All receivables except deferred tax assets are interest-bearing.

Holdings	Holdings in Group companies		Holdings in joint ventures		Other non-current holdings of securities	
	2008	2007	2008	2007	2008	2007
Accumulated cost						
January 1	12,325	12,325	2	0	12	0
Investment				2		12
Divestments					-12	
Share of income			-2			
	12,325	12,325	0	2	0	12
Accumulated impairment losses						
January 1	-1,760	-1,760				
	-1,760	-1,760	0	0	0	0
Carrying amount, December 31	10,565	10,565	0	2	0	12
Carrying amount, January 1	10,565	10,565	2	0	12	0

Receivables	Receivables from Group companies		Other non-current receivables and deferred tax assets	
	2008	2007	2008	2007
Accumulated cost				
January 1	719	7,693	139	130
Receivables added/settled	3,484	-6,974	-18	9
	4,203	719	121	139
Carrying amount, December 31	4,203	719	121	139
Carrying amount, January 1	719	7,693	139	130

Note 52 Holdings in Group companies, Parent Company

Skanska AB owns shares in two subsidiaries.

The subsidiary Skanska Kraft AB is a holding company and the company that owns the Group's shareholdings in Skanska Group operating companies. Skanska Financial Services AB is the Group's treasury unit (internal bank).

Company	Corporate identity number	Registered office	Number of participation	Carrying amount	
				2008	2007
Swedish subsidiaries					
Skanska Financial Services AB	556106-3834	Solna	500,000	65	65
Skanska Kraft AB	556118-0943	Solna	4,000,000	10,500	10,500
Total				10,565	10,565

Both subsidiaries are 100 percent owned by the Parent Company.

Note 53 Holdings in joint ventures, Parent Company

Joint ventures are reported in compliance with IAS 31, "Interests in Joint Ventures". See Note 1, "Accounting and valuation principles".

Company	Corporate identity number	Registered office	Percentage of share capital and votes	Carrying amount	
				2008	2007
Swedish joint ventures					
Sundlink Contractors HB	969620-7134	Malmö	37	0	2
Total				0	2

Note 54 Prepaid expenses and accrued income, Parent Company

The Parent Company had prepaid expenses and accrued income of SEK 6 M (9). This amount consisted of SEK 2 M (3) in prepaid insurance premiums and SEK 4 M (6) in miscellaneous accrued receivables.

Note 55 Equity, Parent Company

Restricted and unrestricted equity

According to Swedish law, equity must be allocated between non-distributable (restricted) and distributable (unrestricted) equity. Share capital and the statutory reserve comprise restricted equity. Unrestricted equity consists of retained earnings, which include the effect of derivative instruments carried at fair value. The equity of the Parent Company was allocated among SEK 1,269 M (1,269) in share capital, SEK 598 M (598) in the statutory reserve (restricted reserves) and SEK 2,471 M (3,060) in retained earnings. The proposed but not yet approved dividend for 2008 amounts to a total of SEK 2,183 M (3,453). Of this, SEK 2,183 M (2,197) comprises the regular dividend, equivalent to SEK 5.25 (5.25) per share, and SEK 0 M (1,256) is an extra dividend, equivalent to SEK 0 (3.00) per share. The dividend amount for 2007 changed before the record date because of share repurchases. Total dividend was SEK 3,448 M, a reduction by SEK 5 M.

Number of shares

	2008	2007
Average number of shares outstanding		
after repurchases	416,985,073	418,553,072
after repurchases and dilution	417,781,483	418,992,099
Total number of shares	423,053,072	423,053,072

The number of shares amounted to 423,053,072, divided into 22,463,663 (22,464,731)

Series A shares and 396,089,409 (396,088,341) Series B shares. In addition, there were 4,500,000 Series D shares in Skanska's own custody.

During 2008, 1,068 (38,120) Series A shares were redeemed for a corresponding number of Series B shares.

Skanska repurchased 2,795,000 Series B shares and distributed 1,838, after which 2,793,162 Series B shares were in the Company's own custody at year-end.

The quota value per share amounts to SEK 3 (3). All shares are fully paid up.

Each Series A share carries 10 votes and each Series B and Series D share carries one vote. D shares do not entitle the holder to a dividend from earnings.

Series B shares are listed on the OMX Nordic Exchange Stockholm.

According to the Articles of Association, Skanska's share capital may amount to a minimum of SEK 1,200 M and a maximum of SEK 4,800 M.

Note 56 Provisions, Parent Company

Provisions are reported in compliance with IAS 37, "Provisions, Contingent Liabilities and Contingent Assets." See Note 1, "Accounting and valuation principles".

	Provisions for pensions		Other provisions	
	2008	2007	2008	2007
January 1	154	152	21	21
Provisions for the year	59	23	51	18
Provisions utilized	-67	-21	-21	-18
December 31	146	154	51	21

"Other provisions" consisted of employee-related provisions.

Normal cycle time for "Other provisions" is about one to three years.

Employee-related provisions included such items as social insurance contributions for share investment programs, bonus programs and other obligations to employees.

Note 57 Provisions for pensions, Parent Company

Provisions for pensions are reported in compliance with the Pension Obligations Vesting Act.

Pension liabilities according to the balance sheet

	2008	2007
Interest-bearing pension liabilities ¹	94	119
Other pension obligations	52	35
Total	146	154

¹ Liabilities in compliance with the Pension Obligations Vesting Act.

Reconciliation, provisions for pensions

	2008	2007
January 1	119	122
Pension expenses	67	16
Benefits paid	-92	-19
Provisions for pensions according to the balance sheet	94	119

Note 58 Liabilities, Parent Company

Liabilities are allocated between non-current and current in compliance with IAS 1, "Presentation of Financial Statements." See Note 1, "Accounting and valuation principles".

Accrued expenses and prepaid income

The Parent Company had accrued expenses and prepaid income of SEK 55 M (51). This was related to accrued vacation pay of SEK 21 M (17), accrued special payroll tax on pensions of SEK 16 M (13), accrued social insurance contributions of SEK 7 M (6) and other accrued expenses of SEK 11 M (15).

Note 59 Expected recovery periods of assets, provisions and liabilities, Parent Company

	2008				2007			
	Within 12 months	12 months or longer	More than five years (liabilities)	Total	Within 12 months	12 months or longer	More than five years (liabilities)	Total
Amount expected to be recovered								
Intangible non-current assets¹	1	12		13	1	13		14
Property, plant and equipment¹		2		2		2		2
Financial non-current assets								
Holdings in Group companies and joint ventures ²		10,565		10,565		10,579		10,579
Receivables from Group companies ³		4,203		4,203		719		719
Other non-current receivables		67		67		83		83
Deferred tax assets		54		54		56		56
		14,889		14,889		11,437		11,437
Current receivables								
Current receivables from Group companies	49			49	42			42
Tax assets	6			6	2			2
Other current receivables	57			57	106			106
Prepaid expenses and accrued income	6			6	9			9
	118	0		118	159	0		159
Total assets	119	14,903		15,022	160	11,452		11,612
Amounts expected to be paid								
Provisions								
Provisions for pensions	67	79		146	16	138		154
Other provisions	51			51	21			21
	118	79		197	37	138		175
Liabilities								
Non-current liabilities								
Liabilities to Group companies ⁴			7,366	7,366			3,307	3,307
	0	0	7,366	7,366	0	0	3,307	3,307
Current liabilities								
Trade accounts payable	16			16	21			21
Liabilities to Group companies	12			12	6			6
Other liabilities	11			11	4			4
Accrued expenses and prepaid income	55			55	51			51
	94	0	0	94	82	0	0	82
Total liabilities and provisions	212	79	7,366	7,657	119	138	3,307	3,564

1 In case of amounts expected to be recovered within twelve months, expected annual depreciation/amortization has been recognized.

2 No portion of this amount is expected to be recovered within twelve months.

3 No portion of this amount is expected to be recovered within twelve months, since this lending is treated as non-current.

4 Intra-Group non-current interest-bearing liabilities are treated as if they fall due more than five years from the balance sheet date..

Note 60 Assets pledged and contingent liabilities, Parent Company

Assets pledged

Assets pledged by the Parent Company totaled SEK 67 M (82), which was related to assets in the form of non-current receivables. These assets were pledged as collateral for some of the Parent Company's pension obligations.

Contingent liabilities

Contingent liabilities are reported in compliance with IAS 37, "Provisions, Contingent Liabilities and Contingent Assets." Note 1, "Accounting and valuation principles," describes the accounting principles.

	2008	2007
Contingent liabilities on behalf of Group companies	85,024	85,387
Other contingent liabilities	6,906	5,353
Total	91,930	90,740

Of the Parent Company's contingent liabilities on behalf of Group companies, nearly SEK 80 (80) billion was related to contracting obligations incurred by Group companies.

The remaining contingent liabilities on behalf of Group companies were related, among other things, to borrowing by Group companies from credit institutions, the obligations of Group companies to supply capital to joint ventures and guarantees provided when Group companies divested properties.

Of other contingent liabilities, SEK 1.9 (2.0) billion was related to liability for the portion of construction consortia held by external entities. Of the remaining SEK 5.0 (3.4) billion, more than SEK 0.5 (0.5) billion was attributable to guarantees provided for financing of joint ventures in which Group companies are co-owners and SEK 4.5 (2.8) to guarantees for financing of residential projects in Sweden.

The Parent Company has issued capital coverage guarantees for certain subsidiaries.

The amounts in the above table include SEK 1 M (5) worth of Parent Company contingent liabilities related to construction consortia.

Note 61 Cash flow statement, Parent Company

Adjustments for items not included in cash flow

	2008	2007
Depreciation/amortization	1	2
Total	1	2

Taxes paid

Total taxes paid in the Parent Company during 2008 amounted to SEK -85,M,(-50).

Information on interest and dividends

	2008	2007
Interest received during the year	92	238
Interest paid during the year	-267	-327

Note 62 Personnel, Parent Company

Salaries, other remuneration and social insurance contributions

	2008		2007	
	Salaries and other remuneration	Pension expenses	Salaries and other remuneration	Pension expenses
Total, Board members, President and other senior executives	42.3	24.7	53.1	18.4
of which variable remuneration	6.0		15.2	
Other employees	78.9	17.7	70.7	17.7
Total	121.2	71.8	123.8	36.1
Social insurance contributions		121.7		68.5
of which pension expenses		71.8		36.1

For disclosures of individual remuneration to each Board member and the President and CEO, see Note 37, "Remuneration to senior executives and Board members." For Board members appointed by the employees, no disclosures are made concerning salaries and remuneration as well as pensions, since they do not receive these in their capacity as Board members. For Board members who previously, before the beginning of the financial year, were employees of the Company, disclosures are made concerning pension obligations in their former role as employees.

The Parent Company's pension expenses are calculated in compliance with the Pension Obligations Vesting Act. Pension expenses in 2008 were affected, among other things, by the downturn in the value of Skanska's Swedish pension funds. The Company's outstanding pension obligations to Presidents and CEOs, including former Presidents and CEOs, amounted to SEK 100.1 M (94.8). The Company's outstanding pension obligations to Executive Vice Presidents and former Executive Vice Presidents amounted to SEK 69.9 M (96.2).

Average number of employees

Personnel figures are calculated as the average number of employees. See Note 1, "Accounting and valuation principles."

Average number of employees	2008	of whom men	of whom women	2007	of whom men	of whom women
Sweden	87	48	39	79	44	35

Men and women on the Board of Directors and Senior Executive Team on the balance sheet date

	2008	of whom men	of whom women	2007	of whom men	of whom women
Number of Board members and deputy members	14	79%	21%	15	79%	21%
President and other members of the Senior Executive Team	7	86%	14%	7	100%	0%

Absence from work due to illness (sick leave)

	2008	2007
Total absence from work due to illness as a percentage of regular working time	1.3%	0.8%
Percentage of total absence from work due to illness related to continuous absences of 60 days or more	82.4%	32.7%

Absence from work due to illness as a percentage of each category's regular working time:

	2008	2007
Men	0.1%	0.2%
Women	2.9%	1.5%

Absence due to illness by age category:

	2008	2007
Age 29 or younger ¹	-	-
Age 30-49 ¹	1.1%	1.0%
Age 50 or older	0.7%	0.4%

¹ Since the category "Age 29 or younger" includes fewer than 10 people, the category is reported together with the category "Age 30-49."

Note 63 Related party disclosures, Parent Company

Through its ownership and percentage of voting power, AB Industrivärden has a significant influence, as defined in compliance with IAS 24, "Related Party Disclosures." All transactions have occurred on market terms. Information on personnel expenses is found in Note 62, "Personnel." For transactions with senior executives, see Note 37, "Remuneration to senior executives and Board members."

	2008	2007
Sales to Group companies	355	75
Purchases from Group companies	-89	-62
Interest income from Group companies	90	237
Interest expenses to Group companies	-267	-327
Dividends from Group companies	3,584	3,678
Non-current receivables from Group companies	4,203	719
Current receivables from Group companies	49	42
Non-current liabilities to Group companies	7,366	3,307
Current liabilities to Group companies	12	6
Contingent liabilities on behalf of Group companies	85,024	85,387

Note 65 Supplementary information, Parent Company

Skanska AB (publ), Swedish corporate identification number 556000-4615, is the Parent Company of the Skanska Group. The Company has its registered office in Solna, Stockholm County and is a limited company as provided by Swedish legislation. Its headquarters is located in Solna, Stockholm County.

Address:
Skanska AB
SE-169 83 Solna, Sweden

Tel: +46 8 504 350 00, after April 1, 2009 +46 10 448 00 00
Fax: +46 8 755 71 26
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For questions concerning financial information, please contact:
Skanska AB, Investor Relations, SE-169 83 Solna, Sweden
Tel: +46 8 753 88 00, after April 1 +46 10 448 00 00.
Fax: +46 8 755 12 56
E-mail: investor.relations@skanska.se

Note 64 Disclosures in compliance with the Annual Accounts Act, Chapter 6, Section 2 a, Parent Company

Due to the requirements in the Swedish Annual Accounts Act, Chapter 6, Section 2 a, concerning disclosures of certain circumstances that may affect the possibility of taking over the Company through a public buyout offer related to the shares in the Company, the following disclosures are hereby provided.

1. The total number of shares in the Company on December 31, 2008 was 423,053,072, of which 22,463,663 were Series A shares with 10 votes each, 396,089,409 Series B shares with one vote each and 4,500,000 Series D shares with one vote each in Skanska's own custody, but not entitled to dividends.
2. There are no restrictions on the transferability of shares due to provisions in the law or the Articles of Association.
3. Of the Company's shareholders, only AB Industrivärden directly or indirectly has a shareholding that represents at least one tenth of the voting power of all shares in the Company. On December 31, 2008, AB Industrivärden's holding amounted to 26.8 percent of total voting power in the Company.
4. Skanska's pension fund directly owns 600,000 Series B shares in Skanska. There is also an insignificant proportion of indirectly owned shares via its investments in various mutual funds. Funds were previously provided to the Skanska Profit-Sharing Foundation, which invested these in Skanska shares. The voting right for these shares is exercised by the Foundation, whose holding on December 31, 2008 was equivalent to 0.41 percent of total voting power.
5. There are no restrictions regarding how many votes each shareholder may cast at a Shareholders' Meeting.
6. The Company is not aware of agreements between shareholders that may result in restrictions on the right to transfer shares.
7. The Articles of Association prescribe that the selection of Board members shall occur at the Annual Shareholders' Meeting of the Company. The Articles of Association contain no regulations on dismissal of Board members or on amendment of the Article of Association.
8. The Annual Shareholders' Meeting in 2008 authorized the Company's Board to decide on acquisitions of Skanska's own Series B shares via a regulated market on the following conditions:
 - A. Acquisitions of Series B shares in Skanska may only be effected on the NASDAQ OMX Nordic Exchange Stockholm.
 - B. The authorization may be exercised on one or several occasions, but at the latest until the Annual Shareholders' Meeting in 2009.
 - C. No more than 4,500,000 Series B shares may be acquired in order to secure delivery of shares to participants in the share investment program.
 - D. Acquisitions of Series B shares in Skanska on the NASDAQ OMX Nordic Exchange Stockholm may only be made at a price within the interval prevailing at any given time on the NASDAQ OMX Nordic Exchange Stockholm, meaning the interval between the highest purchase price and the lowest selling price.
9. The Company is not a party to any significant agreement that goes into effect or is amended or ceases to apply if control over the Company changes as a consequence of a public buyout offer.
10. There are agreements between the Company and employees that prescribe remuneration if an employee is terminated without objective cause. Such remuneration may be equivalent to a maximum of 24 months of fixed salary or, in the case of the President and CEO, a maximum of 24 months of fixed salary. There are no agreements prescribing that employment will cease as a consequence of a public buyout offer related to shares in the Company.

Proposed allocation of earnings

The Board of Directors and the President of Skanska AB propose that the profit for 2008, SEK 3,026,756,014, plus the retained earnings of SEK 2,470,698,369 brought forward from the previous year, totaling SEK 5,497,454,383 be allocated as follows:

A dividend to the shareholders of ¹	SEK 5.25 per share	2,182,739,528
To be carried forward		3,314,714,855
Total		5,497,454,383

The consolidated annual accounts and the annual accounts, respectively, have been prepared in compliance with the international accounting standards referred to in Regulation (EC) No. 1606/2002 of the European Parliament and of the Council of 19 July 2002 on the application of international accounting standards and generally accepted accounting practices, respectively. These accounts provide a true and fair view of the operations, financial position and results of the Group and the Parent Company, respectively, and describe the principal risks and uncertainties facing the Parent Company and the companies included in the Group.

Solna, February 5, 2009

Sverker Martin-Löf
Chairman

Jane F. Garvey
Board member

Finn Johnsson
Board member

Bengt Kjell
Board member

Sir Adrian Montague
Board member

Lars Pettersson
Board member

Matti Sundberg
Board member

Inge Johansson
Board member

Roger Karlström
Board member

Alf Svensson
Board member

Johan Karlström
President and Chief Executive Officer,
Board member

¹ The total dividend amount may change by the record date, depending on repurchases of shares and transfers of shares to the participants in Skanska's long-term Share Award Plan for 2005..

Auditors' Report

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

We have examined the annual accounts, the consolidated accounts, the accounting records and the administration of the Board of Directors and the President of Skanska AB (publ) for the year 2008. The Company's annual accounts are included in the printed version of this document on pages 57–146. The Board of Directors and the President are responsible for these accounts and the administration of the Company as well as for the application of the Annual Accounts Act when preparing the annual accounts and the application of International Financial Reporting Standards (IFRSs) as adopted by the EU and the Annual Accounts Act when preparing the consolidated accounts. Our responsibility is to express an opinion on the annual accounts, the consolidated accounts and the administration based on our audit.

We conducted our audit in accordance with generally accepted auditing standards in Sweden. These standards require that we plan and perform the audit to obtain high but not absolute assurance that the annual accounts and the consolidated accounts are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the accounts. An audit also includes assessing the accounting principles used and their application by the Board of Directors and the President and significant estimates made by the Board of Directors and the President when preparing the annual accounts and the consolidated accounts as well as evaluating the overall presentation of information in the annual accounts and the consolidated accounts. As a basis for our opinion concerning discharge from liability, we examined significant decisions, actions taken and circumstances of the Company in order to be able to determine the liability, if any, to the Company of any Board member or the President. We also examined whether any Board member or the President has, in any other way, acted in contravention of the Swedish Companies Act, the Annual Accounts Act or the Articles of Association. We believe that our audit provides a reasonable basis for our opinion set out below.

The annual accounts have been prepared in accordance with the Annual Accounts Act and provide a true and fair view of the Company's results of operations and financial position in accordance with generally accepted accounting principles in Sweden. The consolidated accounts have been prepared in accordance with International Financial Reporting Standards (IFRSs) as adopted by the EU and the Annual Accounts Act and provide a true and fair view of the Group's results of operations and financial position. The statutory Report of the Directors is consistent with the other parts of the annual accounts and the consolidated accounts.

We recommend to the Annual Shareholders' Meeting that the income statements and balance sheets of the Parent Company and the Group be adopted, that the profit of the Parent Company be dealt with in accordance with the proposal in the Report of the Directors and that the members of the Board of Directors and the President be discharged from liability for the financial year.

Stockholm, February 20, 2009
KPMG AB

Caj Nackstad
Authorized Public Accountant

Corporate governance report of Skanska AB (publ) for 2008 and the Board of Directors' report on internal control

Corporate governance report

This corporate governance report for 2008 plus the Board of Directors' report on internal control have not been reviewed by the Company's external auditors. The reports are not part of the formal annual account documents.

Corporate governance

Skanska AB is a Swedish public limited company. Skanska AB's Series B shares are listed on the NASDAQ OMX Stockholm. Skanska AB and the Skanska Group are governed in accordance with the Articles of Association, the Swedish Companies Act, the NASDAQ OMX Stockholm rule book for issuers and other applicable Swedish and foreign laws and ordinances.

Skanska applies the Swedish Code of Corporate Governance ("the Code"). Skanska is reporting departures from the Code for 2008 as noted below under "Departures from the Code."

Articles of Association

The Articles of Association are adopted by the shareholders' meeting and shall contain a number of mandatory disclosures of a more fundamental nature for the Company. Among other things, they shall state what operations the Company shall conduct, the size and registered office of the Board of Directors, the size of the share capital, any regulations on different types of shares, the number of shares and how notice of a Shareholders' Meeting shall be provided. The complete Articles of Association are available on Skanska's website.

Shareholders' meeting

At the shareholders' meeting, the highest decision-making body, Skanska's shareholders decide on central issues, such as the adoption of the income statement and balance sheet, the dividend to the shareholders, the composition of the Board, discharging the members of the Board of Directors and the President from liability for the financial year, amendments to the Articles of Association, election of auditors and principles of remuneration to

senior executives. Shareholders who are listed in the register of shareholders on the record date and who notify the Company of their intention to participate in the meeting are entitled to attend it, either personally or by proxy through a representative or substitute. Every shareholder is entitled to have an item of business dealt with at the shareholders' meeting. Well before notice of the meeting is issued, the Company's website provides information on how shareholders shall proceed in order to have an item of business dealt with.

The 2008 Annual Shareholders' Meeting

The Annual Shareholders' Meeting was held on April 3, 2008 in Stockholm. At the Meeting, a total of 438 shareholders were present personally or through proxy, representing about 49.5 percent of the total voting power in the Company. The Meeting re-elected Jane Garvey, Finn Johnsson, Sverker Martin-Löf, Sir Adrian Montague, Lars Pettersson and Matti Sundberg as members of the Board of Directors. It elected Johan Karlström and Bengt Kjell as new members of the Board. The Meeting re-elected Sverker Martin-Löf as Chairman of the Board. The employees were represented on the Board by Inge Johansson, Gunnar Larsson and Alf Svensson as members, with Richard Hörstedt, Jessica Karlsson and Ann-Christin Kutzner as deputy

members. Effective on August 1, 2008, Gunnar Larsson was replaced by Roger Karlström as a Board member.

Among other things, the Meeting approved a dividend to the shareholders totaling SEK 8.25 per share, of which SEK 5.25 as a regular dividend and SEK 3 as an extra dividend.

Thirteen of a total of fourteen members of the Board and the Company's auditors were present at the Annual Shareholders' Meeting. Complete information about the 2008 Annual Shareholders' Meeting is available on Skanska's website.

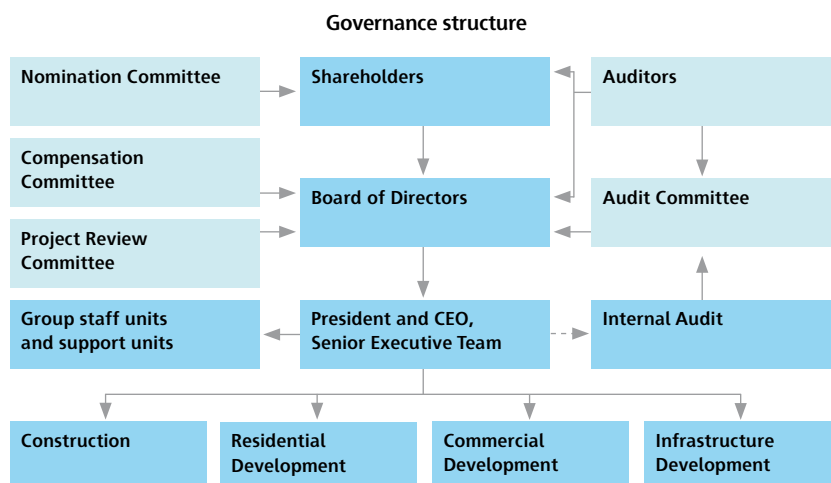
The 2009 Annual Shareholders' Meeting

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

Information has been provided on Skanska's website to shareholders on how they should proceed if they wish to have an item of business dealt with at the 2009 Annual Shareholders' Meeting.

The Nomination Committee

Among the tasks of the Nomination Committee is to propose candidates for election as members of the Board of Directors. The 2008 Annual Shareholders' Meeting gave the Chairman of the



Board a mandate to allow the three to five largest shareholders in terms of voting power each to appoint a representative to comprise, together with the Chairman, a Nomination Committee in preparation for the 2009 Annual Shareholders' Meeting. The Nomination Committee has the following composition: Carl-Olof By, AB Industrivärden, Chairman of the Nomination Committee; Håkan Sandberg, Svenska Handelsbanken AB and the Handelsbanken pension funds; Peter Lindell, AMF Pension; Bo Selling, Alecta; and Sverker Martin-Löf, Chairman of the Board, Skanska AB.

Information has been provided on Skanska's website on how shareholders can

submit their own proposals to the Nomination Committee by sending an e-mail to the Nomination Committee. The proposal of the Nomination Committee will be published in the notice of the 2009 Annual Shareholders' Meeting. At the same time, the Nomination Committee's report on how it has pursued its work will be available on Skanska's website.

The Board of Directors

The Board of Directors makes decisions concerning overall issues about the Parent Company and the Group, such as Group strategy, publication of interim and annual reports, major construction projects, investments and divestments,

appointment of the President and CEO as well as the organizational structure of the Group. The Board has established three special committees:

- The Audit Committee
- The Compensation Committee
- The Project Review Committee.

These committees are described in detail below.

The members of the Board

The Board of Directors consists of eight members elected by the Annual Shareholders' Meeting without deputies plus three members and three deputy members appointed by the employees. The President and CEO is a member of the Board. At the 2008 Annual Shareholders' Meeting, Board members Curt Källström and Anders Nyrén resigned, as did Stuart Graham, a Board member as well as President and CEO. Johan Karlström and Bengt Kjell were elected as new members of the Board. In conjunction with the Annual Shareholders' Meeting, Johan Karlström assumed his new position as President and CEO, succeeding Stuart Graham.

The Nomination Committee, 2009

Members of the Nomination Committee, 2009	Representing	December 31, 2008 % of voting power
Carl-Olof By	AB Industrivärden	26.8
Håkan Sandberg	Svenska Handelsbanken AB and the Handelsbanken pension funds	4.6
Bo Selling	Alecta	4.6
Peter Lindell	AMF Pension	3.8
Sverker Martin-Löf	Chairman of the Board, Skanska AB	-

The members and deputy members of the Board

Member	Position	Born	Nationality	Year elected	Audit Committee	Compensation Committee	Project Review Committee	Independent in relation to the Company and its management	Independent in relation to major shareholders
Sverker Martin-Löf	Chairman	1943	Sweden	2001	■	■	■	Yes	No
Jane F. Garvey	Member	1944	USA	2003				Yes	Yes
Finn Johnsson	Member	1946	Sweden	1998	■	■		Yes	No
Johan Karlström	President and CEO	1957	Sweden	2008			■	No	Yes
Bengt Kjell	Member	1959	Sweden	2008	■		■	Yes	No
Sir Adrian Montague	Member	1948	UK	2007			■	Yes	Yes
Lars Pettersson	Member	1954	Sweden	2006		■		Yes	Yes
Matti Sundberg	Member	1942	Finland	2007			■	Yes	Yes
Richard Hörstedt	Employee Rep. (Deputy)	1963	Sweden	2007				-	-
Inge Johansson	Employee Representative	1951	Sweden	1999			■	-	-
Jessica Karlsson	Employee Rep. (Deputy)	1975	Sweden	2005				-	-
Roger Karlström ¹	Employee Representative	1949	Sweden	2008				-	-
Ann-Christin Kutzner	Employee Rep. (Deputy)	1947	Sweden	2004				-	-
Gunnar Larsson ²	Employee Representative	1953	Sweden	2002				-	-
Alf Svensson	Employee Representative	1960	Sweden	2007				-	-

¹ From August 1, 2008

² Until August 1, 2008

■ = Chairman

■ = Member

For more detailed information about individual Board members and deputy members, see page 156. Seven of the Board members elected by the Shareholders' Meeting are independent in relation to the Company and its management. Of these, more than two members are also deemed independent in relation to the Company's largest shareholders. Only one member (the President and CEO) is active in the management of the Company.

The work of the Board in 2008

The work of the Board of Directors follows a yearly agenda, which is stipulated in the Board's Procedural Rules. In preparation for each Board meeting, the Board receives supporting documentation compiled according to established procedures. These procedures are aimed at ensuring that the Board receives relevant information and documentation for decision making before all its meetings. All documentation is formulated in the English language.

During the year, the Board held nine meetings including its statutory meeting. At its September 2008 meeting, the Board

visited the business units in Poland, Skanska S.A. and Skanska Commercial Development Europe. The Board also discussed Skanska's strategy plan, among other topics. In conjunction with this meeting, the Board made a work site visit to the Atrium City project. Among the more important issues that the Board dealt with during the year were Group strategy, internal control, governance of operations, risk management and employee health and safety. During the year, the Board examined the relevance and timeliness of all legally mandated instructions.

The committees of the Board

In its Procedural Rules, the Board has specified the duties and decision making powers that the Board has delegated to its committees. All committees report orally to the Board at each meeting in accordance with the mechanisms that are stipulated in the Procedural Rules. Minutes of all committee meetings are provided to the Board.

Audit Committee

The main task of the Audit Committee is to assist the Board in overseeing financial reporting, report procedures and account-

ing principles as well as monitoring the auditing of the accounts for the Parent Company and the Group. The Committee also evaluates the Group's internal control and studies the reports and opinions of the Company's external auditors. The Company's external auditors are present at all meetings of the Audit Committee. In this way, the Committee safeguards the quality of financial reporting, whose contents have been established by the Board in its Procedural Rules. The Committee prepares proposals regarding elections of auditors in the years such elections will occur, as is the case with the 2009 Annual Shareholders' Meeting.

The Audit Committee consists of Bengt Kjell (Chairman), Finn Johnsson and Sverker Martin-Löf. During 2008, the committee held four meetings.

Compensation Committee

The main task of the Compensation Committee is to prepare the Board's decisions concerning employment of the President and CEO and other members of the Senior Executive Team, as well as the President and CEO's and the Senior

Attendance at meetings and remuneration to the Board

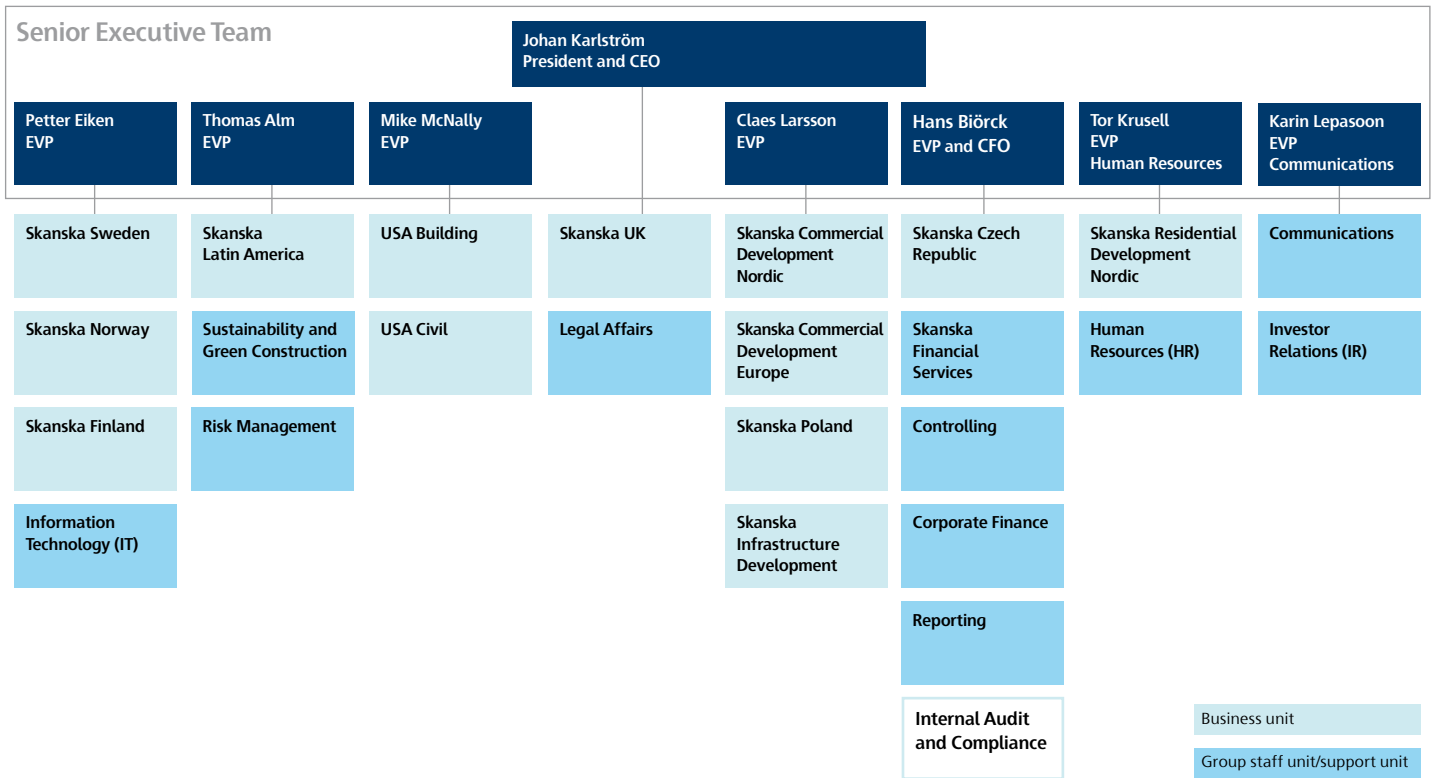
Board member	Board	Audit Committee	Compensation Committee	Project Review Committee	Remuneration, Board, SEK	Remuneration, Audit Committee, SEK	Remuneration, Compensation Committee, SEK	Remuneration, Project Review Committee, SEK	Total remuneration, SEK
Number of meetings	9	4	5	10					
Sverker Martin-Löf	9	4	5	10	1,350,000	100,000	75,000	150,000	1,675,000
Jane F. Garvey	3				450,000				450,000
Finn Johnsson	8	4	4		450,000	100,000	75,000		625,000
Johan Karlström ¹	8	4							
Bengt Kjell ¹	8	3		4	450,000	125,000		150,000	725,000
Sir Adrian Montague	9			8	450,000			150,000	600,000
Lars Pettersson	8		5		450,000		75,000		525,000
Matti Sundberg	9			10	450,000			150,000	600,000
Richard Hörstedt	9								
Inge Johansson	9			10					
Jessica Karlsson	9								
Roger Karlström ²	4								
Ann-Christin Kutzner	9								
Gunnar Larsson ³	4								
Alf Svensson	9								
Total					4,050,000	325,000	225,000	600,000	5,200,000

¹ Elected on April 3, 2008

² From August 1, 2008

³ Until August 1, 2008

Skanska's management structure



Executive Team's compensation, pensions and other terms of employment. The committee prepares the Board's decisions on general incentive programs and examines the outcomes of flexible salary elements. The Compensation Committee consists of Sverker Martin-Löf (Chairman), Finn Johnsson and Lars Pettersson. During 2008, the committee held five meetings.

Project Review Committee

The Project Review Committee has the Board's mandate to make decisions on its behalf regarding individual construction and real estate projects, investments and divestments in infrastructure projects and certain project financing packages. Projects that include especially high or unusual risks or other special circumstances may be referred to the Board for its decision. The committee consists of Sverker Martin-Löf (Chairman), Johan Karlström, Bengt Kjell, Sir Adrian Montague, Matti Sundberg and Inge Johansson. During 2008, the committee held ten meetings.

Evaluation of the work of the Board

The work of the Board is evaluated yearly through a systematic and structured process,

among other things aimed at gathering good supporting documentation for improvements in the Board's own work. External resources are not utilized in this evaluation. The evaluation also provides the Chairman of the Board with information about how the members of the Board perceive the effectiveness of the Board.

The Chairman of the Board informs the Nomination Committee of the results of this evaluation.

Fees to the Board of Directors

Total fees to the Board members elected by the shareholders' meeting were approved by the 2008 Annual Shareholders' Meeting in the amount of SEK 4,050,000. The Chairman of the Board received SEK 1,350,000 in fees and other Board members SEK 450,000 each. In addition, in accordance with the decision of the Shareholders' Meeting, members elected by the shareholders' meeting and serving on the Board's committees each received SEK 75,000 on the Compensation Committee, SEK 150,000 on the Project Review Committee and SEK 100,000 per member of the Audit Committee and SEK 125,000 to its Chairman.

The Board's communication with the Company's auditors

As mentioned above, the Company's external auditors participate in all meetings of the Audit Committee. According to the Procedural Rules, the Board of Directors meets with the auditors twice a year. On these occasions, the auditors orally present the findings of their auditing work. At least once per year, the Board meets the auditors without senior executives being present.

Operative management and internal control

The President and CEO and the Senior Executive Team

The President and Chief Executive Officer (CEO) is responsible for day-to-day management and oversight of the Group's operations. The work of the President and CEO is specially evaluated at one meeting each year at which no senior executives are present. The President and CEO and the seven Executive Vice Presidents form the Senior Executive Team (SET). In the Procedural Rules it is stipulated that if the President and CEO cannot fulfill his duties, these duties devolve upon the Chief Financial Officer (CFO), or in his or her absence the Executive Vice President with the longest period of service in this position. For infor-



mation on the President and CEO and the Senior Executive Team, see page 155.

The President and CEO has no business dealings of any significance with Skanska AB or its Group companies. He owns no shares in companies that have significant business dealings with companies in the Skanska Group.

Group staff units and support units

At Skanska Group headquarters in Solna, there are Group staff units plus the support unit Skanska Financial Services AB. The Group staff units and support unit assist the President and CEO and the Senior Executive Team on matters concerning Groupwide functions, coordination and controls.

In addition, they provide support to the business units. The head of each Group staff unit, aside from the head of Internal Audit and Compliance, reports directly to a member of the Senior Executive Team. The head of Internal Audit and Compliance reports to the Audit Committee. A presentation of the Group staff units and support unit is found on page 155.

The business units and their governance

The organizational structure of the Skanska Group is characterized by clear decentralization and a large measure of delegation of authority and responsibility to the business units. Each business unit is headed by a President and has its own dedicated or shared staff units and other resources in order to conduct its operations effectively.

Aside from day-to-day operations of the business units, there are matters related to the strategic development of the units as well as matters concerning their strategic investments and divestments. These items of business are prepared by the management team at each respective unit and are then submitted to the Senior Executive Team or Skanska AB's Board of Directors for approval, depending on the size of the item of business. The Boards of Directors of the business units consist of representatives of Skanska AB, individuals from other business units as

well as of the respective business unit's management team. In each business unit, the Chairman of the Board is a member of the Senior Executive Team. Where appropriate, employee representatives are included.

Each business unit follows a structured, step-by-step risk management process. Depending among other things on the size, type and geographic location of projects, a structured risk management report to the proper decision-making level is required before final decisions are made.

Governing documents

As part of the governance of Group operations, Skanska AB's Board of Directors has adopted a number of policy documents. In addition, the Senior Executive Team has adopted more detailed guidelines for the Group. These policies and guidelines are available to all business units on Skanska's intranet and are updated regularly to reflect changes in operations and new requirements. Among the more important governing documents are the Board's Procedural Rules, the Group's Financial Policy, Information Policy, Risk Management System and the Code of Conduct. The Board's Procedural Rules state what items of business shall be decided by the Board of Skanska AB, by the President and CEO/Senior Executive Team or at the business unit level.

The threshold levels for decisions stated in the Procedural Rules are further broken down in the business units' own decision-making rules. The business units provide regular, systematic feedback on compliance with the more important governing documents, such as the Financial Policy and the Code of Conduct, to the Senior Executive Team.

Remuneration for senior executives

The 2008 Annual Shareholders' Meeting approved principles for the salaries and other remuneration to senior executives. These principles, as well as the Board's proposal for new principles to be approved at the 2009 Annual Shareholders' Meeting, are available on Skanska's

website. Information about salaries and other remuneration to the President and CEO and the other members of the Senior Executive Team as well as share award and share-related incentive programs outstanding are found in Note 37, page 130.

The Company's auditors

The 2005 Annual Shareholders' Meeting selected the accounting firm of KPMG AB as auditor of Skanska AB. This assignment runs until the 2009 Annual Shareholders' Meeting. The auditor in charge is Caj Nackstad, Authorized Public Accountant. For information on fees and other remuneration to KPMG AB, see the table below.

Fees and other remuneration to the auditors		
SEK M	2008	2007
Audit assignments	52	58
Other audit-related assignments	7	6
Tax advisory services	11	9
Total	70	73

Departures from the Code

As a departure from the Code's rule 10.1 there is no member of the Audit Committee who is independent in relation to the Company's major shareholders. The explanation behind this departure is the following. The members of the Committee – Bengt Kjell, Finn Johansson and Sverker Martin-Löf – are dependent on AB Industrivärden. All of them have long experience of economic and financial reporting issues from Swedish and international industry. The demands on members of the Audit Committee are especially high in a company like Skanska with decentralized global operations in a risky, project-oriented industry. The Board's assessment is that the present committee members are the most suitable for the assignment.

The Board of Directors' report on internal control

According to the Swedish Companies Act and the Swedish Code of Corporate Governance, the Board of Directors is responsible for internal control.

This report has been drafted in compliance with the Swedish Code of Corporate Governance, section 10.5, taking into account the updated Guidance on the Swedish Code of Corporate Governance published by working groups from the Confederation of Swedish Enterprise and FAR SRS (the professional institute for accountancy and auditing in Sweden), on September 8, 2008. It is thus limited to internal control dealing with financial reporting.

Control environment

The Board of Directors' Procedural Rules and instructions for the President and CEO and the committees of the Board ensure a clear division of roles and responsibilities in order to foster effective management of business risks. The Board has also adopted a number of fundamental guidelines of importance to the internal control task. Examples of these guidelines are the Company's risk management system, financial policy and Code of Conduct. All these guidelines are available to all business units on Skanska's intranet. The Senior Executive Team reports regularly to the Board on the basis of established procedures. In addition, the Audit Committee presents reports on its work. The Senior Executive Team is responsible for the system of internal controls required to manage significant risks in operating activities. Among other things, this includes guidelines for various employees to ensure that they will understand and realize the importance of

their respective roles in the maintenance of good internal control.

Risk assessment and control activities

Skanska has identified the material risks in its operations that may, if not managed correctly, lead to errors in financial reporting and/or have an impact on the Company's results. This work is limited to risks that may individually have an effect of SEK 10 M or more.

The Company has then made certain that there are policies and procedures in the Group to ensure that these risks are managed effectively.

During 2008, all business units plus Skanska Financial Services carried out self-evaluations to assess whether Group policies and procedures are being followed. These self-evaluations have been reviewed by Skanska's internal auditors.

Information and communication

Essential accounting principles, manuals and other documents of importance to financial reporting are updated and communicated regularly to the affected employees. There are several information channels to the Senior Executive Team and the Board of Directors for essential information from employees. For external communication, there is an information policy document that ensures that the Company lives up to the existing requirements for correct information to the market.

Monitoring

The Board of Directors continually evaluates the information supplied by the Senior Executive Team and the Audit Committee. Of particular importance is the Audit Committee's work in monitoring the effectiveness of the Senior Execu-

tive Team's work with internal control. This work includes ensuring that steps are taken concerning shortcomings and proposed actions that have emerged from internal and external auditing.

Internal Audit and Compliance

Internal Audit and Compliance, a Group staff unit established in 2006, is responsible for monitoring and evaluating risk management and internal control work. This task includes examining compliance with Skanska's guidelines. The Group staff unit is independent of the Senior Executive Team and reports directly to the Board of Directors via its Audit Committee. Internal Audit and Compliance plans its work in consultation with the Audit Committee and regularly reports the findings of its examinations to the Committee. The unit communicates continuously with Skanska's external auditors on matters concerning internal control.

During 2008, the Internal Audit and Compliance unit concentrated its activities on auditing the material risks that have been identified in the business. These audits have been conducted in projects as well as in the central support functions.

A total of about 100 audits were conducted during the year. These audits were carried out in accordance with a uniform audit methodology.

Solna, February 2009

The Board of Directors,
Skanska AB (publ)

Senior Executive Team



Johan Karlström

President and Chief Executive Officer
Born 1957.
Joined Skanska in 2001.
Responsible in the Senior Executive Team for Skanska UK.
Shareholding in Skanska: 88,504 B shares of which 8,504 as part of SEOP¹ plus 27,960 share awards¹.

Michael McNally²

Executive Vice President
Born 1955.
Joined Skanska in 1998.
Responsible in the Senior Executive Team for Skanska USA Building and Skanska USA Civil.
Shareholding in Skanska: 3,517 B shares as part of SEOP¹.

Petter Eiken

Executive Vice President
Born 1955.
Joined Skanska in 2001.
Responsible in the Senior Executive Team for Skanska Sweden, Skanska Norway and Skanska Finland.
Shareholding in Skanska: 3,608 B shares as part of SEOP¹ plus 17,042 share awards¹.

Karin Lepasoon

Executive Vice President
Communications
Born 1968.
Joined Skanska in 2006.
Shareholding in Skanska: 1,640 B shares as part of SEOP¹ plus 3,841 share awards¹.

Thomas Alm

Executive Vice President
Born 1949.
Joined Skanska in 1981.
Responsible in the Senior Executive Team for Skanska Latin America.
Shareholding in Skanska: 3,390 B shares of which 3,182 as part of SEOP¹ plus 17,687 share awards¹.

Tor Krusell

Executive Vice President
Human Resources
Born 1964.
Joined Skanska in 1998.
Responsible in the Senior Executive Team for Skanska Residential Development Nordic.
Shareholding in Skanska: 6,707 B shares of which 2,707 as part of SEOP¹ plus 13,497 share awards¹.

Claes Larsson

Executive Vice President
Born 1965.
Joined Skanska in 1990.
Responsible in the Senior Executive Team for Skanska Poland, Skanska Commercial Development Nordic, Skanska Commercial Development Europe and Skanska Infrastructure Development.
Shareholding in Skanska: 5,316 B shares of which 3,316 as part of SEOP¹ plus 14,271 share awards¹.

Hans Biörck

Executive Vice President,
Chief Financial Officer
Born 1951.
Joined Skanska in 2001.
Responsible in the Senior Executive Team for Skanska Czech Republic.
Shareholding in Skanska: 70,678 B shares of which 4,678 as part of SEOP¹ plus 23,591 share awards¹.

The above information is as of December 31, 2008.

¹ See Note 37, "Compensation to senior executives and Board members"

² Effective in January 2009

Presidents of business units

Geir Aarstad	Skanska Norway
Richard Cavallaro ¹	Skanska USA Civil
Anders Danielsson	Skanska Sweden
William Flemming ²	Skanska USA Building
Juha Hetemäki	Skanska Finland
Richard Hultin	Skanska Commercial Development Europe
Anders Kupsu	Skanska Commercial Development Nordic
Hernán Morano	Skanska Latin America
Jonas Spangenberg	Skanska Residential Development Nordic
Dan Ťok	Skanska Czech Republic
Roman Wieczorek	Skanska Poland
Mats Williamson	Skanska UK
Anders Årling	Skanska Infrastructure Development

President of support unit

Magnus Paulsson Skanska Financial Services

¹ Effective in January 2009, succeeding Salvatore Mancini

² Effective in January 2009, succeeding Michael McNally

Senior Vice Presidents, Group staff units

Thomas Alm	Risk Management
Tor Krusell	Human Resources
Karin Lepasoon	Communications
Anders Lilja	Controlling
Einar Lundgren	Legal Affairs
Mats Moberg	Reporting
Noel Morrin	Sustainability and Green Construction
Magnus Norrström	Information Technology (IT)
Staffan Schéle	Corporate Finance
Erik Skoglund	Internal Audit & Compliance
Pontus Winqvist	Investor Relations

Board of Directors



Sverker Martin-Löf
Chairman of the Board
Stockholm, born 1943
Elected 2001

Shareholding in Skanska:
8,000 B shares

Other Board assignments

- Svenska Cellulosa Aktiebolaget SCA, Chairman
- AB Industrivärden, Vice Chairman
- SSAB Svenskt Stål AB, Chairman
- Telefonaktiebolaget LM Ericsson, Vice Chairman
- Svenska Handelsbanken AB, Board member
- Confederation of Swedish Enterprise, Vice Chairman

Education

- MSc Engineering, Royal Institute of Technology, Stockholm
- Doctor of Technology, Royal Institute of Technology, Stockholm
- Honorary PhD, Mid-Sweden University, Sundsvall

Work experience

- Swedish Pulp and Paper Research Institute
- President, MoDo Chemetics
- Technical Director, Mo och Domsjö AB
- President, Sunds Defibrator AB
- President, Svenska Cellulosa Aktiebolaget SCA

Dependency relationship in accordance with Code of Corporate Governance

- Independent in relation to company and company management
- Dependent in relation to major shareholders



Jane F. Garvey
Executive Director, Infrastructure Advisory Group, JP Morgan, USA
Kennebunkport, Maine, USA, born 1944
Elected 2003

Shareholding in Skanska
0

Other Board assignments

- MITRE Corporation
- Sentient Jet, Inc
- Spectra Sensors, Inc
- Reveal Imaging (until June 2008)

Education

- Masters degree in U.S.

Work experience

- Director, Logan Airport, Boston, MA, U.S.A.
- Deputy Administrator Federal Highway Administration, U.S.A.
- Administrator of Federal Aviation Administration, U.S.A.
- Executive Vice President APCO Worldwide, U.S.A.

Dependency relationship in accordance with Code of Corporate Governance

- Independent in relation to company and company management
- Independent in relation to major shareholders



Finn Johnsson
Gothenburg, born 1946
Elected 1998

Shareholding in Skanska
13,850 B shares
(own and via related parties)

Other Board assignments

- AB Volvo, Chairman
- Thomas Concrete Group AB, Chairman
- Unomedical A/S, Chairman
- Kappahl AB, Chairman
- Luvata Oy, Chairman
- City Airline, Chairman
- EFG European Furniture Group AB, Chairman
- AB Industrivärden, Board member

Education

- MBA, Stockholm School of Economics

Work experience

- President, Tarkett AB
- Vice President, Stora AB
- President, Euroc AB
- President, United Distillers Ltd and Vice President, Guinness
- President, Mölnlycke Health Care AB

Dependency relationship in accordance with Code of Corporate Governance

- Independent in relation to company and company management
- Dependent in relation to major shareholders



Johan Karlström
President and CEO of Skanska AB
Stockholm, born 1957
Elected 2008

Shareholding in Skanska
88,504 B shares
of which 8,504 as part of SEOP¹
plus 27,960 share awards¹

Other Board assignments

- -

Education

- MSc Engineering, Royal Institute of Technology, Stockholm
- Advanced Management Program, Harvard, Boston, MA, USA

Work experience

- Regional Manager, Skanska Northern Sweden
- President, BPA (now Bravida)
- Executive Vice President, Skanska Nordic region
- Executive Vice President, Skanska USA

Dependency relationship in accordance with Code of Corporate Governance

- Dependent in relation to company and company management
- Independent in relation to major shareholders



Bengt Kjell
Executive Vice President
AB Industrivärden
Helsingborg, born 1954
Elected 2008

Shareholding in Skanska
0

Other Board assignments

- Indutrade AB, Chairman
- Kungsleden AB, Chairman
- Höganäs AB, Board member
- Munters AB, Board member
- Handelsbanken Södra, Board member
- Pandox AB, Board member
- Helsingborgs Dagblad, Board member

Education

- MBA, Stockholm School of Economics

Work experience

- Authorized public accountant, Yngve Lindells revisionsbyrå AB
- KG Knutsson AB, CFO and Executive Vice President
- Senior Partner, Navet AB
- President Corporate Finance, Securum

Dependency relationship in accordance with Code of Corporate Governance

- Independent in relation to company and company management
- Dependent in relation to major shareholders



Sir Adrian Montague
United Kingdom, born 1948
Elected 2007

Shareholding in Skanska
0

Other Board assignments

- Friends Provident Plc, Chairman
- Michael Page International, Chairman
- CellMark Holdings AB, Director
- F&C Asset Management plc, Director
- London First, Director

Education

- Law Society Qualifying Exam Part II
- MA Law, Trinity Hall, Cambridge

Work experience

- Senior International Adviser, Société Générale
- Chief Executive, HM Treasury Taskforce
- Co-head, Global Project Finance, Dresdner Kleinwort Benson
- Head of Projects Group, Linklaters & Paines, Solicitors

Dependency relationship in accordance with Code of Corporate Governance

- Independent in relation to company and company management
- Independent in relation to major shareholders



Richard Hörstedt
Helsingborg, born 1963
Swedish Building Workers' Union
Deputy Board member, appointed 2007

Shareholding in Skanska: 0



Inge Johansson
Concrete worker
Huddinge, born 1951
Swedish Building Workers' Union,
appointed 1999

Shareholding in Skanska:
184 B shares as part of SEOP¹



Lars Pettersson
President, Sandvik AB
Sandviken, born 1954
Elected 2006

Shareholding in Skanska
2,000 B shares

Other Board assignments

- Sandvik AB, Board member
- Association of Swedish Engineering Industries, Board member

Education

- MSc Engineering Physics, Uppsala University
- Dr. (h.c.)

Work experience

- President, AB Sandvik Coromant
- President, Sandvik Tooling
- President, Sandvik Speciality Steels
- President, Sandvik AB

Dependency relationship in accordance with Code of Corporate Governance

- Independent in relation to company and company management
- Independent in relation to major shareholders



Jessica Karlsson
Gothenburg, born 1975
Industrial Workers' & Metal Workers' Union (IF Metall), appointed 2005
Deputy Board member

Shareholding in Skanska: 0



Matti Sundberg
Finland, born 1942
Elected 2007

Shareholding in Skanska
3,000 B shares

Other Board assignments

- Chempolis Oy, Chairman
- Boliden AB, Board member
- Skanskas Oy, Board member
- SSAB Svenskt Stål AB, Board member

Education

- Mining Counsellor
- M.Sc. (Econ.), Åbo Akademi University, Finland
- D.Sc. (Econ.) h.c., University of Vaasa, Finland
- Ph.D. h.c., University of Jyväskylä, Finland

Work experience

- Regional Director, Scania Northern European Region
- CEO, Metso Corporation (Valmet-Rauma Corporation)
- President, Ovako Steel AB

Dependency relationship in accordance with Code of Corporate Governance

- Independent in relation to company and company management
- Independent in relation to major shareholders



Roger Karlström
Härnösand, born 1949
Union for Service and Communication (SEKO), appointed 2008

Shareholding in Skanska:
199 B shares of which 159 as part of SEOP¹



Ann-Christin Kutzner
Regional personnel manager
Malmö, born 1947
Unionen, appointed 2004
Deputy Board member

Shareholding in Skanska:
489 B shares of which 157 as part of SEOP¹



Alf Svensson
Production manager
Sölvesborg, born 1960
Swedish Association of Supervisors (LEDARNA), appointed 2007

Shareholding in Skanska:
161 B shares as part of SEOP¹

Auditors

KPMG AB, Auditor in charge: Caj Nackstad, Stockholm, born 1945, Authorized Public Accountant
Auditor for Skanska since 2001

¹ See Note 37, "Compensation to senior executives and Board members"

Major contracts during 2008

1/9/2008

Skanska develops, builds and leases out new premises for detention facility in Sollentuna – construction project valued at about SEK 650 M

Skanska will be responsible for a total solution, including planning, construction, operation and maintenance of the new detention facility in Sollentuna, north of Stockholm. The construction project is valued at an estimated SEK 650 M and is being included in order bookings for the first quarter. A 25-year lease has been signed with Kriminalvården (Swedish Prison and Probation Service) for the new detention facility. The 23,600-square-meter facility will house 10 floors with 240 detention cells and an administration section.

1/17/2008

Skanska to expand British correctional facility for GBP 53 M, about SEK 680 M

Skanska has been awarded a contract for the design and construction of an expansion to the British HMP Dovegate training prison in Staffordshire, England. The contract amount is GBP 53 M, about SEK 680 M, which is included in order bookings for the first quarter of 2008. The customer is Serco, operator of the facility.

1/23/2008

First Skanska developed GreenBuilding

Skanska is contributing to reducing energy consumption and the climate impact of the buildings it develops. Project Hagaporten III in Solna, one of Stockholm's largest office projects, with 28,000 square meters of office space, has been approved for GreenBuilding status. This recognition requires that a building must have at least 25 percent lower energy consumption than the Swedish standards for newly constructed buildings. Skanska is also a partner in the European Commission GreenBuilding project.

2/5/2008

Skanska receives new environmental contract in New York for USD 554 M, about SEK 3.5 billion

Skanska has been awarded a project to construct a clean water treatment plant in Westchester County, New York. The contract amounts to USD 1.1 billion, about SEK 7 billion. Skanska's share, USD 554 M, approximately SEK 3.5 billion, will be included in order bookings for the first quarter 2008. The customer is the New York City Department of Environmental Protection.

2/8/2008

Skanska to construct hospital in Scotland for GBP 65 M, about SEK 820 M

Skanska has been contracted to carry out construction of the State Hospital in Carstairs, Scotland. The contract amount is GBP 65 M, about SEK 820 M, which is included in order bookings for the first quarter of 2008. The customer is the NHS Trust, the national healthcare authority in Scotland. The project comprises construction of a 19,000-square-meter hospital building and the rebuild of about 1,500 square meters of existing hospital facilities. The work also involves landscaping throughout the site.

2/11/2008

Skanska awarded office project in Norway for NOK 360 M, about SEK 425 M

Skanska has been commissioned to build an office and technology center in Asker, outside Oslo. The contract value is NOK 360 M, about SEK 425 M, which will be included in order bookings for the first quarter of 2008. The customer is Birger N Haug Holding AS, a Norwegian real estate company.

2/14/2008

Skanska builds hospital in Seattle for USD 114 M, about SEK 730 M

Skanska has been awarded the construction management contract for an addition to the Virginia Mason Medical Center in Seattle, Washington, in the US. The contract amounts to USD 114 M, about SEK 730 M, which is included in order

bookings for the first quarter. The customer is the Virginia Mason Medical Center. The new 23,000-square-meter hospital building will include an emergency department as well as operating rooms and intensive care units. The project also involves a new lobby entrance, central utility plant and connections to the existing hospital adjacent to the addition.

3/4/2008

Skanska to build highway in Czech Republic for CZK 1 billion, about SEK 365 M

Skanska has secured a contract to build a stretch of highway in the Czech Republic. Skanska's contract amount totals CZK 1 billion, about SEK 365 M, which is included in order bookings for the first quarter. The customer is the Czech national highway administration. The project is being financed through the national Czech infrastructure fund.

3/7/2008

Skanska to expand refinery in Brazil for USD 150 M, about SEK 960 M

Skanska has secured a contract to build a hydrodesulphurization (HDS) unit at a refinery in Brazil. Skanska's contract amount totals USD 150 M, about SEK 960 M, which is included in order bookings for the first quarter. The customer is Refap, a consortium comprising the state-owned Brazilian oil company Petrobras and privately owned Spanish-Argentine Repsol YPF. This is Skanska's third project for Refap in the past four years.

4/7/2008

Skanska awarded highway contract in California for USD 68 M, about SEK 425 M

Skanska has been contracted to build a highway in California. The contract amounts to USD 68 M, about SEK 425 M, which is included in order bookings for the first quarter. The customer is the state department of transportation, CalTrans.

4/10/2008

Skanska to build major office center in London for GBP 150 M, about SEK 1.8 billion

Skanska has been contracted to build a large office building in the City of London.



For about SEK 1.8 billion, Skanska UK is constructing the St. Botolphs office and retail building in central London. The 14-story building, totaling 52,000 sq. m (560,000 sq. ft.) will be completed in 2010.

The contract amount is GBP 150 M, about SEK 1.8 billion, which is included in order bookings for the second quarter. The customer is the British real estate development company Minerva.

4/17/2008

Skanska to build highway in Czech Republic for SEK 1 billion, CZK 3 billion

Skanska has been contracted to build a stretch of highway in the Czech Republic. The contract amount is CZK 3 billion, about SEK 1 billion, which is included in order bookings for the first quarter. The customer is the Czech highway administration. The project is being financed with support from the EU Cohesion Fund for infrastructure construction.

4/21/2008

Skanska secures GBP 88 M order, about SEK 1.1 billion, for yet another office project at PaddingtonCentral in London

Skanska has been assigned to construct another office building at Paddington-Central in London. The contract amounts to about GBP 88 M, approximately SEK 1.1 billion, which will be included in order bookings for the first quarter of 2008. The customer is Development Securities PLC.



The 12-story Havneholm Tower will be a new landmark in central Copenhagen, Denmark. With about 18,500 sq. m. (199,000 sq. ft.) of leasable space, it will be completed in 2010.

5/9/2008

Skanska sells office property at Lindhagensterrassen in Stockholm for SEK 495 M, with a gain of about SEK 160 M

Skanska is selling the Gångaren 18 property in Stockholm for SEK 495 M to AFA Sjukförsäkringsaktiebolag. The capital gain amounts to about SEK 160 M and is being recognized in the second quarter of 2008. Occupancy is in June 2008.

5/28/2008

Skanska to expand British prison for GBP 52 M, about SEK 640 M

Skanska has been awarded a contract for the design and construction of an extension to the British HMP Lowdham Grange prison in Nottinghamshire in central England. The contract amount is GBP 52 M, about SEK 640 M, which is included in order bookings for the second quarter of 2008. The customer is Serco, which operates and manages the prison on behalf of HM Prison Service.

5/30/2008

Skanska to build hospital in Virginia for USD 53 M, about SEK 330 M

Skanska has been awarded the construction management contract for a hospital in Roanoke, Virginia. The contract amount is USD 53 M, about SEK 330 M, which is included in order bookings

for the second quarter. The customer is Carilion Health Systems.

5/30/2008

Skanska developing new landmark in Copenhagen – investing SEK 650 M

Skanska is developing and constructing the new Havneholm Tower office property in central Copenhagen. The office project, comprising about 18,500 square meters, is scheduled to be completed at mid-year 2010. Skanska's investment amounts to approximately SEK 650 M.

6/10/2008

Skanska to build new highway bridge in Gothenburg for SEK 1.1 billion

Skanska has been contracted to build the Partihall interchange in Gothenburg. The contract amount is SEK 1,125 M and is included in order bookings for the second quarter. The customer is the Swedish Road Administration, Western Region.

6/11/2008

Skanska awarded another additional order at environmental project in New York for USD 431 M, about SEK 2.7 billion

Skanska was awarded a third order for upgrading of the Newtown Creek wastewater treatment facility in New York. The total contract amounts to USD 594 M, about SEK 3.65 billion, and Skanska's share is 72.5 percent corresponding to USD 431 M, SEK 2.7 billion, which is included in order bookings for the second quarter. The customer is the New York City Department of Environmental Protection.

6/16/2008

Skanska to build children's hospital in Memphis, Tennessee, for USD 146 M, about SEK 900 M

Skanska has been awarded the construction management assignment for a children's hospital in Memphis, Tennessee. The contract amount is USD 146 M, about SEK 900 M, which is included in order bookings for the second quarter. The customer is Le Bonheur Children's Medical Center.

6/26/2008

Skanska secures railway assignment in Czech Republic worth SEK 835 M

Skanska has been commissioned to rebuild a section of railway in the Czech Republic. Skanska's contract amounts to CZK 2.26 billion, approximately SEK 835 M, which will be included in orders booked during the second quarter.

7/1/2008

Skanska to build business center in Slovakia for SKK 1.1 billion, about SEK 330 M

Skanska has been awarded the construction of a new administrative building and Cassovar Business Center in Košice in Slovakia. The contract amount is SKK 1.1 billion, about SEK 330 M, and is included in order bookings for the second quarter. The customer is Cassovar Business Center a.s.

7/1/2008

Skanska wins water treatment project in Florida for USD 93 M, about SEK 570 M

Skanska has been awarded a contract to upgrade the South District Wastewater Treatment Plant in Miami, Florida. The contract amount is USD 93 M, about SEK 570 M, which is included in order bookings for the second quarter 2008. The customer is Miami-Dade County.

7/2/2008

Skanska to renovate a road in Poland for PLN 279 M, approximately SEK 750 M

Skanska has been contracted to renovate a section of the National Road No. 4 in southern Poland. Skanska's contract amounts to PLN 279 M, about SEK 750 M, which has been included in orders bookings for the second quarter.

7/10/2008

Skanska appointed preferred bidder to develop M25 highway around London within the PFI program

Skanska can confirm it has today, as part of the Connect Plus consortium of which the company has a 40 percent stake along with its partners, Balfour Beatty (40 percent), Atkins (10 percent) and Egis

(10 percent) formally been appointed preferred bidder for the development of the M25 highway around London. This release follows the announcement made on May 8, 2008 by the British Highways Agency that the consortium had been appointed provisional preferred bidder.

7/18/2008

Skanska to build section of highway in Slovakia for SKK 1.9 billion, SEK 550 M

Skanska has been contracted to construct the first phase of the D1 road between Sverepec and Vrtižer in Slovakia. Skanska's share of the contract amount totals SKK 1.9 billion, about SEK 550 M, which will be included in order bookings for the third quarter.

7/25/2008

Skanska to build hospital in Tennessee for USD 75 M, about SEK 460 M

Skanska has been awarded the construction management assignment for a new hospital in Johnson City, Tennessee. The contract amount is USD 75 M, about SEK 460 M, which is included in order bookings for the third quarter. The customer is Franklin Woods Community Hospital.

7/25/2008

Skanska to build headquarters in Pennsylvania for pharmaceutical services company worth USD 78.5 M, about SEK 480 M

Skanska has won a contract for the construction management of the new North American headquarters for Almac Group, the pharmaceutical-services company. The contract amount is USD 78.5 M, about SEK 480 M, which is included in order bookings for the third quarter.

8/6/2008

Skanska awarded road project in Wroclaw for PLN 257.6 M, about SEK 700 M

Skanska has been awarded a contract for construction of the stretch of the North Wroclaw Bypass in Poland. Skanska's contract amounts to PLN 257.6 M, about SEK 700 M, which has been included in order bookings for the third quarter. The client is the Municipality of Wroclaw.

8/6/2008

Skanska to build sports center in Poland for PLN 141.4 M, about SEK 390 M

Skanska has been contracted to construct a recreation and sports center in Zielona Gora, Poland. Skanska's contract amounts to PLN 141.4 M, about SEK 390 M, which has been included in order bookings for the third quarter.

8/11/2008

Skanska awarded contract in U.K. by BT worth GBP 76.5 M, about SEK 925 M

Skanska has been awarded a contract by BT's Openreach division for the recovery of redundant underground cables from within the North and Scotland Regions of the Openreach Network. The contract is valued at around a total of GBP 76.5 M, about SEK 925 M, and GBP 25.5 M, about SEK 310 M, will be included in Skanska's order bookings for the third quarter.

8/26/2008

Skanska to build bridge in U.S. for USD 150 M, about SEK 915 M

Skanska has secured a design-build contract for a bridge in Delaware in the U.S. The contract amounts to USD 150 M, about SEK 915 M, which is included in order bookings for the third quarter. The customer is the Delaware Department of Transportation.

9/11/2008

Skanska to build retail center with an environmental profile in Oslo for SEK 560 M, NOK 475 M

Skanska has been commissioned to expand the Lambertseter shopping center in Oslo. The contract is worth NOK 475 M, approximately SEK 560 M, which will be included in order bookings for the third quarter. The client is the real estate company OBOS Foretningsbygg AS.

9/16/2008

Skanska to build detention center in U.S. for USD 146.9 M, about SEK 900 M

Skanska has been named construction manager for the expansion of a detention center in Raleigh, North Carolina, in the U.S. The contract amount is USD

146.9 M, about SEK 900 M, which will be included in the order bookings for the third quarter. The customer is the Wake County correctional authority.

9/26/2008

Skanska sells ongoing office project in Warsaw for EUR 115 M, about SEK 1.1 billion, with capital gain of EUR 37 M, about SEK 350 M

Skanska is selling the ongoing commercial development project Atrium City in Warsaw for EUR 115 M, about SEK 1.1 billion, to the German investment fund DEKA. The capital gain is EUR 37 M, about SEK 350 M, and will be reported in the quarterly reports as from the third quarter of 2008 and thereafter as the project completion progresses. By year-end 2008, the project is scheduled to be 70 percent completed.

9/29/2008

Skanska to build ring road in Czech Republic for SEK 360 M, CZK 960 M

Skanska has been contracted to construct a section of the new ring road around Prague in the Czech Republic. Skanska's share of the contract amount totals CZK 960 M, about SEK 360 M, which has been included in orders bookings for the third quarter.

10/1/2008

Skanska to build hospital in Michigan for USD 56 M, SEK 340 M

Skanska has been awarded the construction management and design-build contract for the William Beaumont Hospital project in Troy, Michigan. The contract amount for Skanska is USD 56 M, SEK 340 M, and will be included in order bookings for the third quarter. The customer is William Beaumont Hospital.

10/1/2008

Skanska to build highway in Czech Republic for SEK 890 M, CZK 2.35 billion

Skanska has been contracted to construct a new section of the R49 highway connecting eastern parts of the Czech Republic with Slovakia. Skanska's share

of the contract amount totals CZK 2.35 billion, about SEK 890 M, which has been included in orders bookings for the third quarter.

10/10/2008

Skanska's contract for tunnel through Halandsås increased by SEK 600 M

The Skanska-led consortium Skanska-Vinci HB's contract to construct the dual-track railway tunnel through Hallandsås, southern Sweden, has been increased. Skanska's share of the increased contract amounts to SEK 600 M, which is included in order bookings for the fourth quarter. The customer is Banverket (the Swedish Railway Administration).

10/20/2008

Skanska to build energy-efficient data center in U.S. for USD 150 M, about SEK 930 M

Skanska has been awarded the construction management assignment for a new data center project in the western U.S. The customer is one of the largest companies in Internet trading. The contract amount is USD 150 M, about SEK 930 M, which will be included in order bookings for the third quarter.

10/23/2008

Skanska secures two road projects in Poland valued at SEK 960 M

Skanska has secured two road projects in the southwestern Poland valued at SEK 960 M. The contracts cover one bypass worth PLN 185.8 M, or SEK 510 M, and another bypass valued at PLN 164.4 M, or SEK 450 M. Both contracts are included in order bookings for the fourth quarter. The customer is the Polish General Directorate for Public Roads and Motorways, Katowice Branch.

10/24/2008

Skanska awarded airport contract in Poland for SEK 570 M

Skanska has been contracted to upgrade the runways at an airport in Poland. The contract amounts to PLN 205.9 M, about SEK 570 M, which is included in order bookings for the fourth quarter. The cus-



A 1947 aircraft hangar will soon be a 3-story retail space at 45,000 sq. m (484,000 sq. ft.) Bromma Center.

tomter is the 17 Local Airfield Branch in Gdansk.

10/29/2008

Skanska to expand Bromma Center shopping mall at SEK 700 M

Skanska has been contracted to construct the second phase of the Bromma Center shopping mall in western Stockholm. The contract amounts to SEK 700 M, which is included in order bookings for the fourth quarter. The customer is KF Fastigheter.

12/19/2008

Skanska to build foundation for transit hub in New York for USD 70 M, about SEK 560 M

Skanska has been contracted to construct the foundation for the Fulton Street Transit Center in Lower Manhattan in New York. The contract amounts to USD 70 M, about SEK 560 M, which is included in order bookings for the fourth quarter. The customer is the New York City Transit Authority.

Definitions and abbreviations

Average capital employed – Calculated on the basis of five measuring points: half of capital employed on January 1 plus capital employed at the end of the first, second and third quarters plus half of capital employed at year-end, divided by four.

Average visible equity – Calculated on the basis of five measuring points: half of equity attributable to equity holders (shareholders) on January 1 plus equity attributable to equity holders at the end of the first, second and third quarters plus half of equity attributable to equity holders at year-end, divided by four.

Capital employed in business streams, markets and business/reporting units – Total assets minus tax assets and deposits in Skanska's treasury unit minus non-interest-bearing liabilities minus provisions for taxes and tax liabilities.

Consolidated capital employed – Total assets minus non-interest-bearing liabilities.

Consolidated operating cash flow – In the consolidated operating cash flow statement, which includes taxes paid, investments are recognized both in cash flow from business operations and in cash flow from strategic investments. See also Note 35.

Consolidated return on capital employed – Operating income plus financial income as a percentage of average capital employed.

Debt/equity ratio – Interest-bearing net debt divided by visible equity including minority interest.

Earnings per share after repurchases – Profit for the year attributable to equity holders divided by the average number of shares outstanding after repurchases.

Earnings per share after repurchases and dilution – Profit for the year attributable to equity holders divided by the average number of shares outstanding after repurchases and dilution.

Equity/assets ratio – Visible equity including minority interest as a percentage of total assets.

Equity per share – Visible equity attributable to equity holders divided by the number of shares outstanding after repurchases at year-end.

EU GreenBuilding – A European Union system for environmental certification of buildings. To meet the requirement for EU GreenBuilding classification, a building's energy use must be at least 25 percent lower than the national standard for newly constructed buildings (in Sweden, set by the National Board of Housing, Building and Planning).

GDP – Gross domestic product

Interest-bearing net receivable – Interest-bearing assets minus interest-bearing liabilities.

Interest cover – Operating income and financial income plus depreciation/amortization divided by net interest items.

LEED – Leadership in Energy and Environmental Development is an international system for environmental certification of buildings. Resource use, as well as the location, design and indoor climate of the building as well as minimization of energy consumption and waste provide the basis for LEED classification.

Net working capital – Net non-interest-bearing receivables and liabilities including taxes.

Operating cash flow – Cash flow from operations before taxes and before financial activities. See also Note 35.

Operating net on properties – Rental income and interest subsidies minus operating, maintenance and administrative expenses as well as real estate tax. Site leasehold rent is included in operating expenses.

ORA – Operational Risk Assessment (Skanska's risk management model)

Order backlog – Contracting assignments: The difference between order bookings for the period and accrued revenue (accrued project costs plus accrued project income adjusted for loss provisions) plus order

backlog at the beginning of the period. Services: The difference between order bookings and accrued revenue plus order backlog at the beginning of the period.

Order bookings – Contracting assignments: Upon written order confirmation or signed contract. Also includes orders from Residential Development and Commercial Development.

Services: For fixed-price assignments, upon signing of contract. For cost-plus assignments, order bookings coincide with revenue.

No order bookings are reported for Residential Development and Commercial Development.

PFI – Private Finance Initiative (privately financed infrastructure projects, used in the U.K.)

PPP – Public-Private Partnership (privately financed infrastructure projects)

Return on capital employed in business streams, markets and business/reporting units – Operating income plus financial income minus interest income from Skanska's treasury unit and other financial items as a percentage of average capital employed.

Return on equity – Profit attributable to equity holders as a percentage of average visible equity attributable to equity holders.

SEOP – Skanska Employee Ownership Program

SET – Senior Executive Team (Skanska's corporate management team)

SFS – Skanska Financial Services

STAP – Skanska Tender Approval Procedure

STEP – Skanska Top Executive Program

Yield on properties – Operating net divided by year-end carrying amount.

More information about Skanska



Worldwide

The Skanska Group publishes the magazine Worldwide, containing features and news items from the Group's operations around the world. The magazine appears in English four times per year. A subscription is free of charge and can be ordered at the following address:

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E-mail: worldwide@strd.se



The Hub

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

More information about Skanska's business streams

Further information about Skanska's Residential Development and Commercial Development business streams is available on Skanska's website, www.skanska.com/investors. The reports can also be ordered from Skanska AB, Investor Relations.



One of London's tallest buildings

Construction of Heron Tower in London began in 2008. When completed in 2011, it will be one of the tallest buildings in the British capital. The customer, Heron Tower Property Unit Trust, chose Skanska to be responsible for all construction services from start to finish.



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Annual Shareholders' Meeting

The Annual Shareholders' Meeting of Skanska AB will be held at 4:00 p.m. on April 6, 2009 at Berwaldhallen concert hall, Dag Hammarskjölds väg 3 (formerly Strandvägen 69), Sweden.

Notification and registration

Shareholders who wish to participate in the Annual Meeting must be listed in the print-out of the register of shareholders maintained by Euroclear Sweden AB (formerly VPC AB), the Swedish central securities depository and clearing organization, produced on March 31, 2009 and must notify Skanska no later than 12 noon on March 31, 2009 of their intention to participate in the Meeting.

Shareholders whose shares have been registered in the name of a trustee must have requested temporary reregistration in their own name in the register of shareholders maintained by Euroclear Sweden AB as of March 31, 2009 to be entitled to participate in the Meeting. Such re-registration should be requested well in advance of March 31, 2009 from the bank or brokerage house holding the shares in trust. Notification may be sent in writing to:

Skanska AB, Legal Affairs, SE-169 83 Solna, Sweden;
by telephone to +46 8 753 88 14 (10 a.m.–4 p.m. CET);
by fax to +46 8 753 37 52;
or on the website www.skanska.com/investors

The notification must state the shareholder's name, national registration or corporate ID number, address and telephone number. If participation is authorized by proxy, this must be sent to the Company before the Meeting. Shareholders who have duly notified the Company of their participation will receive an admittance card, which should be brought and shown at the entrance to the Meeting venue.

Dividend

The Board of Directors proposes a dividend of SEK 5.25 per share. The Board proposes April 9, 2009 as the record date to qualify for the dividend. Provided that the Meeting approves this proposal, the dividend is expected to be mailed by Euroclear Sweden AB on April 16, 2009.

Calendar

The Skanska Group's interim reports for 2009 will be published on the following dates:

Three Month Report

May 6, 2009

Six Month Report

July 23, 2009

Nine Month Report

November 5, 2009

Year-end Report

February 5, 2010

The quarterly reports will be available via Skanska's website:

www.skanska.com/investors, and can also be ordered from Skanska AB, Investor Relations.

If you have questions, please contact:

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