

CEO Statement 2008

Address by Stuart Graham, President and CEO, at the Annual Shareholders' Meeting of Skanska AB in Stockholm, Sweden on April 3, 2008.

I want to briefly review our performance in 2007, but then focus on the plans for the future and tell you why I am confident about the future despite the financial turmoil around us.

The Financial results from 2007 were solid. For the company as a whole revenue increased 10% to 138.8 billion. Operating income was even stronger increasing 14% to 5.4 billion. Return on equity increased to 21% from 20.5% in 2006. And we had an exceptionally strong cash flow of SEK 9.0 billion. The result was the cash on hand surpassed debt by some SEK 14.6 billion. We have a very strong financial position going into 2008.

This all enabled the Board of Directors to propose a regular dividend increase to SEK 5.25 and an extra dividend of SEK 3.

Looking at some particular highlights from the business streams – First Construction - operating income increased 33% to 4.4 billion and we surpassed the operating margin target of 3.3%. And, new orders increased 9% to 146 billion indicating likely growth in revenue in 2008.

The Residential Development business was characterized by lower demand in Finland, Norway and Denmark and somewhat reduced demand in parts of Sweden – particularly in the second ½ of the year. However, we hurt ourselves by failing to control costs on a large development in Copenhagen. As a result, operating income fell to 720 m from 850 a year earlier. Despite these difficulties the margin was still 9.4% just below the target of 10%.

The market in Commercial Development and our response to it was excellent in 2007 and continues so far in 2008. Operating income is essentially the gain in sale of completed projects, and will vary year to year. But the real story is the 23 new projects started with an investment value of SEK 5.3 billion supported by a record breaking 300,000 square meters of new leases. This translates to very large value creation to be realized in the next few years. You know, we are the best Commercial developers in the Nordic region.

And finally, our Infrastructure Development business – where we develop and operate public facilities like highways, hospitals, schools and power plants.

At year end 2007 the value of our investments in these projects was estimated at SEK 9.4 billion and the estimated unrealized development gain grew by 2.8 billion to 6.1 billion, which is something the shareholders can look forward to in the coming years. In fact we will realize a gain of SEK 550m on the sale of our Ponte de Pedra power plant this year.

These results are measured against specific targets that form the basis of our incentive plans. In Construction we surpassed the target of 3.3% operating margin. In Residential Development we have 2 targets, operating margin and return on capital employed. And as you see we come in a bit short, but still a healthy performance. In Commercial Development and Infrastructure Development the target is a return on capital employed including unrealized development gain. Commercial development has averaged over 15% for 10 years and Infrastructure Development showed an adjusted return of 58% surpassing its target. And the Company as a whole earned a return on equity of 21% well above the target. So – a good year.

As you know, financial success is not all we hold ourselves accountable for at Skanska. We have had the 4 Zeros, now 5 Zeros as guides for how we treat our customers, our employees, the guidelines for our ethical behavior. The 5 zeros are also linked to our incentive plans.

It may seem a bit strange but Zero loss making projects is one important key to customer satisfaction. Every single time we lose money on a contract we disappoint the customer – not because of our loss but because of the reason for the loss – we are late, poor quality or disputes over cost. The reduction in loss makers has increased our bottom line and improved customer satisfaction.

The target of Zero accidents is a demonstration of our care for our employees and subcontractors. Last year we had 5.9 accidents per million man hours worked far better than the industry average, but not Zero. It is our obligation to see to it that every employee returns home safely every night. And Zero is possible – I will show you in a few minutes.

We can report Zero environmental incidents in 2007 but now we must turn to reducing the impact of our operations on the environment through Green Construction.

Fortunately, no new ethical breaches in 2007 – but you know the cartel issues from 10 years ago are still with us as are the incidents in Argentina from 2005. Training and auditing are key to protecting the Skanska brand.

This year we are adding a 5th Zero – Zero defects to reduce the high cost rework and to again improve customer satisfaction. All customers think construction costs too much or the houses are too expensive but what really frustrates them is after paying all that money to endure quality defects. So we will now have each Business Unit develop their own concept for Zero defects in a simple way aimed at our bottom line and customer satisfaction.

2008 is the first year of our new business plan – Outperform Phase II. It is based on 4 primary elements. New, even higher financial targets for margin in construction. That's because we believe productivity can be increased a lot thru better planning, smarter procurement and technology. We see good earnings potential in development given our strong financial position – of course assuming reasonable economic conditions. The strategy is to focus on construction and development opportunities in the cities, in our home markets and finally, to take advantage of the growing trend for Green building and houses.

There is and has been a growing trend toward urbanization – migration to cities. World population will increase by 8 billion by 2050 and for the first time in history more than 50% will live in large cities. More importantly it is the young and educated with money to spend who will drive this growth. This will result in the urgent needs for the core competency of Skanska.

Look at what cities will need. Infrastructure, water, waste water plants, mass transit systems, power. New housing for the growing population, modern health care facilities, commercial centers– people in cities work in offices and retail centers for their shopping, sports and entertainment venues to support their life style preferences, schools for their children and municipal buildings for administering and protecting the cities – fire and police. All core competencies of Skanska. It looks to me like we will have plenty of opportunity – and remember city development and construction whether in Sweden, Norway, the US cannot be done in China!

Then there is the opportunity created by the shortage and cost of energy resources and the impact of carbon emissions on the environment.

First we have to do our part. We now have a Green car policy – with a ceiling for carbon emissions and fuel efficiency. We have a large fleet of construction equipment – it will be modernized to be fuel efficient – even hybrid engines and maintenance improved to reduce fuel consumption. We have a new policy for reducing waste and energy consumption in our offices – including small things like turning off computer at night and finally we have provided guidelines to encourage our 60,000 employees to conserve energy in their personal lives. You have received these guidelines in the information provided today.

The economic opportunity in Green construction comes from our customers who more and more ask for solutions to develop energy efficient buildings and to use materials that are not damaging to the environment. The problem is cost. The technology is available and more of it everyday. The key is to find economic solutions and that is how we will help our customers. We have appointed a new Senior Vice President, Hanne Roenneberg to lead this initiative and will invest quite heavily in development solutions for our business units to use. I think all Green initiatives will be good for the environment and good for the bottom line.

We are already a leader in Green Construction. Here we are, Number 1 Green constructor in the US as measured by the amount of revenue from buildings certified as meeting strict Green standards. And, we are named Sustainable Contractor of the Year in the U.K. in 2007.

I mentioned earlier that one of our strategies in the next 3 years is to increase our activity in Project Development in order to earn superior returns for our shareholders on the cash we generate in construction.

We have an initiative to reduce the cost of residential construction substantially in order to sell more houses.

We are entering new markets like Helsinki and more cities in Central Europe to provide growth in Commercial Development.

And we have an ambition to invest a further 3 billion in Infrastructure Development projects because of the substantial value creation available in that sector.

So, we have a solid business plan for the next 3 years that we will work on to deliver. Our success in good time and bad depends more on us than on the market.

I am confident in the future of Skanska because of our knowledge – lots of experience and know-how; our capacity – we can bring a lot of resources to the table; our very strong brand name, our financial strength – an even more important asset in these times, and our heart – the passion and commitment of people like these:

The Golden hard hats, project managers and production managers and estimators – the heart and soul of the Company – the Golden hard hats are long term outperformers who also lead the development of young people.

Great bosses like Sal Mancini – BUP in US Civil – a tough guy from New York. Here is how he treats his people.....

Young engineers, like Lena Nygren, who worked as carpenter to build relationships with the craftsmen.

People like Kjell Klasa so dedicated to delivering for our customers – in this case a critical biotech manufacturing plant for Pfizer; as he says – there are no excuses.

We will continue to use all of our capability in construction and development like we are at Lindhagensterassen right here in Stockholm where we do commercial development and residential development investing SEK 5 billion all built by BU Sweden – our people working together to maximize profitability.

Here is an example of first class safety on a large petrochemical plant in Brazil: 3000 Skanska employees over 3.5 million hours with Zero accidents. What a great performance and brand builder. By the way the client, Petrobras has awarded us 8 new projects in the last 12 months.

And we already have examples of Zero defects here in a residential development in Finland – Zero defects from when handed over to the customers.

And remember the story about the stadium in New York we won because of the 4 Zeros – for the New York Giants and New York Jets. Well we are delivering and using new technology to

manage the design and construction. And one of the teams, the Giants won the super bowl – thanks to Skanska. So if you want a tip – look for the Jets to win in the next 2 years.

We will remain strong because we continue to invest in the development of our people. A more diversified group of energetic young people. Here are members of the Global training program; just one of the many programs and work opportunities provided at all levels of the company.

These and 60,000 like them are the reason you can count on Skanska in good time and bad. We may stumble here and there – but long term your investment is safe and it will grow in value.

So now, I want to thank all of my colleagues, especially my colleagues in the Senior Executive team who have spent hundreds and hundreds of hours with me – traveled hundred of thousands of miles working on your behalf; our really fine Board of Directors, and you the shareholders for your support and encouragement during my time as CEO. It has been a privilege to lead this great company and it will only get better.

And one reason it will get better is your new CEO, Johan Karlstrom. He is a real Skanska man, experienced, enthusiastic – a Great Boss.

Thank you.