

CEO Statement 2010

Address by Johan Karlström, President and CEO, at the Annual Shareholders' Meeting of Skanska AB in Stockholm, Sweden on April 13, 2010.

Dear shareholders,

As expected, 2009 proved to be a year of many challenges, but I think we were still relatively successful in responding to the effects of the financial crisis and the recession. As a result, we can report very good 2009 earnings in most of our business units and for the Group as a whole.

Meanwhile, we should remember that it is uncertain when we can count on a genuine economic recovery. In addition, the construction sector is normally late in the economic cycle. This is why I expect 2010 to be a tough year.

But let me first comment on trends and results in 2009.

This chart illustrates the general economic trend, viewed in a Skanska-oriented perspective. It shows weighted changes in Gross Domestic Product in Skanska's home markets, where the weighting is based on our sales in each respective market. It provides a good illustration of the dramatic economic slowdown during 2008 and 2009.

Likewise, we can weigh together the trend of construction investments in our home markets. As I said, construction investments occur relatively late in the economic cycle. But we can still see a clear slowdown during 2009, with an impact on order bookings.

Construction

In light of this, it may seem paradoxical that during 2009, we achieved one of the strongest earnings figures ever in our Construction business stream, with an operating margin of nearly 4 percent. Obviously this reflects the quality of the order backlog we had at the beginning of 2009, but also high efficiency in project execution and, especially, a limited need for writedowns in ongoing projects. As you know, such writedowns played a large part in pulling down our earnings the year before. The more

systematic risk assessment process that we have applied for a number of years contributed to the positive trend in 2009.

In addition, as early as 2008 we began adjusting our organization to the expected economic slowdown. These action programs were implemented largely during 2009.

Because a large proportion of our investment operations are funded with the cash flow from construction operations, it is of course very important for Construction to have high capital efficiency. In 2009 we operated with a negative working capital, averaging the equivalent of 14-15 percent of Construction revenue. We can hardly do better than that.

Because of the weaker construction market, our order bookings were down 3 percent in local currencies. This is something I will have reason to return to later, when I comment on the outlook for 2010. In Swedish kronor terms, however, order bookings rose due to currency rate effects.

Let me provide a couple of concrete examples of important ongoing projects.

Newtown Creek, New York City

Newtown Creek is New York City's largest wastewater treatment plant. Our subsidiary Skanska USA Civil is currently expanding its capacity to make regular maintenance possible, and thus make the treatment process more efficient without needing to stop the flow. Skanska's share of total contract value is about SEK 10 billion, and the job will be completed in 2012.

Generally speaking, civil construction has been affected to a lesser extent by the recent recession than the office and industrial construction sector.

Heron Tower, London

On behalf of a private real estate company, our British subsidiary is currently building Heron Tower in the City of London. At 202 meters (663 feet), it will be one of London's tallest office buildings when completed in 2011. A few years ago, we constructed London's so-called "Gherkin" for the Swiss Re insurance company. Skanska has thus helped give the London skyline a new look.

In the wake of the financial crisis and recession, investments in new office projects are currently very weak in the British market, so here too, the focus of our order bookings right now is on civil construction.

Commercial Development

In our Commercial Development operations, last year we again managed to sell several real estate projects with good capital gains, even though conditions in the investor market were not the best.

I think that this underscores the quality of Skanska's commercial project development, in which our highly skilled employees have created great value over a long period of years by developing modern, green, efficient commercial space. They have also continuously realized stable development gains.

Let me provide a couple of examples of projects that we sold during 2009.

Citykajen, Malmö, Sweden

Citykajen, an office building in the Unversitetsholmen district of central Malmö, has about 14,200 sq. m (153,000 sq. ft.) of space and is nearly fully leased to the Swedish Rail Administration, PriceWaterhouseCoopers and other tenants. While still under construction during 2009, Citykajen was sold to a real estate fund. As you may know, Skanska's previous headquarters building in Malmö was located in this district. Over the years, we have developed and sold several projects here. We also have a number of ongoing and planned projects.

Marynarska Point, Warsaw, Poland

The Marynarska Point office project is the second building in Poland to earn EU GreenBuilding certification. The Marynarska project consists of two towers, containing a total of 26,000 sq. m (280,000 sq. ft.) of leasable space. The project is fully leased and was sold during 2009 to a real estate fund.

Let me mention parenthetically that the first building in Poland to earn EU GreenBuilding certification was also a project developed by Skanska and that henceforth, all

commercial development projects for Skanska's own account will meet the standards for both EU certification and so-called LEED energy and environmental certification.

Although the commercial leasing market generally weakened, with higher vacancy rates and some pressure on rent levels, we nevertheless started a number of new projects in 2009 on a selective basis, both in the Nordic countries and in Central Europe. Leasing activity was lower than the year before, which was mainly because we cut back on the number of newly started projects. The building shown in the slide is the new headquarters of Skandia insurance company at Lindhagensterrassen in the Kungsholmen district of Stockholm. The office building has 30,000 sq. m (323,000 sq. ft.) of space and was ready for occupancy during the first quarter of 2010.

The western part of the isle of Kungsholmen is one of Stockholm's most expansive districts. Over many years, Skanska has developed office space here for such companies as the appliance group Electrolux, Stockholm Public Transport (SL) and telecom operator 3, as well as numerous residential units.

One important strategic decision last year was to expand Skanska's Commercial Development operations to also include a few selected local markets in the United States. During 2009 we started our first, very centrally located project in Washington, D.C., which we expect to complete during 2011.

Because of the recession, during the past two years we have deliberately cut back our capital exposure in Commercial Development, that is, the unleased portion of our total investment commitment. But as always, our ambition is to get an early start when we feel that the market is turning around. This is why we are continuously adding to our land bank, and this year we have already managed to start some new projects. This is one of the things we will now be using our net cash position for.

The project shown in the slide is located in Gårda, in Gothenburg, Sweden, where we recently decided to go ahead with a second phase. The project comprises a total of 17,000 sq. m (183,000 sq. ft.) of leasable space and is being built to a standard that will meet the requirements for LEED Platinum certification.

Residential Development

Residential Development was especially hard hit by the economic downturn late in 2008 and during the first half of 2009. For 2009 as a whole, operating income was positive, which is a step in the right direction. But the earnings of this business stream were naturally far below our long-term target.

In the slide, we see some of the new residential buildings we have constructed just north of Stockholm, where a whole new neighborhood is emerging. Järvastaden is expected to have 12,000 residents within a few years. So far, Skanska has completed about 400 residential units here. Another 1,700 units are included in ongoing and future phases.

To reduce our risk exposure, during the first half of 2009 we focused mainly on selling completed and already started residential units, while adjusting our Residential Development organization to the market downturn.

As the demand for newly constructed homes strengthened during the second half, especially in Sweden and Norway, we were gradually able to start new projects, while resuming our investments in land for future projects.

As you know, the planning processes for residential development can be rather lengthy. It is a major challenge to have new projects ready for sale in response to often fairly rapid fluctuations in demand, without meanwhile running the risk of having too much capital tied up in these operations.

Sustainable urban living at Lindhagensterrassen

In the area around Lindhagensterrassen in the Kungsholmen district of Stockholm, Skanska is not only developing office building projects, but also residential units on a large scale. The Lindhagensterrassen 3 cooperative housing association consists of three 16-story buildings with a total of 253 apartments. What is special about this project is its prominent environmental profile, with 20 percent lower energy consumption than the Swedish standard and a high degree of waste recycling. On the roof are solar panels that supply common areas with electricity, and in the garage is an electric car for the shared use of residents.

Infrastructure Development

Let us turn to our fourth business stream, Infrastructure Development.

Here the estimated value of our project portfolio, which consists of 16 projects, increased by nearly SEK 4 billion during 2009. Its estimated unrealized development gain totaled nearly SEK 9 billion at year-end.

During the year, we achieved financial close on three major projects. This enabled us to continue value creation in this portion of our operations, while these projects helped strengthen order bookings in Construction. Beyond this, we are working with a number of new projects in Europe, the U.S. and Latin America, and we expect to reach financial close on some of these during 2010.

Shown in the slide is Kings Mill Hospital in Nottinghamshire, U.K. Aside from being an attractive investment in itself, it is also a green project that features Europe's largest geothermal lake loop in the adjacent reservoir for heating and cooling of the building.

I would like to take this opportunity to comment on the three new projects in our portfolio.

M25 orbital motorway, London

Together with local partners, we are responsible for widening, expanding and renovating a portion of the M25 orbital motorway around London. The construction assignment is worth about SEK 12 billion, of which Skanska's share is 50 percent, and is expected to be completed in 2012. As part-owner of the company that received the concession, we will also invest nearly SEK 1 billion in the project and be responsible for operation and maintenance of the motorway during a 30-year period.

A1 expressway, Poland

Having completed the first phase of the A1 expressway south of Gdansk, Poland, during 2009 we began the second phase, consisting of a 62 km (39 mi.) four-lane expressway. This construction assignment is worth about SEK 7.5 billion, of which Skanska's share is 80 percent. As a co-owner of the project company, we are investing about SEK 140 M. Altogether, the value of our share of the construction assignments for the two phases

totals nearly SEK 11 billion, making this one of our largest projects ever in terms of value.

Surrey Street Lighting, England

With the Surrey Street Lighting project, during 2009 we established a presence in a new segment with attractive potential in the U.K. Here we are responsible for upgrading the existing street lighting network as well as for operation and maintenance during a 25-year period. We estimate that revenue will total about SEK 1 billion and our investment will amount to some SEK 50 M.

Autopista Central, Chile

Since the Autopista Central motorway in Santiago accounts for about 2/3 of the total value of our infrastructure portfolio, I would briefly like to comment on the impact of the severe earthquake disaster in Chile. I believe that most of us have some idea of the scale of the disaster, and of course everyone has very strong feelings about all the human suffering and major economic damage that have affected Chile.

As for Skanska in Chile, fortunately none of our local employees suffered physical harm. We can also note that the Autopista Central withstood the natural disaster without significant damage and that it has been possible to keep the highway open to traffic without interruption.

However, our timetable for selling our share of the highway has been delayed, since the direct and indirect effects of the earthquake must be assessed and documented before the divestment process begins. But it is still too early to say to what extent the estimated value of the investment may possibly have been affected by the disaster and when the divestment can be completed.

The Group

For the Skanska Group as a whole, we can summarize 2009 by reporting that we had very good earnings.

As I mentioned before, early in the year we adopted a wait-and-see attitude toward new investments in Residential and Commercial Development, given the turmoil in financial markets and the very uncertain market outlook at that time.

Together with strong cash flow in Construction, this meant that our net liquidity strengthened substantially during 2009. We thus have a stable financial base for the continued development of the Group's operations.

In light of this, the Board of Directors is proposing an extra dividend of SEK 1 per share, in addition to an unchanged regular dividend of SEK 5.25 per share, and thus a total dividend of SEK 6.25 per share.

In this context, let me state that good earnings are not achieved without hard, focused work – especially not in a year like 2009 – and for this reason, I would like to thank all the employees of Skanska for their very good contributions during the year.

I would also like to take this opportunity to thank the members of Skanska's Board of Directors for their valuable support during the year.

Looking ahead

I will now turn to commenting on some important aspects of the continued development of our operations. Then I intend to conclude with a brief commentary on the outlook for 2010.

The five zeros vision

I know that both my predecessor Stu Graham and I have been in the habit of bringing this up at previous annual meetings and in other contexts – but I would still like to begin by underscoring the importance of our five zeros vision. The five zeros are vital points of departure for everything we do at Skanska. They comprise the very core of the corporate culture we want at Skanska, both in Sweden and in all our markets abroad.

Safety

For a number of years, we have been intensifying our efforts to improve safety at our work sites through training, improved equipment, better safety procedures, clearer

instructions and rules, and especially through systematic follow-up of the accidents that unfortunately still occur.

This work has yielded positive results and we have seen significant improvements, which means that today we are among the construction companies with the lowest number of accidents per hour worked in the markets where we operate.

But the frequency of accidents remains too high, especially among our subcontractors, so a great deal of work remains before we can achieve our vision, which is still that we will have “zero accidents” at our work sites.

Green construction

Another important aspect of our operations, today and in the future, is climate change and environmental issues.

As a leading market player in construction and project development, Skanska has an important role in the task of improving the environment. Resolving climate change problems requires action. It is also heartening to note that general interest in green construction is increasing.

This is why our commitment to green construction feels completely right. We are now intensifying our efforts in this field, among other things by establishing a specialized Green Business unit, which will help develop and market Skanska’s green construction offering.

These developments are being driven not only by stricter environmental standards, but also because green construction can also prove competitive even in purely economic terms, compared to traditional solutions. In the U.S., we are seeing how green expertise is increasingly gaining favor, both among customers and because of new regulations. We are seeing similar trends in the Nordic countries and elsewhere in Europe.

Let me mention two additional concrete examples of Skanska projects with a green profile.

Empire State Building, New York

On the 32nd floor of this famous building, Skanska USA has had its New York office for about a year. Before we moved in, we renovated the entire floor to meet the LEED Platinum standard. The result was a 57 percent reduction in energy use and a 40 percent reduction in water use. We also recycled 80 percent of construction waste. The project has attracted great attention, and I regard this as a large potential market for Skanska, both in the U.S. and in other markets.

Nordica, Ostrava

Our Nordica project in Ostrava is the first office building in the Czech Republic to earn EU GreenBuilding certification. It also won the Czech Energy and Ecological Project award. Here we achieved 30 percent lower energy use than prescribed by the local construction standard, and no less that 70 percent of energy is recovered and reused.

The Skanska Employee Ownership Program (SEOP)

Before I move on to my closing comments about the outlook, let me first say a few words about our employee ownership program, SEOP.

The current three-year employee ownership program runs during 2008 – 2010 and is aimed at all permanent employees in the Skanska Group. During its first two years, more than 7,000 employees chosen to join the program and invest a total of SEK 300 M of their own money.

I see this as a good, well-balanced incentive program. It is a fine way to create a stronger affinity with the Company among our highly proficient employees, while increasing the community of interest between Skanska employees and shareholders.

This is why I am hoping that our proposal for a new, essentially unchanged three-year employee ownership program for 2011 – 2013 will be approved at today's Annual Meeting. We will come back to this later.

Outlook

Let me now comment quite briefly on the outlook for 2010.

As I mentioned at the beginning of my address, construction activities usually occur relatively late in the economic cycle. We can thus not count on any overall upturn in construction investments during 2010, although some forecasts now indicate a certain recovery in the general economic trend. We must also expect continued keen competition for those new projects that are put out for tender. In addition, we have had a severe winter in most of our markets, which adversely affected construction.

The demand for new residential units, which is determined partly by employment and interest rates, is now relatively strong in the Nordic markets. There are various indications that this favorable market situation may last during a large part of this year.

Leasing demand for commercial space is not expected to increase during 2010, but on a selective basis we nevertheless foresee opportunities to start new projects, especially those with a green profile. Because we cut back on investments during the past two years, however, we will have fewer projects to sell this year. But as the economic now rebounds, of course we will boost our investments again. In my assessment, the potential for continued value creation remains good.

In Infrastructure Development, we hope to reach financial close and start construction of two or three projects during 2010. Beyond that, we are working with a number of projects that have a longer planning horizon. In this business stream, too, my assessment is that there is good potential for continued value creation.

In closing, we can note that there is still some uncertainty about future economic events and that a stable upturn may very well be delayed for another year or so. We also know from experience that both Construction and Commercial Development are normally late in the economic cycle.

In light of this, we assume that 2010 is certain to be a tough year in many respects, although the outlook for Skanska's operations varies by type of operation and geographic market.

Nevertheless, we still have a good order book in our Construction business stream, an attractive project portfolio in our development operations, a very good financial position and, not least, more than 53,000 highly competent employees at all levels of the Group.

Overall, I thus view the future with confidence, both with regard to 2010 and in a longer perspective.

Thank you for your attention.