ANNUAL REPORT 2006 SKANSKA

This is 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. Skanska focuses on finding innovative solutions through close collaboration with its customers and by combining the Group's international expertise with a local presence. The Skanska Group has 56,000 employees, and in 2006 its revenue totaled SEK 126 billion.

Skanska in 2006

- Construction showed an improved operating margin overall, with good earnings and margins in Sweden, Norway, Poland, the United Kingdom and Latin America as well as improved earnings and margins in the United States
- Residential Development showed profitable growth in a strong Nordic housing market
- Commercial Development benefited from continued healthy demand for completed projects from financial investors, while the demand for new premises by the business sector and public agencies increased
- The Infrastructure Development project portfolio gained a major addition due to a large new hospital project in the United Kingdom and had good overall value growth during the year

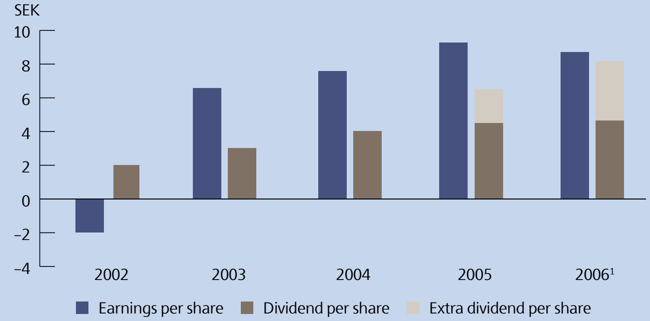
Greater industrialization is a key factor in improving quality, safety and profitability. Here the Clarion Hotel is being built at Norra Bantorget in downtown Stockholm.

Highlights

	SEK M	EUR M
Revenue	125,603	13,574
Operating income	4,762	515
Income after financial items	4,985	539
Earnings per share SEK/EUR	8.68	0.94
Return on equity, %	19.3	19.3
Return on capital employed, %	22.5	22.5
Order bookings[1]	134,125	14,495
Order backlog[1]	135,106	14,942

1 Refers to Construction operations

Earnings and dividend per share



1 Proposed by the Board of Directors

Business streams and organization

Group staff units | Senior Executive Team | Skanska Financial Services | Skanska Project Support

Construction

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

Residential Development

- Skanska Residential Development Nordic
- Skanska Czech Republic

Commercial Development

- Skanska Commercial Development Nordic
- Skanska Commercial Development Europe

Infrastructure Development

- Skanska Infrastructure Development

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 ten business units in selected home markets – Sweden, Norway, Denmark, Finland and Estonia, Poland, the Czech Republic and Slovakia, the United Kingdom, the United States and Latin America.

Revenue, SEK M	118,710
Share of Group	92%
Operating income, SEK M	3,336
Share of Group	62%

The Residential Development business stream initiates and develops residential projects for sale. Housing units are tailored for selected customer categories.

Skanska is one of the leading residential developers in the Nordic countries and also has a sizeable presence in the Czech Republic. The business stream operates through its own Nordic business unit and as part of Construction in the Czech Republic.

Revenue, SEK M	6,788
Share of Group	5%
Operating income, SEK M	852
Share of Group	16%

Commercial Development initiates, develops, leases and divests commercial property projects, with a focus on office buildings, shopping malls and logistics properties.

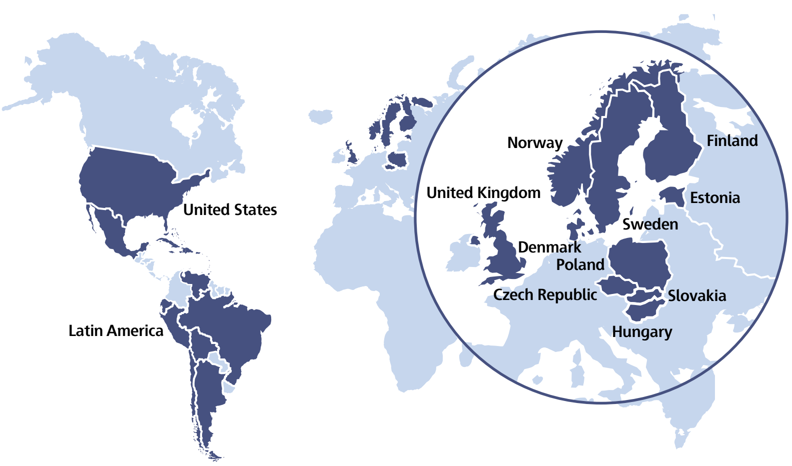
The business stream works through two business units: Skanska Commercial Development Nordic in Stockholm, Gothenburg, Öresund (Malmö/Copenhagen) as well as in Helsinki; Skanska Commercial Development Europe in Warsaw, Wrocław, Prague and Budapest.

Revenue, SEK M	3,425
Share of Group	3%
Operating income, SEK M	1,210
Share of Group	22%

In Infrastructure Development, Skanska develops and invests in 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 M	151
Share of Group	0%
Operating income, SEK M	–8
Share of Group	0%



Revenue by geographic area	%
Sweden	21
Other Nordic countries	20
Other European countries	25
United States	30
Other markets	4

Contents

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.

The new Rica Hotel rises 18 stories above Stockholm International Fairs. The building is 14,800 sq. m (159,00 sq. ft.) in all. The hotel, with 248 rooms including suites, was completed in 2006.

Comments by the President and CEO

With nine of Skanska´s fourteen business units achieving or exceeding their 2006 "Outperform" targets, and with continued favorable market conditions, we are in a good position to achieve our long-range "Outperform" targets in 2007.

In 2006 all of our four business streams performed well, with the three development streams – Residential, Commercial and Infrastructure – hitting their targets. In Construction, it was only the loss in Denmark that kept this business stream from achieving outstanding results.

Construction

The Skanska Sweden business unit exceeded its "Outperform" target, earning SEK 1.1 billion with a margin of 4.6 percent. In addition, Skanska Sweden is leading the Company in consolidating procurement and in industrializing the construction process – all in all a very fine performance.

Norway, Poland, the U.K. and Latin America all met or exceeded their targets as well. These business units attribute their results to selectivity, risk control and strong management development. The U.S. businesses improved substantially and are positioned to outperform in 2007.

We are disappointed with the poor performance in Denmark. Measures have been taken to reduce our exposure to the very difficult conditions in portions of the construction market in Denmark. On the other hand, our residential and commercial development businesses in Denmark are prospering.

Overall, construction earnings increased by 17 percent and the business stream continued to be very capital-efficient, operating with SEK 12 billion negative working capital.

Residential Development

A very strong market in the Nordic region provided the impetus for our residential developers to improve performance significantly over 2005. Operation margin increased to 12.6 percent and return on capital employed to 27.5 percent. New starts also increased 23 percent to 4,715 units.

The ongoing transformation to a consumer-oriented business improved quality and contributed significantly to our success This is a business Skanska can continue to improve and grow in the long term.

We expect the market in 2007 to remain at a high level, but price increases will level off and perhaps fall slightly in certain areas. This means we need to control costs and offer superior products to home buyers. A challenge we are determined to meet.

Commercial Development

This business again contributed significant earnings, some SEK 1.2 billion, to our overall result. Investor demand for quality properties remains strong. Expanding employment means that vacancies are falling and rents stabilizing. As a result, we are now able to invest in new developments more aggressively.

Earnings in this business stream will fall in 2007 because few of our current properties will be ready for sale. But our investment in new projects will create significant value for future realization.

Infrastructure Development

The estimated market value of our still immature project portfolio has reached SEK 5.7 billion after subtracting remaining investments. This is probably a conservative valuation; as recent market transactions have brought even higher values. In 2007 we sold three small infrastructure assets at three times our investment, resulting in a capital gain of SEK 118 M.

During 2007 we closed and began construction on our largest project ever – the Barts and London Hospital, representing SEK 14 billion in construction alone.

The market for private infrastructure development continues to expand globally and we have the expertise and capital to make this an even more important part of Skanska.

The Group

At Group level we achieved a 19.3 percent return on equity, exceeding the target of 18 percent, and we continued to build for the future by investing heavily in our people. The balance sheet is strong, providing confidence to our customers, suppliers and shareholders and also importantly to our employees.

Management development

As in most businesses, people define the Company. During 2006 we intensified our recruiting and development work by introducing a diversity program, increasing training and working on leadership – the Great Boss Program.

The long-term incentive program meant that senior managers who outperformed earned real Skanska shares. Increasing employee ownership of Skanska shares is important in strengthening the connection of managers to the Company.

The 4 zeros – qualitative targets

The values that unite our businesses, meaning also satisfied customers – zero loss-making projects, zero job site accidents, zero environmental incidents and zero ethical breaches – are increasingly important to our brand. Customers, investors, employees all care about the kind of company we are.

In 2006 we worked hard on all four categories but have not yet achieved zero status except in environmental incidents. Our safety record improved significantly as a result of internal effort in all business units.

In 2007 we plan for a more proactive approach to our environmental strategy. The construction industry, with Skanska as a leading company, can do more to reduce carbon dioxide emissions and conserve energy.

Outlook for 2007 and beyond

Skanska has three primary assets – and they are very strong. Our financial strength, our brand and our people. As a result of our work over the past several years, all three have been enhanced.

The synergies among our business streams are compelling. Cash generated in construction supports our residential, commercial and infrastructure development businesses. The expertise from construction reduces risk in development and the transfer of knowledge and people among the businesses enhances the performance in each business stream.

We are a project-based company that depends on our three core assets. Each project is a business in itself, but is able to benefit from the collective resources of the Group. Few companies can bring the resources to a project that we can.

The market outlook for 2007 is favorable. More importantly, the large need for urban infrastructure, housing and more energy-efficient buildings means that our long-term prospects are bright indeed.

Solna, March 2007

STUART E. GRAHAM
President and CEO

Strategy for profitability

SKANSKA'S STRATEGY FOR ACHIEVING ITS OPERATIVE AND FINANCIAL TARGETS IS TO:

- maintain a disciplined focus on the core business carried out in four business streams – Construction, Residential Development, Commercial Development and Infrastructure Development
- be an international company with local businesses that have leading positions in selected home markets
- recruit, develop and retain highly competent employees while working to bring about greater diversity
- take advantage of the collective resources and strengths of the Group – brand, employee expertise and financial strength
- foresee and manage risks in its business with the help of well-functioning risk management systems
- be an industry leader in sustainability, particularly in occupational health and safety, ethics and the environment
- take advantage of the existing potential to coordinate the Group's purchasing as well as the efficiency gains that can be achieved through greater industrialization of the construction process

Construction and project development – complex businesses

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

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

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 7.

Skanska's key stakeholders

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

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.

Skanska's core businesses

Skanska operates in four business streams.

- **Construction** includes construction of non-residential and residential buildings as well as civil construction projects. It is Skanska's largest business stream, performing construction assignments for external customers as well as Skanska's other business streams and operating in selected home markets: Sweden, Norway, Denmark, Finland and Estonia, Poland, the Czech Republic and Slovakia, the United Kingdom, the United States and Latin America.
- **Residential Development** initiates and develops residential projects for sale. Skanska has a permanent presence in: Sweden, Norway, Denmark, Finland and Estonia and the Czech Republic and Slovakia. Skanska is one of the leading residential developers in the Nordic countries. 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, the local construction business unit carries out residential development.
- **Commercial Development** initiates, develops, invests in, leases and divests commercial real estate projects, with a focus on office space, shopping malls and logistics properties in Stockholm, Gothenburg, Öresund (Malmö and Copenhagen), Helsinki, Warsaw, Wrocław, Prague and Budapest. These selected markets are expected to offer a continuous flow of tenants and investors, the latter as buyers of completed projects.
- **Infrastructure Development** develops, invests in, operates and divests privately financed infrastructure projects, for example roads, hospitals, schools and power generation plants in Skanska's home markets.

Collaboration creates leverage

The units of the Skanska Group collaborate in their specialized roles – as project developers, investors and builders. 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. 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.

Investment operations – development of commercial, residential and privately financed infrastructure projects – take place in most of the geographic markets where Skanska is engaged in construction work.

In these projects, Skanska assumes a comprehensive responsibility, from concept and design to land purchase, construction and finally divestment of the project. Skanska's local construction units are hired to build the projects. Both construction and investment operations must each yield a good economic return.

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 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.

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 and a project developer with global strength and an international builder with strong local roots. The organization works in a decentralized but integrated way.

The Blanton Museum of Art at the University of Texas, Austin, which Skanska has renovated, is the largest university-affiliated art museum in the U.S. With space for 17,000 objects, the museum welcomed more than 20,000 visitors during its opening days in April 2006.

Skanska's strengths

- **The Skanska brand**, built up during more than a century of working in many different countries. One important 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.
- **Skanska's highly skilled, dedicated employees**, who combine expertise with the Group's overall focus on sustainable development in order to successfully deliver projects to customers. The Group's ability to transfer knowledge between different geographic markets also contributes to its strength.
- **Financial strength**, an important factor in maintaining the confidence of customers and capital markets in Skanska. It also enables the Group to invest in project development and assume responsibility for and invest in major privately financed infrastructure projects.

Talent management vital

A good reputation is an important factor in attracting the best employees. To achieve its long-term goals, Skanska must ensure its supply of future managers in projects as well as other parts of the organization. Identifying and developing the leaders of tomorrow is a core activity for both local units and the Group. This is why Skanska continuously measures and assesses employees with leadership potential. A substantial proportion of executive time and resources is devoted to management development (see page 10).

Risk management system

Construction work involves various technical and legal as well as financial and personnel-related risks. The ability to identify and manage these risks is crucial to the Group's success and is thus an important prerequisite for achieving its strategic goals. Unforeseen risks may have a substantial adverse impact on profits. This is why the Group's risk management system, which is continuously being refined, is of key importance (see page 8).

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 employees are fundamental to success. The groundwork is laid by the Group's strategic planning, which identifies selected markets. 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 Group-wide talent management programs.

Profitability, safety, ethics and the environment

Skanska must act in ways that are sustainable and responsible in the long term and meet the demands of shareholders, customers and employees, as well as society at large. Skanska's aim is to ensure that all projects will be profitable and will also be implemented without environmental incidents, work site accidents or ethical breaches. The market- and customer-specific expertise of local units, combined with Skanska's corporate business and control systems, the Group's Code of Conduct and common risk management system, provide support for achieving both financial and qualitative targets.

Ambitious financial and qualitative targets

Skanska's financial targets for the period through 2007 are based on an ambition that exceeds the industry norm in the Group's respective geographic markets and specific segments. In each market, Skanska has established "Outperform" targets. These targets provide the basis for incentive systems at various levels of the organization.

Operating margin

The operating margin is an important yardstick of performance in construction and residential development. The "Outperform" margin may vary, depending on the market and what type of business is being carried out.

For the Construction business stream, the target is to achieve an overall average operating margin of 3.3 percent by 2007. During 2006, the operating margin amounted to 2.8 percent, compared to a target of 3.2 percent for the year. However, several business units achieved their individual targets.

In the Residential Development business stream, the target is to achieve an operating margin of 10.0 percent by 2007. During 2006, when the housing market was strong, the operating margin amounted to 12.6 percent.

Return on capital employed and on equity

In the Residential Development business stream, the target is to achieve a return on capital employed of 18.0 percent. During 2006, return on capital employed amounted to 27.5 percent.

In the Commercial Development business stream, the target is to achieve an adjusted return on capital employed of 15.0 percent over a business cycle for the industry. This return is based on operating net, unrealized development gains and changes in market value. During 2006, return calculated in this way amounted to 17.2 percent over a nine-year business cycle. For the individual year 2006, return amounted to 17.5 percent.

In the Infrastructure Development business stream, the target is to achieve an adjusted return on capital employed of 16.0 percent, including unrealized development gains and changes in market value but excluding exchange rate effects. During 2006, return calculated in this way amounted to 34.0 percent.

For the Skanska Group as a whole, the target is to achieve 18 percent return on equity. In 2006, return on equity amounted to 19.3 percent, not taking into account unrealized development gains.

The 4 zeros – qualitative targets

In addition to these financial targets, Skanska has also adopted qualitative targets. These targets are based on a vision that operations shall take place with:

- zero loss-making projects
- zero environmental incidents
- zero work site accidents
- zero ethical breaches.

Some of these targets are based on specific levels to be achieved in a given year, while others have absolutely zero tolerance. This applies, for example, to the "zero ethical breaches" target. In addition to these zero visions, there are also management development targets.

Capital structure

The equity requirement varies between Skanska's business streams. In the Construction business stream, the requirement is related to business volume and to the risks inherent in the various types of construction assignments carried out. This includes taking into account the requirements that must be met in order to have access to the performance guarantees that are necessary to be able to operate in the American civil construction market. The model also takes into account the financing of goodwill.

In Residential Development, the estimated equity requirement amounts to 50 percent of capital employed. In Commercial Development and Infrastructure Development, the equity requirement is based on the distribution between completed properties, ongoing projects, undeveloped land, development properties and future investment obligations. The various components each have different equity requirements. The calculation also takes into account completion and leasing level, respectively.

It is the Board's judgement that during 2007, equity needs to total about SEK 16 billion. This judgement is based on the operations that Skanska carries out but also takes into account the investments it is expected to make during 2007. This applies, for example, to land for residential development and new projects in Commercial Development and Infrastructure Development.

Financial "Outperform" targets, 2007

	Group
Return on equity, target 2007	18.0%
Return on equity, outcome 2006	19.3%

	Construction	Residential Development	Commercial Development[1]	Infrastructure Development[2]
Operating margin, target 2007	3.3%	10.0%		
Operating margin, outcome 2006	2.8%	12.6%		
Return on capital employed, target 2007		18.0%	15.0%	16.0%
Return on capital employed, outcome 2006		27.5%	17.5%	34.0%

1 Including unrealized development gains and changes in market value
2 Including unrealized development gains and changes in market value but excluding exchange rate effects

Common risk management system

Strategic risks

Risk management is one of the cornerstones of the Company's success as a builder and project developer. The Senior Executive Team (SET) is responsible for long-term, overall management of such strategic risks as those of a political, social or macroeconomic nature. By focusing on selected home markets, Skanska's local business units become thoroughly familiar with local conditions in each respective market and can analyze them continuously. These analyses are an integral element of the SET's work.

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 Company'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 gross margin in the project may increase by a couple of percentage points. A large loss-making project, however, may result in a considerably larger downturn in earnings.

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

In the construction business, operational risks are substantially higher than financial risks. The Company's ability to foresee and manage 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 they are discovered. A loss-making project that previously reported a profit must expense the entire previously recognized profit. In addition, the entire estimated loss must be recognized, provided that there are no other changes, the project will then recognize zero gross profit during the remainder of the construction period.

Uniform risk management system

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

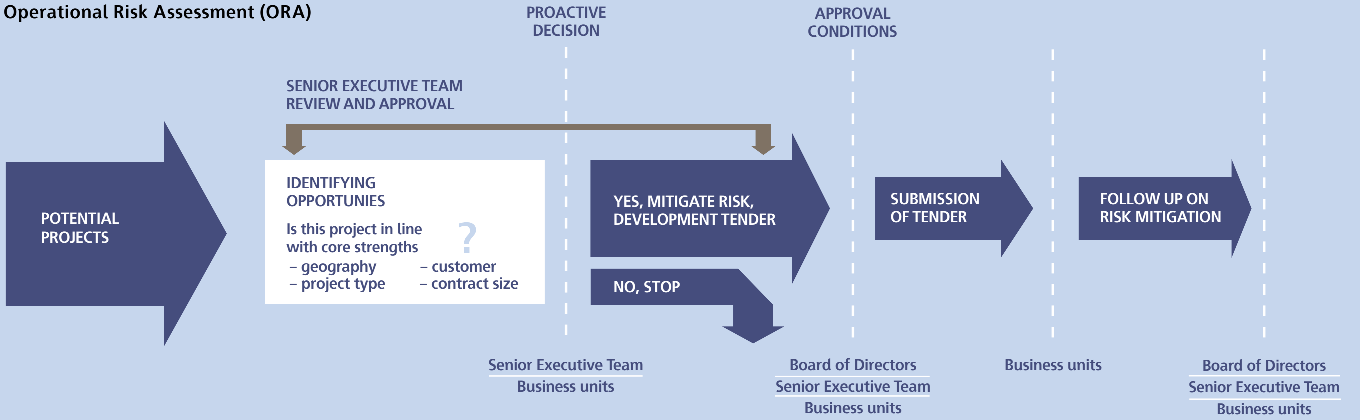
Analyses of earlier loss-making projects indicate that such factors as improper choices related to staffing and geographic location are often behind poor outcomes. Experience also shows that initial profitability problems tend to worsen rather than ease over time.

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.

After completing a risk assessment, in some cases – based on size and other factors – the Senior Executive Team can decide in consultation with the local management whether a tender should be submitted and how the identified risks can be limited by means of specific measures.

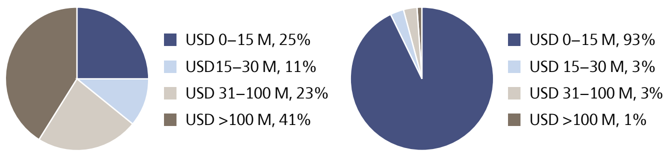
Skanska's risk management system does not imply avoidance of all risks, but instead aims at identifying, managing and pricing these risks. The support unit Skanska Project Support provides business units and the Senior Executive Team with back-up in the analysis, planning, follow-up and implementation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

Operational Risk Assessment (ORA)



Order backlog SEK 135 bn

Project size — Number of projects



tions. Another support unit, Skanska Financial Services, evaluates financial risks related to cash flows, customers, subcontractors and joint venture partners.

Fewer loss-making projects

In all types of major projects that continue over a long period, Skanska conducts regular follow-up of its risk assessment. The Senior Executive Team carries out quarterly reviews of major projects equivalent to about one third of total project volume, loss-making projects and those projects deemed to involve special risks. Since systematic risk management work was introduced in 2002, the number of new loss-making projects and their annual adverse impact on earnings has declined.

Risks related to material prices

In Skanska's operations there are many different types of contractual mechanisms. The degree of risk associated with the prices of goods and services varies greatly, depending on the contract type. In cases where Skanska works on a cost-plus basis, any price increases are passed directly to the customer. However, in assignments for public sector customers, Skanska often has fixed-price contracts. Because projects often continue over many years, conditions may change. Even if there are sharp price increases on materials or wages, for example, a fixed tender price applies in principle. Certain contracts contain indexing clauses that allow an upward revision of the contract value, equivalent to price increases. But in some geographic markets, there is no such tradition; instead the contractor is bound by the quoted price even if costs increase. To protect itself against such risks Skanska endeavors to procure materials and approve subcontractors as soon as feasible after signing a contract. In most cases, finished agreements are in place as early as the tendering phase and are conditional on Skanska signing a contract with its customer.

Financial risks

Foreign exchange risks

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

Interest rate risks

Interest rate risk is the impact on earnings arising from a change in interest rate. Interest-bearing assets exceed interest-bearing liabilities. This means that net financial items are favorably affected by an increase in interest rate. At year-end 2006, the average interest refixing period for interest-bearing assets, SEK 15.4 billion, was 0.2 (0.1) years and on interest-bearing liabilities, excluding pension liabilities, of SEK 3.5 billion, it was 0.9 (1.0) years. The size of Skanska's interest-bearing pension liability, SEK 1.6 billion (2.4), 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).

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 2006, the Group's unutilized credit facilities totaled SEK 6.3 billion (6.1) and the average maturity of the borrowing portfolio, including unutilized credit facilities, was 3.6 (3.8) years.

Impact on the Group of a change in SEK against all currencies and a change in USD against SEK, based on the 2006 income statement and balance sheet

SEK M	+/– 10%	Of which USD+/– 10%
Revenue	+/–9,916	+/–4,132
Operating income	+/–252	+/–87
Equity	+/–920	+/–360

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

Interest-bearing liabilities and assets

SEK bn	Dec. 31, 2006	Dec. 31, 2005
Interest-bearing gross liabilities	–5.1	–5.9
Cash and cash equivalents and interest-bearing receivables	15.4	17.0
Interest-bearing net receivable	**10.4**	**11.1**

Sensitivity of pension obligation to change in discount rate

SEK M	Sweden	Norway	U.K.	U.S.	Total
Pension obligation, December 31, 2006	3,936	1,957	4,393	602	10,888
Discount rate increase/decrease of 0.25 percent[1]	+/–150	+/–100	+/–250	–	+/–500

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.

A focus on employees

Recruitment, professional development and retention of employees are high-priority tasks for both Group executives and local business units. The staffing issue is on the agenda at all times and is one of the variables that are measured and provide the basis for the assessment of senior managers.

It is vital to successfully recruit, develop and retain good employees at all levels. Skanska's profitability rests with its thousands of projects, and the success of these projects is dependent on employee performance. The need to hire highly capable employees, and the competition for their services, will increase in the coming years. Many current employees are approaching retirement and the supply of experienced labor is limited.

For many years, the Company has identified and provided professional development for people suitable for leadership positions. Every year, more than 70 employees from throughout the Group attend the Skanska Top Executive Program (STEP), provided in collaboration with the business school IMD in Switzerland. In addition, numerous employees with leadership potential attend advanced human resource development programs at local business units.

Analyzing Skanska's development needs

For many years, all local business units have carried out employee surveys aimed at measuring job satisfaction and the need for human resource development, as well as tracking how many people are hired and how many leave the company, respectively. A Groupwide measurement standard has been developed to provide comparable data. The surveys have been broadened to cover all white collar employees and certain categories of 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.

Advanced training and safety

Efforts to retain and foster professional development of employees are increasing. This includes both skill-enhancing specialized training programs and steps to safeguard employee health, safety and job satisfaction. To meet the need for qualified employees, every Skanska business unit has its own human resource development programs adapted to its specific needs. Each unit provides a choice of programs aimed at broadening knowledge at all levels. Meanwhile there are large-scale exchanges of knowledge between different business units to enable them to learn and benefit from each other's ideas and programs.

New learning-oriented games

A project simulation game that has been developed to increase awareness of the complex interrelationships in projects is one example of advanced employee training. This game was developed in Sweden, but it is now being adapted for other markets.

A special three-year training program called Skanska University has been established in Poland, with a focus on training in leadership, business skills and personal development. So far this initiative, which began in 2005, has involved more than 1,000 employees, who have undergone about 15,000 training days. The project is 50 percent financed by grants from the European Union.

Employee retention efforts

Due to the Company's age structure, numerous employees are reaching retirement age. An initiative to retain expertise in the Company as long as possible is underway in Skanska's Norwegian operations. Employees aged 60 or older on their way toward retirement are offered individual solutions that enable them to continue working. The aim is to utilize their strengths in various positions. To make this job extension period attractive, Skanska creates specially adapted employment conditions.

The zero-accident work site

One of Skanska's health and safety initiatives is Safety Week, which has been carried out Groupwide each autumn for the past three years. Its purpose is to improve safety activities and achieve zero-accident work sites.

Another initiative is group warm-up gymnastics, which take place at the beginning of the working day at many projects. On the projects, where "stretch and flex" exercises have been introduced, back problems have decreased by a full 80 percent.

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

Skanska's profitability is generated by its thousands of projects. This is why the Golden Hard Hat is now awarded every year to four employees with long track records of top performance in their projects. The winners have exceeded financial outcome targets while serving as role models in terms of customer focus, ethics, environmental and safety issues. They have also powerfully inspired and helped young Skanska employees in their professional development.

The photo shows the 2006 Golden Hard Hat winners (from the left): Gert Sjöholm, Skanska Commercial Development Nordic; Esbjörn Gustafson, Skanska Sweden; Sue Jackman, Skanska UK; winner of the newly established "Estimator, Construction" category; and Thomas Fulton, Skanska USA Civil.

expertise can be kept in projects. Major career moves have traditionally meant that highly skilled employees leave their jobs in the field; assuming a leading corporate position generally means that a person moves into an office. This is not optimal, since many employees are both needed and very happy to work in or near construction operations, that is, in projects. Meanwhile, of course, many highly competent employees want to develop their skills further, deal with new challenges and pursue a career. For this purpose, an initiative called the Dual Track Career has been introduced in various geographic markets.

In the U.S., for example, this model makes it possible to combine overall profit center responsibility with more direct construction responsibility. Advanced training as well as mentor and computer support have been created in order to make it easier for employees who accept expanded responsibility.

Broadened recruitment base

During 2006, Skanska introduced various initiatives to strengthen its recruitment and ensure its long-term supply of skilled personnel. Major efforts will be made to broaden the Company's recruitment base in terms of education, gender and ethnic background.

Diversity is the goal

Cultural and ethnic diversity is increasing among the various stakeholders in the construction sector, and Skanska employees should reflect the structure of society as a whole. The Company also strengthens its competitiveness when it recruits people with a different educational or ethnic background and they can contribute their skills. This is why Skanska is seeking future employees also outside the traditional ranks of male engineers.

A broadened recruitment base also means that the Company will be less dependent on hiring new engineering graduates, who will be a shrinking resource in relation to the needs of the business sector.

Women – 40 percent of newly recruited engineers in Sweden

Efforts to increase the Company's diversity are being carried out in all units. One example is Skanska Sweden's construction operations, where 40 percent of the new engineering graduates hired during 2006 were women. This exceeded the target, which had been set

Female employees[1]

% by job category	2006	2005
Skilled workers	2	3
White collar employees	23	23
Skanska AB Board[2]	22	22
Managerial positions	11	7
Total female employees	**10**	**11**

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

at 35 percent. Another target was also achieved: ensuring that the percentage of female engineers leaving Skanska Sweden of their own volition is no higher than the percentage of male engineers who do so.

Women in management positions

To meet its requirements and achieve better gender balance, Skanska needs more women at all levels, especially in line positions. A number of highly capable women are working at project manager level. The proportion of women in management positions is still very low.

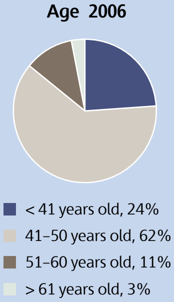
Recruitment of students and trainees

For many years, Skanska has recruited employees directly from universities and institutes of technology in its local markets. For example, the Skanska 21 program in Sweden has led to the recruitment of many university-level students after they had an opportunity to try out different parts of Skanska's operations.

Trainee programs attract many students. In Finland last year, the Oppiva (Learning) program had 300 applicants for 18 openings. In Poland, 800 students applied for 50 openings in an advanced program that offers both work and theory under the leadership of experienced mentors.

Early in 2007, a new Skanska Global Trainee Program is also starting up. From a pool of 900 applicants, 12 trainees were selected for the 20-month long program. Of those accepted, four are women and eight have an educational background other than undergraduate engineering. The program combines work, training and guidance by mentors at Skanska Sweden, Skanska Czech Republic, Skanska UK, Skanska USA Building, Skanska Infrastructure Development and Skanska Commercial Development Nordic.

Age 2006



Cultural and ethnic diversity is increasing among the various stakeholders in the construction sector. Skanska's employees largely reflect society as a whole, which also strengthens the Company's competitiveness. This is why Skanska is also seeking future employees outside the traditional ranks of male engineers. Shown here are students and trainees at Duke University, North Carolina, where Skanska is carrying out several projects.

Share data

Skanska's Series B shares are quoted on the Large Cap List of the Stockholm Stock Exchange and are traded under the SKA B symbol in round lots of 200 shares. Current price information is available on www.skanska.com/investors, in the Reuters system under the SKAb.ST symbol or the Bloomberg system under SKAB SS. At the end of 2006, 423.1 million shares were outstanding, with a quota value (formerly par value) of SEK 3 per share. Of these, 22.5 million were Series A shares with 10 votes apiece, 396.1 million were Series B shares with one vote apiece and 4.5 million were Series D shares without voting entitlement. Of the shares in circulation, Series B shares accounted for 93.6 percent of capital stock and 63.8 percent of voting power. During 2006, Skanska shares traded on the Stockholm Stock Exchange totaled 536.3 million (485.0), at a value of SEK 65.7 billion (46.2). The average volume per trading day amounted to 2.2 million shares, an increase of 13 percent from an average volume of 1.9 million shares during 2005. Trading volume during 2006 was equivalent to 135 (122) percent of all Series B shares outstanding at the end of the year.

Share performance

During 2006 the market price increased by 12 percent to SEK 135.00 per share as the final price paid. The overall market capitalization of Skanska thus rose during the year to SEK 56.5 billion. The highest price paid for a Skanska share was SEK 136.50 on March 23. The lowest price paid was SEK 98.50 on June 14. The Stockholm all share index, now called OMX Stockholm_PI (OMXSPI), rose by 23.6 percent during 2006. The Dow Jones Titans Construction Index, which includes Skanska, rose by 25.9 percent. Skanska's Series B shares are also included in the Dow Jones Stoxx 600, Dow Jones Stoxx 30 Nordic, S&P Global 1200 and S&P Europe 350.

Ownership changes

At the close of 2006, the number of shareholders totaled 75,763 (85,438). The proportion of capital stock owned by Swedish shareholders declined during the year from 73.1 percent to 69.5 percent, and their share of voting power from 81.7 percent to 75.9 percent. Of foreign shareholders, U.S. residents made up the

Transfers of capital to Skanska's shareholders

	Total	2007[1]	2006	2005	2004	2003
Regular dividend per share, SEK		4.75	4.50	4.00	3.00	2.00
Extra dividend per share, SEK		3.50	2.00	–	–	–
Total dividend, SEK		**8.25**	**6.50**	**4.00**	**3.00**	**2.00**
Total, SEK billion	**10.0**	**3.5**	**2.7**	**1.7**	**1.3**	**0.8**

1 Proposed by the Board of Directors

Equity and adjusted equity

SEK bn	2006	2005	2004
Equity attributable to equity holders	19.2	18.5	16.3
Equity per share, SEK	45.85	44.09	38.83
Unrealized Commercial Development gains[1]	1.4	1.4	1.7
Unrealized Infrastructure Development gains[1]	2.7	1.9	0.6
Adjusted equity	**23.3**	**21.7**	**18.6**
Adjusted equity per share, SEK	**55.57**	**51.93**	**44.47**

1 Less 28% standard corporate tax

Skanska share history

	2006	2005	2004	2003	2002
Year-end market price, SEK	135.00	121.00	79.75	63.50	51.00
Year-end market capitalization, SEK bn	56.5	50.6	33.4	26.6	21.3
Average shares for the year, million	418.6	418.6	418.6	418.6	418.6
Highest share price during the year, SEK	136.50	125.50	83.75	65.00	83.50
Lowest share price during the year, SEK	98.50	79.00	57.50	38.10	41.20
Yield, percent [1]	6.1 [2]	5.4	5.0	4.7	3.9

1 Dividend as a percentage of respective year-end share price.
2 Based on the dividend proposed by the Board of Directors.

Shares by category (series) on December 31, 2006

Series	No. of shares	% of capital	% of votes
A	22,502,851	5.3	36.2
B	396,050,221	93.6	63.8
D	4,500,000	1.1	0.0
Total	**423,053,072**	**100.0**	**100.0**

Changes in shares outstanding (millions) and capital stock

Year and event	Reduction	Stock dividend	New share issue	Shares out-standing	Par value of capital stock SEK M
1991 1:1	–	63.0	–	125.9	1,259.2
1994 conv.	–	–	–	125.9	1,259.2
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 January 31, 2007

Shareholders, excluding Skanska's own holdings	Series A shares	Series B votes	% of stock	% of capital
Industrivärden (investment company)	15,010,000	17,305,000	27.0	7.7
AMF Pension and AMF Pension Funds	0	26,079,000	4.2	6.2
SHB Pension Foundation	1,600,000	2,800,000	3.0	1.1
Swedbank Robur Funds	0	14,949,474	2.4	3.6
Svenska Handelsbanken (SHB)	1,000,000	1,766,304	1.9	0.7
SEB Funds	0	10,214,164	1.6	2.4
SHB/SPP Funds	0	9,823,716	1.6	2.3
SHB Pension Fund	1,000,000	0	1.6	0.2
AFA Insurance	0	7,518,392	1.2	1.8
Nordea Funds	0	5,688,205	0.9	1.4
10 largest shareholders in Sweden	**18,610,000**	**96,144,255**	**45.4**	**27.4**
Other shareholders in Sweden	1,480,619	177,141,828	30.9	42.7
Total shareholders in Sweden	**20,090,619**	**273,286,083**	**76.4**	**70.1**
Shareholders abroad	**2,411,432**	**122,764,938**	**23.6**	**29.9**
of which Citigroup Global Markets Ltd	2,300,000	35,284	3.7	0.6
of which State of New Jersey Pension Fund	0	7,000,000	1.1	1.7
Total	**22,502,051**	**396,051,021**	**100.0**	**100.0**

Source: SIS Ägarservice.

Percentage of capital stock by shareholder category

Swedish companies and institutions	41%
Shareholders abroad	30%
Private individuals in Sweden	16%
Public sector	6%
Other shareholders in Sweden	4%
Relief and interest organizations	3%
Total	**100%**

Source: VPC

largest group, with about 60 million shares representing more than 14 percent of capital stock.

Swedish institutional owners accounted for 54 percent, while 16 percent was owned directly by individuals. As the table on page 12 indicates, Industrivärden has both the largest proportion of capital stock, 7.7 percent, and the most votes, with 27.0 percent of total voting power. The "free float" in Skanska's shares is regarded as making up 100 percent of the number of Series B shares outstanding.

Dividend policy

Future profits are expected to support both growth in operations and growth in the regular dividend. It is expected that the payout ratio can be at least 50 percent.

Dividend

The Board of Directors proposes a dividend for the 2006 financial year of SEK 4.75 (4.50) per share plus an extra dividend of SEK 3.50 (2.00) per share, for a total payout of SEK 3,453 M (2,721).

Total return

The total return on a share is calculated as the change in share price, together with the value of reinvested dividends. During 2006, the total return on a Skanska share amounted to 17 percent. The Stockholm Stock Exchange's SIX Return Index rose by 28 percent during the year. During the five-year period January 1, 2002 to December 31, 2006, the total return on a Skanska share amounted to 147 percent. During the same period, the SIX Return Index rose by 84 percent.

Series D shares

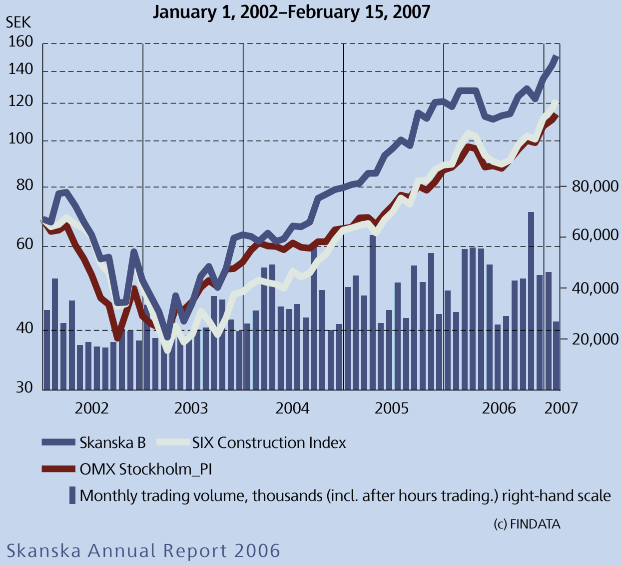
The 2005 Annual Shareholders' Meeting approved a Share Award Plan covering the 300 highest executives in the Group. In December 2005, Skanska's Board of Directors approved an issue and a repurchase offer for 4,500,000 new Series D shares for the purpose of ensuring delivery of Series B shares to the above share incentive program. In January 2006 these transactions were carried out, and since that time Skanska has held 4,500,000 of its own Series D shares.

Major listed construction companies

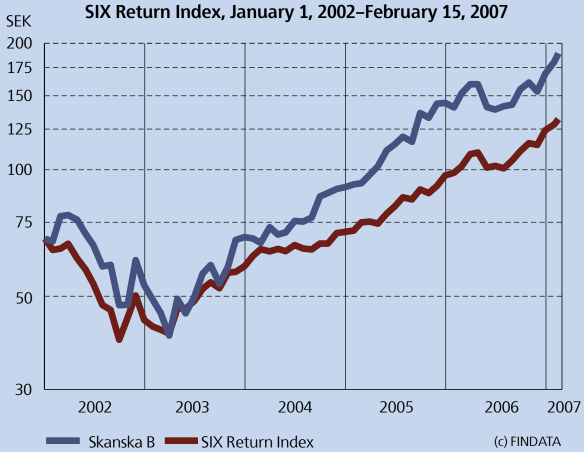
	Absolute return 2006, %	Total return 2006, %	Total return 2002–2006, %	Market capitalization, SEK bn	Revenue, SEK bn[1]	Income after financial items, SEK M[1]	Return on equity,%[1]	Return on capital employed, %[1]
AMEC (United Kingdom)	23	27	32	10.5	42.2	–217	1.2	6.3
ACS (Spain)	57	60	410	136.3	112.4	7,465	24.5	10.3
Balfour Beatty (United Kingdom)	24	28	201	14.2	52.1	1,913	38.7	27.7
Bilfinger & Berger (Germany)	38	41	161	18.7	57.6	1,071	5.7	6.2
Bouygues (France)	18	20	104	147.2	223.4	14,218	18.3	15.1
FCC (Spain)	61	66	279	91.1	65.8	6,464	18.9	17.1
Ferrovial (Spain)	26	28	308	93.8	82.7	5,211	19.5	6.7
Fluor Corp. (United States)	6	7	135	49.3	97.9	2,228	13.9	17.4
Hochtief (Germany)	46	48	303	34.9	126.7	3,054	3.6	8.5
NCC (Sweden)	32	42	275	20.3	49.5	1,580	17.4	16.1
Royal BAM Groep (Netherlands)	3	6	362	16.4	68.9	2,134	26.4	17.0
Skanska (Sweden)	**12**	**17**	**147**	**56.5**	**124.7**	**5,120**	**22.4**	**23.3**
Vinci (France)	36	39	248	204.9	201.6	12,792	18.8	14.3

1 Refers to 2005
Source: Reuters Company Views

Skanska share price movement, January 1, 2002–February 15, 2007



Total return of Skanska shares compared to the SIX Return Index, January 1, 2002–February 15, 2007

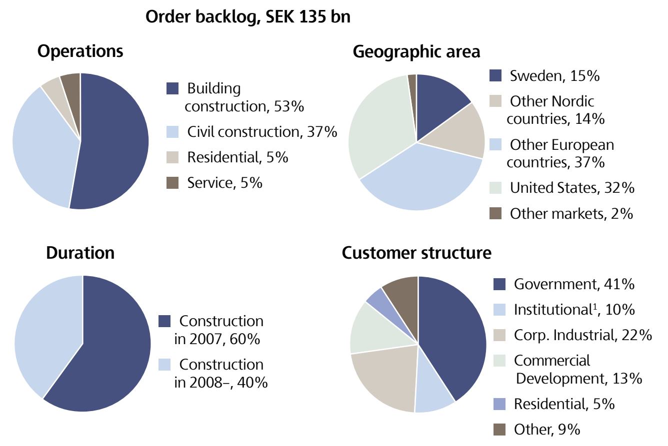


CONSTRUCTION

On the way to hit "Outperform" targets

SEK M	2006	2005
Revenue	118,710	114,478
Operating income	3,336	2,860
Operating margin, %	2.8	2.5
Capital employed	2,530	3 178
Return on capital employed, %	>100	64.5
Operating cash flow from operating activities[1]	3,348	3,536
Order bookings	134,125	115,848
Order backlog	135,106	127,916
Number of employees	54,480	51,185

1 Before taxes, financing operations and dividends



1 Mainly private healthcare and educational institutions

Construction is Skanska's largest business stream. Its mission is to offer services in non-residential building and civil construction as well as residential construction. The business stream also performs assignments of a service nature: construction-related services, repairs and the like as well as operation and maintenance of industrial and transportation facilities. Operations focus on serving corporate customers and 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 privately financed infrastructure (PPP). This collaboration generates both large construction assignments and synergies.

During 2006, Skanska's Construction units performed SEK 3.5 billion worth of work for projects in the Residential Development business stream. The corresponding figure for projects in Commercial Development was SEK 0.7 billion. For projects in Infrastructure Development in which Skanska is a co-owner, Construction units performed assignments worth SEK 5.4 billion.

Project opportunities are also created by taking advantage of the Group's financial expertise. Skanska Financial Services can help arrange financing solutions for certain types of projects when customers request this.

Non-residential building and civil construction, as well as residential construction, are the core of the Construction business stream. Order backlog, which totaled SEK 135 billion at the end of 2006, is divided among several thousand projects.

Non-residential building construction accounts for 53 percent, civil construction 37 percent and residential construction 5 percent of order backlog for the business stream.

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 as soon as it is possible. A loss-making project that previously reported a profit must expense the entire previously recognized profit. In addition, the entire estimated loss must be recognized. All else being equal, the project will then recognize zero gross profit during the remainder of the construction period.

To the left:
At Norra Bantorget in Stockholm, Sweden, a hotel as well as office and residential space are being built with a high degree of prefabricated elements.

To the right:
In Poland, activity is increasing in the country's regional growth centers – including such university cities as Lodz, where Skanska constructed this university building.

A leading builder in selected markets

The Construction business stream operates in a number of selected home markets: Sweden, Norway, Denmark, Finland and Estonia, Poland, the Czech Republic and Slovakia, the United Kingdom, the United States and Latin America.

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

Skanska is one of the largest construction companies in several markets. The Company's primary goal is to increase its profitability. Growth at its business units will be prioritized only when financial targets are achieved.

Strategic acquisition

In the U.K. there is a strong market in construction and servicing of electrical power, telecom, gas and water utility distribution networks. This includes both new construction and replacement of century-old water and power distribution networks, for example. To strengthen its position in this segment, Skanska, late in 2006, acquired McNicholas plc. The acquisition makes Skanska a leading company in the British market for utility networks.

Local conditions

Conditions vary between home markets, and the operations of Skanska's local business units thus differ. Some specialize in selected market segments, while others operate in a broader spectrum.

The earnings at Skanska's construction units must be evaluated in light of local market conditions, the segments in which these units operate and varying contractual mechanisms.

Non-residential, civil and residential construction

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

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

The Company's risk management processes are aimed at identifying and managing operational risks and thereby helping ensure higher profitability. Risk analyses are 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 8).

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 room for good margins.

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

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.

Focus on safety

Workplace health and safety are extremely important areas for Skanska. Construction work sites unavoidably involve various risky aspects, for example working high above the ground or with heavy lifting. The risks and frequency of injuries in the construction industry have traditionally been higher than in manufacturing industry, which has more easily been able to build up safety systems and safe procedures. For some years, Skanska has engaged in a focused effort to create safe working environments in order to reduce the risks of accident and injury at construction work sites. This effort includes the introduction of more systematic safety-mindedness, various types of physical safety arrangements, requirements to wear safety equipment and training of skilled workers and other personnel. The long-term target is to carry out operations entirely without accidents. The frequency of accidents has declined every year (see page 48).

Coordinated purchasing reduces costs

Skanska's ambition is to increase the percentage of projects in the form of negotiated contracts, where price competition alone is not decisive. Since a large share of project costs consist of purchased goods and services, the Group also aims at achieving economies of scale in purchasing work by coordinating its purchases.

CONSTRUCTION

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

Skanska has signed favorable global, national and regional purchasing contracts with selected suppliers of certain key products. During 2006, the Company signed new contracts with substantially improved conditions for such products as steel, elevators, doors, kitchen equipment and computers as well as for leasing of cars and light trucks. Global contracts for heavy vehicles, excavators and tools were signed previously. In Scandinavia, Skanska also signed a contract with four suppliers of construction products.

Greater industrialization

One important factor in the Company's profitability is to increase the degree of industrialization in the construction process. This involves an effort to ensure that an increasing proportion of each project is built using standard components that have been premanufactured. 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 construction site.

The top Nordic contractors – Total sales, June 30, 2006[1]

Company	Country	SEK bn	EUR bn
Skanska	Sweden	127.2	13.6
NCC	Sweden	51.9	5.5
YIT	Finland	30.3	3.2
PEAB	Sweden	27.7	3.0
Veidekke	Norway	17.8	1.9
Lemminkäinen	Finland	15.7	1.7
MT Højgaard	Denmark	12.4	1.3

1 Rolling 12 months
Sources: Six month interim report of each respective company.

The top global contractors[1] – Total sales, 12 months to end of June 2006[2,3]

Company	Country	SEK bn	EUR bn
Bouygues	France	233.0	24.9
VINCI	France	212.0	22.7
Bechtel	United States	139.4	14.9
Hochtief	Germany	137.8	14.7
Skanska	Sweden	127.2	13.6
Grupo ACS	Spain	123.7	13.2
Fluor	United States	111.4	11.9
Centex, Dallas	United States	110.9	11.8

1 Excluding Asian construction companies.
2 Rolling 12 months.
3 Including non-construction-related operations.
Sources: Reuters Company Views,six month interim report of each respective company.

Skanska's home markets, 2005

	GDP/ Capita	Construction/ Capita	Construction as % of GDP
Sweden	39,694	2,913	7.3
Norway	64,193	7,127	11.1
Denmark	47,984	5,692	11.9
Finland	37,504	5,263	14.0
Poland	7,946	780	9.8
Czech Republic	12,152	1,859	15.3
United Kingdom	37,023	3,964	10.7
United States	42,000	3,859	9.2
Argentina	4,799	465	9.7

Sources: The Swedish Construction Federation, EcoWin, IMF.

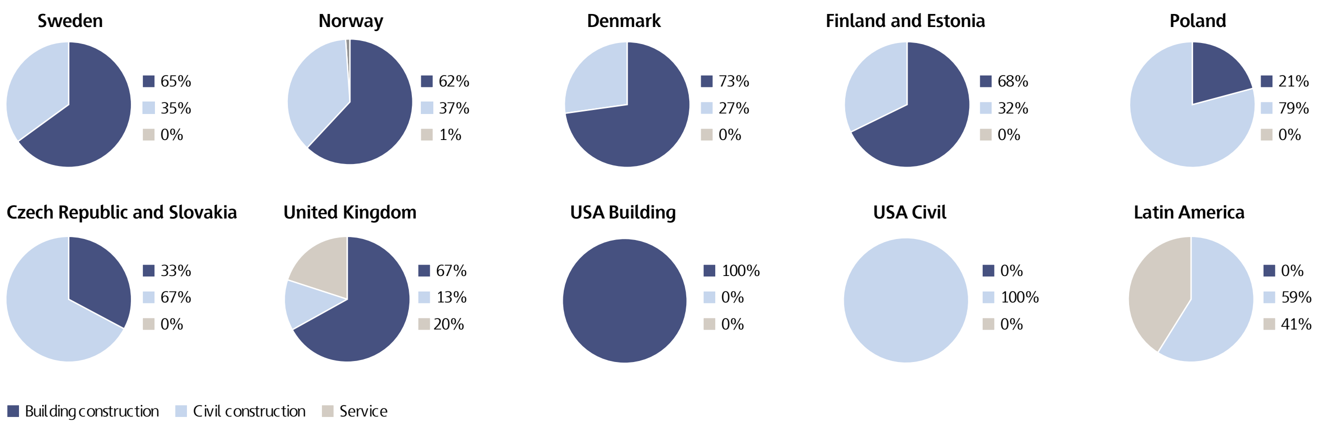
To the left:
The Palace of Justice in Prague, Czech Republic, has been expanded and renovated to the highest modern standard. A new building was erected for the Ministry of Justice between three 19th century buildings, which were also upgraded. The work began in 2003 and was completed ahead of schedule in 2006.

To the right:
Northern Europe's biggest industrial project – the Ormen Lange gas extraction plant on Norway's west coast – is in its final stage. Skanska has the two largest construction contracts, totaling some SEK 2 billion. Late in 2006 Skanska landed a third contract for civil construction, including a jetty and service work.

Markets

	Revenue		Operating income		Operating margin, %		Order bookings		Order bookings/ revenue %		Order backlog	
SEK M	**2006**	**2005**	**2006**	**2005**	**2006**	**2005**	**2006**	**2005**	**2006**	**2005**	**2006**	**2005**
Sweden	24,123	22,141	1,100	887	4.6	4.0	27,512	22,087	114.0	99.8	19,705	16,004
Norway	10,636	10,502	445	425	4.2	4.0	12,372	11,353	116.3	108.1	9,713	8,631
Denmark	3,825	4,385	–318	50	–8.3	1,1	3,745	3,902	97.9	89.0	2,013	2,172
Finland and Estonia	8,385	8,366	191	222	2.3	2.7	9,626	9,082	114.8	108.6	7,009	5,879
Poland	6,829	5,082	269	146	3.9	2.9	5,663	7,625	82.9	150.0	5,848	7,143
Czech Republic and Slovakia	11,279	10,303	332	466	2.9	4.5	11,675	8,567	103.5	83.2	13,093	12,493
United Kingdom	12,312	10,761	412	371	3.3	3.4	23 699	13,815	192.5	128.4	31,793	17,412
USA Building	27,737	29,944	277	239	1.0	0.8	25,092	23,158	90.5	77.3	26,125	36,663
USA Civil	9,827	9,415	460	–99	4.7	–1.1	11,094	13,179	112.9	140.0	17,068	18,381
Latin America	3,757	3,579	168	154	4.5	4.3	3,647	3,080	97.1	86.1	2,739	3,138
Total	**118,710**	**114,478**	**3,336**	**2,860**	**2.8**	**2.5**	**134,125**	**115,848**	**113.0**	**101.2**	**135,106**	**127,916**

Breakdown of order backlog, SEK 135 bn



The Nordic countries – strong earnings in Sweden and Norway

Skanska's operations in the Nordic countries – Sweden, Norway, Denmark, Finland and Estonia – encompass a broad spectrum of construction services.

The major product segments in the Nordic countries comprise new construction of housing, office buildings, shopping malls, hotels, transportation and other infrastructure facilities plus various types of renovations and construction services.

A number of major contracts were signed in 2006. Skanska's Finnish business unit will be building an expressway and an aviation terminal for nearly SEK 400 M each. In Norway, Skanska is building an expressway and a postal terminal worth SEK 780 M and SEK 660 M, respectively. In Denmark, Skanska is constructing the first phase of its own new Havneholmen commercial project, with an investment of SEK 325 M. In Sweden, the Company signed a contract worth SEK 600 M with the Pfizer pharmaceutical group. Skanska Sweden and Skanska USA Building will be responsible both for construction of a facility in Strängnäs and for installation of process equipment.

CONSTRUCTION

Under a five-year framework agreement signed late in 2004, Skanska performs various assignments for Anglian Water Services, one of the leading water supply and wastewater treatment companies in the U.K. This work involves designing, constructing and installing water-related facilities in England.

Skanska's construction operations in Sweden and Norway achieved very good earnings, both reaching their "Outperform" targets during 2006. In Finland, civil construction did not achieve expected earnings, but steps have been taken to ensure an improvement in 2007. Danish operations suffered losses for 2006 as a whole. The problem was identified as office and residential construction for third parties. Future operations will thus focus entirely on office and residential construction for Skanska's project development units as well as civil construction and renovation contracts.

During 2006, residential construction was the strongest segment in all the Nordic construction markets. Skanska builds about ten per cent of all housing in the Nordic countries and is thus the largest residential builder in these markets.

The market for office projects remained weak during 2006. Among the few major new projects started during the year were the new offices in Solna of Ångpanneföreningen, a Swedish engineering consultant group, and new premises for the Court of Appeal in Malmö.

Retailing was a strong market segment in the Nordic countries during 2006. A number of shopping malls are being renovated and extended in Sweden. As part of the renewal of Skärholmen Centrum in Stockholm, Skanska has received three assignments totaling SEK 1.5 billion. In Finland, Skanska is constructing shopping malls in both the Helsinki region and in the northern parts of the country.

Sports facilities have been a strong market in Sweden, with Skanska completing the Swedbank Arena in Örnsköldsvik and the Läkerol Arena in Gävle for local ice hockey teams during 2006.

The level of civil construction was stable throughout the Nordic countries, including large highway, railroad and tunnel projects.

Continued good outlook

In 2007 the Nordic residential markets are expected to remain strong, although the growth rate will be somewhat slower as interest rates rise. Demand is stable and is expected to remain so in medium-price categories in all markets. In the high-price segments in Copenhagen and Helsinki, however, a slowdown is apparent. The construction of rental housing in Sweden will decelerate due to cutbacks in financing subsidies.

In the market for commercial space, a slow improvement is occurring. For some time there has also been an increase in renovation of office space. Older office suites divided into small rooms are being transformed into modern open-plan office space.

Civil construction remained at a stable level throughout the Nordic countries and a number of major highway and railroad projects are expected to come out in the Swedish, Norwegian and Finnish markets in the next several years.

Interest in public-private partnership projects remains strong in the Nordic countries. In both Norway and Finland, the life-cycle perspective is one important reason to choose PPP. Long-term ownership and operating responsibility for a facility create a strong incentive for economically and environmentally sustainable solutions. In Sweden, the change of government has opened the way to dealing with the great need to expand transportation infrastructure through public-private partnerships.

As earlier, Skanska's main competitors in the Nordic markets are NCC, Peab, JM, Veidekke, YIT, MT Højgaard and in recent years also Germany's Bilfinger & Berger.

Central Europe – strong civil construction market

The Central European construction markets in which Skanska operates – Poland, the Czech Republic and Slovakia – exhibited good growth in 2006. Skanska's focus on profitability was reflected in sharply improved operating income in Poland, where targets were surpassed. Czech operations continued to perform well. Skanska's operations in Slovakia are still relatively small but have large future potential.

The R35 highway project, an order worth SEK 550 M, was one of the largest new contracts in the Czech Republic. Early in 2007, Skanska completed a major office project for the Czech bank CSOB in Prague. In Poland, a six-lane highway past the southern city of Katowice, worth SEK 375 M, was one of the largest new contracts during 2006. Early in 2007 Złote Tarasy, a major shopping mall built by Skanska in downtown Warsaw, opened its doors.

Slovakia has one of the most vigorously growing economies in Europe, among other things because several car companies have established factories there. The construction market is expected to offer good opportunities over the next several years. (Skanska's operations in Slovakia are included in its Czech business unit.)

Public investments in transportation infrastructure are the main driving force behind the strong demand for construction services in Central European markets. But corporate investments in new office buildings and production facilities have also increased. This trend is benefiting from the ongoing integration of these countries into the European Union – both because of increased trade and because infrastructure investments are often partly funded by EU grants.

CONSTRUCTION

MORE THAN 200 STORES UNDER ONE DOME

Złote Tarasy (Golden Terraces), one of the largest and most elegant shopping malls in Central Europe, has opened in downtown Warsaw, Poland. Under its billowing glass roof are more than 200 stores and some 20 cafés and restaurants, including a Hard Rock Café.

More than 100,000 people visited Złote Tarasy on opening day in early February 2007, when the center was inaugurated by the city's mayor, Hanna Gronkiewicz-Waltz, and blessed by Prelate Henryk Małecki.

In addition to the shopping section, which was finished first, the project includes an office section to be completed in mid-2007. The development also includes an eight-screen cinema and a fitness center. The entire complex covers 225,000 sq. m (2,422,000 sq. ft.), of which slightly less than half is stores and offices. The magnificent dome composed of 4,750 glass panels is 10,250 sq. m (110,000 sq. ft.) in size.

CONSTRUCTION

Skanska is building the REDUC coking unit for Brazil's Petrobras, one of Latin America's largest energy companies – a contract worth SEK 1 billion. In 2006, more than two million accident-free working hours took place on the project.

Growth in infrastructure investments

The market outlook for 2007 remains good in the region, especially in civil construction operations, since public infrastructure investments are expected to grow. Private consumption will rise as consumer purchasing power increases. Also reinforcing this trend is that unemployment is shrinking and inflation figures are falling.

Increasing material prices and labour shortages are sources of concern in both Poland and the Czech Republic. Recruitment efforts and Groupwide purchasing efforts are thus top priorities.

The potential for public-private partnership projects has improved in the Czech Republic now that the authorities have established the legal prerequisites. In Poland and Slovakia, however, the PPP outlook is somewhat uncertain in a short-term perspective. Construction of the 90 km (56 mi.) long A1 highway – the largest ongoing road project in Poland – is nevertheless being completed as a PPP project.

Skanska competes in Poland with Budimex (with Ferrovial as the main owner) and Hochtief. In Czech Republic the major competitors are Metrostav and SSZ (subsidiary of VINCI) and in Slovakia Doprastav and Zipp (subsidiary of Strabag).

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

The year was characterized by a good construction market in the private and public sectors as well as in Public Private Partnership, known in the United Kingdom as the Private Finance Initiative (PFI) program. Favorable market conditions translated into both good earnings and vigorous growth for Skanska UK. One sign of Skanska's strong position is that about half of its commercial projects are now negotiated contracts.

In 2006, Skanska UK started the Barts and London hospital redevelopment project. The construction contract for this PFI project is around SEK 14 billion, making it Skanska's largest-ever project. In Bristol, Skanska began a major school project that will be completed in several stages, also as a public-private partnership. Other new assignments include several large office projects, for example Paddington Central and Crown Place. Among notable infrastructure assignments are a number of highway projects, with the extension of the M1 motorway to the North of London as the latest, and the Docklands Light Railway extension in East London.

Toward the end of 2006, Skanska acquired McNicholas plc. This will strengthen UK operations in the utilities network sector, enabling Skanska to provide full coverage in the construction and servicing of water, gas, power and telecom networks, a market expected to double by 2012.

The customers are the operators of privatized state utility networks. These systems are overseen by a public agency, which regulates both pricing and network maintenance, making this sector less sensitive to economic fluctuations. A good market situation in all areas is expected to last during 2007 and in this market Skanska UK is focusing on selected projects and long-term customers.

Skanska, which is the market leader in its segments, competes with Balfour Beatty, Bovis, Amec and Carillion.

The U.S. – continued growth in Skanska's biggest market

The American construction market is the world's largest, and Skanska is one of the leading companies in this market. The U.S. accounts for one third of Skanska's revenue and is thus the Group's biggest single market.

During 2006, Skanska further consolidated its position as a leading U.S. construction company with the technical capacity and financial strength to handle large, complex projects.

One confirmation of the trust Skanska enjoys is the New Meadowlands Stadium for the New York Jets and the New York Giants football teams. Worth USD 998 M, it is Skanska's largest-ever U.S. contract. Skanska USA Building will lead the project, in collaboration with Skanska USA Civil.

Skanska, the largest civil construction company in New York, was contracted in 2006 as one of the leaders of the consortium that will build the World Trade Center Transportation Hub for commuter rail traffic in Lower Manhattan. Skanska's share of the contract totals USD 358 M. Skanska is also responsible for steel and other structural portions of the new Yankee Stadium in The Bronx, New York.

All of Skanska USA Building's three most important sectors – healthcare, education and life sciences – performed strongly during 2006. The healthcare and education sectors are driven by major demographic trends: an aging population and a migration to the southern states, where Skanska has a strong presence. Among new assignments were hospitals in Texas, Florida and California.

Stronger school segment

Southward migration is generating a market for K-12 school projects. University investments in new facilities aimed at attracting students, teachers and researchers are another large market.

During 2006 the life sciences sector began a recovery that is expected to continue for some years. Through a focused effort to create product-specific centers of excellence, Skanska can accompany customers to local markets. Skanska received new assignments not only in the eastern states but also in California.

During 2006 Skanska USA Civil further strengthened its position in the U.S. civil construction market, including such transportation infrastructure as highways, bridges, railroads and tunnels along with environmental projects. The need for wastewater treatment plants is increasing, due to growing population and higher environmental standards.

New York is the strongest civil construction market, but Skanska also received a number of major contracts in the southeastern U.S. during 2006. Skanska's civil construction business in California improved strongly and is expected to continue performing favorably in 2007.

The civil construction market is driven by both local and federal financing. Many projects are expected to receive federal transportation infrastructure (SAFETEA-LU) funding, totaling close to USD 300 billion in 2004–2009. Meanwhile a market for public-private partnership (PPP) projects is developing in a number of states and is expected to create new future project opportunities.

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

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

Latin America – large investments in oil and gas facilities

Skanska Latin America showed very good earnings in 2006, and the business unit achieved its "Outperform" targets. The year was characterized by consolidation in the unit's selected markets: construction and services for the oil, gas and other energy and infrastructure sectors, mainly in Argentina, Brazil and Chile.

Its operations are benefiting from strong demand in the oil and gas industry, which is investing in upgraded facilities to boost capacity and quality and protect the environment.

Early in 2007, Skanska was commissioned to build a thermoelectric power plant in Cubatão, outside São Paulo, Brazil. Skanska has been entrusted with leading this large project, with the Company's contract share totaling SEK 950 M.

Oil and gas extraction activity in Argentina is expected to remain high during 2007. Skanska's extensive operations in this field include operation and maintenance as well as construction services.

In Chile, Skanska Latin America is monitoring opportunities mainly in the energy sector and infrastructure, while promoting its services in the public-private partnership (PPP) market together with Skanska Infrastructure Development.

To meet increasing demand for environmental services, during 2006 the business unit began an initiative for clean-up and collection of oil spills, using techniques that enable oil to be recycled and polluted areas to be restored.

Continued good project opportunities

All local markets offer continued good project opportunities for the next several years. The business unit will continue to prioritize profitability and will remain selective about new assignments. A supply of highly skilled employees is a prerequisite for new commitments.

Aside from local market players, Skanska competes with such major companies as Brazil's Odebrecht and Argentina's Techint.

CONSTRUCTION

HEADQUARTERS WITH A DISTINCT PROFILE FOR ÅF

In one of the largest new office projects in the Stockholm region so far this century, a new headquarters building for Ångpanneföreningen (ÅF) is taking shape at Haga Norra in the suburb of Solna.

Skanska and ÅF, a large Swedish engineering consultant group, have signed a contract under which Skanska is developing, building and leasing out the premises. A 15-year lease with ÅF covers 18,000 sq. m (193,800 sq. ft.). The new office building will total 28,000 sq. m (301,400 sq. ft.), with seven stories above ground and three below. Leasing of the remaining 10,000 sq. m is underway. The building is near Skanska's headquarters on Råsundavägen, as well as Haga Park and the E4 highway.

Together with the main tenant, Skanska is creating an office building with a distinct ÅF profile in a prime location, with attractive architecture, interior design, functionality and environment, also featuring reduced operating costs. Like other projects developed in-house by Skanska, the building has been designed to cut overall energy consumption by about 30 percent compared to existing premises.

Skanska's investment totals about SEK 800 M. Construction work began in mid-2006, and occupancy is scheduled for October 2008.


AIRWAY
SUCTION
IV
MEDICATION

CONSTRUCTION

NEW SUCCESSES IN THE GROWING U.S. HEALTHCARE SECTOR

A growing and aging population is contributing to an increasing need for healthcare in the United States. This has resulted in strong demand for both hospitals and facilities for pharmaceutical companies. For many years, Skanska has been among the largest and most successful builders in these segments.

In excess of USD 20 billion in American hospital construction starts is projected during 2007, according to McGraw-Hill Research. Over the past five years, Skanska has increased its sales in this field by 60 percent.

During 2006, Skanska was involved in more than 80 different hospital projects in many parts of the country. These included 15 projects for HCA, one of the leading healthcare companies in the U.S. As a hospital builder, Skanska has had a long-term relationship with HCA. In recent years the two companies have worked together in seven states.

In San Antonio, Texas, Skanska has completed three large hospital projects on behalf of HCA since 2005, with a total contract value of nearly USD 100 M. During 2006, Skanska capped its successful work in San Antonio by signing a contract for a fourth HCA project in the same city, involving a completely new hospital and totaling USD 92 M.

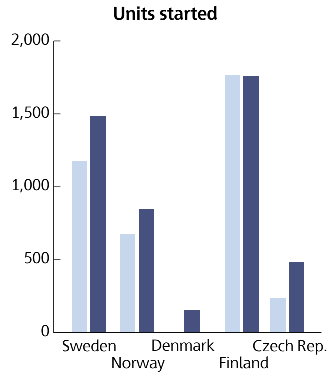
The photo is from the Northeast Methodist Hospital in San Antonio, which is co-owned by HCA and Metropolian Methodist Hospitals.

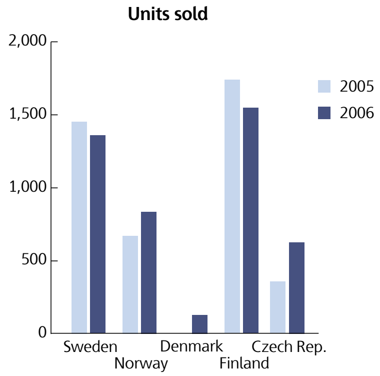
RESIDENTIAL DEVELOPMENT

Growth in strong Nordic and Czech residential markets

SEK M	2006	2005
Revenue	6,788	5,883
Operating income	852	625
Operating margin, %[1]	12.6	10.6
Investments	-5,045	–3,016
Divestments	4,167	3,924
Operating cash flow from operating activities[2]	–466	1,149
Capital employed	3,672	2,374
Return on capital employed, %	27.5	25.6
Number of employees	467	430

1 Refers to development gain only. Construction margin is reported in Construction.
2 Before taxes, financing operations and dividends.





Skanska is one of the leading residential developers in the Nordic countries. Development of residential projects takes place in some of the selected markets where Skanska has a permanent presence. The Nordic housing markets have great similarities and are thus combined in one unit – Skanska Residential Development Nordic. In addition to the Nordic countries, Skanska carries out residential development in the Czech Republic and Slovakia. Skanska Finland performs residential development in Estonia as well.

Residential Development is one of Skanska's investment businesses. The residential development units are responsible for the entire development chain from land purchase, concept and design to sales, but do not perform any construction work of their own. They buy contracting services, mainly from Skanska's construction units in each respective market.

The value enhancement process

Development of residential projects is a continuous process – land acquisition, planning, product definition, marketing, construction and sales – in which the developer has full responsibility in all phases. Development operations are capital-intensive, especially during the start-up of new projects. Value enhancement occurs continuously in the subsequent phases. In order to reduce tied-up capital, as well as the risk of building up an inventory of completed but unsold housing units, 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") that will meet demand. Market surveys and analysis of population trends – as well as macroeconomic factors such as employment, inflation and interest rate trends that influence the demand for housing – are crucial to decisions on investments in new projects.

The value of land and building rights varies with demand, 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

To the left:
In Kärra, 10 km (6 mi.) north of Gothenburg, Sweden, Skanska is creating a neighborhood within reach of both city and countryside. A total of 149 single-family and attached homes are being developed and built between 2005 and 2008.

To the right:
Two phases are sold out and a third is underway. Buyers queued on the street when Skanska's new apartments in the Snöflingan (Snowflake) city block in Stockholm's Kungsholm district went on sale. Several types of apartments are being built in this tenant-owned development next to the waterside Rålambshov Park, ranging from 1.5 to 5 rooms plus kitchen.

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 that can be recognized.

Risk management

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

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

Ownership mechanisms vary in different markets

In Sweden, Norway and Finland, sales occur largely in the form of cooperative housing associations, ownership titles or housing corporations. In Norway, sales of cooperative housing units rose sharply during 2006 due to a modernization of the law concerning this form of ownership. Skanska acquires land, which is then sold, usually to a cooperative housing association formed by Skanska.

Construction does not begin until contracts have been signed for about half the units in a project phase. The customer buys the building right and construction services from Skanska, which then invoices the customer regularly as the phases are completed.

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

Product platforms

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

Great freedom of choice

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

Standardization and greater industrialization are preconditions 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. Generally speaking, the energy requirements of the residential units developed in-house by Skanska average ten percent lower than the standards set by the Swedish National Board of Housing, Building and Planning.

RESIDENTIAL DEVELOPMENT

Markets

	Revenue		Operating income		Operating margin, %		Capital employed		Return on capital employed,%	
SEK M	2006	2005	2006	2005	2006	2005	2006	2005	2006	2005
Sweden	2,620	2,394	298	196	11.4	8.2	595	–210	>100	>100
Norway	1,572	1,343	163	132	10.4	9.8	1,378	1,227	12.9	12.0
Denmark	536	–	96	–	17.9	–	776	–	23.3	–
Finland and Estonia	1,574	1,616	221	195	14.0	12.1	651	908	24.2	27.5
Poland	–	114	–	16	–	14.0	–	45	–	21.5
Czech Republic and Slovakia	486	416	74	86	15.2	20.7	286	298	26.0	31.8
Total	**6,788**	**5,883**	**852**	**625**	**12.6**	**10.6**	**3,672**	**2,374**	**27.5**	**25.6**

Nordic countries – growth in a strong market

In 2006, residential construction in the Nordic countries remained at a relatively high level in historical terms. The demand, as well as prices, for newly built housing rose during the year.

Skanska's residential development grew in terms of sales, margins and number of housing starts. The Nordic residential business unit surpassed its "Outperform" targets.

During 2006 Skanska sold a total of 3,862 housing units in Nordic markets. The number of units started totaled 4,234, equivalent to an increase of 17 percent on 2005. Skanska is thus one of the largest residential developer in the Nordic countries.

Competition for building rights has intensified, also triggering an increase in land prices.

Continued good economic growth and good disposable household income are expected to have a positive effect on the housing market in 2007 as well.

Sweden and Finland (including Estonia) showed the highest number of housing starts and units under construction. Stockholm, the largest single regional market, is continuing to grow by expanding north toward Uppsala, south toward Nyköping and west toward Eskilstuna. Norway remains a strong market, and the number of units started there rose significantly during the year. Beginning in 2006, Skanska is also developing residential projects in Denmark, especially the Copenhagen region. Only a few units have been completed to date, but 90 percent of those under construction have been pre-sold.

The aim of Nordic collaboration is to offer improved products and boost volume, thereby making cost savings possible. The Moderna Hus concept is an example of a higher degree of industrialization in apartment building projects. In the first such projects that were completed, construction time was cut by about 50 percent and costs by about 15 percent.

Skanska's Nordic residential development focuses strongly on generating value by using a holistic approach: designing new residential areas in harmony with their surroundings. The Area Living Design concept implies tying in the shape of a new project with local architecture or history. New neighborhoods are designed to take advantage of nature and environmental values. This may also include creating special premises for community gatherings, thus giving the neighborhood and customers added value.

Czech Republic – continued vigorous demand in Prague

Skanska Czech Republic develops, builds and sells residential units directly to private customers. During 2006 demand remained very strong and sales of residential units rose. Skanska sold 624 apartments, equivalent to an increase of about 76 percent compared to the preceding year. During 2006, construction began on 481 units, which represented a doubling compared to 2005.

For several years, the Czech economy has shown annual growth exceeding five percent. Stable, relatively low interest rates have contributed to strong housing demand.

Prague is the country's foremost center of economic growth, and Skanska's residential development thus focuses on the capital. Demand for housing in Prague and its environs is driven both by expanding population and by greater consumer purchasing power.

Housing demand has also benefited from the country's harmonization with EU value-added tax rules. Starting in January 2008, VAT on home purchases will rise from 5 to 19 percent. Many customers are choosing to buy their home before the tax increase. The market is thus expected to remain vigorous during 2007.

To the left:
Today the former Filmstaden in Solna is an established residential neighborhood, plus old movie studio buildings preserved for posterity. Skanska continues to add apartments, with 134 due for completion in 2008.

To the right:
In the Helsinki suburb of Espoo, Skanska developed, built and sold the Espoon Liinumi project, consisting of attached and duplex homes with 18 units in all. As is customary in Finland, each unit has its own sauna. The project was completed in time for a 2006 housing exhibition.

Number of unutilized building rights in Skanska

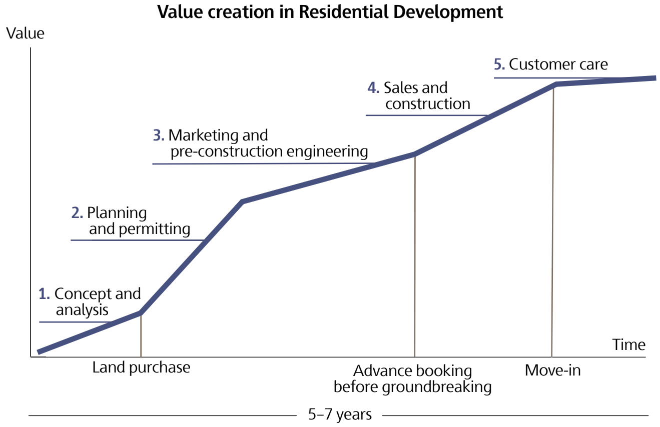
Market	Master plan	Local plan underway	Local plan approved	Building permit stage	Total building rights[1]	Other rights
Sweden	3,900	2,500	2,800	400	9,600	2,000
Norway	700	400	2,000	100	3,200	2,000
Finland and Estonia	500	600	5,200	100	6,400	3,900
Denmark	0	300	400	0	700	100
Nordic countries	**5,100**	**3,800**	**10,400**	**600**	**19,900**	**8,000**
Czech Republic and Slovakia		400	1,300		1,700	1,100
Total	**5,100**	**4,200**	**11,700**	**600**	**21,600**	**9,100**

Residential Development, number of units

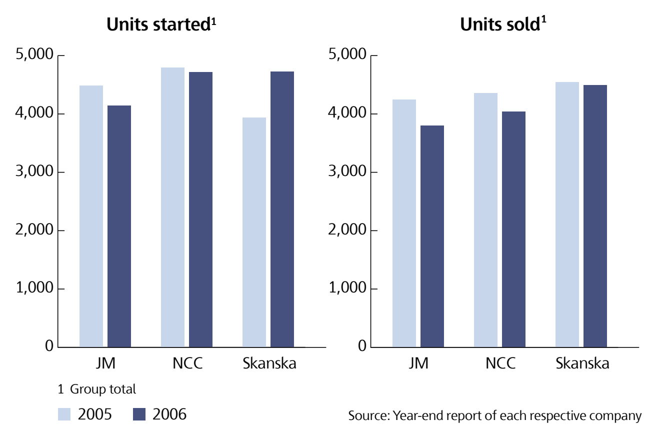
Market	Units started	Under construction	Pre-sold, %	Total units sold, 2006	Completed unsold
Sweden	1,484	2,567	91	1,357	4
Norway	845	843	88	833	15
Finland and Estonia	1,753	2,073	62	1,544	86
Denmark	152	325	90	128	1
Nordic countries	**4,234**	**5,808**	**80**	**3,862**	**106**
Czech Republic and Slovakia	481	679	85	624	13
Total	**4,715**	**6,487**	**81**	**4,486**	**119**

1 Including building rights in associated companies

Value creation in Residential Development



Comparison of Nordic residential developers



Source: Year-end report of each respective company

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.

Residential Development 2006

Further information about Skanska's housing development can be found in "Skanska Residential Development 2006," which can be downloaded from www.skanska.com/investors. The publication can also be ordered from Skanska AB, Investor Relations.

RESIDENTIAL DEVELOPMENT

LIVING CLOSE TO BOTH THE CITY AND NATURE

How do people want to live? Where do they want to live? Rudsberghaugen is one answer provided by Skanska's residential developers in Lillestrøm, Norway – a town midway between the capital of Oslo and its international airport. The location is close to both nature and a city, and the interior design of the homes is bright and open.

Residential development is the field of activity where Skanska is closest to end customers. Understanding the needs and wishes of various customer categories is the key to success. This requires both good intuition and customer surveys to make the right choices. And Skanska's efforts are rated immediately by customers. Sales figures speak their own clear language.

But it is not enough to be able to offer the right home to the right customer. It is a matter of crafting attractive neighborhoods, finding suitable locations and creating pleasant residential milieus.

Rudsberghaugen is a sold-out residential area in Lillestrøm, Norway. One of numerous Skanska-developed projects, this new neighborhood has everything. Its 76 free-standing and attached houses of course feature light Nordic colors and such state-of-the-art fittings as oak parquet, floor-heated wet rooms and even central vacuum systems. The last phase is also equipped for gas as an alternative energy source for kitchens, heating stoves and barbecues.

But other home builders can offer these things too. A Skanska neighborhood must have additional qualities. There is the matter of location. The neighborhood should be well-located in terms of transportation and services. But it should also be well designed and in harmony with its surroundings, whether in the heart of a city or in a verdant suburb.

Rudsberghaugen – like many other Skanska projects – is an example of a new neighborhood that flows with nature instead of fighting it. The harmonious design of the area also gives its residents marvelous views of hills, forests and water. The Nitelva River and its marina are within sight.

Meanwhile downtown Lillestrøm with all its services and the express train to Oslo Airport in Gardermoen are only one kilometer away. And Oslo itself is only 10 miles (16 km) or so away.

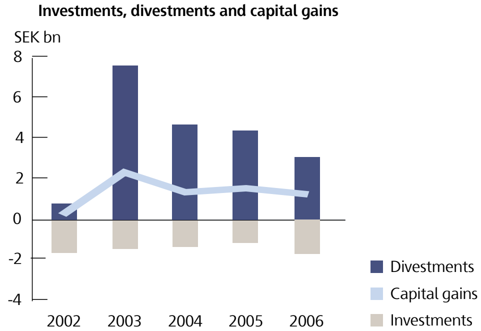
COMMERCIAL DEVELOPMENT

Eleven new projects started in 2006

SEK M	2006	2005
Revenue	3,425	5,075
Operating income	1,210	1,740
of which gain from divestments of properties[1]	1,260	1,551
of which operating net, completed properties[2]	102	350
Investment obligations, projects started during the year	1,580	1,640
Investments	–1,671	–1,138
Divestments	3,084	4,430
Operating cash flow from operating activities[3]	1,238	3,593
Capital employed	5,750	6,035
Return on capital employed, %	21.1	25.1
Return on capital employed, %[4]	17.5	16.7
Number of employees	135	125
1 Additional gain included in eliminations	40	75

2 After selling and administrative expenses
3 Before taxes, financing operations and dividend
4 Calculated in accordance with the definition of financial targets

Properties
Investments, divestments and capital gains



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

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

Selected markets

Skanska performs commercial project development in selected markets in Scandinavia and Central Europe – the Swedish cities of Stockholm and Gothenburg (Sweden), Öresund (Malmö and Lund, Sweden/Copenhagen, Denmark), Helsinki (Finland), Warsaw and Wrocław (Poland), Prague and Ostrava (Czech Republic) and Budapest (Hungary). Local roots in the various markets are necessary in order to identify both tenants and investors, the latter as future buyers of projects.

Operations take place in two business units: Skanska Commercial Development Nordic and Skanska Commercial Development Europe. About 86 percent of capital employed is attributable to commercial development in the Nordic countries and 14 percent in Central Europe.

Skanska's commercial development focuses on three types of products – office space, shopping malls and logistics properties (distribution centers). The allocation between them varies with economic cycles and demand for each respective type of product.

Tenants and investors – two customer categories

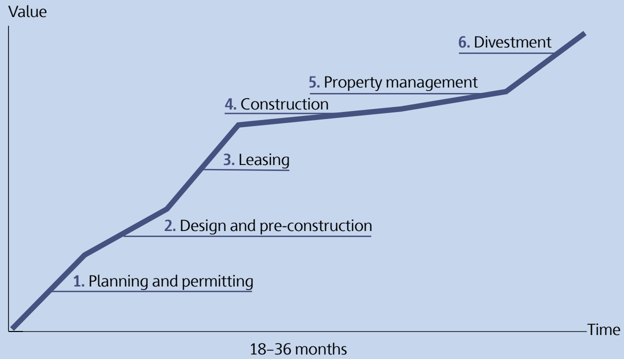
Commercial property operations target two different customer categories with the same product. The primary customer is the tenant, who has certain expectations and requirements regarding the premises. The second customer is the investor, which buys the property in order to own and manage it for a long period, 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 the value enhancement process

Skanska starts new projects at the pace the market situation allows and when the risk-return ratio is deemed to fulfill the require-

To the left:
In Gladsaxe, about 10 km (6 mi.) northwest of Copenhagen, Skanska transformed an old industrial property into the modern Danish headquarters of Eniro, a telecom directory group. Thanks to Skanska's help, Eniro now pays a lower rent and enjoys new purpose-built premises. The building is about 8,000 sq. m (86,000 sq. ft.) in size. Completed in August 2006, the project was sold at a good capital gain in December.

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, management and divestment. The average investment cycle is 18–36 months.

Generating value, step by step

1. Macroeconomic and market analyses precede a land purchase, which is the foundation for the value-generating process. A major step in value enhancement occurs when undeveloped land is transformed into a building right.
2. Suitable premises are designed, in close collaboration with tenants and potential buyers.
3. Successful leasing work is a precondition for breaking ground. Larger tenants are 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.

ments established for these operations.

Commercial development is a continuous process in which the developer has full responsibility during all phases. The focus is on those stages of the process that generate the greatest value, that is, planning, leasing and divestment.

Land and building rights are the basis for commercial development operations. A supply of land suitable for development is 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") 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.

Market surveys provide data on the preferences of potential customers concerning location, design and price level.

Value increases

The value of land and building rights varies with demand, i.e. changes in prices and rents. When demand is high, land value also rises. Land value can be described as the difference between construction cost and market value of a given project, minus the risk that is related to the project phase.

Value increases as 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 up to three 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 represents a sharp increase in value during project development. Leasing activity begins at an early stage. In many cases, long-term leases are signed with anchor tenants as early as the planning stage, or within a short time after construction work begins. By the completion date, most premises are usually leased.

Value increases further in the next phase, when the building right is turned into a completed project and generates rental income and/or can be sold at the prevailing market price.

Close collaboration

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

Carrying out commercial development work successfully on a long-term basis also requires a 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.

Risk management

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

Capital at risk

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. Capital at risk in both completed projects and those that have been started but are not yet fully leased is limited to a maximum amount approved by the Board of Directors. If, for example, a project is 50 percent leased, a corresponding portion of the investment is included in capital at risk, but as the occupancy level increases, this accordingly reduces the portion regarded as capital at risk.

Two decades of large divestments

During the past 20 years, Skanska's development of commercial projects has generated yearly capital gains averaging SEK 800–900 M from divestments. The strategic focus on core business that began in 2002 implies that the Company primarily concentrates its property operations on developing, leasing and divesting new projects. Skanska aims at a high turnover rate for completed properties. The ambition is to sell new projects as soon as they are fully leased. Skanska does not intend to build up a large property portfolio for long-term management, but a certain portfolio provides flexibility in the leasing process, and contacts with existing tenants may lead to new projects.

During the past five years, major divestments have taken place. Today Skanska thus has relatively few properties for sale. Operations now concentrate on investing in new commercial projects that can generate new capital gains.

COMMERCIAL DEVELOPMENT

Energy-efficient solutions

Skanska's sustainability efforts lead to added value for both users and investors. Energy is one focus of these efforts. For some years, Skanska has worked to develop energy-efficient solutions. As a result, by using such techniques as improved insulation and heat recycling, Skanska can lower energy consumption by 20–30 percent in renovation projects and by at least 30 percent compared to Nordic standards for new construction. Buildings account for an estimated 32 percent of carbon dioxide emissions in the EU.

New projects in 2006

In 2006 Skanska started eleven commercial projects, ten of them in the Nordic countries. During the year, a lease was signed with the Swedish engineering consultant group Ångpanneföreningen (ÅF), with Skanska being contracted to develop the company's new headquarters building in Solna, outside Stockholm. Skanska carried out its first land purchase in Ostrava, a regional center in the Czech Republic deemed to offer good potential for continuous project development. In Finland, potential shopping mall projects are in the pipeline.

During 2006, Skanska sold fully developed properties and projects for a total of SEK 3.1 billion.

The operating income of Skanska's two commercial development units totaled SEK 1.2 billion, of which SEK 1.3 billion stemmed from property divestments.

At year-end 2006, Skanska had a portfolio of completed properties with an externally appraised market value of SEK 4.1 billion (including projects completed in 2006), equivalent to a surplus value of SEK 1.2 billion.

The market value of identical properties rose by about SEK 200 M during the year, equivalent to 6 percent. During 2006, Skanska sold properties at prices that averaged 25 percent higher than their appraised market values at the end of 2005.

At the end of 2006, Commercial Development had eleven projects underway, nine of them in the Nordic countries. Ongoing projects represented leasable space of about 154,000 sq. m (1.66 million sq. ft.) and were 49 percent pre-leased, measured in rent. In addition to these projects, during 2006, six projects were sold before completion. They had leasable space totaling 26,000 sq. m (280,000 sq. ft.) and a pre-leasing level of 100 percent on the divestment date.

Ongoing projects

	Type of project	City	Leasable area 000 sq.m	Completion year	Occupancy rate, %
Commercial Development Nordic					
Gångaren 16, building 18	Office	Stockholm	13	2007	58
Stora Frösunda, Hagaporten phase III	Office	Stockholm	44	2008	65
Klassföreståndaren 1, Norra Bantorget	Office	Stockholm	14	2008	0
Eklanda 1:107	Retail	Gothenburg	4	2007	100
Flundran 2	Office	Malmö	9	2008	100
Scylla 3	Office	Malmö	11	2008	44
Atrium, Havneholmen	Office	Copenhagen	15	2007	38
Medlingen 3, Pilsåker phase III	Office	Lund	5	2007	100
Stenalyckan 3	Retail	Halmstad	8	2007	100
Commercial Development Europe					
Marynarska Point	Office	Warsaw	18	2007	48
Nepliget Center	Office	Budapest	13	2008	0
Total			**154**		**49**

Skanska is developing Norra Bantorget, a central Stockholm square. An apartment house and an office building are now under construction. The 80 apartments are scheduled for occupancy in 2009 and approximately 14,000 sq. m (150,000 sq. ft.) of offices in 2008.

For several years, Skanska has worked with the City of Stockholm to develop the area. The Clarion Hotel (photo to the left) is another result of this work. Costing about SEK 500 M, it is a project for the Norwegian investor Buchardt. When completed in 2008, the 558-room hotel will be the largest in the Swedish capital.

Markets

	Revenue		Operating income		Gain from divestments of properties		Capital employed		Return on capital employed, %[1]	
SEK M	2006	2005	2006	2005	2006	2005	2006	2005	2006	2005
Nordic	2,703	3,980	1,068	1,531	1,091	1,319	4,968	4,933	18.3	17.0
Europe	722	1,095	142	209	169	232	782	1,102	13.0	15.1

1 Calculated in accordance with the definition of financial targets

The Nordic countries – new office and retailing projects

The operations of Skanska Commercial Development Nordic focus mainly on Stockholm and Gothenburg, Sweden; the Öresund region of southern Sweden and eastern Denmark; and starting in 2007 also Helsinki, Finland. In 2006, Nordic operations sold 19 commercial properties in 10 transactions. The divested properties included both newly developed projects and older holdings. Total divestment value during the year was SEK 2.4 billion, with a capital gain of SEK 1.1 billion.

Among the year's transactions, special mention can be made of a portfolio of five properties in Stockholm and Malmö, sold for a total of SEK 750 M. The purchaser was Gothenburg-based real estate company Fastighets AB Balder, and the capital gain was SEK 498 M. The Spinneriet block in central Malmö, which was part of the transaction, was the first project Skanska developed for its own account, starting in the mid-1950s. Also included were a number of properties in scattered located around the Stockholm region. The divestment means that continued operations in the Stockholm market will concentrate on selected locations.

Five new office projects

During 2006, Skanska started five Nordic commercial projects, among them Norra Bantorget in Stockholm as well as the Appeals Court premises and the Scylla III office project, both in Malmö. In Gothenburg, the Lundbyvassen office building renovation and extension project started, with the Swedish industrial group ESAB as the tenant. In Copenhagen, where demand is strong, work began on the first office building project, Atrium, in Havneholmen, located in the port district adjacent to Kalvebod Brygge, which Skanska has developed for a number of years. The first phase of Havneholmen comprises 15,000 sq. m (108,000 sq. ft.) out of 50,000 sq. m in total building rights. Leasing work is underway. Tenants in the new project include the Danish offices of Svenska Handelsbanken, a major Swedish bank. In Gladsaxe, near Copenhagen, an 8,000 sq. m (86,000 sq. ft.) renovation and modernization project was completed for the telecom directory group Eniro. The university city of Lund, north of Malmö, is expected to show good demand, and a new building right was purchased at the Ideon science park.

Strong demand for retail centers

All retail centers that were sold were fully leased. By year-end, Skanska had started new retail centers in the Pilsåker block in Lund and projects at Stenalyckan in Halmstad. Demand is expected to remain strong. However, there is a shortage of land that is zoned for retail centers in suitable locations. In Finland, too, Skanska is working on potential retail center projects. The outlook in this segment is good. Household purchasing power is increasing, and Finland has significantly less retail space per capita than Sweden.

During 2006 no new logistics properties were started in the Nordic countries, but a completed BMW spare parts warehouse was sold in the Öresund region. Demand is expected to be stable, but the decision making process is often lengthy for this type of projects.

The rental markets in Stockholm, Gothenburg and Malmö appear likely to show favorable growth, with rising demand for commercial space. Vacancies are expected to fall, while rent levels remain stable or rise somewhat. Copenhagen has a very low vacancy level, opening the way for rising rents.

The influx of capital to the Nordic commercial property market remains very large, and targeted returns have fallen for the past few years. Low interest rates, falling vacancies and an attractive market for foreign buyers are important factors behind the strong demand. Investor interest is expected to remain during 2007 as well.

COMMERCIAL DEVELOPMENT

Central Europe – new opportunities in regional growth centers

Skanska's commercial development operations in non-Nordic Europe are concentrated in Budapest, Hungary; Prague, Czech Republic; and Warsaw, Poland. New opportunities are now opening in major regional centers such as Wrocław, Poland, where Skanska is developing an office building project, and Ostrava, Czech Republic, where Skanska made its first land purchase. A total of about SEK 330 M was invested in land and ongoing projects in Commercial Development Europe.

During 2006, Skanska sold the Budejovika Alej project in Prague, which was completed in 2005. The sale price totaled SEK 341 M, with a gain of SEK 121 M.

New project nearing completion in Warsaw

The rental market for office space in Warsaw was strong and is expected to remain good, with a continued decline in vacancies and rising rent levels during 2007. Land prices are also rising. Half of the ongoing Marynarska Point 1 project, which will be completed during 2007, has been pre-leased. Skanska has additional building rights for development in central Warsaw and Wroclaw.

Hungary is currently experiencing an economic austerity program to enable the country to meet the EU's convergence criteria for joining the euro currency zone. In spite of this, the rental market remains good in Budapest, primarily based on international companies that are seeking modern premises in good locations. During the year, Skanska bought building rights close to central Budapest and the airport. Leasing efforts are underway for the first phase of the Nepliget office project.

Regional growth centers offer new potential

The Czech rental market is stable, with a continued focus on the central district of Prague. At present there are no ongoing projects, but a number of possibilities are being examined. In the Czech Republic, too, there is increasing demand for modern commercial space in regional growth centers. During 2006, Skanska acquired a building right in Ostrava.

For some years, investors' targeted return has fallen. There is great interest in purchasing fully developed properties in all markets where Skanska Commercial Development Europe operates. The strong demand in the investment market is expected to continue, and targeted return is expected to fall further during the year. The buyers of Skanska's projects are primarily institutional property investors.

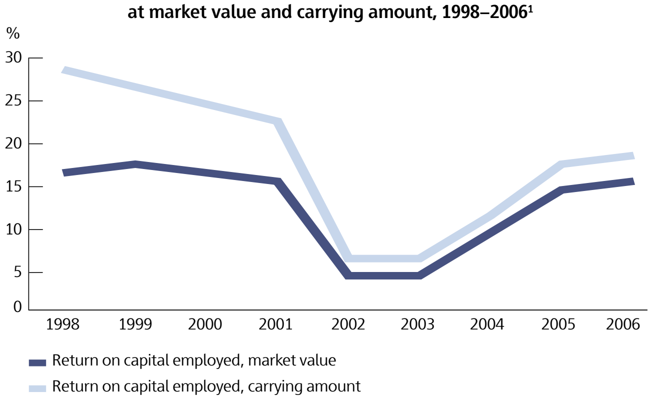
The Danish unit of Svenska Handelsbanken (SHB), a major Swedish-based bank, will be among the tenants at Skanska's new Atrium office building in Havneholmen, central Copenhagen. Atrium, the first of several planned office projects, will total 15,000 sq. m (108,000 sq. ft.) on seven floors. SHB's lease is for three floors, totaling some 4,000 sq. m. Skanska is investing some SEK 325 M in the project and plans to begin new projects in Havneholmen, where it owns approximately 40,000 sq. m (430,000 sq. ft.) in additional building rights.

Skanska Commercial Development – Carrying amounts and market values

SEK billion	Carrying amount Dec 31, 2006	Carrying amount upon completion	Market value, Dec 31, 2006	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[7]
Completed projects	2.5	2.5	3.5	1.0	291	70	94[3]	3.7	2.7	366[5]	4.0
Projects completed in 2006	0.4	0.4	0.6	0.2	28	76	39[4]	9.2	6.8	41[5]	9.0
Ongoing projects	0.8	2.8	3.6[2]	0.8	154	49	218[4]	7.8	6.1	237[6]	12.0
Total	**3.7**	**5.7**	**7.7**	**2.0**	**473**		**351**				
Development properties[1]	1.8										
Total	**5.5**										

1 "Development properties" refers to land with building rights for commercial use, totaling about 980,000 sq m (10.55 million sq. ft.).
2 Internal appraisal on each respective completion date.
3 Estimated operating net before corporate and business area overhead in 2006 on an annual basis assuming the 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.
7 Refers to the average duration of leases.

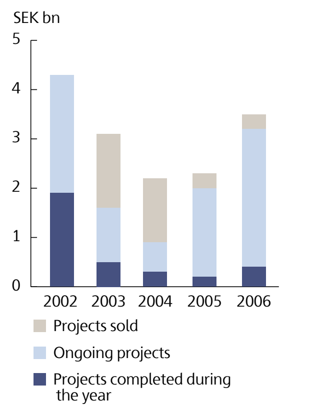
Adjusted return on capital employed at market value and carrying amount, 1998–2006[1]



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

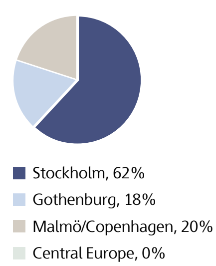
The Skanska Group's target for commercial property operations is an adjusted return on capital employed at carrying amount of at least 15 percent over a business cycle.

Volume of Commercial Development[1]

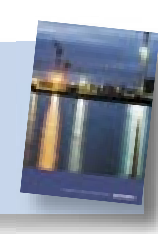


1 Refers to carrying amount of completed projects and projected carrying amount of ongoing real estate projects upon completion

Completed properties carrying amount, January 1, 2007



Commercial Development 2006
Further information about Skanska's Commercial Development operations and about the property portfolio can be found in "Skanska Commercial Development 2006," which can be downloaded from www.skanska.com/investors. The publication can also be ordered from Skanska AB, Investor Relations.



COMMERCIAL DEVELOPMENT

THE INNER HARBOR – NEW DISTRICT WITH WATER VIEWS IN MALMÖ

The Inner Harbor district of Malmö, Sweden, is entering a new era. In the new Universitetsholmen (University Island) area, modern workplaces for the educational and service sector are being created, all close to the water and with harbor views.

On Universitetsholmen, Skanska has begun development and construction of about 50,000 sq. m (538,000 sq. ft.) of space. Skanska also has 54,000 sq. m of previously completed, leased real estate projects in the area.

Starting in 1959 Skanska had its Malmö office, for a time also Group headquarters, in the Inner Harbor. The building, then considered one of the most modern in northern Europe, has given way to the new Citykajen.

A few years from now, when the City Tunnel opens to train traffic, the district will become an intensive transportation hub. The train platform entrances are right next to Citykajen, where Skanska is developing two office projects. Construction of the first began in 2006. PricewaterhouseCoopers is among the tenants that have already signed leases for occupancy starting in 2008.

The adjacent Hjälmarekajen project, completed in 2006, provides an indication of how attractive this location is. Among Skanska's tenants are KPMG and White arkitekter. An older, neighboring building has been totally renovated for the toy company Brio. On the other side of the street is Malmö University, occupying some 10,000 sq.m (108,000 sq. ft.) that have now been transformed into modern, purpose-built premises.

The first new Court of Appeal to be built in Sweden since the 1940s will be completed in the Flundran city block in 2008. With its striking oval shape, the Court building will dominate a bend in the Harbor Canal.

The Nereus city block overlooking the Kockums shipbuilding basin and the Gäddan block on a canal across from the Renaissance castle housing the Malmö Museum will be developed later. Nereus, with some 14,000 sq. m (150,000 sq. ft.) of space, will be started in the near future, while Gäddan lies further in the future.

The Scandinavian Center from 1990 and an existing building in the Flundran block are also part of Skanska's property portfolio in the district.

Contributing to the facelift will be a renovation of Citadellsvägen into a tree-lined boulevard. The planned Neptunia Park will also add greenery.

Skanska has a long tradition as a developer and builder in Malmö. The Group's first-ever investment project was Spinneriet, erected in the mid-1950s. Skanska owned this centrally located hotel/office complex, including the Hotel Garden, until 2006 when it was part of a divestment that generated nearly SEK 500 M in capital gains.

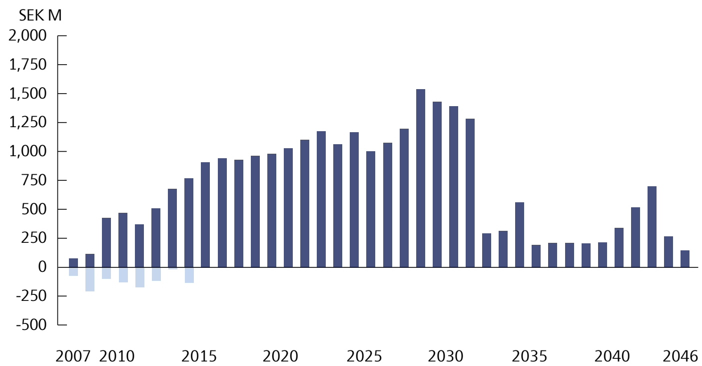
INFRASTRUCTURE DEVELOPMENT

New opportunities in the international market

SEK M	2006	2005
Revenue	151	53
Operating income	–8	–9
Investments	–286	–476
Divestments	192	35
Operating cash flow from operating activities[1]	–84	–641
Capital employed	2,414	2,532
Return on capital employed, %	0.6	-0.1
Return on capital employed, %[2]	34	36
Number of employees	103	66

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 2006[1]



Inflow: SEK 29 bn (interest, dividends and repayments)
Outflow: SEK 0.9 bn (contracted future investments)

1 The cash flows have been translated into SEK with exchange rates on December 31, 2006

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

Public-private partnerships mean that private market players provide facilities and buildings to public agencies. This often implies a number of macroeconomic advantages for customers, taxpayers, users and builders. The model makes more room for investments in public facilities by spreading large public investments over longer time periods. It also increases the benefit to users through earlier availability and lower life-cycle costs.

Public-private partnership projects create value-added for Skanska by generating large construction assignments and continuous revenue and cash flows during the lengthy operation phase. Furthermore, Skanska receives long-term service and maintenance contracts.

From an investor perspective, Skanska ID creates assets characterized by reliable cash flows over a decades-long service life, 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 Skanska-developed product or service meets the needs of the customer today and in the future.

During the development process, a public-private partnership project mainly goes through the following stages: bidding, selection of the preferred bidder, financial close, construction, the ramp-up phase and the steady state phase. In the development process, which is led by Skanska ID, the customer, owners (Skanska ID and its partners), builders and suppliers of operating and maintenance services are integrated into the task from the start, which reduces the overall risks to Skanska.

Risk management – generating value-added

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

To the left:
The first phase of Derby City General Hospital, U.K., is up and running. Construction is underway on the remaining portions, which will open in 2009. With 1,200 beds and 35 operating rooms, the hospital will be the workplace of about 7,000 people.

To the right:
The 90 km (56 mi) long A1 highway near Gdansk, northern Poland, is one of Europe's largest highway projects. It is also Skanska's first public-private partnership project in Central Europe. Construction work began late in 2005.

Thorough selection process

The selection process is crucial to Skanska, since there is a very wide range of projects. First and foremost, projects must be in product and geographic areas matching Skanska's competencies. As mentioned earlier, the investment must also meet Skanska's return targets. Skanska performs a thorough examination of risks and opportunities, in close collaboration with the Group's construction units. Among the available projects, Skanska selects those in which it has the greatest potential to achieve success. Since public-private partnership projects largely undergo final planning during the bidding phase, the bidding costs are substantially higher than for traditional construction contracts. The bidding period is usually also longer. By means of a very thorough selection process, Skanska's total bidding costs can be kept down and the prospects of being selected can increase.

Together with one or more suitable partners, Skanska ID forms a bidding consortium. In collaboration between the bidding consortium, Skanska's local construction unit and other suppliers, Skanska ID develops a bid. If the bid is accepted by the customer, the consortium is appointed the preferred bidder. Other bidders are thus eliminated. At this point, Skanska ID and its partners form a special project company to own and operate the facility during the concession period, often lasting 20 to 35 years.

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

Integrated model

As a rule, Skanska's local construction company carries out most of the construction project as a design-build contract with a fixed price and completion date. The margin potential in these projects can, if risks are managed, be higher than is the case in traditionally procured projects. This is 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 itself carries out the construction assignment, this risk is substantially lower.

Two different compensation models

Once the construction phase ends, the ramp-up phase begins. Its length varies depending on the type of project and the payment model. In projects using the availability model, the ramp-up phase is normally no more than one year. In highway projects using the market risk model, for example, the ramp-up phase is instead connected to the functionality of the toll and invoicing systems and whether traffic revenue achieves the expected levels.

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

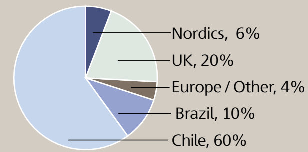
In the availability model, compensation is based on providing a given amenity and agreed services at a predetermined price. Compensation is payable regardless of the extent to which the facility is utilized.

Phases in development processes

Terminology	Meaning	Implications for Skanska	Market appraisal
Bidder	Company that actively tries 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 in full operation and has achieved long-term revenue and cost levels.	The long-term discount rate is applied.	Yes

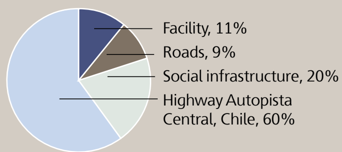
INFRASTRUCTURE DEVELOPMENT

Location

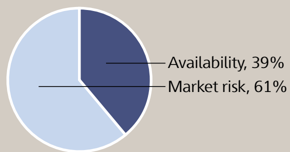


Estimated gross present value by

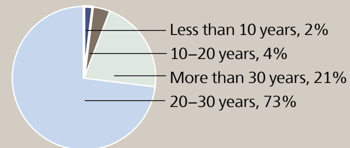
Category



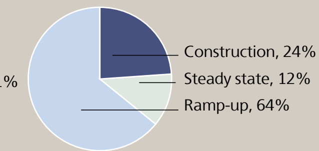
Payment type



Remaining concession



Phase



The project company is exclusively responsible for keeping the services and facilities available, functioning smoothly and up to the agreed standard. Divergences from this standard may result in a predetermined deduction from payments. The compensation is adjusted for inflation. Because the customer in availability model projects is usually a national or local government, the project company's credit and payment risk is low. Meanwhile the potential for an even higher return is more limited in the availability model.

In the market risk model, compensation is based entirely on end-user fees, for example tolls collected from motorists on a stretch of road. The market risk model implies that the owner – the project company – has bought the rights to the revenue from a given facility during an agreed period, usually 20–35 years. 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 as a consequence of better performance and, for example, increased use of the amenity. For this reason, from the bid preparation stage, Skanska conducts thorough analyses of the legal and political stability of the country or region in question. Future needs are analyzed on the basis of macroeconomic forecasts and projections of demographic trends. In these projects, too, such revenue as auto tolls is adjusted for inflation.

The availability model is more common in Skanska's project portfolio, especially in Europe. In the U.S. and Latin America, however, the market risk model occurs more frequently.

The financing of a project/project company is allocated between Skanska ID and its partner(s), which invest 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. These loans are based entirely on the project company's financial condition and payment capacity. In some cases, the owners of the project company act as guarantors until the facility has gone into service.

Cash flows from the project company to Skanska ID consist of interest and repayment of principal on subordinated loans issued by Skanska and of dividends from the project company's profits and finally repayment of capital stock (or share capital).

In the availability model, an overwhelming proportion of Skanska's investment in the project company consists of subordinated debenture loans. Most revenue and cash flow from projects thus consists of interest and principal payments on these loans. Only later, normally in the final years of the contract, are there dividends.

In the market risk model, Skanska's investment consists largely of capital stock. Payment flows thus consist mainly of dividends, which in turn are determined by the underlying profitability of the facility.

At the end of the steady state period, capital stock is also repaid. During the first few years after completion of a project, when interest and principal payments are large cost items, the project company usually shows a loss. Later the costs decline and revenue gradually increases along with the use of the facility.

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

Appraisal methodology

Skanska ID conducts an annual market appraisal of its portfolio. Estimated future cash flows are discounted at a discount rate based on country, risk model and project phase for the various projects. The discount rate selected is applied to all future cash flows starting on the appraisal date.

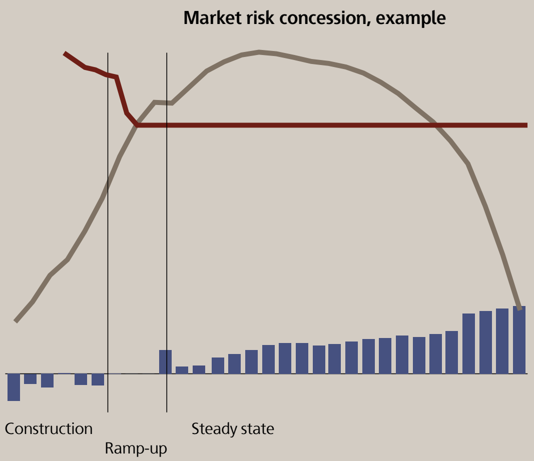
The most recently updated financial model is used as a base. This financial model describes all cash flows in the project and serves as the ultimate basis for financing, which in most cases is carried out with full project risk and without guarantees from Skanska. The financial model has been examined and approved by banks, credit investment companies and rating companies. Data for the financial model is updated at least once a year.

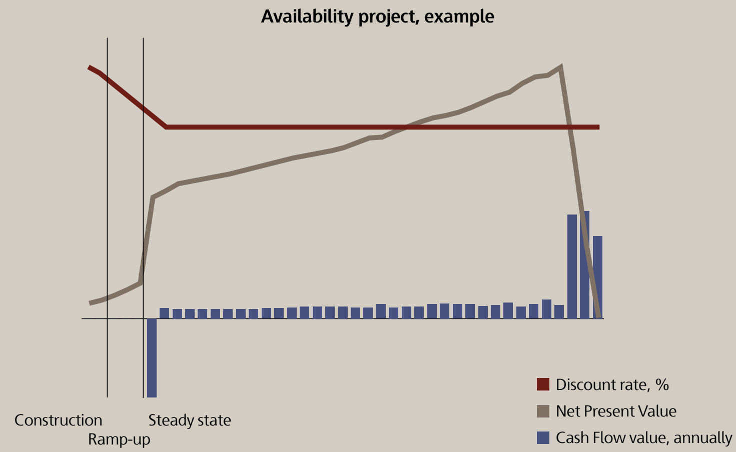
A market value is assigned only to projects that have reached financial close. The appraisal is performed from the perspective of Skanska ID, i.e. all flows to and from the project company are appraised – investments in the project (equity and subordinated debenture loans), interest and principal payments on subordinated debenture loans as well as dividends.

Differences in the appraisal over time are due to changes in future cash flow, in time value (the closer the cash flow is in time, the larger its value) and in the discount rate used. Today all investments are denominated in currencies other than Swedish kronor. This means there is an exchange rate risk in the changes in market values from year to year.

The 2006 appraisal

At year-end 2006, the estimated gross present value of cash flows from projects totaled SEK 6.3 billion (5.2). Estimated unrealized development gains in Skanska ID increased during 2006 by SEK 0.9 billion and thus amounted to SEK 3.2 billion (2.4). The increase in value was mainly due to the reduced risk level in the project portfolio but also to greater demand for fully developed projects in the secondary market. Interest in PPP projects as an asset class increased further during 2006, and a large number of PPP project portfolios have changed owners. Increasing interest is reflected in generally higher price levels and





lower yield requirement. The weighted discount rate was 11.7 (13.7) percent on December 31. The decrease was connected to the lower risk existing in the portfolio because projects have entered or are approaching their operating phase as well as the lower yield requirement in the market. The lower inflation rate in Chile also reduced the average yield requirement without thereby changing value, since the appraisal of the Autopista Central highway is based on real cash flow. Negative currency translation effects reduced the increase in the unrealized development gain by SEK 0.6 billion.

In the consolidated accounts, elimination of intra-Group profits totaled SEK 0.4 billion (0.3), which meant that unrealized development gains at Group level amounted to SEK 3.7 billion (2.7) at year-end.

The assessment of market value was made in cooperation with external appraisal experts. The Autopista Central, which is of major importance, was examined in greater detail. In light of this examination, estimated market value is regarded as reflecting a cautious but realistic assessment.

Focus on three segments

Skanska Infrastructure Development (Skanska ID) has 16 projects in its portfolio, mainly in Europe and Latin America. Interest in PPP projects remains great in Skanska ID's markets. During the coming years, Skanska ID will be submitting and preparing bids for a large number of projects. Operations will focus on three segments – highways, social infrastructure and facilities. During 2006 Skanska reached financial close for

- The Barts and London hospital project, which means that Skanska ID was awarded one of the largest-ever British availability model projects.
- School projects in Bristol, England and Midlothian, Scotland. Skanska was also selected as preferred bidder for a hospital in Walsall, England – financial close is expected to be reached during 2007.

During 2006, Skanska ID sold its holdings in Kings College Hospital, London, and HM Prison Parc Bridgend in Wales. It sold one third of its shares in Maputo Port, Mozambique, during the year. These divestments resulted in total gains of SEK 118 M.

Highways

In May, construction of the final phase of the Autopista Central in Santiago, Chile was completed. The 61 km (38 mi) long urban expressway is thus in full operation. Traffic intensity and thus revenue has surpassed the forecast by about 4 percent. The task of developing the expressway's advanced payment system, one of the most modern in the world, was headed by Skanska.

The E39 Orkdalsvegen highway near Trondhein, Norway, was in operation throughout 2006 after having opened in 2005. Compensation is based on availability. Keeping the road open is thus crucial to revenue. The stretch of road has been designed for the greatest possible safety.

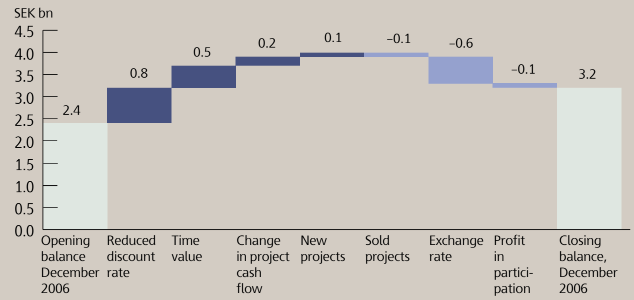
The Nelostie expressway between Helsinki and Lahti, Finland, has been in operation since 1999. The trend of traffic flow has been positive, and the highway has contributed to an upswing for the region north of Helsinki.

Appraisal methodology

Type	Steady state methodology	Steady state discount rate	Additional risk premium during development phase	ID projects
UK hospitals, availability	Secondary market yields where a deep market exists.	8%	Add 1–2 percent during construction/ramp-up and reduce this premium from FC on a linear basis until steady state is reached. Barts hospital project includes a 2 percentage premium due to the long remaining ramp-up until the asset is in full operation.	Barts, Coventry, Derby and Mansfield
Other UK projects, availability	As above.	8%	As above.	Bexley, Bristol and Midlothian
Other European projects, availability	As above.	8%	As above. The A1 project has a higher base rate due to some traffic risk plus 2 percentage points in risk premium due to ramp-up in traffic volume.	A1, E18, E39 and Nelostie
Highways, market risk	Estimate the risk premium over government bonds. Use listed universe and secondary deals.	11%	Add 3-4 percent during construction/ramp-up and reduce this premium from FC on a linear basis until steady state is reached.	Autopista Central
Others	Estimate the risk premium over government bonds. Use listed universe and secondary deals.	14–18%	Add 2 percent during construction/ramp-up and reduce this premium from FC on a linear basis until steady state is reached.	Ponte de Pedra, Manaus/Breitener, Nordvod and Maputo

INFRASTRUCTURE DEVELOPMENT

Changes in unrealized development gain, 2005/2006



In Finland, work is now underway on a portion of the E18 highway between Helsinki and Turku. It is Skanska ID's second assignment in the country. The construction contract, totaling EUR 164 M, will be completed in 2008.

Skanska's first PPP project in Central Europe is the A1 in Poland. Construction began in 2005 and the highway will open in 2010. The 90 km (56 mi) long A1 is following a completely new route outside cities and villages, which will improve both safety and the environment for both the local population and motorists. The highway will also improve Poland's transportation links with other EU countries as well as tying together the southern and northern parts of the country.

The market for road projects will offer major opportunities in the next several years. Numerous large road projects are expected to come into the market for bidding in the U.S., Chile and the U.K. The change of government in Sweden may also mean that the Swedish market will open to privately financed infrastructure.

Social infrastructure

Barts and The London hospitals in the U.K. are Skanska's largest-ever project. Construction work began during 2006 after financial close. The construction portion totals about SEK 14 billion. Work began with demolitions to make room for the new buildings. The hospitals will go into operation in phases between 2012 and 2014. Skanska holds 37.5 percent of the owner company.

Coventry Hospital went into service during 2006. The ultramodern hospital has room for 1,250 beds and 27 operating rooms. The approximately 400 m (1,300 ft.) long building is one of the largest hospitals built in the U.K. Skanska holds 50 percent of the owner company.

Construction work is underway at the Derby and Mansfield (New King's Mill) hospitals. Mansfield, with 840 beds, will be completed in 2011. The first phase of Derby is in operation, and the remaining portions will open in 2009. With 1,200 beds and 35 operating rooms, the hospital will be the workplace of about 7,000 people. Skanska has a 50 percent holding in the owner company. As mentioned above, Skanska sold its holding in Kings College Hospital during the year.

In 2007 and beyond, the market is expected to offer good opportunities for development of further hospital projects in the U.K. and Chile.

Numerous schools are being upgraded in England. Together with the city of Bristol, Skanska is leading the way with the first project in a nationwide program called Building Schools for the Future (BSF). Skanska's contract and financing agreement for the design and

Valuation 2006 distributed per category, SEK M

Category	Gross present value, Dec 2006	Discount rate 2006, %	NPV remaining Inv[1]	Carrying amount 2006[2]	Unrealized development gain, 2006
Highways	540	8.9%	95	202	243
Autopista Central, Chile	3,779	12.0%	0	1,245	2,534
Social infrastructure	1,274	9.2%	524	388	362
Facitilies	693	16.6%	0	606	87
Total	**6,286**	**11.7%**	**620**	**2,441**	**3,226**

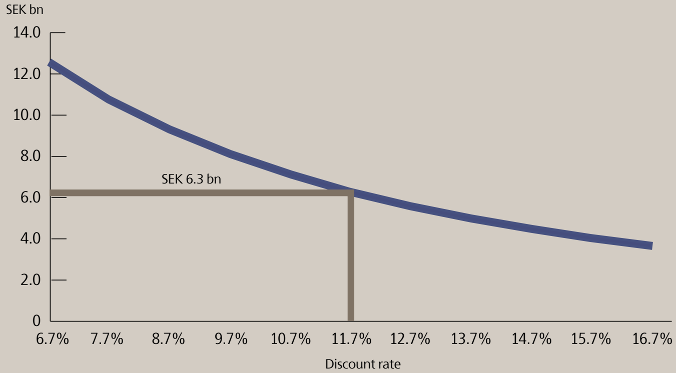
Accumulated development gain, 2005	2,363
Change, 2006 [3]	863

1 Nominal value SEK 0.9 bn.
2 Invested capital plus accrued value of participations in project companies corresponding to Skanska's ownership.
3 Eliminations at Group level reduce the book value and hence increase the accumulated development gain by SEK 0.4 bn to approximately SEK 3.7 bn.

Definitions, Skanska ID's appraisal model

Gross present value	The discounted present value of all flows from the project to Skanska ID.
Present value of remaining investments	The discounted present value of remaining investment commitments. 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. This is the same as the sum of the present value of cash flow from projects and the present value of remaining investments.
Unrealized development gain	Net present value minus book value of projects.
Change in unrealized development gain	Annual change in development gain.

Sensitivity analysis, Gross present value of cash flow from projects – SEK 6.3 billion



Sensitivity analysis

SEK bn	Change	
Discount rate (–/+ 1 percentage point)	0.8	–0.7
Autopista cash flow (+/– 10%)	0.4	–0.4
SEK/USD (–/+10%)	–0.4	0.4
SEK/GBP (–/+10%)	–0.1	0.1
SEK/EUR (–/+10%)	-0.04	0.04

build project total GBP 120 M. During 2007, a number of substantially larger school projects in the BSF program have been put out for bidding in England. The Bexley project – the Bexleyheath and Welling secondary schools in southeastern London – went into operation during 2006 (see also page 45).

Skanska has also received a contract and reached financial close for a school project in Scotland. Construction work is underway at eight new primary schools for about 2,000 students in Midlothian south of Edinburgh. These schools will be completed in the autumn of 2007.

Facilities

The Manaus (Breitener) power plant in Amazonas, Brazil, with a capacity of 120 MW, has been in full operation since early 2006. It was moved to Manaus by boat on the Amazon River, having previously served as an emergency power plant in Fortaleza on Brazil's Atlantic coast.

The Ponte de Pedra hydropower plant in Mato Grosso, Brazil, has also been in full operation since 2005. Its capacity is 176 MW, and both production and profitability surpassed the budget during 2006. The Maputo Port in Mozambique is being upgraded and gradually developed into a modern harbor facility. Because of rising raw material exports from South Africa, the port is getting more and more business. In 2006, it handled its highest tonnage since Mozambique was thrown into civil war in 1980. During 2006 Skanska reduced its holding in Maputo Port.

The South West Water Treatment Plant, or Nordvod, in St. Petersburg, Russia has been in operation since 2005. The facility treats wastewater from about 700,000 people in the St. Petersburg region, thereby contributing to improved water quality in the Baltic Sea. Nordvod is not a PPP project in the usual sense. Skanska participated in construction and financing but has no operating responsibility.

In 2007, the Facilities product segment is expected to offer new opportunities in power production in Brazil as well as responsibility for street lighting in the U.K.

Project portfolio

Amounts in SEK million	Type	Category	Payment type	Country	Ownership, %	Invested capital at Dec 31, 2006	Total commit-ment	Year of operation/ full operation	Concession ends
In operation, fully or partially, Dec 2006									
Nelostie	Highway	Highway	Availability	Finland	50	37	37	1999	2012
E39	Highway	Highway	Availability	Norway	50	68	68	2005	2028
Autopista	Highway	Highway	Market risk	Chile	48	1,150	1,150	2004/2006	2031
Coventry & Rugby	Hospitals	Social infrastructure	Availability	U.K.	25	116	116	2005/2007	2035
Bexley schools	Schools	Social infrastructure	Availability	U.K.	50	24	24	2005	2031
Ponte de Pedra	Power plant	Facility	Availability	Brazil	50	361	361	2005	2036
Manaus (Breitener)	Power plant	Facility	Availability	Brazil	35	160	160	2006	2025
Maputo	Port	Facility	Market risk	Mozambique	12	18	18	2004	2017
Nordvod	Wastewater	Facility	Availability	Russia	14	19	19	2005	2017
Under investment									
E18	Highway	Highway	Availability	Finland	41	38	88	2010	2031
A1, phase 1	Highway	Highway	Availability	Poland	30	27	91	2009/2010	2032
Mansfield	Hospital	Social infrastructure	Availability	U.K.	50	0	201	2010/2011	2040
Derby	Hospital	Social infrastructure	Availability	U.K.	25	0	132	2009	2038
Barts and London	Hospital	Social infrastructure	Availability	U.K.	38	102	540	2012/2014	2043/2045
Bristol	Schools	Social infrastructure	Availability	U.K.	50	59	59	2009	2034
Midlothian	Schools	Social infrastructure	Availability	U.K.	50	0	22	2007	2037
Total Skanska ID						**2,181**	**3,086**		
Accumulated share of earnings in participations						260			
Carrying amount, Skanska ID						**2,441**			
Awarded projects in the preferred bidder stage									
Walsall	Hospital	Social infrastructure	Availibility	U.K.	50		81	2010	2033


Main Building
Upper School
Lower School
Reception

INFRASTRUCTURE DEVELOPMENT

FIRST WITH THE SCHOOLS OF THE FUTURE

School bells are ringing for Skanska. Today nearly 4,000 British students attend new Skanska-built schools. Soon there will be 10,000 and their numbers will keep growing after that.

The United Kingdom is choosing the public-private partnership (PPP) model in order to build ultramodern schools. Skanska ID landed the first assignments in a major new initiative called Building Schools for the Future (BSF).

A few years ago, the British government noted a great need for new school premises. Most U.K. school buildings are old and worn out, often dating from the years after World War II.

They have been patched and repaired, with minor extensions and renovations. But only a few completely new schools have been built. Budgets have imposed restrictions – until now. Not because school authorities have suddenly received more funding, but because they have chosen PPP solutions. By inviting private investors in, the costs of building large, much-needed schools can be spread over 20-30 years.

BSF involves upgrading primary and secondary schools at a cost of some GBP 2.2 billion annually over the next 10–15 years. Skanska was awarded the first BSF contract, which is for several schools in Bristol.

The goal is not only to build new, larger premises, but also to create stimulating school milieus that are suitable for modern instruction methods including group assignments and IT-based teaching aids. Even the interior color scheme will stimulate learning in a harmonious setting. The same is true, for example, of Bexley southeast of central London, where the photos at the left were taken.

Two schools in Bexley – Bexleyheath and Welling – built by Skanska ID recently went into service. They accommodate a total of 3,800 secondary students. With 2,200 students, Bexleyheath is the fifth largest school of its type in the U.K.

The Bexley project preceded the BSF initiative, in which Bristol is the pacesetter. There Skanska is carrying out the first phase, consisting of four schools for 5,700 students. The construction project is worth GBP 120 M, and the schools will go into service in 2009. Under its agreement with the local council, Skanska also has exclusive rights to the next phase, consisting of six schools for about 5,000 students.

Sustainable development

World class vision and world class performance from a company that leads rather than follows the sustainability challenge.

Sustainability at Skanska

In every project undertaken, Skanska strives to be socially responsible and have due consideration for the environment, while maintaining good economic performance. Examples of sustainable development in action can be found in every one of Skanska's business units and all of the home markets in which the company operates. The following pages illustrate a small number of them.

Our biggest challenge?

These are challenging times for everyone. Climate change is now recognized by many as the biggest single threat to the continued prosperity of mankind. A rapidly expanding population, coupled with dwindling natural resources, is placing tremendous pressure on society and its wealth creators. Because of the impact it has on the use of energy and natural resources, as well as the important part it plays in providing a better quality of life for our and future generations, the construction industry has a vital contribution to make in creating a more sustainable future.

Sustainability is at the very heart of Skanska's actions and aspirations. Skanska is focusing attention on a number of areas of improvement in the firm belief that long-term visions become reality if day to day issues are properly managed. Health and safety has been a particular priority across all business units, and business ethics also feature high on the agenda. Work has begun on improving supply chain partnering; as purchasing becomes more centralized, and therefore global, with the ethical, social and environmental challenges that accompany this. Elsewhere at Skanska, some of the largest construction projects are being delivered with careful regard for the protection of the landscape and biodiversity and impact on local communities.

Sustainability challenges for the construction industry

The construction industry is improving its performance, both locally and globally, in terms of sustainability. However, there is still a long way to travel and Skanska is determined to play a leading role in the journey to true sustainable development. Skanska is proud to be a leader in the construction sector both in terms of the company's stated philosophy, the 4 zeros and the Skanska Code of Conduct, and most importantly in terms of actions.

Safety

The safety of Skanska's workforce, its subcontractors, suppliers and the general public around our projects is of paramount importance. Accidents are always avoidable, and preventive training plays an important part in helping Skanska to achieve its goal of zero workplace accidents. In addition to training, major company-wide initiatives have been undertaken. This year's Skanska Safety Week saw over 50,000 employees and thousands of subcontractors taking part.

Ethics

Skanska's efforts to improve ethical performance in the construction industry are well documented. Skanska was influential in developing the first set of industry principles for combating bribery and corruption for the World Economic Forum (WEF). These principles have subsequently been widely applied as the WEF's Partnering Against Corruption Initiative (PACI).

Environment

The built environment is responsible for 40 percent of the world's CO_2 generation, although only six percent arises from actual construction. Reducing these emissions is a major focus for Skanska. Eco-efficient design, new construction techniques and life-cycle analysis help Skanska's customers and their stakeholders to mitigate their contribution to climate change and adapt to the inevitable consequences it will bring if actions are not meaningful and immediate. The intelligent selection and use of raw materials has initiated important improvements in Skanska's supply chain – from the way the company cooperates with NGOs to avoid the use of illegally logged timber and potentially dangerous chemicals, to maximizing recycling targets through more efficient design, logistics, waste segregation and management.

The Skanska Code of Conduct

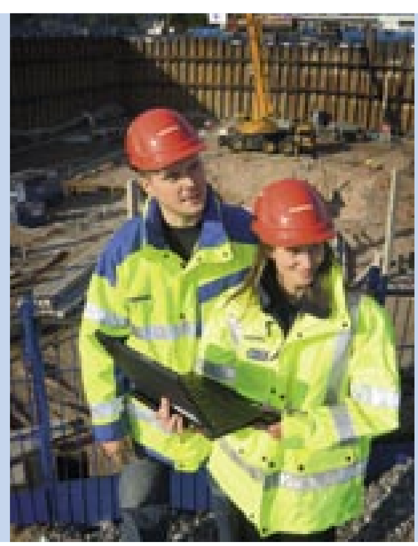
combines the concepts and recommendations of two of the world's most important sustainability initiatives: the UN Global Compact and the Global Reporting Initiative.

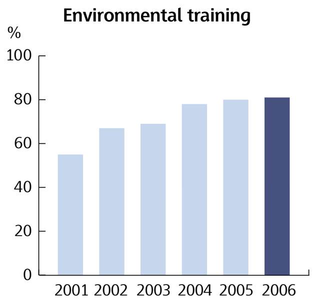
4 zero visions

Skanska's qualitative targets, the 4 zero visions – zero loss-making projects, zero environmental incidents, zero work site accidents and zero ethical breaches – are closely aligned with the concept of sustainable development.

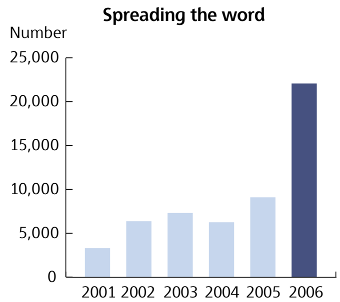
Triple bottom line

Sustainable Development – a concept defined as "development which meets the needs of the present without compromising the ability of future generations to meet their own needs"– is often referred to as the "triple bottom line" where environmental, social and economic performance must be balanced in order to achieve positive long-term results.





The percentage of Skanska staff who have participated in basic environmental training has risen for the sixth consecutive year.



Throughout 2006, suppliers and subcontractors were informed about the Skanska Code of Conduct using a variety of communication methods. Over 22,000 were contacted in 2006.

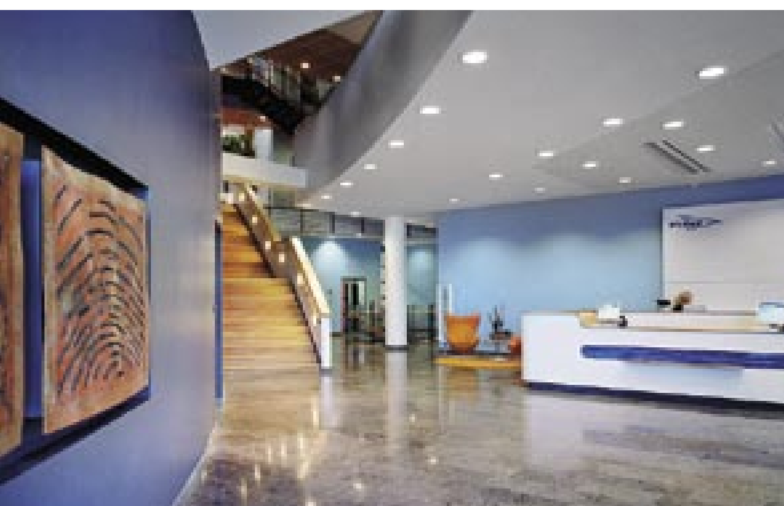
The environmental challenge

Tackling future responsibilities

Energy is consumed at every stage of any construction project: from the manufacture of the cement used for foundations through to the heating and ventilation of a finished apartment or office building. Skanska has developed its own model by which office developments can be undertaken, resulting in lower operating and maintenance costs. The basic strategy is one of low environmental impact, careful examination of life-cycle costs, flexible office design and simplicity. This has resulted in radical new thinking about the way in which air handling systems are designed, installed and operated. Not only do offices built to this concept cost the tenant less to run and provide a better financial return to the owners, they also have a smaller total carbon footprint.

Local action leads to global progress

Skanska's commitment to minimizing the environmental impact of its operations has led to a number of local, national and international initiatives being implemented. A revised environmental strategy has been developed this year to build on previous work. Particular emphasis has been placed on business unit performance with regard to adaptation and mitigation related to climate change.



SUSTAINABLE DEVELOPMENT

ENERGY-EFFICIENT CONSTRUCTION

By designing in low fan speed ventilation systems using a common duct size throughout ITT Flygt's world headquarters building in suburban Stockholm, Skanska has delivered a more energy-efficient working environment with reduced power demand and higher heat recovery. Heating is provided primarily from a mix of wastewater heat pumps and biofuel boilers, with only 5 percent of the energy requirement coming from oil and electricity. Summer cooling is provided via chilled wastewater and free cooling of the Baltic Sea. Future changes to the office layout and infrastructure can be implemented without any redesign or retrofitting of ventilator ducting. What began as a pilot project has now been adopted by Skanska as a standard for the design and development of energy-efficient buildings.

During 2006, Skanska was recognized for several environmental achievements. Skanska CZ received the Via Bona award for cooperative work undertaken with Partnerstvi Foundation's Tree of Life campaign in the Czech Republic, while in the U.K. the Green Apple Award was presented to Coventry New Hospitals PFI (Private Finance Initiative), a joint project between Skanska UK and Skanska Infrastructure Development. All Skanska business units are certified to the ISO 14001 international standard for environmental management. During the year, 167 external environmental audits were carried out, backed up by 1,126 internal audits.

Recognized assessment tools and green building rating systems are used whenever possible, for example BREEAM in the U.K. and LEED in the U.S. During 2006, BREEAM and LEED tools were used in over 120 Skanska projects. The Providence Newberg Medical Center became the first U.S. hospital achieve Gold LEED certification.

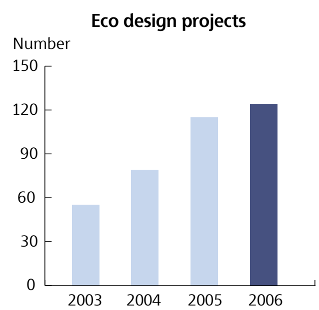
At a business unit level, Skanska employees are contributing to the reduction of the company's total carbon footprint, through a range of mitigation measures. Skanska Sweden is encouraging all employees to become carbon dioxide neutral and has launched a website to help them calculate their impact. Emission credits can be purchased or trees planted as a form of offset. Many have taken the challenge and Skanska Sweden's President became the first carbon dioxide neutral employee during 2006. As part of general awareness raising, 12,000 movie tickets were purchased, giving employees the opportunity to see Al Gore's movie *An Inconvenient Truth*.

Eco-cars, including hybrids and biofuel powered vehicles, are now being introduced to the company fleet in Sweden. Many staff have been trained in eco-driving, a technique that focuses on reducing fuel consumption in conventional vehicles through proper use of throttle, gearbox and brakes as well as better anticipation of road conditions. The project is delivering some interesting results, with lower fuel consumption as well as reduced journey times and higher average speeds.

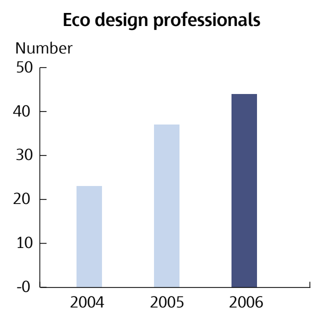
Large amounts of waste material are generated in most building processes. By carefully segregating different waste streams, Skanska-managed projects regularly recycle more than 70 percent of waste and often deliver in excess of 90 percent. The Coventry Hospital project in England recycled 100 percent of earthworks waste, 98 percent of demolition waste and 84 percent of overall waste. In Bodø, north of the Arctic Circle, Skanska Norway is report up to 90 percent recycling on new building construction across the five sites it is currently operating. Working closely with recycling contractors, Skanska is not only able to reduce the environmental impact and landfill burden of construction projects but also to recoup significant value from the recycled materials, thereby reducing overall project costs.

Safety first, safety always

During October 2006, over 50,000 employees took part in Skanska Safety Week. Only six accidents were reported, including three subcontractors, with eleven business units and six home markets having no reportable accidents. The figures are significantly lower than the accident rate of an average week. The Lost Time Incident Rate (one or more than one day lost) for 2006 fell to 5.8 (6.8) per 1 million hours worked. Although the fatality rate was the lowest for five years, one Skanska and five subcontractor employees sadly lost their lives in work-related accidents. This compares with 13 the previous year. Skanska will redouble its efforts during the coming period to achieve its ultimate objective of zero workplace accidents.



A wide range of Eco Design tools are available throughout Skanska's Home Markets and Business Units. The number of projects undertaken during 2006 has risen for the fourth consecutive year.



The number of trained or accredited professionals available within Skanska has doubled in the past three years.

Skanska is working hard to become a world leader in construction and project development through a competent and responsible approach that minimizes environmental impact.

The high recycling rates achieved at Skanska Norway's Bodø projects are matched by many other Skanska business units. Educating employees and contractors on the importance of recycling, as well as encouraging waste stream segregation, not only reduces the environmental impact of a project, but helps improve commercial viability.

FTSE4Good

Awards and achievements

During 2006 Skanska's progress in sustainable development was recognized and rewarded by numerous independent organizations.

Skanska received the Swedish Road Administration environmental prize for Quiet Asphalt, which halves road noise. Accepting were (from the left) Rolf Lindström, Roger Nilsson and Lars Halldin.

For the second consecutive year, Skanska won the Colorado Contractors Association (CCA) Traveling Safety Award. From the left, CCA President John West and Skanska's Mark Hanson.

Throughout the year, Skanska's contribution to sustainable development and responsible construction continued to be recognized throughout the world. External verification of Skanska's contribution to environmental protection, health and safety acknowledges the contribution that employees, contractors and customers themselves make to projects. Among the many accreditations and awards received are the following:

- FTSE 4Good.
- Building Magazine – Sustainable Contractor of the Year, United Kingdom.
- The Green Apple Award – Coventry Hospital's Waste Management System.
- Royal Institute of Chartered Surveyors Regeneration Award for environmental protection and sustainable regeneration – Coventry Hospital.
- Via Bona Award – Cooperation with Partnerstvi Foundation in the Czech Republic.
- The Finnish Construction Industry's Award – Best Occupational Safety.
- Swedish Road Administration – Quiet Asphalt.
- Road Builders' Association, Virginia and Florida – for Safety Performance.
- Considerate Constructors Scheme – Gold and Silver Awards, United Kingdom.
- Colorado Contractors Association (CCA) – Best Overall Safety Performance.

SUSTAINABLE DEVELOPMENT

NEW HIGHWAY FOR BETTER SAFETY AND ENVIRONMENT

The Autopista Central is a 61 km (38 mi) long expressway traversing Santiago, capital of Chile. This toll highway is a public-private partnership (PPP) project, but has no toll booths. Payment and monitoring take place electronically. The cost of a journey is equivalent to the price of public transit.

The highway shortens travel time by up to 40 minutes, which also means less air pollution.

It also improves road safety. During its first year, accident statistics dropped by 48 percent. More than 150,000 school children have received basic road safety training. Fatal accidents involving children crossing the old highway were common, but due to this training – combined with surveillance, lighting, fences and 106 bridges along the route – no children have been killed on the new highway.

PPP solutions have enabled Chile to double its infrastructure investments and to free up public funds for other high-priority investments.

Sustainability in action

Large projects – major commitment

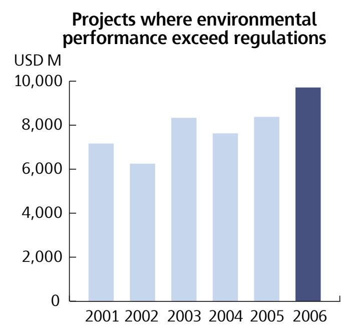
One of Skanska's largest European highways projects and Poland's biggest-ever investment in its road network is the construction of the 90 km (56 mi.) A1 highway between Gdansk and Nove Marzy. A project of this size calls for careful environmental planning, particularly with regard to protecting habitats and encouraging biodiversity. 78 animal crossings were incorporated into the design. Passing beneath the roadways and separated from the road by special fencing, 21 will provide safe passage for large animals such as deer and wild boar, while the remainder are being constructed to ensure that the gene pools of smaller mammals are maintained. Green areas have been incorporated around each crossing to suit the species' natural habitat. Elsewhere, over 30,000 sq. m (323,000 sq. ft.) of waterproof membrane is being laid and oil separators are being installed to ensure that rainwater runoff does not pollute neighboring land. Green design, which will mitigate the loss of trees in the path of the highway as well as providing noise insulation, involves the planting of 10,400 deciduous trees, 3,700 conifers, 155,600 sq. m (1,675,000 sq. ft.) of shrubs, 5,000 climbing plants and over 320 ha (825 acres) of grass.

Long-term public sector contracts of up to 30 years' duration, funded by private consortia, are becoming commonplace in many of the home markets in which Skanska operates. They provide local populations with schools, hospitals, and road infrastructures that are often badly needed, without placing undue burdens on the public purse. These projects need careful planning and a long-term commitment to deliver facilities that are fit for their purpose. There is also a wider social obligation attached to this type of undertaking. In the U.K., under the Private Finance Initiative (PFI), Skanska completed the largest hospital funded mainly in this manner at Coventry. At the heart of the GBP 334 M development, funded through a bond raised by Skanska Infrastructure Development and its partner Innisfree, is an award-winning corporate sustainability program. Stringent targets were set for energy efficiency, waste minimization and recycling, pollution prevention and local employment. Coventry Hospital has been designed to return an overall energy efficiency 28 percent better than average for existing hospitals and 11 percent ahead of the average best practice hospital development. Significant reductions in levels of waste materials were achieved by fabricating unitized panels off-site for the façade and external walls. Waste segregation, into eleven separate streams, was enhanced through the use of bar-coded bins, enabling type and amount of waste to be tracked against each contractor. Pollution due to haulage was minimized, along with local congestion, by baling compactable items, such as waste plastic, on site. In total, 60,000 cu.m of concrete was batched on site, thereby saving 8,000 truck movements.

Building for future generations takes Skanska beyond the role played by traditional construction companies. When the U.K. government announced the biggest investment in improving school buildings for half a century, Skanska was to be awarded the very first contract, for four schools in Bristol.

Planning ahead, to protect the future

One of four schools in the region that Skanska is responsible for constructing, Speedwell will be open for pupils in September 2007. During the design phase, over 3,000 students have attended workshops organized by Skanska. By involving the local community at an early stage, getting children and teachers to have a say in the way their school will be designed, built and used, Skanska is providing a real sense of ownership to all stakeholders, however young.

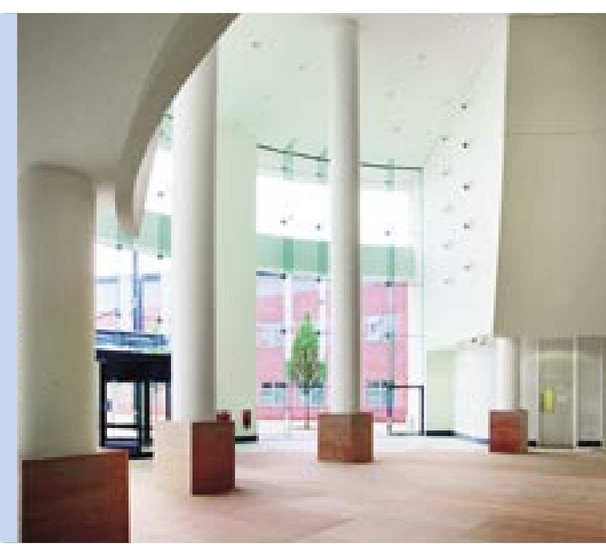


The total value of orders, greater than USD 1 million, incorporating environmental considerations beyond legal and regulatory requirements, has grown again in 2006.

The importance Skanska places on the improved design and use of buildings is one reason why the company continues to be involved in the World Business Council for Sustainable Development's Energy Efficiency in Buildings Initiative and the United Nations Environment Program's Sustainable Building and Construction Initiative.

World Business Council for Sustainable Development

Skanska's long-term commitment to society is demonstrated by its increased involvement in the funding and management of large public sector construction projects, including hospitals (shown here is Coventry in the U.K.), schools and major highway infrastructure.



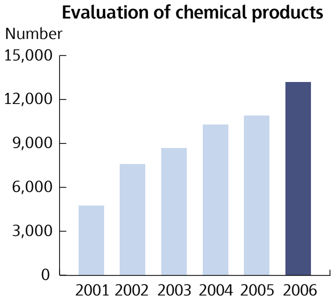
Zero tolerance to corruption

At the World Economic Forum in Davos, Switzerland in 2003, countering bribery and corruption was identified as a priority for the engineering and construction industries. Working with the WEF, Transparency International and the Basel Institute on Governance, Skanska was one of the 10 founder members of the task force that drew up the Engineering and Construction Business Principles. These subsequently formed the basis for the WEF's Partnering Against Corruption Initiative. Skanska has a zero tolerance approach to any form or bribery and corruption. If an incident occurs, it is dealt with rapidly, without regard to cost or commercial consequences, and full disclosure is made to the appropriate authorities.

Campaigning for the future

Many politicians and European companies regard the Registration, Evaluation, Authorisation and Restriction of Chemicals (REACH) Directive as the widest ranging piece of legislation ever proposed by the European Commission. It will have a significant impact on many industries, including construction. During the year, Skanska engaged with the Council of the European Union to encourage it to strengthen the proposed legislation. Campaigning with the European Union of National Associations of Water Suppliers and Waste Water Services (EUREAU), other consumer-focused multinationals and the International Chemical Secretariat (ChemSec), Skanska worked hard to promote the replacement of hazardous chemicals wherever safer alternatives exist. The company is also campaigning for improved transparency of information throughout the supply chain. Skanska's message is simple. Across the EU, our homes, commercial buildings, hospitals and schools typically stand for many decades. Minimizing risks to the public and our workforce through exposure to potentially harmful chemicals is therefore a key priority for Skanska.

Evaluation of chemical products



Assessing the environmental impact of chemicals used in construction is an important aspect of health and safety activities within all Skanska business units. Since 2001, over 13,000 different products have been evaluated.

Skanska is able to use its influence with suppliers to promote the protection of natural habitats and encourage the responsible use of raw materials. In 2006, Skanska alerted business units to the problems of illegal logging of Asian hardwoods and their subsequent conversion into plywood for the construction industry. By communicating widely on social, environmental and ethical issues with employees, suppliers and NGOs, Skanska hopes to improve the overall level of sustainability of the construction industry.

Skanska is supporting the international development of ISO 26000 Guidance on Social Responsibility – a process involving experts from more than 60 countries and 30 organizations – to be completed in 2009. A Skanska employee is vice chairing the initiative.

SUSTAINABLE DEVELOPMENT

INVOLVEMENT AND EDUCATION

During National Construction Week in October 2006, future students of the new Speedwell School being built by Skanska took part in numerous workshops. They learned about the principles of design and construction. Professional career advisors talked about the opportunities in the building industry. To date, over 3,500 students have been briefed on Skanska's Bristol Schools Project.

SUSTAINABLE DEVELOPMENT

RAPID ACTION TO DELIVER AID

Following the Indonesian earthquake in May 2006, Skanska committed funds to the combined relief efforts of the Disaster Resource Network and International Relief and Development. The program initially focused on the provision of temporary sanitation and water facilities for 15 schools that were damaged or destroyed. This was followed by more permanent restoration of the affected buildings. By the end of October, rehabilitation of more than half the schools was complete.

Report of the Directors

The Board of Directors and the President of Skanska AB hereby submit their report on the operations of both the Company and the Group in 2006.

Skanska's operations performed favorably during 2006. A strong construction and real estate climate characterized the operations in most of the Group's markets.

Residential Development operations showed improved earnings and higher sales volume. The Commercial Development business stream continued to deliver good earnings.

Construction operations improved their overall margins and earnings.

There is great interest in public-private partnership solutions in several of Skanska's home markets. One result was that several major orders related to the financing, design, construction and operation of hospital properties in the United Kingdom were signed in 2006.

The task of recruiting, evaluating, developing and retaining employees was in focus during the year. Efforts to increase diversity among the Group's employees continued.

Market

Market conditions in the Group's main markets were favorable.

In commercial building construction, the market for office construction remained favorable, especially in the Nordic countries. In these markets, retailing was also one of the stronger segments. In the American market, the healthcare and education sectors continued to show strength. Higher material prices, especially for metal-based products, had some restraining effect, especially in the U.S. market.

The Nordic as well as Central European civil construction markets performed favorably. U.S. civil construction showed strong growth, especially in the New York region. As in building construction operations, higher material prices had some adverse impact.

The level of residential construction remained high in the Nordic countries. In the Czech Republic, the housing market was strong but showed initial signs of oversupply.

Vacancy rates in modern properties in the Scandinavian and Central European office markets declined slowly. In Scandinavia as well as Central Europe, there was continued good demand from the investor market for properties with efficient space in the right locations and with high occupancy rates. The yield requirements of property investors continued to fall in all markets where Skanska carries out commercial development, which led to a very good market for divestments.

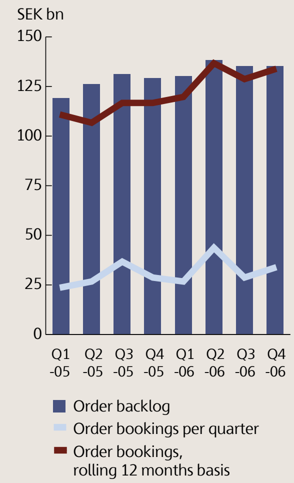
The volume of public-private partnership (PPP) projects in the U.K. was still large both in school and hospital projects. A decline in the number of major PPP hospital projects coming out in the market is expected. In Skanska's other European markets, the range of projects was more limited.

Order bookings and backlog

The Group's order bookings rose by 15 percent to SEK 134,392 M (117,097). Order bookings were not influenced by currency rate effects.

A large number of major contracts were signed during the year. In the Czech Republic, during the first quarter Skanska received two large highway assignments with a total contract amount of about SEK 2.4 billion.

Order bookings and backlog



In the U.K., during the same quarter Skanska was commissioned to construct an office building at PaddingtonCentral in London, a contract worth about SEK 1 billion. Later in the year, Skanska received an assignment to upgrade and renew portions of the British electricity transmission network. Skanska's share of the five-year contract totals about SEK 1.3 billion, of which about SEK 540 M was included in 2006 order bookings.

During the third quarter of 2006, Skanska Sweden was commissioned to build Entré Malmö, a new central shopping, entertainment and recreation mall in Malmö. The contract amounts to some SEK 800 M. Skanska Norway secured an assignment to construct a new office building for the Norwegian Tax Administration, with a contract value of about SEK 420 M. Skanska USA Civil received an assignment to expand a service and maintenance facility for trains in upstate New York. Skanska's share of the contract value totals about SEK 1.2 billion. The same business unit was awarded a contract to upgrade a water pollution control plant in Queens, New York for about SEK 1.4 billion.

During the fourth quarter, Skanska Sweden was commissioned to build a biotech plant in Strängnäs for the Pfizer pharmaceutical company. The contract amounts to approximately SEK 600 M.

Skanska Norway secured two contracts to upgrade the E18 highway to expressway standard at Sandefjord, for a total of about SEK 780 M. Skanska USA Building was engaged as the construction manager for a new research facility in California. Skanska's share of the contract totals about SEK 840 M.

Skanska received several major public-private partnership (privately financed infrastructure) orders. The largest of these was the 42-year contract signed for St. Bartholomew's and the Royal London Hospital, U.K., which also paved the way for the signing of a construction contract totaling SEK 13.6 billion. The construction assignment is the Group's largest ever. Skanska is investing about SEK 650 M, corresponding to a 37.5 percent holding in the project consortium company. The consortium is responsible for financing, design, construction and facilities management of the hospitals.

In Bristol, U.K., Skanska was awarded a project contract for a public-private partnership covering four schools. The Group will invest about SEK 65 M, equivalent to a 44 percent holding in the project company. The construction contract totals about SEK 1.6 billion, while the facilities management contract is worth about SEK 38 M per year for 25 years.

Order bookings and backlog

SEK M	Order bookings 2006	Order bookings 2005	Order backlog 2006	Order backlog 2005
Sweden	27,512	22,087	19,705	16,004
Norway	12,372	11,353	9,713	8,631
Denmark	3,745	3,902	2,013	2,172
Finland	9,626	9,082	7,009	5,879
Poland	5,663	7,625	5,848	7,143
Czech Republic	11,675	8,567	13,093	12,493
United Kingdom	23,699	13,815	31,793	17,412
USA Building	25,092	23,158	26,125	36,663
USA Civil	11,094	13,179	17,068	18,381
Latin America	3,647	3,080	2,739	3,138
Other	267	715	73	656
Total continuing operations	**134,392**	**116,563**	**135,179**	**128,572**
Discontinued operations		534		171
Total	**134,392**	**117,097**	**135,179**	**128,743**

The Group's order backlog amounted to SEK 135,179 M (128,743), an increase of 5 percent. The increase included negative currency rate effects of SEK 8,680 M, equivalent to 7 percent.

American (North and Latin America), Nordic and other European operations accounted for 34, 28 and 38 percent of order backlog, respectively.

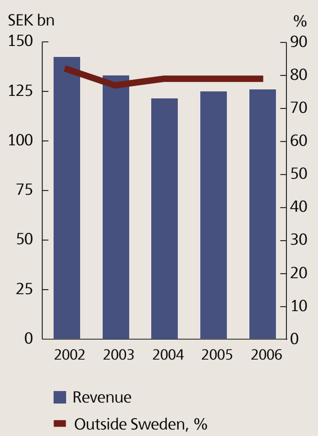
Of the Group's order backlog, an estimated 60 (63) percent will be completed during 2007.

Revenue

Revenue rose to SEK 125,603 M (124,667), up 1 percent. Of this increase, SEK 167 M consisted of positive currency rate effects.

SEK M	2006	2005
Revenue by business stream		
Construction	118,710	114,478
Residential Development	6,788	5,883
Commercial Development	3,425	5,075
Infrastructure Development	151	53
Central and eliminations	–3,471	–1,383
Continuing operations	**125,603**	**124,106**
Discontinued operations		561
Skanska Group	**125,603**	**124,667**

Revenue and percentage outside Sweden



Income

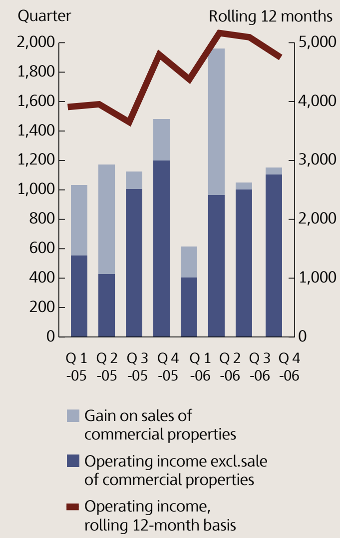
Gross income totaled SEK 11,383 M (11,265). This comprised income from operating activities, including capital gains from divestment of residential and commercial development properties.

Selling and administrative expenses increased to SEK 6,985 M (6,686) and were equivalent to 5.6 (5.4) percent of revenue. The increase was explained, among other things, by corporate-level activities to achieve greater synergies through streamlining of purchasing and other operations.

The loss from Group companies sold, SEK –63 M (15), refers to the loss on divestments of businesses in which the Group's holding exceeded 50 percent.

Skanska's income from its holdings in joint ventures and associated companies totaled SEK 364 M (237), most of which was attributable to its share of income from Infrastructure Development operations. Gains on divestments of Infrastructure Development projects were also included in this item.

Operating income, SEK M



Operating income

SEK M	2006	2005
Operating income		
Construction	3,336	2,860
Residential Development	852	625
Commercial Development	1,210	1,740
Infrastructure Development	–8	–9
Central	–514	–344
Eliminations	–114	–74
Continuing operations	**4,762**	**4,798**
Discontinued operations		202
Operating income	**4,762**	**5,000**
Net interest items	299	171
Change in market value	–118	19
Other financial items	42	–70
Net financial items	**223**	**120**
Income after net financial items	**4,985**	**5,120**
Taxes	–1,330	–1,230
Profit for the year	**3,655**	**3,890**
Profit for the year attributable to		
Equity holders (shareholders)	3,635	3,879
Minority interest	20	11
Earnings per share for the year, SEK	8.68	9.27

Operating income amounted to SEK 4,762 M (5,000). Negative currency rate effects accounted for SEK 2 M.

Construction

The Construction business stream reported an operating income of SEK 3,336 M (2,860).

The operating margin rose to 2.8 (2.5) percent, and margin improvements were noted in several markets. Skanska's Swedish, Norwegian and Polish operations continued to show very good earnings, and earnings also improved in the U.K., in Latin America and in American operations. Earnings at Skanska USA Civil included a positive effect of about SEK 90 M due to a transition to defined-contribution pension plans. The earnings of the California-based portion of Skanska USA Civil increased as planned, and the unit showed a small profit for the full year. However, Construction operations in the Czech Republic and Finland showed somewhat poorer margins.

Czech operations took a charge of SEK 67 M for an order to pay a fine and recognized an impairment loss of SEK 68 M on a property that is leased to an external party.

In Denmark, operating income included project impairment losses and restructuring expenses totaling about SEK 395 M. A supplementary review of the Danish operations was undertaken, and the business was reorganized in order to improve profitability. In this context, Skanska is ceasing to accept new commercial building assignments for external customers in Denmark, but construction for Skanska's residential and commercial development businesses as well as civil construction operations will continue.

Residential Development

The business stream increased its operating income by 36 percent to SEK 852 M (625). The operating margin rose to 12.6 (10.6) percent.

The strong housing market in the Group's main markets in the Nordic countries continued, and all units showed improved operating income. In the Czech Republic, the residential market is showing good demand, but due to greater supply it is taking longer to conclude sales agreements. This resulted in somewhat lower operating income for Czech residential operations. Starting in 2006, Skanska resumed residential development in Denmark, which showed positive earnings for the year.

Commercial Development

Commercial Development reported an operating income of SEK 1,210 M (1,740). The lower earnings are explained by lower divestments of commercial projects as well as lower operating net, the latter as a consequence of Skanska's reduced property portfolio compared to prior years.

Of operating income, SEK 1,300 M was related to divestments of fully developed properties, with a total sale price of about SEK 3 billion. Property divestments occurred at prices averaging 25 percent above the fair values assigned at the end of 2005.

A number of large property divestments were carried out, including the sale during the second quarter of a portfolio of five properties, one of them in Malmö and four in the Stockholm region. The sale price totaled SEK 750 M, with a gain of more than SEK 500 M. During the same quarter, Skanska sold a property in Stockholm for SEK 480 M, with a gain in excess of SEK 200 M.

Infrastructure Development

Operating income amounted to SEK –8 M (–9). During 2006, Skanska divested eight percentage points of its holding in Maputo Port, Mozambique, its entire 20 percent holding in Bridgend Prison, United Kingdom, and its entire 33 percent holding in Kings College Hospital, with an overall gain of SEK 125 M in the Group financial statements.

Central

Costs reported under "Central" rose from SEK 345 M to SEK 514 M. This item included the cost of Group headquarters, earnings of a number of central companies as well as central provisions. This also included the International unit, with a number of businesses that are being phased out or shut down, among them Skanska's Russian operations.

Eliminations of intra-Group profits

Elimination of intra-Group profits amounted to SEK –114 M (–73). This included net eliminations of intra-Group profits related to Infrastructure Development projects in the amount of SEK –100 M, net eliminations related to Commercial Development in the amount of SEK –18 M and other items totaling SEK 4 M.

SEK M	Infrastructure Development	Commercial Development	Other	Total
New intra-Group profits	–123	–58		–181
Reversals	16		4	20
Projects and properties divested	7	40		47
Total	**–100**	**–18**	**4**	**–114**

Income after financial items

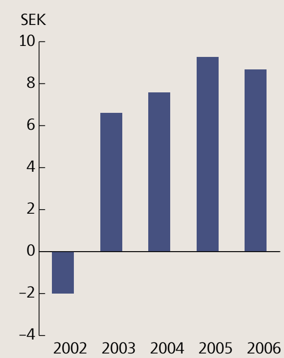
Net financial items totaled SEK 223 M (120). As a consequence of rising interest rates and higher average financial investment volume than the preceding year, interest income improved from SEK 308 M to SEK 406 M. Interest expenses shrank to SEK –107 M (–137), which was explained among other things by lower average borrowings during the year. During 2006, interest expenditures of SEK 34 M (39) were capitalized, mainly in ongoing projects for Skanska's own account. The change in the fair value of financial instruments amounted to SEK –118 M (19), which was mainly related to negative interest rate differences in currency hedging of investments in Infrastructure Development in Latin America as well as Skanska's 50 percent currency hedging of equity denominated in American dollars. Other financial items amounted to SEK 42 M (–70) and were related, among other things, to currency rate effects plus various financial fees.

Profit for the year

After subtracting the year's tax expenses of SEK –1,330 M (–1,230), profit for the year attributable to equity holders amounted to SEK 3,635 M (3,879). The effective tax rate was 27 (24) percent.

The year's tax rate was again comparatively low, which is explained by a favorable mix of countries from a tax standpoint and a low tax burden on property divestments in the form of companies. Earnings per share amounted to SEK 8.68 (9.27).

Earnings per share



Residential Development, Commercial Development and other commercial properties

Residential Development

At year-end, there were 6,487 (4,485) residential units under construction. Of these, 81 (79) percent were pre-sold. The number of completed unsold residential units totaled 119 (142). During the year, construction started on 4,715 (3,842) units. In the Nordic countries, the number of residential units started was 4,234 (3,609), while in other markets they totaled 481 (233). The number of residential units sold was 4,486 (4,297). In the Nordic countries, the number of units sold totaled 3,862 (3,856), while sales of residential units in other markets rose to 624 (441).

The carrying amount of current-asset properties in Residential Development totaled SEK 5.3 billion (3.3). Of this, undeveloped land and development properties totaled SEK 4.3 billion (2.4). This was equivalent to building rights for about 19,100 residential units. There were also about 2,500 building rights in associated companies. In addition, Skanska has options to acquire a further 9,100 building rights under certain circumstances.

Breakdown of carrying amount, current-asset properties, December 31, 2006

SEK M	Residential Development	Commercial Development	Construction	Total
Completed projects	194	2,525	99	2,818
Ongoing projects	810	1,226	54	2,090
Land bank	4,284	1,832	803	6,919
Total	**5,288**	**5,583**	**956**	**11,827**

Commercial Development

SEK M	Carrying amount, end of period	Carrying amount upon completion	Market value, Dec 31, 2006	Occupancy rate, %
Completed properties	2,525	2,525	3,505	70
Projects completed in 2006	405	405	565	76
Ongoing property projects	821	2,774	3,588	49
Subtotal	**3,751**	**5,704**	**7,658**	
Land bank	1,832	1,832		
Total	**5,583**	**7,536**		

Commercial Development

At year-end 2006, Commercial Development had 11 projects underway, nine of them in the Nordic countries. Ongoing projects represented leasable space of about 154,000 sq. m (1,658,000 sq. ft.) and were 49 percent pre-leased, measured in rent. In addition to these projects, during the year six projects with leasable space totaling 26,000 sq. m (280,000 sq. ft.) had been sold by completion. At year-end, the carrying amount for ongoing projects was SEK 0.8 billion (0.4). Their carrying amount upon completion is expected to total SEK 2.8 billion, with an estimated market value of SEK 3.6 billion. The degree of completion in ongoing projects was about 30 percent.

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

The carrying amount of Skanska's portfolio of completed properties amounted to SEK 2.5 billion (3.2), with an estimated market value of about SEK 3.5 billion (4.6). The estimate of market value was partially made in collaboration with external appraisers. The occupancy rate, measured in rent, amounted to 70 percent.

Including properties that were recognized as completed on January 1, 2007, estimated total market value amounted to some SEK 4.1 billion (4.8), with a corresponding carrying amount of SEK 2.9 billion (3.4). The market value of completed properties rose by about SEK 200 M during 2006, equivalent to 6 percent.

The carrying amount of Skanska's undeveloped land and development properties (building rights) for commercial construction totaled about SEK 1.8 billion (2.0).

Accumulated eliminations of internal project gains amounted to SEK 117 M (99) at year-end. These eliminations are reversed as each respective project is divested.

Other commercial properties

"Other commercial properties" are part of the Construction business stream. Their carrying amount was SEK 956 M (1,356), and the gain on property divestments amounted to SEK 99 M (246).

Infrastructure Development

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

Infrastructure Development is part owner of 16 projects, of which 11 are in operation. At year-end 2006, the carrying amount of shares, participations, concessions and subordinated receivables in the business stream totaled about SEK 2.4 billion (2.4).

Remaining investment obligations related to ongoing Infrastructure Development projects nominally amounted to about SEK 0.9 billion (0.5), with a present value of about SEK 0.6 billion (0.4). The divestments made during the year resulted in total gains of SEK 125 M. The divestments were made at prices averaging 35 percent above the market values assigned at year-end 2005. The appraisal carried out at year-end 2006 encompassed an update of the financial models and of the yield requirements applied. The assessment of market values was partially made in collaboration with an external appraiser.

The Autopista Central highway in Chile, which is the largest project in terms of value, was examined in greater detail. The present value of the estimated cash flows from the project amounted to SEK 6.3 billion (5.2) at the time of the appraisal. After subtracting the present value of the remaining investments as well as the carrying amount of investments, Skanska's unrealized development gain amounted to about SEK 3.7 billion (2.7). The amount also included accumulated intra-Group eliminations in projects in the amount of SEK 0.4 billion (0.3). These eliminations are reversed over the remaining contractual period for each respective project, or as the project is divested. The weighted average discount rate used in the appraisal amounted to 11.7 (13.7) percent.

Investments

The Group's investments during the year totaled SEK –9,802 M (–6,986), while divestments totaled SEK 8,656 M (10,630). Net investment for the year thus amounted to SEK –1,146 M (3,644).

Investments/Divestments

SEK M	2006	2005
OPERATIONS – INVESTMENTS		
Intangible assets	–38	–46
Property, plant and equipment	–1,728	–1,455
Assets in Infrastructure Development	–286	–476
Shares	–3	–3
Current-asset properties	–7,064	–4,956
of which Residential Development	–5,153	–3,181
of which Commercial Development	–1,639	–1,135
of which other commercial properties	–272	–640
Investments	**–9,119**	**–6,936**
OPERATIONS – DIVESTMENTS		
Intangible assets	2	4
Property, plant and equipment	496	613
Assets in Infrastructure Development	192	35
Shares	4	1
Current-asset properties	7,811	9,400
of which Residential Development	4,455	4,150
of which Commercial Development	2,966	4,430
of which other commercial properties	390	820
Divestments	**8,505**	**10,053**
Net divestments in operations	**–614**	**3,117**

SEK M	2006	2005
Strategic investments		
Acquisitions of businesses	–683	–50
Shares	0	0
Strategic investments	**–683**	**–50**
Strategic divestments		
Divestments of businesses	140	537
Shares	11	41
Strategic divestments	**151**	**578**
Net strategic divestments	**–532**	**528**
Total divestments	**–1,146**	**3,645**
Depreciation/amortization, non-current assets	–1,147	–1,073

Investments in property, plant and equipment, which were related to continuous replacement investment in operations, increased to SEK –1,728 M (–1,455).

Investments in the form of equity as well as subordinated loans in the Infrastructure Development business stream amounted to SEK –286 M (–476). The present value of the remaining investment obligations related to ongoing projects totaled about SEK 0.6 billion.

In Residential Development, net investments in current-asset properties totaled SEK -698 M. Fully developed residential projects were sold for SEK 4,455 M, while investments amounted to SEK -5,153 M. Investment volume increased sharply compared to the preceding year, and divestment volume increased somewhat.

Commercial Development carried out net divestments of SEK 1,327 M. Investments amounted to SEK –1,639 M (–1,135) and divestments were SEK 2,966 M (4,430). Divestment volume decreased sharply, while investment volume rose somewhat.

Companies were acquired at a cost of SEK -683 M, and companies and shares were divested in the amount of SEK 151 M. Net strategic investments thus totaled SEK –532 M.

The most significant acquisition during the year was McNicholas Holding PLC, a British company that services power, gas and water utility distribution networks. McNicholas operates mainly in London and southeastern England and has about 1,300 employees. The company's 2006 revenue was about SEK 2.3 billion, with an operating income of SEK 96 M. The purchase price was SEK 681 M. The company was acquired as of December 31, 2006 and is not included at all in the Group's 2006 revenue and earnings.

During the third quarter, the Group sold the operations of the Swedish company TMM Trädgård & Markmiljö AB. The sale yielded a capital gain of about SEK 62 M. The company specializes in garden and landscape contracting and construction. It has about 120 employees and annual sales of about SEK 160 M.

During 2006 Skanska closed down most of its Russian operations.

The Group's operating cash flow

Cash flow for the year amounted to SEK –2,343 M (3,638).

Cash flow from business operations fell from SEK 5,354 M to SEK 2,326 M, which was a decrease of SEK 3,028 M. The decrease is entirely explained by large net investments in operations.

Increased net investments in land for Residential Development operations and a lower divestment volume of projects and completed properties, plus increased investment in ongoing Commercial Development projects, contributed to the decrease. The Construction business stream had a positive cash flow effect of about SEK 1 billion due to the financial close of the St. Bartholomew's and The Royal London Hospital project. Net investments in property, plant and equipment rose, mainly related to continuous replacement investments in operations.

In the Infrastructure Development business stream, too, investments in the form of equity and subordinated loans exceeded cash flow from operating activities and from divestments made during 2006.

Taxes paid in operating activities fell from SEK –1,475 M to SEK –1,040 M. During 2005, among other things Skanska made a supplementary tax payment of SEK 600 M related to reversals of tax allocation reserves.

The change in interest-bearing receivables and liabilities from SEK –484 M to SEK –1,488 is explained by a settlement of interest-bearing liabilities and provisions as well as by an increase in interest-bearing receivables, attributable among other things to an increase in interest-bearing financial investments. The negative cash flow from net strategic investments was mainly attributable to the acquisition of the British company McNicholas.

Cash flow for the year, SEK –2,343 M, together with translation differences of SEK –365 M, reduced cash and cash equivalents to SEK 10,970 M (13,678).

The Group's operating cash flow

SEK M	2006	2005
Cash flow from business operations before change in working capital	3,482	3,313
Change in working capital	90	456
Net investments in the business	–614	3,117
Adjustments in payment dates of net investments	408	–57
Taxes paid in business operations	–1,040	–1,475
Cash flow from business operations	**2,326**	**5,354**
Net interest items and other financial items	90	–120
Taxes paid in financing activities	–27	36
Cash flow from financing activities	**63**	**–84**
Cash flow from operations	**2,389**	**5,270**
Net strategic investments	–532	528
Taxes paid on strategic divestments	0	–1
Cash flow from strategic investments	**–532**	**527**
Dividend etc.	–2,712	–1,675
Cash flow before change in interest-bearing receivables and liabilities	**–855**	**4,122**
Changes in interest-bearing receivables and liabilities	–1,488	–484
Cash flow for the year	**–2,343**	**3,638**
Cash and cash equivalents, January 1	13,678	8,868
Reclassifications in cash and cash equivalents	0	751
Exchange rate differences in cash and cash equivalents	–365	421
Cash and cash equivalents, December 31	**10,970**	**13,678**

Financing and liquidity

At year-end 2006, the Group had interest-bearing net receivables amounting to SEK 10,377 M (11,111). Net interest items, excluding capitalized interest, amounted to SEK 299 (171). The change is mainly attributable to higher market interest rates.

Interest-bearing assets decreased to SEK 15,441 M (16,975). Of these, receivables in foreign currencies accounted for 61 (61) percent. The average interest refixing period for all of the Group's interest-bearing assets was 0.2 (0.1) year, and the interest rate averaged 3.26 (2.42) percent.

Change in interest-bearing assets and liabilities

SEK M	2006	2005
Net receivables (+) /Net debt (–), January 1	**11,111**	**7,229**
Cash flow from business operations	2,326	5,354
Cash flow from financing activities excluding changes in interest-bearing liabilities and receivables	63	–84
Cash flow from strategic investments	–532	527
Dividend etc.	–2,712	–1,675
Acquired/divested interest-bearing liabilities	22	219
Exchange rate differences	–237	120
Change in pension liability	651	–1,471
Reclassifications[1]	–252	992
Other changes	–63	–100
Net receivables (+) /Net debt (–), December 31	**10,377**	**11,111**

1 This amount included SEK –133 M due to reclassification to a finance lease of vehicles in Sweden and SEK –90 M due to discounting of debt to sellers upon the purchase of properties. In 2005, reclassifications include SEK +764 M in uncashed checks, SEK –194 M in subordinated loans in Infrastructure Development and SEK +466 M in receivables from purchasers of properties.

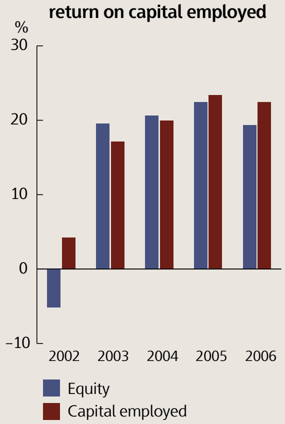
The Group's interest-bearing liabilities and provisions decreased to SEK 5,064 M (5,864). The average interest refixing period for all interest-bearing liabilities, excluding pension liability, was 0.9 (1.0) years, and the average maturity amounted to 2.4 (2.7) years.

The average interest rate for all Group interest-bearing liabilities, excluding pension liability, amounted to 4.00 (4.38) percent at year-end. The proportion of loans in foreign currencies, after taking derivatives into account, decreased to 21 (31) percent.

At year-end, the Group's unutilized credit facilities amounted to SEK 6,276 M (6,071).

Financial risks are described in Note 6.

Return on equity and return on capital employed



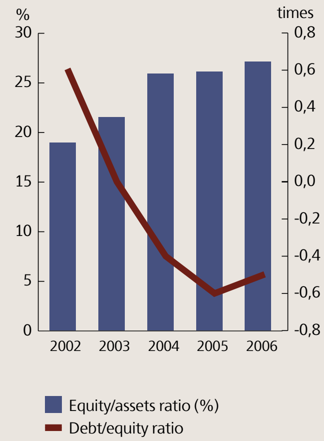
Return on equity

At the end of 2006, the Group's equity amounted to SEK 19,190 M (18,454). Return on equity decreased to 19.3 (22.4) percent.

Aside from profit for the year, the change in equity is explained in part by disbursement of a dividend to the shareholders of SEK 2,721 M as well as the positive impact of actuarial gains and losses from the recognition of pensions in compliance with IAS 19, totaling SEK 501 M, and negative currency translation differences of SEK –679 M.

Return on capital employed amounted to 22.5 (23.3) percent.

Equity/assets ratio and debt/equity ratio



Equity/assets and debt/equity ratio

The equity/assets ratio rose to 27.1 (26.1) percent. The net debt/equity ratio was –0.5 (–0.6).

Principal risks and uncertainties

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

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

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.

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 risks."

Ongoing litigation

Since September 2006, the main hearings have been underway at Stockholm City Court in a suit filed by the Swedish Competition Authority against a number of companies in the asphalt and civil construction business, among them Skanska, concerning alleged collusive anti-competitive practices. The Competition Authority has requested total fines of SEK 1.2 billion, of which Skanska's share is SEK 557 M. Skanska denies the Competition Authority's allegations. The case is unusually extensive, and there is great uncertainty about the outcome of the suit. A ruling will be issued on May 31, 2007.

Skanska and another company suspected of having participated in cartel activities in Sweden have been sued by a number of Swedish municipalities, which 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 accordance with the Group's accounting principles, no provisions have been made for the above litigation.

In Finland, the main hearings at the Market Court concerning alleged anti-competitive activities in the asphalt and civil construction sector were concluded in December 2006. A ruling is expected to be issued during the first half of 2007. The amount of infringement fines requested totals about SEK 100 M for Skanska's part. Skanska denies the alleged infringement. The outcome of the legal action in Finland is characterized by great uncertainty.

In October 2006, Slovakia's competition authority decided to fine six companies that had participated in tendering for a road project, where Skanska was part of a joint venture led by a local

Slovakian company. The fine in Skanska's case is SEK 67 M and has been charged to 2006 earnings. Skanska denies the authority's allegations and has requested that the decision be reviewed by a court of law.

Changes in the Board of Directors and Senior Executive Team

At the Annual Shareholders' Meeting in March 2006, Board members Sören Gyll and Arne Mårtensson resigned. Curt Källströmer and Lars Pettersson were elected as new Board members. Among the Board members appointed by employee organizations, Nils-Erik Pettersson resigned on December 11, 2006 and was replaced on January 1, 2007 by Alf Svensson.

In the Senior Executive Team, Executive Vice President Johan Bergman left the Company in June 2006. Claes Larsson was appointed as a new Executive Vice President in August 2006. In September 2006, Tor Krusell was appointed an Executive Vice President, while retaining his responsibilities as Senior Vice President, Human Resources.

The work of the Board of Directors

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 certain procedures established by the Board. The procedures are aimed at ensuring that the Board receives relevant information in preparation for all Board meetings. All information is formulated in the English language.

The Board of Directors consists of nine members elected by the Annual Shareholders' Meeting plus three members and three deputies for these, appointed by the employees. Of the members elected by the Annual Meeting, more than half are independent in relation to the Company and at least two are also independent of the Company's major shareholders.

During the year the Board held nine meetings, including its statutory meeting directly after the Annual Meeting. At its September 2006 meeting, the Board visited Skanska Norway and received information about Skanska's operations in Norway. The Board also discussed residential development operations in the Nordic countries. In conjunction with the meeting, the Board made two work site visits. Among the more important issues that the Board dealt with during 2006 were Group strategy, internal control, governance of the Group's operations, risk management and health and safety.

The Board has 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

The focus of research and development work at Skanska is to link together knowledge-bearers at business units or external specialists with Skanska's project organizations. The networks that have been established are a tool for discussing and organizing important activities in such sub-areas as:

- Exchanges of experience in underground construction
- Development of risk assessment and management systems
- Avoidance of moisture problems in buildings
- Improved energy performance for buildings
- Cooperation between research and development activities

Beyond more general efforts in the above areas, specific technical support has also been established in the Group for "high risk structures," with technological experts performing an extra analysis aimed at avoiding serious incidents that may result in personal injuries and may also harm the Group financially or jeopardize the Skanska brand.

Academic contact points are developed in cooperation with universities in a variety of research and development projects.

Development efforts have also focused on disseminating experience from operations via Skanska's intranet in order to meet the varying needs existing in the Group. Skanska Projects is a compilation of the Group's major projects at a global level, with a database of more than 7,000 projects that is used, above all, for reference purposes in business contacts but is capable of sorting projects by specific criteria such as environmental performance. Skanska Best Practice is an experience bank under development, which will not only involve technology fields but also experience from the contract and management field.

Skanska expanded its investments in development projects. Some examples are "Tyst Asfalt" (Quiet Asphalt), which also received the Swedish Road Administration's 2006 environmental prize, and "Lyftet" (The Lift), an entirely new residential construction technique in which buildings are lifted in place step by step after completion of the frame.

Research projects are pursued in cooperation with universities, and projects are performed or headed by Skanska employees with graduate-level research training. The field of activities is broad, with an emphasis on seeking practical applications from various scientific disciplines.

Development efforts usually occur in Skanska's major projects. Development in smaller projects is administered by each respective business unit or, in the case of more general problems, in Groupwide development efforts where the affected business units participate, often with backing from external networks. To an increasing extent, Skanska's investments are secured through patenting, especially in the Nordic countries.

Sustainable development

Sustainable development is of ever greater importance to Skanska and to the markets where Skanska operates. Such issues as ethical conduct, job safety, recycling, climate change, energy efficiency and diversity among employees will also continue to require proactive measures. Skanska is thus participating in the task of devising the new international standard for social responsibility, ISO26000. During 2006 a person from Skanska AB also co-chaired the international working group that is in charge of devising this new standard.

The occupational health and safety of all Skanska employees and subcontractors are high-priority issues. A Safety Performance Network of leading safety experts was established for the entire Skanska Group in order to speed up the exchange of information on best practices. Together the participants devised a common method for reporting, investigating and exchanging information on fatal accidents. They also developed a common method for reporting safety data to facilitate comparisons between business units and enable easier identification and dissemination of information on best practices. Skanska's Safety Week took place in October. During that week, there were six incidents leading to absences from work due to illness, equally distributed between Skanska employees and subcontractors. Eleven business units and six home markets managed to go one whole week without any incident leading to absences due to illness, and the frequency of such incidents was substantially lower than during a normal week. During 2006, the total frequency of accidents and incidents leading to more than one day's absence due to illness fell to 5.8 (6.8) per million hours worked, and the number of job-related fatalities decreased to six (13).

The overall frequency of absences from work due to job-related accidents decreased by about 10 percent compared to 2005.

As a consequence of two violations of the business ethics section of the Skanska Code of Conduct, a thorough investigation was carried out to assess how well the Group's business units have implemented the Code. With the help of a team consisting of trained employees from six business units, a six-month long investigation was conducted. Its findings indicate that most business units have adequate systems for effectively dealing with business ethics issues but that a small number of units need to make certain improvements in order to implement the Code better.

Skanska is also continuing its efforts on behalf of responsible environmental management, with zero environmental incidents as its target. During the year, 99 percent of Skanska employees and 99 percent of net sales were covered by ISO 14001-certified systems. In order to build further on the current results, improve exchanges of information about best practices and improve Skanska's overall strategy, the Group established an Environmental Performance Network during 2006. EPN, which consists of leading environmental experts, met twice during 2006. All business units were again ISO 14001-certified in 2006, and with the exception of one subunit of a business unit, outside auditors found no major non-conformities. A total of 167 (191) environmental management audits were performed by external certification organizations. In addition to these, 1,177 (1,146) internal audits took place.

The number of construction projects with externally certified environmental assessment tools, for example LEED (United States) and BREEAM (United Kingdom), increased to 124 (115) and the number of employees accredited to handle these environmental assessment tools rose to 50 (37). This was partly in response to increasing customer demand for such projects.

As one element of reducing energy consumption and the climate change risks attributable to buildings, during 2006 Skanska again participated in two international projects – the United Nations Sustainable Building & Construction Initiative (SBCI) and the Energy Efficiency in Buildings (EEB) project headed by the World Business Council for Sustainable Development.

Personnel

The average number of employees during 2006 was 56,085 (53,806), including 10,631 (10,706) in Sweden.

During the year, the task of recruiting, developing and retaining employees remained a top priority in the Group. This was also the main theme of the big yearly meeting of Skanska managers (held in 2006 in New York with more than 600 participants). During 2004 and 2005, the Group introduced procedures for evaluating and professionally developing Skanska managers at different levels in a better, more structured way. During 2006, efforts continued to introduce these procedures to an ever-larger proportion of Group operations. In the prevailing strong market in the construction industry, one major challenge is retaining capable employees, especially at the construction and project manager level. A special program has been initiated for this category of employees, aimed at better reflecting their importance to operations and with the goal of both providing them with opportunities for professional development and stimulating them to continue their employment at Skanska. Efforts to achieve greater diversity among our employees continued. This included the publication of Groupwide recommendations aimed at broadening the recruitment base in terms of ethnic and educational backgrounds, as well as achieving a more even gender balance among Group employees. The proportion of women in management positions rose during the year to 11 (7) percent, but it is still low.

Employee stock options

The 2001-2006 employee stock option program ended on March 31, 2006. The program, in which 24 senior executives participated, included 1,844,000 options on the closing date with an exercise price of SEK 128. The options were synthetic and settlement occurred in cash. The options had been provided free of charge and could only be exercised on the condition that the person was still employed at Skanska on the exercise date or had retired with a pension. Those who received stock options could not transfer them to others. The exercise price amounted to SEK 133.9, which resulted in an outcome of about SEK 10.8 M excluding social insurance contributions. The option program had no dilution effect.

The obligations that the option program generated when the market price of a Skanska Series B share exceeded the exercise price were hedged, using equity swaps related to shares in Skanska AB. The difference between the market price and the initial price of the swap agreement is recognized as a financial item. The swap agreement had an overall positive effect of about SEK 118 M on income after financial items, of which SEK 26 M was related to 2006.

Long-term share incentive program

The Skanska Share Award Plan applies during 2005–2007, with disbursements in 2009–2011, and covers about 300 managers. This is Skanska's only Groupwide long-term incentive program.

Aside from financial targets, the Plan includes targets for health and safety, environmental impact, business ethics, fewer loss-making projects and management development. The Plan may provide a maximum 30 percent addition to fixed annual salary. The maximum cost for the Plan is about SEK 120 M per year. In all, share awards equivalent to a maximum of 3,900,000 Series B shares may be granted to employees under the Plan. An additional 600,000 B shares are intended to cover social insurance contributions and the like. The Plan will lead to a maximum dilution of capital stock by about 1.1 percent over three years.

A reconciliation of how financial and qualitative targets were met in 2005 led to an average outcome of about 15 percent in addition to fixed salary for those managers included in the Plan. On the grant date in April 2006, the total cost excluding social insurance contributions amounted to SEK 48.4 M, allocated over four years, equivalent to 374,140 shares. Including compensation for the dividend, their value totaled SEK 52.9 M.

For 2006, the Plan will result in a preliminary outcome of about 18 percent in addition to fixed salary for those covered by the Plan. The cost of the distribution will amount to about SEK 60 M, excluding social insurance contributions, allocated over four years.

The cost during 2006 recognized in compliance with IFRS 2 related to the 2005 and 2006 outcomes amounted to SEK 27 M excluding social insurance contributions. The distribution for 2006 will be determined and finally approved in April 2007. To receive shares, a person is required to be employed for three years after the end of the measurement period.

The dilution effect during 2006 is estimated at 274,398 shares or 0.07 percent of the number of shares outstanding. The maximum dilution for the 2005 and 2006 outcomes at the end of the vesting period in 2010 will total 844,131 shares or 0.20 percent.

To ensure the delivery of Series B shares to employees under the Plan, during the year 4,500,000 Series D shares were issued and were then immediately bought back by the Company. At the end of each respective vesting period, these Series D shares will be converted into Series B shares and delivered free of charge to those covered by the Plan.

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

Annual Shareholders' Meeting

The Annual Meeting will be held at 4:00 p.m. on April 3, 2007 at the Rival Hotel, Mariatorget, Stockholm, Sweden.

Proposed dividend

The Board of Directors proposes a regular dividend of SEK 4.75 (4.50) per share and an extra dividend of SEK 3.50 (2.00) per share for the 2006 financial year, totaling SEK 8.25 (6.50) per share, equivalent to a total dividend payout of SEK 3,453 M (2,721).

The Board's reasons for the 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 business cycle does not deviate from what otherwise occurs in its industry.

The equity/assets ratio of the Group amounts to 27.1 (26.1) 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. Future profits are expected to cover growth in operations as well as growth in the regular dividend.

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 2,207 M (1,024). The average number of employees was 69 (59).

Market outlook

Construction

The outlook for building construction is positive in Skanska's main markets, especially in the Nordic markets. In these markets, retailing remains one of the stronger sectors.

The trend in the Nordic as well as the Central European civil construction markets remains positive, with expectations of a strong 2007. The outlook for U.S. civil construction remains positive.

Both building and civil construction are being affected by human resource shortages.

Residential Development

In Sweden, residential construction is increasing and in Finland and in Norway volume remains at a high level. The Danish market is showing clear signs of oversupply. In the Czech Republic, the housing market is showing good demand, but due to greater supply it is taking longer to conclude sales agreements.

Commercial Development

Vacancy rates in modern properties in the Scandinavian and Central European office markets are declining. As a consequence of gradually increasing project activity, investments are growing. In Scandinavia as well as Central Europe, there is continued good demand from the investor market for properties with efficient space in the right locations and with high occupancy rates. The yield requirements of property investors have continued to fall in all markets where Skanska carries out commercial development, leading to a very good market for divestments.

Infrastructure Development

The volume of U.K. public-private partnership (PPP) projects is still large, and in the school sector the market is growing. In Skanska's other European markets, the supply of projects is more limited. The new Swedish government has indicated a positive attitude toward PPP projects, which might mean that opportunities will also open in this market in the medium term. The number of PPP projects coming out in the U.S. market is increasing, but the lead times are lengthy.

Events after the end of the financial year

In January 2007, Skanska USA Building was awarded a contract to build the Meadowlands NFL Football Stadium in New Jersey. The order is worth about SEK 7.4 billion, which is Skanska's largest U.S. order ever. The stadium will be an open-air arena with seats for 82,000 spectators and 217 luxury suite boxes, comprising 175,000 sq. m (1.88 million sq. ft.). Specially built for American football, the arena will also be used for concerts and other sports and entertainment activities.

Consolidated income statement

SEK M	Note	Continuing operations 2006	Continuing operations 2005	Discontinued operations 2006	Discontinued operations 2005	Group total 2006	Group total 2005
Revenue	8, 9	125,603	124,106		561	125,603	124,667
Cost of sales	9	–114,220	–112,952		–450	–114,220	–113,402
Gross income		**11,383**	**11,154**	**0**	**111**	**11,383**	**11,265**
Selling and administrative expenses	11	–6,985	–6,593		–93	–6,985	–6,686
Income from disposal of discontinued operations	5				184		184
Income from joint ventures and associated companies	20	364	237		0	364	237
Operating income	10, 12, 13, 22, 36, 38, 40	**4,762**	**4,798**	**0**	**202**	**4,762**	**5,000**
Financial income		466	323		7	466	330
Financial expenses		–244	–178		-32	–244	–210
Income from associated companies		1	0		0	1	0
Net financial items	14	**223**	**145**	**0**	**–25**	**223**	**120**
Income after financial items	15	**4,985**	**4,943**	**0**	**177**	**4,985**	**5,120**
Taxes	16	–1,330	–1,240		10	–1,330	–1,230
Profit for the year		**3,655**	**3,703**	**0**	**187**	**3,655**	**3,890**
Profit for the year attributable to							
Equity holders		3,635	3,692		187	3,635	3,879
Minority interest		20	11		0	20	11
Earnings per share, SEK	26, 44						
before dilution		8.68	8.82	0.00	0.45	8.68	9.27
after dilution		8.68	8.82	0.00	0.45	8.68	9.27
Average number of shares	44, 55						
before dilution						418,553,072	418,553,072
after dilution						418,827,470	418,561,923
Proposed regular dividend per share, SEK						**4.75**	**4.50**
Proposed extra dividend per share, SEK						**3.50**	**2.00**

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

Consolidated balance sheet

SEK M	Note	2006	2005
ASSETS			
Non-current assets			
Property, plant and equipment	17, 40	5,457	5,243
Goodwill	18	4,490	4,154
Other intangible assets	19	740	644
Investments in joint ventures and associated companies	20	1,894	1,834
Financial non-current assets	21	1,500	1,236
Deferred tax assets	16	1,976	2,282
Total non-current assets		**16,057**	**15,393**
Current assets			
Current-asset properties	22	11,827	10,482
Inventories	23	484	501
Financial current assets	21	3,154	2,260
Tax receivables	16	330	330
Gross amount due from customers for contract work	9	5,222	5,610
Trade and other receivables	24	23,263	22,985
Cash equivalents	25	2,131	3,095
Cash		8,839	10,583
Assets classified as held for sale	5		72
Total current assets		**55,250**	**55,918**
TOTAL ASSETS	32	**71,307**	**71,311**
of which interest-bearing non-current assets	31	1,433	1,070
of which interest-bearing assets held for sale	31		2
of which other interest-bearing current assets	31	14,008	15,903
		15,441	**16,975**

SEK M	Note	2006	2005
EQUITY	26		
Share capital		1,269	1,256
Paid-in capital		316	316
Reserves		745	1,442
Retained earnings		16,860	15,440
Equity attributable to equity holders		**19,190**	**18,454**
Minority interest		147	133
Total equity		**19,337**	**18,587**
LIABILITIES			
Non-current liabilities			
Financial non-current liabilities	27	2,039	2,424
Pensions	28	1,556	2,407
Deferred tax liabilities	16	2,892	2,831
Non-current provisions	29	119	143
Total non-current liabilities		**6,606**	**7,805**
Current liabilities			
Financial current liabilities	27	1,396	1,080
Tax liabilities	16	728	595
Current provisions	29	3,476	3,200
Gross amount due to customers for contract work	9	11,357	11,782
Trade and other payables	30	28,407	28,220
Liabilities classified as held for sale	5		42
Total current liabilities		**45,364**	**44,919**
Total liabilities		**51,970**	**52,724**
TOTAL EQUITIES AND LIABILITIES	32	**71,307**	**71,311**
of which interest-bearing financial liabilities	31	3,369	3,286
of which interest-bearing pensions and provisions	31	1,695	2,570
of which interest-bearing liabilities held for sale	31		8
		5,064	**5,864**

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

Consolidated statement of recognized income and expenses

SEK M	2006	2005
Translation differences for the year	-989	1,642
Hedging of exchange rate risk in operations outside Sweden	308	–498
Cash flow hedge		
Recognized directly in equity	23	115
Transfer to income statement	–45	–50
Change in pension liability		
Changed assumptions	467	–2,098
Difference between expected and actual return on plan assets	184	627
Social insurance contributions	67	–214
Share-based payment	18	12
Other transfers of assets recognized directly in equity	–1	–3
Tax attributable to items recognized directly in equity	–213	482
Changes in assets recognized directly in equity, excluding transactions with the Company's owners	**–181**	**15**
Profit for the year	**3,655**	**3,890**
Total change in assets, excluding transactions with the Company's owners	**3,474**	**3,905**
Attributable to:		
Equity holders	3,457	3,888
Minority	17	17

See Note 26.

Consolidated cash flow statement

SEK M	2006	2005
Operating activities		
Operating income	4,762	5,000
Adjustments for items not included in cash flow	–1,280	–1,687
Income tax paid	–1,010	–1,449
Cash flow from operating activities before change in working capital	**2,472**	**1,864**
Cash flow from change in working capital		
Investments in current-asset properties	–6,748	–5,047
Divestments of current-asset properties	7,903	9,434
Change in inventories and operating receivables	–1,234	–1,177
Change in operating liabilities	1,324	1,633
Cash flow from change in working capital	**1,245**	**4,843**
Cash flow from operating activities	**3,717**	**6,707**
Investing activities		
Acquisitions of businesses	–683	–50
Investments in intangible assets	–38	–46
Investments in property, plant and equipment	–1,728	–1,455
Investments in Infrastructure Development assets	–286	–476
Investments in shares	–3	–3
Increase in interest-bearing receivable, loans provided	–2,068	–1,385
Disposals of businesses	140	537
Divestments of intangible assets	2	4
Divestments of property, plant and equipment	496	613
Divestments of Infrastructure Development assets	192	35
Divestments of shares	15	42
Decrease in interest-bearing receivables, repayments of loans provided	791	1,888
Income tax paid	–30	–27
Cash flow from investing activities	**–3,200**	**–323**
Financing activities		
Net interest items	276	135
Other financial items	–186	–255
Borrowings	912	410
Repayment of debt	–1,123	–1,397
Dividend paid	–2,721	–1,674
Contribution from/dividend to minority	9	–1
Income tax paid	–27	36
Cash flow from financing activities	**–2,860**	**–2,746**
Cash flow for the year	**–2,343**	**3,638**
Cash and cash equivalents, January 1	13,678	8,868
Reclassifications	0	751
Translation differences in liquid assets	–365	421
Cash and cash equivalents, December 31	**10,970**	**13,678**

CHANGE IN INTEREST-BEARING NET RECEIVABLES

SEK M	2006	2005
Interest-bearing net receivables, January 1	**11,111**	**7,229**
Cash flow from operating activities	3,717	6,707
Cash flow from investing activities excluding change in interest-bearing receivables	–1,923	–826
Cash flow from financing activities excluding change in interest-bearing liabilities	–2,649	–1,759
Change in pension liability	651	–1,471
Reclassifications[1]	–252	992
Net receivable/liability acquired/divested	22	219
Translation differences	–237	120
Other items	–63	–100
Interest-bearing net receivables, December 31	**10,377**	**11,111**

1 This amount included SEK -133 M due to reclassification to a finance lease of cars in Sweden and SEK –90 M due to discounting of debt to sellers upon the purchase of properties. In 2005, reclassifications included SEK +764 M in uncashed checks, SEK -194 M in subordinated loans in Skanska Infrastructure Development and SEK +466 M in receivables from property buyers.

CONSOLIDATED OPERATING CASH FLOW STATEMENT

SEK M	2006	2005
Cash flow from business operations before change in working capital and taxes paid	3,482	3,313
Change in working capital excluding current-asset properties	90	456
Net investments in operations	–614	3,117
Cash flow adjustment, net investments[1]	408	–57
Taxes paid in business operations	–1,040	–1,475
Cash flow from business operations	**2,326**	**5,354**
Net interest items and other net financial items	90	–120
Taxes paid in financing activities	–27	36
Cash flow from financing operations	**63**	**–84**
Cash flow from operations	**2,389**	**5,270**
Net strategic investments	–532	528
Taxes paid on net strategic investments	0	–1
Cash flow from strategic investments	**–532**	**527**
Dividend etc.	–2,712	–1,675
Cash flow before changes in interest-bearing receivables and liabilities	**–855**	**4,122**
Change in interest-bearing receivables and liabilities	–1,488	–484
Cash flow for the year	**–2,343**	**3,638**

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

See Note 35.

Parent Company income statement

SEK M	Note	2006	2005
Net sales	46	26	50
Cost of sales			–2
Gross income		**26**	**48**
Selling and administrative expenses		–395	–330
Operating income	49, 50, 62	**–369**	**–282**
Income from holdings in Group companies	47	2,500	1,200
Income from other financial non-current assets	47	215	216
Income from financial current assets	47	0	0
Interest expenses and similar items	47	–261	–209
Income after financial items		**2,085**	**925**
Taxes on profit for the year	48	122	99
Profit for the year		**2,207**	**1,024**

See Notes 1, 64.

Parent Company balance sheet

SEK M	Note	2006	2005
ASSETS			
Intangible non-current assets	49	**22**	**16**
Property, plant and equipment	50		
Plant and equipment		3	3
Total property, plant and equipment		**3**	**3**
Financial non-current assets	51		
Holdings in Group companies	52	10,565	10,575
Holdings in joint ventures	53	0	0
Receivables from Group companies	63	7,693	7,332
Deferred tax assets	48	52	51
Other non-current receivables		78	73
Total financial non-current assets		**18,388**	**18,031**
Total non-current assets		**18,413**	**18,050**
Current receivables			
Current receivables from Group companies	63	1	19
Tax assets	48	5	1
Other current receivables		108	49
Prepaid expenses and accrued income	54	9	97
Total current receivables		**123**	**166**
Total current assets		**123**	**166**
TOTAL ASSETS	59	**18,536**	**18,216**

See Notes 1, 45, 64

SEK M	Note	2006	2005
EQUITY AND LIABILITIES			
Equity	55		
Share capital		1,269	1,256
Restricted reserves		598	598
Restricted equity		**1,867**	**1,854**
Retained earnings		4,306	5,697
Profit for the year		2,207	1,024
Unrestricted equity		**6,513**	**6,721**
Total equity		**8,380**	**8,575**
Provisions	56		
Provisions for pensions	57	152	160
Other provisions		21	22
Total provisions		**173**	**182**
Non-current interest-bearing liabilities	58		
Liabilities to credit institutions		0	188
Liabilities to Group companies	63	9,920	9,202
Total non-current interest-bearing liabilities		**9,920**	**9,390**
Current liabilities	58		
Trade accounts payable		12	15
Liabilities to Group companies	63	0	7
Other liabilities		7	6
Accrued expenses and prepaid income		44	41
Total current liabilities		**63**	**69**
EQUITY AND LIABILITIES	59	**18,536**	**18,216**
Assets pledged	60	77	73
Contingent liabilities	60	79,760	70,414

Parent Company statement of changes in equity

SEK M	Capital stock	Restricted reserves	Un-restricted equity	Total equity
Equity, January 1, 2005	1,256	598	6,849	8,703
Adjustment to change in accounting principle				
Equity swaps for employee stock option			12	12
Adjusted opening balance, January 1, 2005	**1,256**	**598**	**6,861**	**8,715**
Group contributions			498	498
Dividend			–1,674	–1,674
Share-based payment			12	12
Profit for 2005			1,024	1,024
of which effects of derivative instruments carried at fair value			61	61
Equity, December 31, 2005/ Equity, January 1, 2006	**1,256**	**598**	**6,721**	**8,575**
Increase in capital stock via targeted issue of 4,500,000 Series D shares	13			13
Repurchase of 4,500,000 Series D shares			–13	–13
Group contributions			328	328
Dividend			–2,721	–2,721
Share-based payment			–9	–9
Profit for 2006			2,207	2,207
of which effects of derivative instruments carried at fair value				0
Equity, December 31, 2006	**1,269**	**598**	**6,513**	**8,380**

See note 55.

Parent Company cash flow statement

SEK M	2006	2005
Operating activities		
Operating income	–369	–282
Adjustment for items not included in cash flow	2	4
Income tax paid	–35	–102
Cash flow from operating activities before change in working capital	**–402**	**–380**
Cash flow from change in working capital		
Change in inventories and operating receivables	–46	–113
Change in operating liabilities	62	–4
Cash flow from change in working capital	**16**	**–117**
Cash flow from operating activities	**–386**	**–497**
Investing activities		
Acquisitions of intangible assets	–6	
Acquisitions of property, plant and equipment	–1	–1
Increase in interest-bearing receivables, loans provided		–26
Divestments of property, plant and equipment		4
Cash flow from investing activities	**–7**	**–23**
Financing activities		
Net interest items	–106	–89
Other financial items	2,652	1,296
Borrowings	812	1,021
Repayment of debt	–257	–34
Dividend paid	–2,721	–1,674
Income tax paid	13	0
Cash flow from financing activities	**393**	**520**
Cash flow for the year	**0**	**0**
Cash and cash equivalents, January 1	0	0
Cash equivalents, December 31	**0**	**0**

See Note 61.

Notes including accounting and valuation principles

Amounts in million Swedish crowns (SEK M) unless otherwise specified.
Income is reported in positive figures and expenses in negative figures.
Both assets and liabilities are reported in positive figures.
Interest-bearing net receivables/liabilities are reported in positive figures if they are receivables and negative figures if they are liabilities.
Accumulated depreciation/amortization and accumulated impairment losses are reported in negative figures.
The standards of the Swedish Financial Accounting Standards Council are abbreviated RR.

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Note 1 Consolidated accounting and valuation principles

Conformity with laws and standards

In compliance with the ordinance approved by the European Union (EU) on the application of international accounting standards, the consolidated financial statements have been prepared in compliance with International Financial Reporting Standards (IFRS) and International Accounting Standards (IAS), 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 have been approved by the EU. In addition, the Swedish Financial Accounting Standards Council's standard RR 30:05, "Supplementary Accounting Regulations for Groups" has been applied, as have the statements issued by the Council's Emerging Issues Task Force. Information has also been provided in compliance with Statement 2002:1 of the Swedish Securities Council concerning incentive programs.

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 14, 2007. 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 3, 2007.

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 IFRS 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 IFRS 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 and its subsidiaries, associated companies and joint ventures.

Application in advance of IFRSs and interpretations newly published or revised during 2006

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

New IFRSs and interpretations that have not yet begun to be applied

A new standard and the following changes in standards and interpretation statements enter into force only beginning with the 2007 financial year and have not been applied when preparing these financial reports.

IFRS 7, "Financial Instruments: Disclosures" and related amendments to IAS 1, "Presentation of Financial Statements" require extensive disclosures on the Company's financial position and earnings as well as qualitative disclosures of the nature and scale of risks. IFRS 7 and related amendments to IAS 1 will result in further disclosures in the consolidated financial reports for 2007 concerning the Group's financial instruments and equity.

IFRIC 7, "Applying the Restatement Approach under IAS 29 Financial Reporting in Hyperinflationary Economies," addresses how IAS 29 shall be applied when an economy is classified for the first time as hyperinflationary, and especially recognition of deferred tax. IFRIC 7 will be applied beginning with the 2007 financial year but is not expected to have any effects on the Group's financial reports.

IFRIC 8, "Scope of IFRS 2 Share-based Payment," addresses accounting for share-based payments in cases where some or all of the goods or services that the Company receives cannot be specifically identified. IFRIC 8 will be applied retroactively in the Group's financial reports for 2007. It has not yet been possible to establish the potential effects of the statement.

IFRIC 9, "Reassessment of Embedded Derivatives," concludes that a new assessment of whether embedded derivatives shall be separated from the host contract is required only if the host contract is changed. IFRIC 9 will be applied beginning with the 2007 financial year but is not expected to have any substantial effects on the Group's financial reports.

IFRIC has issued three additional interpretation statements that are expected to be approved by the EU during 2007.

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

IFRIC 11, "Share-based Payment – Group and Treasury Share Transactions," deals with issues concerning share-based compensation in a corporate group.

IFRIC 12, "Service Concession Arrangements," deals with the accounting of infrastructure projects. It cannot yet be stated how the statement will affect the accounting of earnings and financial position in the Group's infrastructure projects.

During 2006, IFRIC called attention to the issue of revenue recognition related to properties, where sale contracts have been signed before the property has been completed. Due to this, IFRIC has specified two issues that will be studied more closely:

- Shall a sale contract signed before construction has been completed be accounted for as a construction contract in compliance with IAS 11 or as sale of goods in compliance with IAS 18? If IAS 11 shall be applied, shall the percentage of completion method generally be used? If IAS 18 shall be applied, shall revenue (and earnings) be recognized only if the five conditions stated in IAS 18 are satisfied?
- If IAS 18 shall be applied, in that case when are the conditions for revenue recognition stated in IAS 18 satisfied? It has been pointed out that IAS 18 contains guidelines in this respect only on a limited scale. It has also been maintained that the appendix to IAS 18 that deals with real estate sales seems to be in conflict with the standard.

The Group has thus chosen to wait for IFRIC's interpretation of what standard shall be applied, and in what way. While awaiting this, the effect on the Group's earnings and financial position cannot be assessed.

IAS 1, "Presentation of Financial Statements"

This accounting standard deals with financial statements, a term that refers to the income statement, balance sheet, statement of changes in equity, cash flow statement, description of accounting principles applied and information provided in the form of notes.

The standard specifies that the financial statements are to be prepared using the accrual principle, i.e. transactions and events are recognized as income or expenses when they occur. Expenses are recognized when the corresponding income is recognized (the matching principle).

Offsetting of assets and liabilities occurs only in those cases where it is permitted according to the accounting standard. An equivalent rule applies to income and expenses.

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.

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

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

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

Share of income in partnerships and limited partnerships, including their foreign equivalents, is recognized in its entirety as operating income, except for a small number of holdings in limited partnerships of a financial nature, which are recognized among financial items.

Financial income and expenses are recognized divided into three lines: "Financial income," "Financial expenses" and "Income from associated companies." Among items recognized under financial income are interest income, dividends and other financial items if this is positive. Among financial expenses are interest expenses and other net financial items if this is negative. Changes in the fair value of financial instruments that are accounted for at fair value are recognized as a separate sub-item among financial income and expenses. The change primarily affects currency derivatives, which are connected to financial activities, and interest rate swaps. If the net amount when reappraising financial assets and liabilities is positive, it is recognized as financial income. If it instead is negative, it is included among financial 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 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."

If an asset does not fulfill the requirement for a current asset, it is classified as a non-current asset.

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

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

Note 31 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" (capital stock), "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 and the year's changes is 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. 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 to 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" directly or indirectly implies a right to shape a company's financial and operating strategies for the purpose of obtaining financial benefits. This normally requires ownership of more than 50 percent of the voting power of all participations, but a controlling influence also exists when there is a right to appoint a majority of the Board of Directors. When judging whether a controlling influence exists, potential voting shares that can be utilized or converted without delay must be taken into account. If, on the acquisition date, a subsidiary meets the conditions to be classified as held for sale in compliance with IFRS 5, "Non-current Assets Held for Sale and Discontinued Operations," it must be reported according to that accounting standard.

Acquired and divested companies, respectively, are consolidated or deconsolidated, respectively, from the date of the acquisition/disposal.

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, "The Effects of Changes in Foreign Exchange Rates."

IFRS 3, "Business Combinations"

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

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

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

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

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

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

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

Note 1 continued

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

Foreign currency transactions

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

Functional currency is the currency of the primary economic environment where the companies in the Group conduct their business.

Financial 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. Revenue and expenses attributable to foreign operations located in countries with hyperinflation are translated to the functional currency at the exchange rate on the balance sheet date. Translation differences that arise from currency translation of foreign operations are recognized directly in equity as a translation reserve.

Before doing a currency translation of financial reports of foreign operations located in countries with hyperinflation, the financial reports are adjusted with the help of a reliable inflation index. This is done in order to take into account the changes in the purchasing power in the company's functional currency, ordinarily its local currency. Only the year in question is adjusted with the help of an inflation index.

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

The meaning of classifying a non-current asset or a disposal group as held for sale is that its carrying amount will be recovered principally through a sale transaction, rather than through continuing use.

Immediately before classifying them as held for sale, the carrying amount of the assets and all assets and liabilities in a disposal group must be determined in compliance with applicable accounting standards. When first classifying them as held for sale, non-current assets and disposal groups are recognized at the carrying amount or fair value less selling expenses, whichever is lower. According to IFRS, certain balance sheet items including deferred tax assets and financial assets covered by IAS 39, "Financial Instruments: Recognition and Measurement," are exempted from the valuation rules that apply in IFRS 5. On each subsequent reporting date, the non-current asset or the disposal group as a whole shall be recognized at fair value minus selling expenses. However, recognized gains resulting from reassessments may not exceed previous impairment losses.

A discontinued operation is a portion of a company's operations that represents a separate line of business or a major operation in a geographic area and is part of a single coordinated plan to dispose of a separate line of business or a major operation carried out in a geographic area, or is a subsidiary acquired exclusively with a view to resale.

Classification as a discontinued operation occurs upon divestment, or at an earlier date when the operation meets the criteria to be classified as held for sale.
A disposal group that is to be shut down can also qualify as a discontinued operation if it meets the above size criteria.

If a non-current asset or disposal group is to be classified as held for sale, the asset (disposal group) must be available for sale in its present condition. It must also be highly probable that the sale will occur. In order for a sale to be highly probable, a decision must have been made at management level, and active efforts to locate a buyer and complete the plan must have been initiated. The asset or disposal group must be actively marketed at a price that is reasonable in relation to its fair value, and it must be probable that the sale will occur within one year. Skanska also applies the principle that with regard to a single 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. Further information is provided in Note 5.

IAS 28, "Investments in Associates"

Reported as associated companies are companies in which the Skanska Group exercises significant but not controlling influence, which is presumed to be the case when the Group's holding amounts to a minimum of 20 percent and a maximum of 50 percent of the voting power. In addition, it is presumed that this ownership is one element of a long-term connection and that the holding shall not be reported as a joint venture.

The equity method

From the date when Skanska obtains a significant influence, holdings in associated companies are included in the consolidated financial statements according to the equity method. Any difference upon acquisition between the cost of the holding and the owner company's share of net fair value of the associated company's identifiable assets, liabilities and contingent liabilities is recognized in compliance with IFRS 3, "Business Combinations." The equity method implies that the carrying amount of the Group's shares in associated companies is equivalent to the Group's share of their capital stock as well as goodwill in the consolidated accounts and any other remaining consolidated surpluses and deductions of internal profits. The consolidated income statement includes the Group's share of the associated company's income after financial items, adjusted for any depreciation/amortization, impairment losses or withdrawal of acquired surpluses or deficits as well as internal profits, among "Income from joint ventures and associated companies." For certain associated companies of a financial nature, Skanska's share of income is recognized among financial items. The Group's share 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. Continued losses are not recognized unless the Group has provided guarantees to cover losses arising in the associated company.

Internal profits

When profits arise from transactions between the Group and an associated company, the portion equivalent to the Group's share of ownership is eliminated. As a result, the carrying amount of the Group's holding in the associated company may be less than zero. 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 an associated company, elimination occurs only if the loss does not correspond to an impairment loss on the asset.

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, impairment losses or withdrawals of acquired surplus or deficit amounts as well as internal profits, among "Income from joint ventures and associated companies." The Group's share of the tax expense of a joint venture is included in "Taxes."

In connection with infrastructure projects, the Group's investment may include either holdings in or subordinated loans to a joint venture. Both are treated in the accounts as holdings.

Internal profits

Internal profits that have arisen from transactions between the Group and a joint venture are eliminated based on the Group's share of ownership. As a result, the Group's carrying amount in the joint venture may be less than zero. 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, elimination occurs only if the loss does not correspond to an impairment loss on the asset.

Note 20 provides information about joint ventures.

IAS 11, "Construction Contracts"

Project revenues are reported in compliance with IAS 11, "Construction Contracts." This implies that the income from a construction project is reported successively as the project accrues. The degree of accrual is mainly determined on the basis of accumulated project expenses in relation to estimated accumulated project expenses upon completion. If the outcome cannot be estimated in a satisfactory way, revenue is reported as equivalent to accumulated expenses on the balance sheet date (zero recognition). Anticipated losses are immediately reported as expenses. If the construction project also includes liability to the customer for divestment of completed housing units, the number of unsold units is taken into account when recognizing the earnings of the construction project, by recognizing a profit that is proportional to both the degree of accrual and the degree of sales. This means that if the degree of accrual is 50 percent and the degree of sales likewise is 50 percent, 25 percent of forecasted final profit is reported (forecasted loss is reported immediately as an expense at 100 percent).

Recognized as project revenue are the originally agreed contract amount as well as additional work, claims for special compensation and incentive payments, but normally only to the extent that these have been approved by the customer. All services that are directly related to the construction project are covered by IAS 11, "Construction Contracts." Other services are covered by IAS 18, "Revenue."

If substantial advance payments have been received, interest on the advance payment is included in the reporting of each project.

The difference between accrued project revenue and a not yet invoiced amount is recognized as an asset (claims on the customer as provided in the construction contract) according to the percentage of completion method. Correspondingly, the difference between an invoiced amount and not yet accrued project revenue is reported as a liability (liabilities to the customer as provided in the construction contract). Major machinery purchases that are intended only for an individual project and significant investments 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.

Generally speaking, tendering expenses are recognized on a continuous basis. When an order is received, tendering expenses attributable to a project and that arose no earlier than at the beginning of the quarter when the order was received, may be reversed and treated as project expenditures. This implies that tendering expenses that were recognized in prior interim or annual financial statements may not be reversed in later financial statements. As for tendering expenses related to infrastructure projects, these are also recognized on a continuous basis. Reversal may occur beginning in the quarter when the Group receives the status of preferred bidder.

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.

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.

Income on the sale of land in conjunction with residential projects is included in the reporting of the entire project.

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. The provision is calculated for units with similar projects, 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, "Revenue." For lease income, this means that the revenue is divided evenly over the period of the lease. The total cost of benefits provided is recognized as a reduction in lease income on a straight-line basis over the lease period. Compensation for services performed that does not comprise project revenue is recognized as revenue based on the degree of completion on the balance sheet date, which is normally determined as services performed on the balance sheet date as a proportion of the total to be performed. The difference that may then arise between services invoiced and services performed is recognized in the balance sheet among "Other operating receivables" (or "Other operating liabilities"). Deliveries of merchandise are reported as revenues when the risks and rewards associated with ownership of the merchandise have been transferred to the buyer. Divestment of completed current-asset properties that belong 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 is judged to be certain.

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.

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 reduction 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.

Note 1 continued

IAS 16, "Property, Plant and Equipment"

Property, plant and equipment are recognized as assets in the balance sheet if it is probable that the Group will derive future economic benefits from them and the cost of an asset can be reliably estimated. Property, plant and equipment are recognized at cost minus accumulated depreciation and any impairment losses. Cost includes purchase price plus expenses directly attributable to the asset in order to bring it to the location and condition to be operated in the intended manner. Examples of directly attributable expenses are delivery and handling costs, installation, ownership documents, consultant fees and legal services. Borrowing costs are included in the cost of self-constructed property, plant and equipment. Impairment losses are applied in compliance with IAS 36, "Impairment of assets."

The cost of self-constructed property, plant and equipment includes expenditures for materials and compensation to employees, plus other applicable manufacturing costs that are considered attributable to the asset.

Further expenditures are added to cost only if it is probable that the Group will enjoy future economic benefits associated with the asset and the cost can be reliably estimated. All other further expenditures are recognized as expenses in the period when they arise.

What is decisive in determining when a further expenditure is added to cost is whether the expenditure is related to replacement of identified components, or their parts, at which time such expenditures are capitalized. In cases where a new component is created, this expenditure is also added to cost. Any undepreciated carrying amounts for replaced components, or their parts, are disposed of and recognized as an expense at the time of replacement. If the cost of the removed component cannot be determined directly, its cost is estimated as the cost of the new component adjusted by a suitable price index to take into account inflation. Repairs are recognized as expenses continuously.

Property, plant and equipment that consist of parts with different periods of service are treated as separate components of property, plant and equipment. Depreciation occurs on a straight-line basis during the estimated period of service, taking into account any residual value at the end of the period. Office buildings are divided into foundation and frame, with a depreciation period of 50 years; installations, depreciation period 35 years; and non-weight-bearing parts, depreciation period 15 years. Generally speaking, industrial buildings are depreciated during a 20-year period without allocation into different parts. Stone crushing and asphalt plants as well as concrete mixing plants are depreciated over 10 to 25 years depending on their condition when acquired and without being divided into different parts. For other properties and equipment, division into different components occurs only if major components with divergent useful lives can be identified. For other plant and equipment, the depreciation period is normally between 5 and 10 years. Minor equipment is depreciated immediately. Gravel pits and stone quarries are depreciated as materials are removed. Land is not depreciated. Assessments of an asset's residual value and period of service are performed annually.

The carrying amount of a property, plant and equipment item is removed from the balance sheet when it is disposed of or divested, or when no further economic benefits are expected from the use or disposal/divestment of the asset.

Provisions for the costs of restoring an asset are normally made in the course of utilization of the asset, because the prerequisites for an allocation at the time of acquisition rarely exist.

IAS 38, "Intangible Assets"

This accounting standard deals with intangible assets. Goodwill that arises upon acquisition of companies is recognized in compliance with the rules in IFRS 3, "Business Combinations."

An intangible asset is an identifiable non-monetary asset without physical substance that is used for producing or supplying goods or services or for leasing and administration. To be recognized as an asset, it is necessary both that it be probable that future economic advantages that are attributable to the asset will benefit the company and that the cost can be reliably calculated. It is especially worth noting that expenditures recognized in prior annual or interim financial statements may not later be recognized as an asset.

Intangible assets other than goodwill are recognized at cost minus accumulated amortization and impairment losses. Impairment losses are applied in compliance with IAS 36, "Impairment of Assets."

Amortization is recognized in the income statement on a straight-line basis over the period of service of intangible assets, to the extent such a period can be determined. Consideration is given to any residual value at the end of the period. Concession fees are amortized on a straight-line basis over the part of the concession period that occurs after the building or facility has gone into service for its intended purpose. Purchased service agreements are depreciated over their remaining contractual period (in applicable cases 3-6 years). Purchased software (major computer systems) is amortized over a maximum of five years.

Further expenditures for capitalized intangible assets are recognized as an asset in the balance sheet only when they increase the future economic benefits of the specific asset to which they are attributable.

Accrued expenses for internally generated goodwill are recognized in the income statement when the expense arises.

IAS 36, "Impairment of Assets"

Assets covered by IAS 36, "Impairment of Assets," must be tested on every balance sheet date for indications of impairment. The valuation of exempted assets is tested according to the respective accounting standard.

Impairment losses are determined on the basis of the recoverable amount of assets, which is the higher of fair value less costs to sell and value in use. In calculating value in use, future cash flows are discounted using a discounting factor that takes into account risk-free interest and the risk associated with the asset. Estimated residual value at the end of the asset's useful life is included as part of value in use. For an asset that does not generate cash flows that are essentially independent of other assets, the recoverable amount is estimated for the cash-generating unit to which the asset belongs. A cash-generating unit is the smallest group of assets that generates cash inflows that are independent of other assets or groups of assets. For goodwill, the cash-generating unit is mainly the same as the Group's business unit or other unit reporting to the Parent Company. Exempted from the main rule are operations that are not integrated into the business unit's other operations. The same business unit may also contain a number of cash-generating units if it works in more than one segment.

Impairment of assets attributable to a cash-generating unit is allocated mainly to goodwill. After that, a proportionate impairment loss is applied to other assets included in the unit.

Goodwill impairment is not reversed.

Impairment losses on other assets are reversed if there has been a change in the assumptions on which the estimate of recoverable amount was based.

An impairment loss is reversed only to the extent that the carrying amount of the asset after the reversal does not exceed the carrying amount that the asset would have had if no impairment loss had occurred, taking into account the amortization that would then have occurred.

IAS 23, "Borrowing Costs"

Borrowing costs are capitalized provided that it is probable that they will result in future economic benefits and the costs can be measured reliably. Generally speaking, capitalization of borrowing costs is limited to assets that take a substantial period of time for completion, which in the Skanska Group's case implies that capitalization mainly covers the construction of current-asset properties and properties for the Group's own use (non-current-asset properties). Capitalization occurs when expenditures included in cost have arisen and activities to complete the building have begun. Capitalization ceases when the building is completed. Borrowing costs during an extended period when work to complete the building is interrupted are not capitalized. If separate borrowing has occurred for the project, the actual borrowing cost is used. In other cases, the cost of the loan is calculated on the basis of the Group's borrowing cost.

IAS 12, "Income Taxes"

Income taxes consist of current tax and deferred tax. Taxes are recognized in the income statement except when the underlying transaction is recognized directly in equity, in which case the accompanying tax effect is recognized in equity. Current tax is tax to be paid or received that is related to the year in question, applying the tax rates that have been decided or in practice have been decided as of the balance sheet date; this also includes adjustment of current tax that is attributable to earlier periods.

Deferred tax is calculated according to the balance sheet method, on the basis of temporary differences between carrying amounts of assets and liabilities and their values for tax purposes. The amounts are calculated based on how the temporary differences are expected to be settled and by applying the tax rates and tax rules that have been decided or announced as of the balance sheet date. The following temporary differences are not taken into account: for a temporary difference that has arisen when goodwill is first recognized, the first recognition of assets and liabilities that are not business combinations and on the transaction date affect neither accounting profit nor taxable profit. Also not taken into account are temporary differences attributable to shares in subsidiaries and associated companies that are not expected to reverse in the foreseeable future.

Deferred tax assets related to deductible temporary differences and loss carry-forwards are recognized only to the extent that they will 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.

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 strategy, which implies acquisition of undeveloped land or redevelopment property, planning, pre-construction engineering, leasing, construction and divestment, all during a period averaging 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 among 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 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. When the timing of the payment will have a material effect, provisions are estimated through discounting of expected future cash flow to a pre-tax interest rate that reflects current market assessments of the time value of money and, if appropriate, the risks specific to the liability.

Skanska makes provisions for future expenses due to warranty obligations. The estimate is based on the anticipated costs of each project or, for groups of similar projects, calculated on the basis of a ratio that has historically served as a satisfactory allocation for these expenses. For example, a percentage of revenue may serve as such a ratio.

A provision is made for disputes related to completed projects if it is probable that a dispute will result in an outflow of resources from the Group. Disputes related to ongoing projects are taken into consideration in the valuation of the project and are thus not included in the balance sheet item "Reserve for legal disputes," which is reported in Note 29, "Provisions."

Provisions for restoration expenses related to stone quarries and gravel pits does not normally occur until the period that materials are bring 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 approved in a final inspection. If the guarantee covers all or most of the contract sum, the amount of the contingent liability is calculated as the contract sum minus the value of the portion performed. In cases where the guarantee only covers a small portion of the contract sum, the guarantee amount remains unchanged until the property is handed over to the customer. The guarantee amount is not reduced by being offset against payments not yet received from the customer. Guarantees that have been received from subcontractors and suppliers of materials are not taken into account, either. If the Group receives reciprocal guarantees related to outside consortium members' share of joint and several liability, these are not taken into account. Tax cases, court proceedings and arbitration are not longer included in contingent liability amounts. Instead a separate description is provided.

In connection with contracting assignments, security is often provided in the form of a completion guarantee from a bank or insurance institution. The issuer of the guarantee, in turn, normally receives an indemnity from the contracting company or other Group company. In compliance with industry custom, 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, "Construction Contracts." As for claims that have not yet been confirmed, it is not practicable to provide information about these, unless there is an individual claim of substantial importance to the Group.

IAS 19, "Employee benefits"

This accounting standard makes a distinction between defined-contribution and defined-benefit pension plans. Defined-contribution pension plans are defined as plans in which the company pays fixed contributions into a separate legal entity and has no obligation to pay further contributions even if the legal entity does not have sufficient assets to pay all employee benefits relating to their service until the balance sheet date. Other pension plans are defined-benefit. The calculation of defined-benefit pension plans uses a method that often differs from local rules in each respective country, for example from the method applied in Sweden when calculating the Company's liability for PRI occupational pensions. Obligations and costs are to be calculated according to the "projected unit credit method." The purpose is to recognize expected future pension disbursements as expenses in a way that yields more uniform expenses over the employee's period of employment. Expected future wage or salary increases and expected inflation are taken into account in the calculation. The present value of the obligations is to be discounted primarily on the basis of the market return on high quality corporate bonds, 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 com-

Note 1 continued

pensation 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 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 Award Plan that was introduced during 2005 is recognized as share-based payments that are settled with equity instruments, in compliance with IFRS 2. This means that fair value is calculated on the basis of estimated fulfillment of established income targets during the measurement period. After the end of the measurement period, fair value is established. This value is allocated over the four-year vesting period. There is no reappraisal after fair value is established during the remainder of the vesting period except for changes in the number of shares because the condition of continued employment during the vesting period is no longer met.

Social insurance contributions

Social insurance contributions that are payable because of share-based payments are reported in compliance with Statement 46 of the Emerging Issues Task Force, Swedish Financial Accounting Standards Council, "IFRS 2 and Social Insurance Contributions." 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 Award Plan that was introduced during 2005, the dilution effect is calculated by dividing potential ordinary shares by the number of shares outstanding. The calculation of potential ordinary shares occurs in two stages. First there is an assessment of the number of shares that may be issued when established targets are fulfilled. The number of shares for the respective year covered by the Plan is then determined the following year, provided that the condition of continued employment is met. In the next step, the number of potential ordinary shares is reduced by the value of the consideration that Skanska is expected to receive, divided by the average market price of a share during the period.

IAS 24, "Related Party Disclosure"

According to this accounting standard, information must be provided about transactions and agreements with related companies and physical persons. In the consolidated financial statements, intra-Group transactions fall outside this reporting requirement. Note 39 provides disclosures in compliance with the accounting standard.

IAS 40, "Investment Property"

Skanska reports no investment properties. Properties that are used in the Group's own operations are reported in compliance with IAS 16, "Property, Plant and Equipment." The Group's holdings of current-asset properties are covered by IAS 2, "Inventories" and thus fall outside the application of IAS 40, since these holdings are included in the Group's operating cycle strategy, which implies acquisition of undeveloped land or redevelopment property, planning, pre-construction engineering, leasing, construction and divestment, all during a period averaging about 3 to 5 years.

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 division into markets that has been carried out is attributable to the natural delimitations between markets in the Group. The markets are Sweden, the Nordic countries excluding Sweden, Europe excluding the Nordic countries, the United States and, finally, other markets. Discontinued operations are reported together with central (corporate) items and eliminations. 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.

Information about events after the balance sheet date is provided in Note 41.

IAS 32, "Financial Instruments: Disclosure and Presentation"

This accounting standard deals with classification of financial instruments and what disclosures must be provided. Treated as a financial instrument is any form of agreement that gives rise to a financial asset in a company and a financial liability or equity instrument in another company. Financial assets are any asset in the form of cash, a contractual right to receive cash or other financial asset from another company, a contractual right to exchange financial instruments with another company on conditions that are potentially favorable or equity instruments issued by another company. A financial liability is any liability that involves a contractual obligation to deliver cash to another company or to exchange financial instruments with another company on terms that are potentially unfavorable.

Offsetting of financial assets and financial liabilities shall occur when a company has a legal right to offset items against each other and intends to settle these items with a net amount or, at the same time, divest the asset and settle the liability.

The standard prescribes, among other things, that a company shall provide information on the fair value of each class of financial asset and financial liability if this is feasible. Information shall also be provided on the carrying amount of financial assets that serve as collateral for liabilities and contingent liabilities.

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 are, among others, holdings in subsidiaries, associated companies and joint ventures, leases, the rights under employment contracts, the Company's own shares and financial instruments to which IFRS 2, "Share-based Payments" applies.

All financial instruments covered by this standard, including all derivatives, are reported in the balance sheet.

A derivative is a financial instrument whose value changes in response to changes in an underlying variable, that requires no initial investment or one that is small and that is settled at a future date. An embedded derivative is a contract condition that causes the value of the contract to be affected in the same way as if the condition were an independent derivative.

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 the 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 the profit and loss," "held-to-maturity investments," "loans and receivables" and "available-for-sale assets."

"Assets at fair value through profit and loss," and "available-for-sale financial assets" are measured at fair value in the balance sheet. Change in value of "assets at fair value through profit and loss" is recognized in the income statement, while change in value of "available-for-sale assets" is recognized directly in equity. At derecognition, accumulated gains or losses are transferred to the income statement. "Held-to-maturity investments" and "loans and receivables" are measured at accrued cost.

Financial liabilities including derivatives are classified as "liabilities at fair value through profit and loss" and "other financial liabilities."

"Liabilities at fair value through profit and loss" are measured at fair value in the balance sheet, with change of value recognized in the income statement. "Other financial liabilities" are measured at accrued cost.

Skanska uses currency derivatives and foreign currency loans to hedge against fluctuations in exchange rates. Recognition of derivatives varies depending on whether hedge accounting in compliance with IAS 39 is applied or not.

Unrealized gains and losses on currency derivatives related to hedging of operational transaction exposure are measured in market terms and recognized at fair value in the balance sheet. The entire change in value is recognized directly in the income statement, except in those cases that hedge accounting is applied. In hedge accounting, unrealized gain or loss is recognized in the income statement according to a project's degree of completion, while the remainder is recognized in equity. When the hedged transaction occurs and is recognized in the income statement, accumulated changes in value are transferred from equity to the income statement.

Unrealized gains and losses on embedded currency derivatives in commercial contracts are measured and recognized at fair value in the balance sheet. Changes in fair value are recognized in the income statement.

Currency derivatives and foreign currency loans for hedging translation exposure are carried at fair value in the balance sheet. Because hedge accounting is applied, exchange rate differences after taking into account tax effect are recognized in consolidated equity. If a foreign operation is divested, accumulated exchange rate differences attributable to hedging of that operation are transferred from equity to the income statement. The interest component and changes in the value of the interest component of currency derivatives are recognized as financial income or expenses under the heading "Net change of value due to reappraisal of financial assets/liabilities."

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 under the heading "Net change of value due to reappraisal of financial assets/liabilities."

IAS 20, "Accounting for Government Grants and Disclosure of Government Assistance"

"Government assistance" refers to action by government designed to provide an economic benefit specific to one company or a range of companies that qualify under certain criteria. Government grants are assistance by government in the form of transfers of resources to a company in return for past or future compliance with certain conditions relating to its operations.

Government grants are recognized in the balance sheet as prepaid income or reduction in the investment when it is reasonable assurance that the grants will be received and that the Group will meet the conditions associated with the grant.

The Swedish Financial Accounting Standards Council's standard RR 30:06, "Supplementary Accounting Regulations for Groups"

The standard 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.

The 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 number at four measurement dates during the year. In this calculation, part-time employment is equivalent to 60 percent of full-time employment. Operations divested during the year are not included.

The disclosure on gender breakdown must specify the situation on the balance sheet date. "Senior executives" in the various subsidiaries refers to the members of the management team of the respective business units. The information is provided in Notes 36 and 37.

Disclosures on wages, salaries, other remuneration and pension expenses must be provided concerning current and former members of Boards of Directors and Presidents (Note 36).

In Note 17, information is provided on the assessed value for tax purposes of non-current-asset properties located in Sweden. Disclosures on assessed value for tax purposes are also provided for current-asset properties in Note 22.

Information is provided in Note 36 about loans, assets pledged and contingent liabilities on behalf of members of 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 (Note 38).

Beyond what the standard specifies, information is provided about absence from work due to illness regarding the Group's Swedish companies (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.

In Construction assignments, 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. For services, this comprises the difference between order bookings for the period and accrued revenue plus order backlog at the beginning of the period.

The order backlog in the accounts of acquired subsidiaries on the date of acquisition is not reported as order bookings, but is included in order backlog amounts.

Market appraisal

Commercial Development

Note 22 states estimated market values for Skanska's current-asset properties. For completed properties that include commercial space, market values have been partly calculated in cooperation with external appraisers. For other current-asset properties, the appraisal has been conducted internally.

Infrastructure Development

Skanska obtains an estimated market value for infrastructure projects by discounting estimated future cash flows by a discount rate based on country, risk model and project phase for the various projects. The discount rate chosen is applied to all future cash flows starting on the appraisal date. The most recently updated financial model is used as a base. This financial model describes all cash flows in the project and serves as the ultimate basis for financing, which is carried out with full project risk and without guarantees from Skanska.

A market value is assigned only to projects that have reached financial close. All flows are appraised – investments in the project (equity and subordinated debenture loans), interest and principal payments on subordinated loans as well as dividends to and from the project company. Today 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

		Year-end exchange rate		Average exchange rate	
Currency	**Country/zone**	**Dec 31 2006**	**Dec 31 2005**	**Jan–Dec 2006**	**Jan–Dec 2005**
ARS	Argentina	2.24	2.62	2.40	2.56
CZK	Czech Republic	0.33	0.32	0.33	0.31
DKK	Denmark	1.21	1.26	1.24	1.25
EUR	EU euro zone	9.04	9.39	9.25	9.28
GBP	U.K.	13.47	13.67	13.57	13.57
NOK	Norway	1.10	1.17	1.15	1.16
PLN	Poland	2.36	2.43	2.38	2.31
USD	U.S.	6.86	7.94	7.38	7.46

Note 1 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 Standards Council's standard RR 32:05, "Accounting for Legal Entities." RR 32:05 implies that in the annual accounts of the legal entity, the Parent Company must apply the International Financial Reporting Standards (IFRS) and International Accounting Standards (IAS), 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, "Accounting and valuation principles." The statements of the Swedish Financial Accounting Standards Council's Emerging Issues Task Force must also be applied. The Swedish Financial Reporting Standards Council's standard RR 32:06 has been applied in advance with respect to Point 70, which is related to financial guarantee contracts, which implies that the IAS 39 rules related to financial guarantee contracts on behalf of subsidiaries and associated companies as well as joint ventures are not applied.

Important differences compared to consolidated accounting principles

The balance sheet and income statement 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 subsidiaries, are carried at cost less any impairment losses.

Group contributions

Group contributions received have been recognized directly in retained earnings.

Note 2 Key estimates and judgments

Important 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. As understood from the description in Note 18, major changes during 2007 in the prerequisites for these assumptions and estimates might have a substantial effect on the value of goodwill.

Exposure to foreign currencies

Changes in exchange rates can have a relatively large impact on the Company as a whole. Note 34 provides a detailed analysis of exposure to foreign currencies as well as risks associated with changes in exchange rates, including a sensitivity analysis.

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 the balance sheet 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 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 fair values are based on discounting of expected cash flows for each respective investment. Estimated targeted returns 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 targeted returns, may materially affect both estimated fair values and carrying amounts for each investment.

Current-asset properties

The stated total fair 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.

Note 3 Effects of changes in accounting principles

Skanska is reporting no changes in accounting principles during 2006, but is reporting reallocations between segments that have affected comparative figures for 2005 in points A and B below.

A. Adjustment of comparative figures between segments related to pensions
Comparative figures concerning operating income in 2005 have been adjusted between Construction and Central with regard to pensions.

The operating income of Construction increased by SEK 27 M while Central, eliminations and discontinued operations decreased by the same amount.

The effect by segment and business unit in Construction reported in Note 4 C can be seen in the following table.

Operating income	2005
Construction	
Norway	3
United Kingdom	24
Central, eliminations and discontinued operations	–27

B. Transfer of International from Construction and Residential Development to Central
At the beginning of 2006, the International unit was transferred from Construction and Residential Development to Central, eliminations and discontinued operations. The effect on the Group's various business streams, which is reported in Note 4, can be seen in the following table.

	Reported, 2005	Adjustment, International	Adjusted, 2005
Revenue			
Construction	115,955	–1,477	114,478
Residential Development	6,113	–230	5,883
Central, eliminations and discontinued operations	–2,529	1,707	–822
Operating income			
Construction	2,898	–38	2,860
Residential Development	611	14	625
Central, eliminations and discontinued operations	–240	24	–216
Cash flow			
Construction	3,125	429	3,554
Residential Development	1,088	59	1,147
Central, eliminations and discontinued operations	–1,284	–488	–1,772
Capital employed (SEK bn)			
Construction	4.0	–0.8	3.2
Residential Development	2.5	–0.1	2.4
Return on capital employed (%)			
Construction	58.2	6.3	64.5
Residential Development	23.8	1.8	25.6

Note 4 Segment reporting

The division into business streams and markets reflects the Company's internal organization and reporting system.

Skanska's business streams are reported as primary segments. Skanska carries out its operations in four business streams: Construction, Residential Development, Commercial Development and Infrastructure Development.

Geographic markets are reported as secondary segments. The market division that is used is based on the natural delimitations between markets in the Group. In 2005, discontinued operations were reported together with central items and eliminations.

During 2006, International operations were transferred from Construction and Residential Development to Central.

The effect on 2005 figures can be seen in Note 3.

Intra-Group pricing between business streams occurs on market terms.

A. Primary segment: Business streams
Construction is the Group's largest business stream. Construction includes both building and civil construction.

Residential Development creates residential projects for immediate sale. Housing units are adapted to selected customer categories. The business units are responsible for planning and selling the projects. Construction assignments are performed by Skanska's construction units in each respective market.

Commercial Development initiates, develops, leases and divests commercial property projects. Project development in this business stream focuses on office buildings, shopping malls and logistics properties located in Stockholm, Gothenburg, the Öresund region of southern Sweden and eastern Denmark, Warsaw and Wroclaw (Poland), Budapest (Hungary) and Prague (Czech Republic).

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.

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 liquid assets other than funds invested in the Group's treasury unit, the company is also responsible for the interest income that these assets earn. No interest expenses or taxes are included in the income statements of the respective business streams.

Note 4 continued

	Construction		Residential Development		Commercial Development		Infrastructure Development		Central, eliminations and discontinued operations		Group Total	
	2006	2005	2006	2005	2006	2005	2006	2005	2006	2005	2006	2005
Income statement												
External revenue	114,338	111,225	6,788	5,883	3,307	5,073	151	51	1,019	2,435	125,603	124,667
Intra-Group revenue	4,372	3,253			118	2		2	–4,490	–3,257	0	0
Total revenue	**118,710**	**114,478**	**6,788**	**5 ,883**	**3,425**	**5,075**	**151**	**53**	**–3,471**	**–822**	**125,603**	**124,667**
Cost of sales	–109,714	–106,325	–5,557	–4,966	–2,003	–3,112	–176	–100	3,230	1,101	–114,220	–113,402
Gross income	**8,996**	**8,153**	**1,231**	**917**	**1,422**	**1,963**	**–25**	**–47**	**–241**	**279**	**11,383**	**11,265**
Selling and administrative expenses	–5,722	–5,340	–432	–309	–235	–228	–187	–123	–409	–686	–6,985	–6,686
Income from disposal of discontinued operations										184	0	184
Income from joint ventures and associated companies	62	47	53	17	23	5	204	161	22	7	364	237
Operating income [1]	**3,336**	**2,860**	**852**	**625**	**1,210**	**1,740**	**–8**	**–9**	**–628**	**–216**	**4,762**	**5,000**
Interest income	89	111	6	3	21	28			290	166	406	308
Interest expenses									–107	–137	–107	–137
Change in fair value									–118	19	–118	19
Other financial items									42	–70	42	–70
Income after financial items	**3,425**	**2,971**	**858**	**628**	**1,231**	**1,768**	**–8**	**–9**	**–521**	**–238**	**4,985**	**5,120**
Taxes									–1,330	–1,230	–1,330	–1,230
Profit for the year	**3,425**	**2,971**	**858**	**628**	**1,231**	**1,768**	**–8**	**–9**	**–1,851**	**–1,468**	**3,655**	**3,890**
Profit for the year attributable to												
Equity holders											3,635	3,879
Minority											20	11

Note 4 continued

	Construction		Residential Development		Commercial Development		Infrastructure Development		Central, eliminations and discontinued operations		Group Total	
	2006	2005	2006	2005	2006	2005	2006	2005	2006	2005	2006	2005
Assets												
Property, plant and equipment	5,406	5,214	8	4	9	7	19	3	15	15	5,457	5,243
Intangible assets	4,309	3,723	447	481			451	541	23	53	5,230	4,798
Investments in associated companies and joint ventures	156	134	102	106	39	16	1,990	1,896	–393	–318	1,894	1,834
Other shares and participations	48	47	13	14					–2	–2	59	59
Interest-bearing assets[2]	3,577	4,760	–181	62	375	591	16	3	11,654	11,557	15,441	16,973
Current-asset properties	955	1,396	5,273	3,048	5,703	5,903			–104	135	11,827	10,482
Tax assets									2,036	2,612	2,306	2,612
Non-interest-bearing assets	26,554	25,917	1,703	1,540	252	198	52	165	532	1,418	29,093	29,238
Assets classified as held for sale										72	0	72
Total assets	**41,005**	**41,191**	**7,365**	**5,255**	**6,378**	**6,715**	**2,528**	**2,608**	**14,031**	**15,542**	**71,307**	**71,311**
Liabilities												
Tax liabilities									3,620	3,426	3,620	3,426
Trade and other payables and non-interest-bearing provisions	38,475	38,013	3,693	2,881	628	680	114	76	376	1,750	43,286	43,400
Liabilities classified as held for sale										34	0	34
	38,475	**38,013**	**3,693**	**2,881**	**628**	**680**	**114**	**76**	**3,996**	**5,210**	**46,906**	**46,860**
Capital employed	2,530	3,178	3,672	2,374	5,750	6,035	2,414	2,532	10,035	10,332	24,401	24,451
Operating cash flow [3]												
Cash flow from operations before investments	4,467	4,259	87	213	–265	361	10	–200	–727	–864	3,572	3,769
Net investments in operations	–1,112	–699	–878	909	1,413	3,292	–94	–441	57	56	–614	3,117
Cash flow adjustment, net investment	–7	–24	325	27	90	–60		0	0	0	408	–57
Taxes paid in operating activities									–1,040	–1,475	–1,040	–1,475
Cash flow from business operations	**3,348**	**3,536**	**–466**	**1,149**	**1,238**	**3,593**	**–84**	**–641**	**–1,710**	**–2,283**	**2,326**	**5,354**
Net strategic investments	–583	18		–2					51	512	–532	528
Taxes paid on strategic divestments									0	–1	0	–1
Cash flow from strategic investments	**–583**	**18**	**0**	**–2**	**0**	**0**	**0**	**0**	**51**	**511**	**–532**	**527**
Cash flow before financing operations and dividends	2,765	3,554	–466	1,147	1,238	3,593	–84	–641	–1,659	–1,772	1,794	5,881
Net investments												
Investments	–2,699	–2,127	–5,045	–3,016	–1,671	–1,138	–286	–476	–101	–229	–9,802	–6,986
Divestments	1,004	1,445	4,167	3,924	3,084	4,430	192	35	209	797	8,656	10,631
Net investments	**–1,695**	**–682**	**–878**	**908**	**1,413**	**3,292**	**–94**	**–441**	**108**	**568**	**–1,146**	**3,645**
Order bookings	134,125	115,848							267	1,249	134,392	117,097
Order backlog	135,106	127,916							73	827	135,179	128,743
Employees	54,480	51,185	467	430	135	125	103	66	900	2,000	56,085	53,806
[1] of which depreciation/amortization	–1,092	–1,036	–5	–3	–1	–1	–21	–13	–28	–20	–1,147	–1,073
of which impairment losses/reversals of impairment losses												
goodwill		–108									0	–108
other assets	–95	–58	–5	–20							–100	–78
of which gains from divestments of residential units	122	0	1,047	789					–10	12	1,037	801
of which gains from commercial property divestments		253			1,300	1,626			–23	–7	1,399	1,872

[2] including external cash and cash equivalents, excluding deposits in Skanska's treasury unit.

[3] taxes paid by the Group are included in the item "Central and eliminations."

Note 4 continued

B. Secondary segment – Geographic markets

	Sweden	Other Nordic countries	Other Europe	United States	Other markets	Central, eliminations and discontinued operations	Group total
2006							
External revenue	26,604	24,978	31,530	37,564	3,908	1,019	125,603
Internal revenue	2,413	1,979	98			–4,490	0
Total revenue	**29,017**	**26,957**	**31,628**	**37,564**	**3,908**	**–3,471**	**125,603**
Total assets	**20,060**	**17,310**	**22,139**	**13,221**	**4,167**	**–5,590**	**71,307**
Investments in non-current assets and businesses	–395	–261	–1,331	–346	–392	–14	–2,739
Investments in current-asset properties	–2,478	–3,671	–827			–87	–7,063
Total investments	**–2,873**	**–3,932**	**–2,158**	**–346**	**–392**	**–101**	**–9,802**
Divestments of non-current assets and businesses	159	51	257	96	216	65	844
Divestments of current-asset properties	2,984	3,491	1,194			143	7,812
Total divestments	**3,143**	**3,542**	**1,451**	**96**	**216**	**208**	**8,656**
2005							
External revenue	25,377	26,095	27,771	39,359	3,630	2,435	124,667
Internal revenue	1,894	1,361			2	–3,257	0
Total revenue	**27,271**	**27,456**	**27,771**	**39,359**	**3,632**	**–822**	**124,667**
Total assets	**19,034**	**14,854**	**20,519**	**15,466**	**4,331**	**–2,893**	**71,311**
Investments in non-current assets and acquisitions	–273	–259	–578	–318	–546	–56	–2,030
Investments in current-asset properties	–976	–3,117	–690			–173	–4,956
Total investments	**–1,249**	**–3,376**	**–1,268**	**–318**	**–546**	**–229**	**–6,986**
Divestments of non-current assets and disposals	93	83	304	128	51	571	1,230
Divestments of current-asset properties	3,318	4,129	1,728	0	0	225	9,400
Total divestments	**3,411**	**4,212**	**2,032**	**128**	**51**	**796**	**10,630**

Note 4 continued

C. Other information by business stream/reporting unit

Group	Revenue 2006	Revenue 2005	Operating income 2006	Operating income 2005	Operating margin, % 2006	Operating margin, % 2005	Return on capital employed, % 2006	Return on capital employed, % 2005	Order backlog 2006	Order backlog 2005	Order bookings 2006	Order bookings 2005
Construction												
Sweden	24,123	22,141	1,100	887	4.6	4.0			19,705	16,004	27,512	22,087
Norway	10,636	10,502	445	424	4.2	4.0			9,713	8,631	12,372	11,353
Denmark	3,825	4,385	–318	50	–8.3	1.1			2,013	2,172	3,745	3,902
Finland	8,385	8,366	191	222	2.3	2.7			7,009	5,879	9,626	9,082
Poland	6,829	5,082	269	146	3.9	2.9			5,848	7,143	5,663	7,625
Czech Republic	11,279	10,303	332	466	2.9	4.5			13,093	12,493	11,675	8,567
United Kingdom	12,312	10,761	412	371	3.3	3.4			31,793	17,412	23,699	13,815
USA Building	27,737	29,944	277	239	1.0	0.8			26,125	36,663	25,092	23,158
USA Civil	9,827	9,415	460	–99	4.7	–1.1			17,068	18,381	11,094	13,179
Latin America	3,757	3,579	168	154	4.5	4.3			2,739	3,138	3,647	3,080
	118,710	**114,478**	**3,336**	**2,860**	**2.8**	**2.5**	**>100**	**64.5**	**135,106**	**127,916**	**134,125**	**115,848**
Residential Development												
Sweden	2,620	2,394	298	196	11.4	8.2	>100	>100				
Norway	1,572	1,343	163	132	10.4	9.8	12.9	12.0				
Denmark	536		96		17.9		23.3					
Finland	1,574	1,616	221	195	14.0	12.1	24.2	27.5				
Poland		114		16		14.0		21.5				
Czech Republic	486	416	74	86	15.2	20.7	26.0	31.8				
	6,788	**5,883**	**852**	**625**	**12.6**	**10.6**	**27.5**	**25.6**				
Commercial Development	**3,425**	**5,075**	**1,210**	**1,740**			**21.1**	**25.1**				
Infrastructure Development	**151**	**53**	**–8**	**–9**			**0.6**	**–0.1**				
Central, eliminations and discontinued operations	**–3,471**	**–822**	**–628**	**–216**					**73**	**827**	**267**	**1,249**
Total	**125,603**	**124,667**	**4,762**	**5,000**			**22.5**	**23.3**	**135,179**	**128,743**	**134,392**	**117,097**

Note 5 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.

Discontinued operations

In the consolidated income statement, discontinued operations are accounted for separately. During 2006, no units were reported as discontinued. Two small units were transferred to continuing operations.

Recognized as discontinued operations during 2005 were income from disposal of discontinued operations and the income of these operations from January 1 until the companies were sold. Also shown was the income from those operations still recognized as "disposal groups to be sold" at year-end.

Income from disposal of discontinued operations amounted to SEK 0 M (184). The effect of discontinued operations on the Group's cash flow was SEK 0 M (480).

Note 6 Financial risks

A. Objectives and policy

For the Skanska Group, it is essential that there is an effective and systematic assessment of both financial and business risks. To ensure a systematic and uniform assessment of projects in its business units, Skanska uses its model for risk assessment, the Skanska Risk Management System (SRMS), on a Groupwide basis. The risk management model does not imply avoidance of risks, but is instead aimed at identifying, managing and pricing these risks.

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.

Within the Group, Skanska Financial Services has operational responsibility for ensuring Group financing and efficiently managing liquidity, financial assets and financial liabilities. Skanska Financial Services is also responsible for monitoring compliance with the Financial Policy.

The Senior Executive Team is responsible for reporting risk exposure as well as gains and losses from the Group's financial activities to Skanska's Board.

B. Financial risks

Financial risks can mainly be divided into the following categories: interest rate, foreign exchange, refinancing and counterparty risk.

Interest rate risk

Interest rate risk is the risk that changes in interest rates will adversely affect the Group's net interest items and/or cash flows.

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 as needed or if deemed suitable.

Interest rate risk is defined as the possible negative impact in case of a sudden one percentage point increase in interest rates across all maturities. The absolute risk may never exceed SEK 100 M.

Refinancing risk

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

At all times, the Group shall also have the equivalent of at least SEK 4,000 M in available cash equivalents or committed credit facilities, accessible within the space of one week.

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 the equity of foreign subsidiaries denominated in foreign currencies.

Although the Group has a large international presence, its operations are of a local nature in terms of foreign exchange risks. Project revenues and costs are mainly denominated in the same currency, and transaction risks from exchanges between different currencies are thus very limited.

The objective stated in the Financial Policy is that all transaction exposures for each respective business unit shall be currency hedged via Skanska Financial Services. This foreign exchange risk 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. The foreign exchange risk in transaction exposure is kept as close to zero as possible.

The foreign exchange risk that arises because portions of the equity of the Group are invested long-term in foreign subsidiaries, known as translation exposure, is not normally hedged. Exceptions may occur, however. For example, U.S. operations are 50 percent hedged, and Skanska hedges investments in Commercial Development and Infrastructure Development. In the two latter cases, the investment is normally funded through loans in functional or local currencies.

Counterparty risk

Counterparty risk is defined as the risk that the Group will suffer a loss because a counterparty does not fulfill its contractual commitments toward Skanska.

Financial counterparty risk is identified, managed and reported according to limits defined in the Financial Policy and the risk instruction established for Skanska Financial Services

C. Reported and fair value of interest-bearing assets and liabilities – financial instruments

The Group's interest-bearing net receivable amounted to SEK 10,377 M (11,111). The Group's interest-bearing assets decreased to SEK 15,441 M (16,975). The Group's interest-bearing liabilities amounted to SEK 5,064 M (5,864) at year-end.

The Group's net interest items, excluding capitalized interest, amounted to SEK 299 M (171). The change was mainly attributable to higher market interest rates.

Recognized and fair value of financial instruments coincide for all balance sheet items except for non-current financial liabilities, where fair value was SEK 14 M (53) higher.

Fair value has mainly been calculated according to generally accepted methods of discounting future cash flows based on quoted market interest rates for each respective currency and maturity. If an official price quotation exists in an active market, this has been primarily used. An estimate of Skanska's risk premium is used in calculating fair value in the borrowing portfolio.

Early in 2006, Skanska AB wound down swap agreements related to shares in the Company.

D. Funding

Established relationships with capital markets are a prerequisite for Skanska's ability to ensure a supply of capital on good terms. Via several borrowing programs, the Group is well prepared for temporary fluctuations in its liquidity requirements.

Bank credit facilities

Skanska's committed credit facilities consist of:

- A syndicated bank loan (Multicurrency Revolving Credit Facility) with a ceiling of EUR 600 M and a final due date of November 15, 2011. On December 31, 2006, 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 6,276 M (6,071).

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, 2006, 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, 2006, the borrowed amount was SEK 939 M with an average maturity of 1.3 years.

These borrowing programs are mainly intended for borrowing in the Swedish credit market, but it is possible to borrow in EUR within the framework of these programs.

Note 6 continued

Liquidity reserve and maturity structure

The target is to have a central liquidity reserve of at least SEK 4,000 M available within one week in the form of cash equivalents or committed credit facilities. At year-end 2006, this amounted to about SEK 13 billion. At year-end 2006, the average maturity of the borrowing portfolio was 2.4 (2.7) years.

The maturity structure of interest-bearing assets and liabilities, including derivatives, was distributed over coming years according to the following table.

	2006			2005		
Interest-bearing assets, maturity	**Fixed rate**	**Variable rate**	**Total**	**Fixed rate**	**Variable rate**	**Total**
< 1 year	6,067	7,555	13,622	8,254	7,651	15,905
1–2 years	931	698	1,629	587	226	813
2–3 years	2	0	2	1	19	20
3–4 years	9	133	142	0	0	0
4–5 years	0	1	1	48	0	48
> 5 years	26	18	44	3	187	190
Total interest-bearing assets	**7,036**	**8,405**	**15,441**	**8,892**	**8,082**	**16,975**
Interest-bearing liabilities including derivatives, maturity	**Fixed rate**	**Variable rate**	**Total**	**Fixed rate**	**Variable rate**	**Total**
< 1 year	771	73	844	–270	1,182	912
1–2 years	1,267	340	1,607	417	468	884
2–3 years	1	153	154	749	113	862
3–4 years	0	14	14	1	41	42
4–5 years	156	12	168	0	3	3
> 5 years	39	681	721	0	753	753
Total interest-bearing liabilities	**2,234**	**1,273**	**3,508**	**898**	**2,559**	**3,457**
Net interest-bearing financial instruments	**4,802**	**7,131**	**11,933**	**7,995**	**5,523**	**13,518**
Pensions			1,556			2,407
Net interest-bearing receivables			**10,377**			**11,111**

On December 31, 2006, the nominal amount of the Group's interest rate swap portfolio was SEK 1,948 M (1,718). A net amount of SEK 348 M (–58) of the liabilities was swapped from variable to fixed interest rates.

E. Risk management

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 instruments or 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 abroad and part of the cash flow hedges of transaction exposure for which hedge accounting is applied.

Currency risk

Transaction exposure

Expected contracted net flows in currencies that are foreign to the respective subsidiary are distributed among currencies and maturities as follows.

December 31, 2006

The Group's expected foreign currency flow	2007	2008	2009 and later
USD	204		
EUR	2,917	716	17
CAD	–27		
MTL	–90		
JPY	79	17	
PLN	–28		
SKK	–42		
Other currencies	35		
Total equivalent value	**3,048**	**733**	**17**

The following table shows recognized gains and losses related to hedging of transaction exposure for which hedge accounting is applied. Foreign exchange futures are used as instruments to hedge future income in local currency by minimizing the effects of changes in the forward price of contracted inflows, primarily in EUR.

December 31, 2006

The Group's recognized gains and losses for hedge accounted derivatives related to transaction exposure	2007	2008	2009 and later	Total
EUR	109	31	1	141
Recognized gains	**109**	**31**	**1**	**141**
EUR	–2			–2
Recognized losses	**–2**	**0**	**0**	**–2**

The following table shows recognized gains and losses related to the Group's other hedges of transaction exposure, for which hedge accounting is not applied as well as recognized gains and losses on embedded derivates.

December 31, 2006

The Group's recognized gains and losses for derivatives related to transaction exposure	2007	2008	Total
EUR	62	12	74
USD	5		5
JPY[1]	19	10	29
Recognized gains	**86**	**22**	**108**
EUR	–50	–10	–60
JPY[1]	–22	–6	–28
Recognized losses	**–72**	**–16**	**–88**

1 Flows in JPY are attributable to a road project in Slovakia.

Note 6 continued

Translation exposure

Equity in foreign subsidiaries is normally not hedged, since it is regarded as an investment of a long-term nature. There may be exceptions, however. For example, 50 percent of the equity of Skanska's U.S. operations is hedged due to its sizable impact on the equity of the Group in case of foreign exchange fluctuations.

Investments in project development and public-private partnerships, which are intended to be divested, are normally hedged by means of financing in functional or local currencies, or alternatively by entering into a currency future contract. The amounts that are hedged consist of equity including any tax effect. Hedge accounting is applied for those hedges that meet the criteria for hedge accounting.

The translation difference in the equity of the Group may be significant during certain periods of major exchange rate fluctuations. On December 31, 2006, the largest exposures were in USD, NOK, CZK and EUR.

See also Note 34, "Effect of changes in foreign exchange rates."

Interest rate risk (excluding pension liability))

The average interest rate refixing period for all interest-bearing liabilities was 0.9 (1.0) years.

The average interest rate for these amounted to 4.00 (4.38) percent at year-end.

The share of borrowings in foreign currencies, after taking into account derivatives, was 21 (31) percent.

The average interest rate refixing period for all interest-bearing assets was 0.2 (0.1) years, and the average interest rate was 3.26 (2.42) percent at year-end. Of these, receivables in foreign currencies accounted for 61 (61) percent.

The Skanska Group's portfolio of derivatives related to borrowing was distributed as follows on December 31, 2006.

The values stated do not include accrued interest.

December 31, 2006
The Group's recognized gains and losses for derivatives related to borrowing

	2007	2008	Later	Total
Receiving fixed rate	–1	–1	0	–2
Paying fixed rate	–2	6	0	4
Net amount	**–3**	**5**	**0**	**2**

December 31, 2005
The Group's recognized gains and losses for derivatives related to borrowing

	2006	2007	2008	Later	Total
Receiving fixed rate	1	0	6	0	7
Paying fixed rate	–1	–8	2	0	–7
Net amount	**0**	**–8**	**8**	**0**	**0**

The fair value of the borrowing portfolio, including derivatives related to borrowings, would change by about SEK 50 M in case of a change of market interest rates of one percentage point over the entire yield curve, given the same volume and interest rate refixing period as on December 31, 2006.

Counterparty risk

The Group's counterparty risk can be divided into two main categories: financial counterparty risk and counterparty risk attributable to commercial contracts.

Financial counterparty risk

This is a 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. Financial credit and counterparty risk is identified, managed and reported according to limits defined in the Financial Policy and the risk instruction for Skanska Financial Services.

Skanska has netting (ISDA) agreements with all the financial counterparties with which it enters into derivative contracts. These agreements reduce counterparty risk to some extent.

Skanska endeavors to limit the number of financial counterparties, which must possess a rating at least equivalent to a 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.

Counterparty risk attributable to commercial contracts

The Group's financial counterparty risk attributable to commercial contracts can be divided into three main categories: customer credit risk, counterparty risk related to partners in construction consortia and counterparty risk related to partners in investment projects.

Financial counterparty risks that arise in projects are identified, managed and reported in accordance with limits defined in the Financial Policy and the respective decision making systems of the Parent Company and business units.

Customer credit risk

Skanska's customer credit risk with regard to trade receivables from customers 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 very limited credit, since projects are invoiced in advance as far as possible. In other operations, the extension of credit is limited to customary invoicing periods.

A business unit is not permitted to extend credit to a customer beyond established threshold limits without first receiving approval from Skanska Financial Services.

Counterparty risk related to partners in construction consortia

In major construction projects (mainly infrastructure projects), Skanska may work together with other construction companies in the form of consortia.

These construction consortia assume various types of guarantees toward the customer and the institutions that provide financing during the construction period, and as a rule guarantees are also issued by third parties such as banks or insurance companies. In these projects, the Group is exposed to the risk that other parties cannot fulfill their contractual obligations. The process that precedes project tenders together with other companies in construction consortia includes a due diligence assessment of the financial stability of the other parties.

To limit this exposure, as a rule the parties in each consortium issue reciprocal Parent Company guarantees.

For further information, see Note 33 on contingent liabilities.

Counterparty risks related to partners in investment projects

Skanska's investments in privately financed infrastructure projects, so-called public-private partnership (PPP) projects, consist of shares and, as a rule, subordinated debenture loans in a project company created for this purpose. In conjunction with the financing of PPP projects, in some cases Skanska may assume responsibility in the form of Parent Company guarantees and bank guarantees, for the purpose of ensuring financing on behalf of a third party during a limited period.

The total obligation is equivalent to the Group's ownership stake in the project company in the form of equity and subordinated debenture loans (risk capital in the project) when fully invested. Skanska's ownership in PPP project companies amounts to a maximum of 50 percent (lower voting power). The Group is thus exposed to the risk that other co-owners cannot fulfill their contractual financial obligations to project companies. The process that precedes an investment includes a due diligence assessment of the financial stability of the other co-owners. To limit this exposure, as a rule the co-owners of PPP project companies issue reciprocal Parent Company guarantees. The external institutions that provide financing for PPP projects, as a rule capital market investors or banks, also require that project companies and their owners meet high standards of financial strength.

Insurable risks

At Skanska, there are guidelines for how insurance matters are to be dealt with. The insurance unit at Skanska Financial Services assists the business units in their procurement of arranged insurance solutions. Skanska's captive insurance companies Skanska Försäkrings AB and Scem Re S A provide back-up to business units in arranging insurance solutions. The overall insurance risk is normally reinsured in the international reinsurance market.

Note 7 Business combinations

Business combinations (acquisitions of businesses) are reported in compliance with IFRS 3, "Business Combinations." See "Accounting and valuation principles," Note 1.

Acquisitions of Group companies

During the year, three acquisitions were made. The total investment was SEK –683 M (–50).

The largest acquisition was McNicholas Holding PLC in the United Kingdom, a company specializing in servicing distribution networks for electricity, gas and water. The company was consolidated effective on December 31, 2006.

Of the purchase price of SEK 681 M, SEK 112 M was allocated to intangible assets in the form of service contracts. These contracts run for periods of between 3–6 years. Deferred tax on the amount totaled SEK 34 M. Skanska allocated SEK 547 M to goodwill, which largely reflects access to a growing market, the expertise of employees and synergies.

In April, Skanska made two small acquisitions from minority shareholders. Supplementary purchases were made from the minority owner of the Finnish-based Group company Maarakennus Lantman Oy, totaling 5 percentage points, and from the minority shareholder of the Polish-based Group company Jedynka Projekt Poznańskie Przedsiębiorstwo Projektowe S.A., totaling 30 percentage points. After the acquisitions, the Skanska Group has a 100 percent holding in the Finnish company and a 95 percent holding in the Polish company. When purchasing Maarakennus Lantman Oy, SEK 3 M was allocated to goodwill.

No contingent liabilities are included in the year's acquisitions. All acquisitions are in the Construction business stream There are no plans to divest any portion of the acquired businesses.

McNicholas was acquired as of December 31, 2006 and is thus not included at all in the Group's revenue and earnings for 2006. If the acquisition had occurred on January 1, 2006, the Skanska Group's revenue would have increased by SEK 2,334 M to SEK 127,937 M and the Group's earnings would have increased by SEK 67 M to SEK 3,772 M.

Marrakennus Lantman Oy and Jedynka Projekt Poznańskie Przedsiębiorstwo Projektowe S.A were included in the Skanska Group's revenue and earnings for the entire year. The acquisitions had no impact on the Group, since they only consisted supplementary purchases from minority shareholders.

In November, Skanska signed an agreement to acquire the Slovakian construction company Stamart. The company is being consolidated effective in January 2007.

In 2005, Skanska acquired Klimavex, an installation company in Slovakia, and 10 percentage points in a Finnish company from the minority shareholder.

Acquisitions of shares	Country	Acquisition date	Ownership percent [1]	Purchase price	Investment
2006					
Marrakennus Lantman Oy (purchase from minority shareholder)	Finland	April	100	5	5
Jedynka Projekt Poznańskie Przedsiębiorstwo Projektowe S.A (purchase from minority shareholder)	Poland	April	95	9	9
McNicholas Holdings PLC	U.K.	Dec 31	100	681	669
Total				**695**	**683**
2005					
Klimavex a.s.	Slovakia	Jan 1	100	45	39
Rakennus Vuorenpää Oy (purchase from minority shareholder)	Finland	April	90	11	11
Total				**56**	**50**

1 Refers to both voting power and percentage of capital stock unless otherwise stated.

The net assets of the acquired companies on the acquisition date

2006	Carrying amount in acquired companies before acquisition	Fair value adjustment	Fair value recognized by Skanska Group
Property, plant and equipment	59		59
Intangible assets		112	112
Interest-bearing receivables	47		47
Non-interest-bearing receivables	624		624
Cash and cash equivalents	12		12
Interest-bearing liabilities	–47		–47
Non-interest-bearing liabilities	–639	–34	–673
Net identifiable assets and liabilities	**56**	**78**	**134**
Acquired minority interest			11
Goodwill			550
Purchase price paid[1]			**695**
Less cash and cash equivalents in acquired companies			12
Effect on consolidated cash and cash equivalents, investment			**683**

1 Purchase price is stated including SEK 23 M in acquisition-related expenses.

2005	Carrying amount in acquired companies before acquisition	Fair value adjustment	Fair value recognized by Skanska Group
Property, plant and equipment	19	2	21
Intangible assets	0	0	0
Interest-bearing receivables	0		0
Non-interest-bearing receivables	45		45
Cash and cash equivalents	6		6
Interest-bearing liabilities	–29		–29
Non-interest-bearing liabilities	–21		–21
Net identifiable assets and liabilities	**20**	**2**	**22**
Acquired minority interest			3
Goodwill			31
Purchase price paid[1]			**56**
Less cash and cash equivalents in acquired companies			6
Effect on consolidated liquid assets, investment			**50**

1 Purchase price is stated including SEK 1 M in acquisition-related expenses.

Note 8 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.

Revenue by primary and secondary segment

	Secondary segment – Geographic markets						
Primary segment – Business streams	**Sweden**	**Other Nordic countries**	**Other Europe**	**United States**	**Other markets**	**Central, eliminations and discontinued operations**	**Total revenue**
2006							
Construction	24,123	22,846	30,420	37,564	3,757		118,710
Residential Development	2,620	3,682	486				6,788
Commercial Development	2,274	429	722				3,425
Infrastructure Development					151		151
Other							
Central						1,137	1,137
Eliminations	–2,413	–1,979	–98			–118	–4,608
Discontinued operations							0
Total	**26,604**	**24,978**	**31,530**	**37,564**	**3,908**	**1,019**	**125,603**
2005							
Construction	22,141	23,253	26,146	39,359	3,579		114,478
Residential Development	2,394	2,959	530				5,883
Commercial Development	2,736	1,244	1,095				5,075
Infrastructure Development					53		53
Other							
Central						2,015	2,015
Eliminations	–1,894	–1,361			–2	–141	–3,398
Discontinued operations						561	561
Total	**25,377**	**26,095**	**27,771**	**39,359**	**3,630**	**2,435**	**124,667**

Revenue by category

	2006	2005
Construction contracts	111,621	108,578
Services	4,942	4,813
Sale of goods	755	1,071
Rental income	474	805
Divestments of properties	7,811	9,400
Total	**125,603**	**124,667**

Regarding other types of revenue, dividends and interest income are recognized as part of net financial items. See Note 14, "Financial items."

Other matters

Invoicing to associated companies and joint ventures amounted to SEK 5,843 M (5,238). For other related party transactions, see Note 39, "Related party transactions."

Note 9 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 111,621 M (108,578).

Information from the balance sheet

Gross amount due from customers for contract work	2006	2005
Accrued revenue	81,511	94,089
Invoiced revenue	–76,289	–88,479
Total, asset	**5,222**	**5,610**

Gross amount due to customers for contract work	2006	2005
Invoiced revenue	155,065	166,699
Accrued revenue	–143,708	–154,917
Total, liability	**11,357**	**11,782**

Recognized revenue in ongoing projects including recognized gains less recognized loss provisions amounted to SEK 225,219 M (249,006).

Advance payments received totaled SEK 832 M (1,323).

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 2,540 M (2,931).

Note 10 Operating income

Operating expenses by business stream

	Operating income	
	2006	2005
Construction	3,336	2,860
Residential Development	852	625
Commercial Development	1,210	1,740
Infrastructure Development	–8	–9
Central	–514	–345
Eliminations	–114	–73
Discontinued operations		
operating income		18
disposal gain		184
Total	**4,762**	**5,000**

The Parent Company and other corporate units are reported as "Central."

Elimination of profits from intra-Group sales and transfers of these are reported as "Eliminations." The amounts are explained in the following table:

	2006	2005
Intra-Group profits carried as investments in joint ventures related to contracting work for Infrastructure Development		
Provision for the year	–123	–154
Transfers for the year over service life	16	12
Transfers for the year through divestments	7	
Intra-Group profits carried as current-asset properties		
Provision for the year on contracting work	–34	
Transfers for the year on intra-Group divestments	–24	
Transfers for the year through divestments	40	75
Other	4	–6
Total	–114	–73

Operating expenses by category of expenses

During 2006, revenue in continuing operations increased by SEK 1,497 M to SEK 125,603 M (124,106).

The corresponding operating income decreased by SEK –36 M to SEK 4,762 M (4,798).

Personnel expenses in continuing operations increased by SEK 1,711 M to SEK 22,691 M (20,980).

Other operating expenses adjusted for current-asset properties divested, income in joint ventures and associated companies and gain on divestments of Group companies meanwhile increased by SEK 1,233 M to SEK 91,829 M (90,596).

	Continuing operations		Discontinued operations		Total	
	2006	2005	2006	2005	2006	2005
Revenue	125,603	124,106		561	125,603	124,667
Personnel expenses[1]	–22,691	–20,980		–26	–22,691	–21,006
Depreciation/amortization	–1,147	–1,073			–1,147	–1,073
Impairment losses	–100	–186			–100	–186
Other operating expenses[2]	–96,903	–97,069		–333	–96,903	–97,402
Operating income	**4,762**	**4,798**	**0**	**202**	**4,762**	**5,000**

1 Recognized as personnel costs are wages, salaries and other remuneration plus social insurance contributions, recognized according to Note 36, "Personnel," along with non-monetary remuneration such as free healthcare and car benefits.

2 Other operating expenses in continuing operations can be allocated according to the following table.

	2006	2005
Carrying amount of non-current properties divested	–5,375	–6,725
Income from joint ventures and associated companies	364	237
Gain on disposal of Group companies	–63	15
Other	–91,829	–90,596
Total other operating expenses	**–96,903**	**–97,069**

Analysis of operating income

	2006	2005
Impairment losses		
Goodwill impairment losses		–108
Impairment losses/reversals of impairment losses on property, plant and equipment	–23	–30
Impairment losses/reversals of impairment losses on current-asset properties	–77	–48
	100	**–186**
Gains from divestments of current-asset properties		
Commercial Development	1,300	1,626
Other commercial properties	99	246
Residential Development	1,037	803
	2,436	**2,675**
Income from disposal of discontinued operations		**202**
Income from joint ventures and associated companies	**364**	**237**
Project losses in Denmark (2006) and the U.S. (2005)	**–395**	**–376**
Other operating income	**2,457**	**2,448**
Total according to the income statement	**4,762**	**5,000**

Using the exchange rates prevailing in 2005, operating income would have been SEK 2 M higher in 2006. See also Note 34, "Effect of changes in foreign exchange rates."

Note 11 Selling and administrative expenses

Selling and administrative expenses are recognized as one item. See "Accounting and valuation principles," Note 1.

Distribution of selling and administrative expenses by primary and secondary segment

	Secondary segment – Geographic markets						
Primary segment – Business streams	**Sweden**	**Other Nordic countries**	**Other Europe**	**United States**	**Other markets**	**Central, eliminations and discontinued operations**	**Total**
2006							
Construction	–1,396	–1,207	–1,982	–920	–217		–5,722
Residential Development	–171	–211	–50				–432
Commercial Development	–143	–18	–74				–235
Infrastructure Development					–186		–186
Central, eliminations and discontinued operations						–410	–410
Total	**–1,710**	**–1,436**	**–2,106**	**–920**	**–403**	**–410**	**–6,985**
2005							
Construction	–1,264	–1,119	–1,785	–959	–213		–5,340
Residential Development	–111	–158	–40				–309
Commercial Development	–137	–20	–71				–228
Infrastructure Development					–123		–123
Central, eliminations and discontinued operations						–686	–686
Total	**–1,512**	**–1,297**	**–1,896**	**–959**	**–336**	**–686**	**–6,686**

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 19, "Intangible assets," and Note 17, "Property, plant and equipment."

Depreciation/amortization by asset class and business stream

	Construction	**Residential Development**	**Commercial Development**	**Infrastructure Development**	**Central, eliminations and discontinued operations**	**Group total**
2006						
Intangible assets	–50	–4		–18	–3	–75
Property, plant and equipment						
Property	–70					–70
Plant and equipment	–972	–1	–1	–3	–25	–1,002
Total	**–1,092**	**–5**	**–1**	**–21**	**–28**	**–1,147**
2005						
Intangible assets	–36	–1		–12	–4	–53
Property, plant and equipment						
Proerty	–64					–64
Plant and equipment	–936	–2	–1	–1	–16	–956
Total	**–1,036**	**–3**	**–1**	**–13**	**–20**	**–1,073**

Note 13 Impairment losses/Reversals of impairment losses

Impairment losses are recognized in compliance with IAS 36, "Impairment of assets." See "Accounting and valuation principles," Note 1.

Impairment losses on current-asset properties are recognized in compliance with IAS 2, "Inventories," and are disclosed in Note 22.

Impairment losses/reversals of impairment losses are presented below by business stream. For further information on impairment losses/reversals of impairment losses, see Note 19, "Intangible assets," Note 17, "Property, plant and equipment," and Note 22, "Current-asset properties/Project development."

Impairment losses/reversals of impairment losses by asset class and business stream

	Construction	Residential Development	Commercial Development	Infrastructure Development	Central, eliminations and discontinued operations	Group total
2006						
Recognized in operating income						
Property, plant and equipment						
Property	1					1
Plant and equipment	–24					–24
Current-asset properties						
Other commercial properties	–72					–72
Residential Development		–5				–5
	–95	–5	0	0	0	–100
Recognized in financial items						
Financial assets						0
Total	**–95**	**–5**	**0**	**0**	**0**	**–100**
2005						
Recognized in operating income						
Goodwill	–108					–108
Property, plant and equipment						
Property	–22	2				–20
Plant and equipment	–10					–10
Current-asset properties						
Other commercial properties	–8					–8
Residential Development		–22			–18	–40
	–148	**–20**	**0**	**0**	**–18**	**–186**
Recognized in financial items						
Financial assets		–2				–2
Total	**–148**	**–22**	**0**	**0**	**–18**	**–188**

Note 14 Net financial items

	2006	2005
Financial income		
Interest income	406	308
Dividends	0	3
Change in fair value	2	19
Net exchange rate differences	37	
Net other financial items	21	
	466	**330**
Financial expenses		
Interest expenses	–107	–137
Change in fair value	–120	
Net exchange rate differences		–28
Net other financial items	–17	–45
	–244	**–210**
Income from associated companies	1	0
Total	**223**	**120**

Net interest items

Net interest items in 2006 amounted to SEK +299 M (+171). Interest income improved by SEK 98 M, from SEK 308 M to SEK 406 M, as a consequence of higher average interest-bearing assets during 2006 as well as higher interest rates. Interest expenses meanwhile decreased by SEK 30 M, from SEK –137 M to SEK –107 M. This was because on average, Skanska borrowed less during 2006.

Interest income was received at an average interest rate of 2.81 (2.34) percent.

Interest expenses, excluding interest on pension liability, were paid at an average interest rate of 3.74 (4.15) percent.

During 2006, consolidated interest expenses of SEK –34 M (–28) were capitalized.

Net change in fair value

Derivatives as well as certain other assets and liabilities have been carried at fair value starting in 2005, in compliance with IAS 39.

The item consists mainly of gains and losses on derivatives.

Net other financial items

In 2006 these items included loan redemption discounts as well as various financial fees, mainly related to Skanska Latin America.

In 2005, the item consisted exclusively of financial fees at Skanska Latin America.

Income from associated companies

Skanska's holdings in the equity of aircraft leasing companies are recognized in "Net financial items."

During 2006, SEK 1 M (0) was recognized in income. Holdings in other associated companies are part of the Group's operations and are thus recognized under "Operating income."

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 2006, borrowing costs were capitalized at an interest rate of about 4 percent

	Interest capitalized during the year		Total accumulated capitalized interest included in cost	
	2006	2005	2006	2005
Intangible assets	**2**	**5**	**94**	**92**
Property, plant and equipment	**0**	**0**	**0**	**0**
Current-asset properties				
Commercial Development	21	16	150	148
Other commercial properties			10	10
Residential Development	11	7	11	18
Total	**34**	**28**	**265**	**268**

Note 16 Income taxes

Income taxes are reported in compliance with IAS 12, "Income Taxes." See "Accounting and valuation principles," Note 1.

Tax expenses

	2006	2005
Current taxes	–1,196	–1,115
Deferred tax benefits/expenses from change in temporary differences	53	–72
Deferred tax expenses from change in loss carry-forwards	–189	–8
Taxes in joint ventures	3	–29
Taxes in associated companies	–1	–6
Total	**–1,330**	**–1,230**

Tax items recognized directly in equity

	2006	2005
Deferred taxes attributable to cash flow hedging	4	–13
Deferred taxes attributable to pensions	–217	495
Total	**–213**	**482**

There was no deferred tax attributable to financial assets classified as held for sale.

Taxes related to divested businesses

	Capital gains tax		Tax expenses for the year in each company	
Company	2006	2005	2006	2005
Divestments in 2006				
Divestments in 2005				
Skanska Prefab Mark				2
Skanska Modul				–34
Total	**0**	**0**	**0**	**–32**

Relation between taxes calculated at weighted average tax rate and taxes recognized

The Group's weighted average tax rate was estimated at 30 (28) percent.

Tax rates in effect in Skanska's largest home markets	2006	2005
Sweden	28%	28%
Norway	28%	28%
Denmark	28%	28%
Finland	26%	26%
Poland	19%	19%
Czech Republic	24%	26%
United Kingdom	30%	30%
United States	35–45%	35–45%

The relation between taxes calculated according to an aggregation of the tax rates in effect and recognized taxes is explained in the table below.

	2006	2005
Income after financial items	4,985	5,120
Tax according to aggregation of the tax rates in effect, 30 (28) percent	–1,495	–1,433
Tax effect of:		
Goodwill impairment losses		–41
Property/company divestments/ disposal of businesses	226	317
Losses not offset by deferred tax assets	–109	–57
Other items	48	–16
Recognized tax expenses	**–1,330**	**–1,230**

Note 16 continued

Deferred tax assets

	2006	2005
Deferred tax assets for loss carry-forwards	64	253
Deferred tax assets for shares	43	132
Deferred tax assets for other assets	277	138
Deferred tax assets for provisions for pensions	579	910
Deferred tax assets for other liabilities	1,013	849
Total	**1,976**	**2,282**

Deferred tax assets for loss carry-forwards are expected to be mainly utilized to offset deferred tax liabilities.

Deferred tax assets other than for loss carry-forwards refer to temporary differences between carrying amounts for tax purposes and carrying amounts recognized in the balance sheet. These differences arise, among other things, when the Group's valuation principles diverge from those applied locally by a subsidiary. These deferred tax assets are mostly realized within five years.

Deferred tax assets arise, for example, when a recognized depreciation/amortization/impairment loss on assets becomes deductible for tax purposes only in a later period, when eliminating intra-Group profits, when the provisions for defined-benefit pensions differ between local rules and IAS 19, when the required provisions become tax-deductible in a later period and when advanced payments to ongoing projects are taxed according to the cash principle. Deferred tax assets for ongoing projects were included in "Deferred tax assets for other liabilities" in the amount of SEK 231 M.

Temporary differences and loss carry-forwards that are not recognized as deferred tax assets

	2006	2005
Loss carry-forwards that expire within one year	75	745
Loss carry-forwards that expire in more than one year but within three years	344	346
Loss carry-forwards that expire in more than three years	1,770	1,475
Total	**2,189**	**2,566**

The loss carry-forwards are found in a number of different countries. These loss carry-forwards are not recognized as deferred tax assets because the right to offset them against other income is limited or current earnings generation in some of these countries makes it impossible to assess the likelihood that a loss carry-forward can be utilized.

Provisions for taxes

	2006	2005
Deferred tax liabilities on shares and participations	309	348
Deferred tax liabilities on other assets	704	812
Other deferred tax liabilities	1 879	1671
Total	**2 892**	**2 831**

Deferred tax liabilities on other assets and other deferred tax liabilities refer to temporary differences between carrying amounts for tax purposes and carrying amounts in the balance sheet. These differences arise, among other things, when the Group's valuation principles diverge from those applied locally by a subsidiary. These deferred tax liabilities are mostly realized within five years.

For example, deferred tax liabilities arise when depreciation/amortization for tax purposes in the current period is larger than the required economic depreciation/amortization and when recognized profits in ongoing projects are taxed only when the project is completed. Deferred tax assets for ongoing projects are included in "Other deferred tax liabilities" in the amount of SEK 1,030 M.

Temporary differences attributable to investments in subsidiaries, 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.

Net change in deferred taxes in the balance sheet

	2006	2005
Net deferred tax liabilities, January 1	549	1 097
Transferred to assets classified as held for sale		–9
Recognized in equity	213	–482
Deferred tax expenses	136	80
Acquisitions of companies	–4	
Divestments of companies	–3	–9
Exchange rate differences	25	–128
Net deferred tax liabilities, December 31	**916**	**549**

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.

Property, plant and equipment by asset class

	2006	2005
Property	1,690	1,614
Plant and equipment	3,602	3,527
Property, plant and equipment under construction	165	102
Total	**5,457**	**5,243**

Depreciation of property, plant and equipment by asset class and function

	Cost of sales		Sales and administration		Total	
	2006	2005	2006	2005	2006	2005
Property	–53	–49	–17	–15	–70	–64
Plant and equipment	–861	–818	–141	–138	–1,002	–956
Total	**–914**	**–867**	**–158**	**–153**	**–1,072**	**–1,020**

Impairment losses/reversals of impairment losses on property, plant and equipment

Impairment losses/reversals of impairment losses of SEK –23 M (–30) were recognized during the year.

Impairment losses/reversals of impairment losses by function	Buildings and land 2006	Buildings and land 2005	Machinery and equipment 2006	Machinery and equipment 2005
Cost of sales				
Impairment losses	–10	–25	–22	–10
Reversals of impairment losses	17	5	3	
Sales and administration				
Impairment losses	–6		–5	
Total	**1**	**–20**	**–24**	**–10**
Amount of impairment losses/reversals is based on				
Net realizable value	4	–12	–13	–2
Value in use	–3	–8	–11	–8
Total	**1**	**–20**	**–24**	**–10**

Property, plant and equipment held for sale

At year-end 2005, the carrying amount of property, plant and equipment classified as held for sale was SEK 33 M. This item was transferred back to property, plant and equipment on January 1, 2006

Note 17 continued

Information about cost, accumulated depreciation, accumulated revaluations and accumulated impairment losses

	Buildings and land		Machinery and equipment		Construction in progress	
	2006	2005	2006	2005	2006	2005
Accumulated cost						
January 1	2,790	2,857	12,032	11,600	102	71
Transferred from/to assets classifed as held for sale	1	–103	47	–1 123	2	–5
Investments	194	130	1,439	1,242	115	43
Acquisitions of companies	54	18	5	3		
Divestments of companies	–6	–37	–48	–35		
Divestments	–150	–276	–805	–661	–47	–2
Reclassifications	32	–7	–55	212	–8	–12
Exchange rate differences for the year	–58	208	–533	794	1	7
	2,857	**2,790**	**12,082**	**12,032**	**165**	**102**
Accumulated depreciation						
January 1	–850	–816	–8,490	–7,809		
Transferred from/to assets classifed as held for sale		34	–6	585		
Divestments of companies	3		11	20		
Divestments and disposals	22	49	624	387		
Reclassifications	21	–7	74	–241		
Depreciation for the year	–71	–64	–1,001	–956		
Exchange rate differences for the year	24	–46	334	–476		
	–851	**–850**	**–8,454**	**–8,490**		
Accumulated impairment losses						
January 1	–326	–301	–15	–95		
Transferred from/to assets classified as held for sale		10	–11	73		
Divestments of companies						
Divestments and disposals	2	33	11	1		
Reclassifications		–21	11	17		
Impairment losses/reversals of impairment losses for the year	1	–20	–24	–10		
Exchange rate differences for the year	7	–27	2	–1		
	–316	**–326**	**–26**	**–15**		
Carrying amount, December 31	**1,690**	**1,614**	**3,602**	**3,527**	**165**	**102**
Carrying amount, January 1	1,614	1,740	3,527	3,696	102	71

Information on assessed value for tax purposes, Sweden

	2006	2005
Buildings	329	326
corresponding carrying amount of buildings	147	160
Land	257	239
corresponding carrying amount of land	88	85

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 34 M (94).

Skanska did not receive any compensation from third parties for property, plant and equipment that was damaged or lost. In 2005, a small amount was received.

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 4,490 M (4,154) 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 2006, goodwill rose by SEK 547 M through the acquisition of McNicholas in the U.K. Other changes can be seen in the table below.

Goodwill value by business unit

	2006	2005	Change of the year	of which exchange rate differences	of which acquisitions of companies[1]	of which divestments of businesses
Construction						
Norway	979	1,047	–68	–68		
Finland	371	383	–12	–15	3	
Poland	18	19	–1	–1		
Czech Republic	406	399	7	7		
United Kingdom	1,967	1,446	521	–26	547	
USA Building	279	322	–43	–43		
USA Civil	25	29	–4	–4		
Residential Development						
Nordic countries	445	476	–31	–31		
Central[2]	**0**	**33**	**–33**			**–33**
Total	**4,490**	**4,154**	**336**	**–181**	**550**	**–33**

of which acquisition goodwill in Group financial statements	2006	2005
Construction		
Norway	958	1,025
Finland	149	155
Czech Republic	365	360
United Kingdom	1,374	1,394
Residential Development		
Nordic countries	436	466
Total	**3,282**	**3,400**

1 See Note 7, "Business combinations."

2 During 2006, portions of Russian operations were divested/discontinued.

In Construction and Residential Development, the goodwill recoverable amount is based exclusively on value in use.

Goodwill value together with other non-current asset values are tested annually, normally when the Group is preparing its financial statements for the third quarter.

Expected cash flows are based on forecasts for each submarket in the countries where the Group has operations. For Construction, these forecasts include such variables as demand, cost of input goods, labor costs and the competitive situation. Residential Development establishes forecasts for the various segments of its operations. Important variables taken into account include demographic and interest rate trends.

The forecasts are based on previous experience, Skanska's own judgments and external sources of information.

The forecast period encompasses three years. The growth rate that is used to extrapolate cash flow forecasts beyond the period covered by the three-year forecasts is the normal growth rate for the industry in each respective country. Normally, two percent has been used.

Each unit uses a unique discount factor based on weighted average cost of capital (WACC) for each respective business unit. Parameters that affect the WACC of the various business units are: interest rates for borrowing and tax rates in the various countries, the market risks of various business units and the ratio between borrowed funds and equity in the respective units.

For Construction units, a WACC is stated on the basis of capital employed consisting 100 percent of equity. In Residential Development, WACC is based on capital employed consisting of 50 percent equity and 50 percent borrowed funds. WACC is stated before taxes.

The following table states how the recoverable amount relates to the carrying amount for the respective business units for Skanska's largest goodwill items, which are tested at the Group level. The carrying amount is expressed as 100. The tests were carried out using the financial statements on September 30, 2006.

	Construction operations				Residential Development
	Norway	Finland	Czech Republic	United Kingdom	Nordic
Carrying amount, 100	100	100	100	100	100
Recoverable amount in relation to carrying amount	176	433	164	222	236
Interest rate, percent	9.7	9.9	11.0	9.9	6.5
Recoverable amount in case of increase in interest rate					
+ 1 percentage point	157	386	148	198	196
+ 5 percentage point	110	272	108	140	117

Goodwill impairment losses

During 2006, the Group recognized goodwill impairment losses of SEK –0 M (–108).

Of the goodwill impairment loss of SEK –108 M in 2005, SEK –98 M was related to an impairment loss in Yeager Skanska, a unit of Skanska USA Civil.

Impairment loss by function	2006	2005
Selling and administration		
Impairment loss		–108
Total	**0**	**–108**

Impairment loss amount based on		
Net recoverable amount		–9
Value in use		–99
Total	**0**	**–108**

Note 18 continued

Information about cost and accumulated impairment losses

	Goodwill 2006	Goodwill 2005
Accumulated cost		
January 1	4,306	3,941
Acquisitions of companies	550	31
Divestments of companies	–33	
Divestments		–2
Reclassifications		–1
Exchange rate differences for the year	–197	337
	4,626	**4,306**
Accumulated impairment losses		
January 1	–152	–42
Impairment losses for the year		–108
Exchange rate differences for the year	16	–2
	–136	**–152**
Carrying amount, December 31	**4,490**	**4,154**
Carrying amount, January 1	4,154	3,899

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

	2006	2005	Useful life applied
Expressway concession	451	540	26 years
Other intangible assets, externally acquired	289	92	3–50 years
Intangible assets, internally generated	0	12	3–5 years
Total	**740**	**644**	

The expressway concession in Santiago, Chile went into full operation in mid-2006. Amortization will occur over the concession period.

"Other intangible assets, externally acquired" consisted of the year's allocation of acquired service contracts totaling SEK 112 M upon the acquisition of McNicholas as well as extraction rights for gravel pits and rock quarries in Sweden plus utilization rights for computer software. Extraction rights for rock quarries and gravel pits are amortized as material is extracted. Computer software is amortized in 3–5 years. The acquired service contracts upon the acquisition of McNicholas are being amortized in 3–6 years.

In 2005, computer software was recognized as internally generated intangible assets.

Amortization of other intangible assets by function

All intangible assets were amortized, because they have a limited useful life.

Amortization by function	2006	2005	of which amortization of internally generated assets 2006	of which amortization of internally generated assets 2005
Cost of sales	–34	–29	–12	–14
Selling and administration	–41	–24		–1
Total	**–75**	**–53**	**–12**	**–15**

Impairment losses/reversals of impairment losses on other intangible assets

During 2006, impairment losses/reversals of impairment losses on other intangible assets amounted to SEK 0 M (0).

Information about cost, accumulated amortization and accumulated impairment losses

	Expressway concession 2006	Expressway concession 2005	Other intangible assets, externally acquired 2006	Other intangible assets, externally acquired 2005	Intangible assets, internally generated 2006	Intangible assets, internally generated 2005
Accumulated cost						
January 1	552	440	236	179	64	64
Acquisitions of companies			112			
Other investments	2	5	37	46		
Divestments			–2	–2		
Reclassifications	1		203	2		
Exchange rate differences for the year	–75	107	–28	11		
	480	**552**	**558**	**236**	**64**	**64**
Accumulated amortization						
January 1	–12	0	–142	–109	–52	–37
Reclassifications	1		–96			
Amortization for the year	–18	–12	–45	–26	–12	–15
Exchange rate differences for the year			16	–7		
	–29	**–12**	**–267**	**–142**	**–64**	**–52**
Accumulated impairment losses						
January 1			–2	–2		
	0	**0**	**–2**	**–2**	**0**	**0**
Carrying amount, December 31	**451**	**540**	**289**	**92**	**0**	**12**
Carrying amount, January 1	540	440	92	68	12	27

Other matters

Information about capitalized interest is presented in Note 15, "Borrowing costs." Direct research and development expenses amounted to SEK 72 M (47).

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 ventures and associated companies after financial items, adjusted for any impairment losses in goodwill on consolidation and intra-Group profits.

Income from joint ventures and associated companies is presented in the following table.

	2006	2005
Share of income in joint ventures according to the equity method [1]	205	195
Share of income in associated companies according to the equity method [1]	18	14
Divestments of joint ventures	118	16
Transfers of intra-Group profits in Infrastructure Development during useful life	16	12
Transfers of intra-Group profits in Infrastructure Development through divestments	7	
Total	**364**	**237**

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 3 M (–29) and its share of taxes in associated companies amounted to SEK –1 M (–6). See also Note 16, "Income Taxes."

Carrying amount according to the balance sheet and the change that occurred during 2006 can be seen in the following table.

	Joint ventures	Associated companies	Total
January 1	1,795	39	1,834
Investments	268		268
Divestments	–71		–71
Reclassifications	–3	–15	–18
Exchange rate differences for the year	–136	–2	–138
The year's provision for intra-Group profit on contracting work	–123		–123
The year's change in share of income in associated companies and joint ventures after subtracting dividends received	125	17	142
Carrying amount, December 31	**1,855**	**39**	**1,894**

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 1,855 M (1,795).

Infrastructure Development included a large carrying amount in joint ventures, SEK 1,990 M (1,896). The value of these companies in the consolidated accounts was reduced by intra-Group profits of SEK –395 M (–324), 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 specializes in identifying, developing and investing in privately financed infrastructure projects, such as roads, hospitals and power generating stations. The business stream focuses on creating new project opportunities in the markets where the Group has operations.

The projects that had the largest effect during 2006 were:

The Autopista Central toll expressway in Santiago, Chile went into full operation in May 2006. Traffic revenue on the Autopista exceeded the original forecasts during 2006 as well. Since the project has gone into full operation, full expenses for interest and depreciation/amortization are being charged to earnings. This initially means that the project will provide a negative contribution to earnings. This is normal for the project type – concessions with traffic risks – given the accounting principles in effect.

During the year, the hospital in Coventry and the schools in Bexley, England went into operation and provided a positive contribution to earnings. The Breitener/Manaus power generating plant in Brazil was placed in operation during 2006. Overall, the project caused a loss for the full year. During the second half of the year, however, the project yielded positive earnings.

Two projects that showed a very good earnings trend are the Ponte de Pedra hydropower generating plant in Brazil and the Nelostie highway in Finland. In Ponte de Pedra, which went into operation in 2005, operational costs decreased. On the Nelostie highway, which has been in operation for years, traffic volume was substantially higher than in 2005.

During 2006, Skanska signed contracts for three projects: St. Bartholomew's and the Royal London Hospital, as well as schools in Midlothian and Bristol, all in the U.K. This meant that Skanska received some contribution in the form of shares in income and interest payments during the year.

Skanska sold holdings in the Bridgend prison, Kings College Hospital and Maputo Port during the year with sizable gains. This meant that their contribution to earnings was lower than in 2005 since these project holdings were only owned for part of the year. The gains on these divestment are reported on a separate line.

Note 20 continued

Specification of major holdings of shares and participations in joint ventures

Company	Operations	Country	Percentage of capital stock	Percentage of voting power	Currency if not SEK	Consolidated carrying amount[1] 2006	2005
Joint ventures in Infrastructure Development							
Autopista Central S.A.[2]	Expressway	Chile	48	48	CLP	635	759
Breitener Energetica S/A	Power station	Brazil	35	35	BRL	175	151
Bristol PFI Development Ltd	Education	U.K.	50	50	GBP	0	
Bristol PFI (Holdings) Ltd	Education	U.K.	61	46	GBP	60	
Capital Hospitals (Holdings)[3]	Healthcare	U.K.	38	38	GBP	92	1
Central Nottinghamshire Hospital (Holdings)	Healthcare	U.K.	50	50	GBP	1	2
Derby Healthcare Holdings Ltd	Healthcare	U.K.	25	50	GBP	–18	–1
Gdansk Transport Company	Highway	Poland	30	30	PLN	16	19
Investors in Community (Bexley Schools) Ltd	Education	U.K.	50	50	GBP	32	32
LLC Nordvod	Wastewater	Russia	14	14	RUB	26	26
Midlothian Schools Holdings Ltd	Education	U.K.	50	50	GBP	2	
Orkdalsvegen AS	Highway	Norway	50	50	NOK	11	8
Ponte de Pedra Energetica S/A	Power station	Brazil	50	50	BRL	350	361
Portus Indico S.A.	Port	Moçambique	24	24	EUR	22	31
Same, ownership in 2005			32	32			
The Coventry and Rugby Hospital Comp.Ltd	Healthcare	U.K.	25	50	GBP	127	80
Tieyhtiö Nelostie Oy	Highway	Finland	50	41	EUR	38	51
Tieyhtiö Ykköstie Oy	Highway	Finland	41	41	EUR	26	16
Others							–1
						1,595	1,535
Sold in 2006							
Bridgend Custodial Services Ltd	Correctional care	U.K.	20	9	GBP		14
HpC King´s College Hospital Ltd	Healthcare	U.K.	33	33	GBP		23
							37
Other joint ventures						**260**	**223**
Total						**1,855**	**1,795**

1 Negative carrying amounts are explained by elimination of intra-Group profits.
2 There is also an investment in a concession fee. Its carrying amount was SEK 451 M (540). See Note 19, "Intangible assets."
3 Refers to the St. Bartholomew's and the Royal London Hospital project.

Information on the Group's share of the income statements and balance sheets of joint ventures reported according to the equity method

Income statement	2006	2005	The amounts includ Infrastructure Development operations totaling 2006	2005
Revenue	4,367	2,209	3,598	1,707
Operating expenses	–3,994	–1,931	–3,371	–1,502
Operating income	**373**	**278**	**227**	**205**
Financial items	–168	–88	–142	–64
Income after financial items	**205**	**190**	**85**	**141**
Taxes	3	–29	29	–21
Profit for the year	**208**	**161**	**114**	**120**
Balance sheet				
Non-current assets	10,735	8,926	10,567	8,765
Current assets	8,549	5,340	7,653	4,051
Total assets	**19,284**	**14,266**	**18,220**	**12,816**
Equity attributable to equity holders[1]	2,234	2,101	1,976	1,878
Minority	16	8		
Non-current liabilities	15,350	10,506	14,826	10,161
Current liabilities	1,684	1,651	1,418	777
Total equity and liabilities	**19,284**	**14,266**	**18,220**	**12,816**

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.

Reconciliation with shares in joint ventures	2006	2005
Skanska's portion of equity in joint ventures, adjusted for surplus value and goodwill	2,234	2,101
– Intra-Group profit in consolidated financial statements	–395	–324
+ losses in Infrastructure Development not posted, since Skanska's portion is already zero	16	18
Carrying amount of shares	**1,855**	**1,795**

Assets pledged

Shares in joint ventures pledged as collateral for loans and other obligations amounted to SEK 1,344 M (1,444).

Other matters

Skanska's portion of the total investment obligations of partly owned joint ventures amounted to SEK 9,862 M (6,998).

Skanska has undertaken to invest an additional SEK 913 M (535) 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 venture and in the form of participations and loans from other co-owners.

Contingent liabilities to joint ventures amounted to SEK 674 M (1,495).

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 39 M (39).

Of this amount, SEK 0 M (3) was attributable to "aircraft leasing companies."

Share of income in associated companies is recognized in the income statement, with the exception of share of income in "aircraft leasing companies," which is recognized under financial items.

Information on the Group's share of revenue, income, assets, liabilities and equity in associated companies

	2006	2005
Revenue	115	136
Income	15	7
Assets	226	355
Equity [1]	–1,046	–1,046
Liabilities	1,272	1,401
	226	**355**

1 Reconciliation between equity and carrying amount of holdings according to the equity method of accounting

	2006	2005
Equity in associated companies	–1,046	–1,046
Adjustments for losses not recognized	1,085	1,085
Carrying amount according to balance sheet	39	39

Information on losses in associated companies not posted because the carrying value of Skanska's holding "is already zero"

Group	2006	2005
Loss for the year		–5
Losses in prior years	–1,085	–1,080

The losses occurred in partly owned limited partnerships (aircraft leasing) for which the Group has no obligation to provide additional capital.

Other matters

The associate companies have no liabilities or contingent liabilities which the Group may become responsible for paying. Nor are there any obligations for further investments.

Note 21 Financial assets

Financial investments, financial receivables and shareholdings where ownership is less than 20 percent and the Group has no significant influence are recognized as financial non-current assets.

Financial investments and financial receivables are recognized as financial current assets.

See also Note 6, "Financial instruments."

Financial non-current assets

	2006	2005
Financial investments		
Financial assets carried at fair value through profit or loss		
Securities		92
Derivatives	8	15
Financial assets available for sale[1]	958	359
Financial receivables, interest-bearing		
Receivable from associated companies	12	5
Receivable from joint ventures	5	0
Restricted cash	371	410
Other interest-bearing receivables	146	355
Total	**1,500**	**1,236**
of which interest-bearing financial non-current assets	1,433	1,070
of which non-interest-bearing financial non-current assets	67	166

Financial current assets

	2006	2005
Financial investments		
Financial assets carried at fair value through profit and loss		
Securities	202	
Derivatives	116	35
Hold-to-maturity investments	655	476
Financial assets available for sale	747	105
Financial receivables, interest-bearing		
Receivable from associated companies	10	0
Restricted cash	708	633
Discounted operating receivables	340	152
Other interest-bearing receivables	376	859
Total	**3,154**	**2,260**
of which interest-bearing financial current assets	3,038	2,225
of which non-interest-bearing current financial assets	116	35

1 Including SEK 59 M (59) in shares carried at cost. The shares are carried at cost because they are not listed and their fair value cannot be reliably estimated. During 2006, shareholdings were not affected by any impairment losses. In 2005 there was an impairment loss of SEK –2 M in the Residential Development business stream, which was charged to financial items. The impairment loss was based on net realizable value.

Note 22 Current-asset properties/Project development

Current-asset properties are reported in compliance with IAS 2, "Inventories." See "Accounting and valuation principles," Note 1. The allocation of balance sheet items among the various business streams can be seen below.

Balance sheet item	Business stream	2006	2005
Commercial Development	Commercial Development	5,583	5,804
Other commercial properties	Construction	956	1,396
Residential Development	Residential Development	5,288	3,282
Total		**11,827**	**10,482**

For a further description of the respective business streams, see Note 4, "Segment reporting."

Income from current-asset properties comes mainly from Commercial Development and Residential Development.

Completed properties, properties under construction and development properties are all reported as current-asset properties.

Divestments of current-asset properties

	2006	2005
Divestment proceeds		
Commercial Development	2,966	4,430
Other commercial properties	390	820
Residential Development	4,455	4,150
	7,811	**9,400**
Carrying amount		
Commercial Development	–1,666	–2,804
Other commercial properties	–291	–574
Residential Development	–3,418	–3,347
	–5,375	**–6,725**
Gross income		
Commercial Development	1,300	1,626
Other commercial properties	99	246
Residential Development	1,037	803
	2,436	**2,675**

Breakdown of divestments by Commercial Development among completed projects, properties under construction and development properties

	Completed properties		Properties under construction and development properties		Total	
	2006	2005	2006	2005	2006	2005
Divestment proceeds	2,010	3,430	956	1,000	2,966	4,430
Carrying amount	–916	–2,231	–750	–573	–1,666	–2,804
Gross income	**1,094**	**1,199**	**206**	**427**	**1,300**	**1,626**

Impairment losses/reversals of impairment losses

Current-asset properties are valued in compliance with IAS 2, "Inventories," and are thus carried at cost or net realizable value, whichever is lower. Adjustments in 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 2006, impairment losses totaling SEK 7 M (1) were reversed. The reason for this was that net realizable value increased during the year.

	Impairment losses		Reversals of impairment losses		Total	
	2006	2005	2006	2005	2006	2005
Commercial Development					0	0
Other commercial properties	–72	–9		1	–72	–8
Residential Development	–12	–40	7		–5	–40
Total	**–84**	**–49**	**7**	**1**	**–77**	**–48**

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	
	2006	2005	2006	2005	2006	2005
Commercial Development	5,415	5,356	168	448	5,583	5,804
Other commercial properties	941	882	15	514	956	1,396
Residential Development	5,209	3,207	79	75	5,288	3,282
Total	**11,565**	**9,445**	**262**	**1,037**	**11,827**	**10,482**

Fair value of current-asset properties

The fair value of completed commercial properties on December 31, 2006 was estimated at about SEK 3.5 billion (4.6), partly in collaboration with external appraisers. This included partly owned properties with a corresponding carrying amount of SEK 2.5 billion (3.2).

Including projects recognized as completed on January 1, 2007, estimated total fair value was about SEK 4.1 billion (4.8), with a corresponding carrying amount of SEK 2.9 billion (3.4).

Other properties had an estimated fair value that largely coincides with their carrying amount of SEK 8.9 billion (7.1).

Information on assessed value for tax purposes of current-asset properties in Sweden

	Assessed value		Corresponding carrying amount	
	2006	2005	2006	2005
Buildings	2,031	2,759	3,359	3,796
Land	1,788	1,928	1,931	1,850
Total	**3,819**	**4,687**	**5,290**	**5,646**

Assets pledged

Current-asset properties used as collateral for loans and other obligations totaled SEK 5 M (5). See Note 33.

Other matters

Information on capitalized interest is reported in Note 15, "Borrowing costs." Skanska has committed itself to investing SEK 686 M in current-asset properties.

Note 22 continued

Carrying amount

	Completed properties		Properties under construction		Development properties		Total current-asset properties	
	2006	2005	2006	2005	2006	2005	2006	2005
Commercial Development	2,525	3,157	1,226	599	1,832	2,048	5,583	5,804
Other commercial properties	99	44	54	444	803	908	956	1,396
Residential Development	194	261	810	601	4,284	2,420	5,288	3,282
Total	**2,818**	**3,462**	**2,090**	**1,644**	**6,919**	**5,376**	**11,827**	**10,482**

	Commercial Development		Other commercial properties		Residential Development		Total current-asset properties	
	2006	2005	2006	2005	2006	2005	2006	2005
Carrying amount								
January 1	5,804	7,395	1,396	1,272	3,282	3,268	10,482	11,935
Divestments of companies					–154	–1	–154	–1
Investments	1,639	1,135	272	640	5,153	3,181	7,064	4,956
Divestments	–1,666	–2,804	–291	–574	–3,418	–3,347	–5,375	–6,725
Impairment losses/reversals of impairment losses			–72	–8	–5	–40	–77	–48
The year's provision for intra-Group profits in contracting work	–58						–58	
Reclassifications	–79	–127	–339	25	563	43	145	–59
Change for the year due to IAS 39	–4	7					–4	7
Exchange rate difference for the year	–53	198	–10	41	–133	178	–196	417
December 31	**5,583**	**5,804**	**956**	**1,396**	**5,288**	**3,282**	**11,827**	**10,482**

Note 23 Inventories etc.

Inventories are reported in compliance with IAS 2, "Inventories." See "Accounting and valuation principles," Note 1.

	2006	2005
Raw materials and supplies	301	340
Products being manufactured	149	120
Finished products and merchandise	34	41
Total	**484**	**501**

Other matters

There were no significant differences 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 consequently recognized as current assets.

	2006	2005
Trade accounts receivable	18,995	18,941
Operating receivables from associated companies	1	
Operating receivables from joint ventures	231	183
Prepaid expenses and accrued income	1,564	1,621
Other operating receivables	2,472	2,240
Total	**23,263**	**22,985**

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 are allocated as shown in the table below.

	2006	2005
Held-to-maturity investments		237
Financial assets available for sale	2,131	2,858
Total	**2,131**	**3,095**

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 less than one percent of total equity.

During the year, equity changed as follows

Closing balance, 2005	**18,587**
Attributable to equity holders	
Dividend	–2,721
Translation differences	–679
Effect of reporting of pensions in compliance with IAS 19	501
Effect of share-based payment in compliance with IFRS 2	18
Effect of IAS 39 cash flow hedge	–18
Change in minority interest	**–6**
Profit for the year attributable to	
Equity holders	3,635
Minority	20
Closing balance, 2006	**19,337**

Note 26 continued

Equity attributable to equity holders is allocated as follows

	2006	2005
Share capital	1,269	1,256
Paid-in capital	316	316
Reserves	745	1,442
Retained earnings	16,860	15,440
Total	**19,190**	**18,454**

The following reserves are found in the consolidated financial statements:

	2006	2005
Translation reserve	670	1,349
Cash flow hedge reserve	75	93
Fair value reserve	0	0
Total	**745**	**1,442**

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, as is change in pension liability, which in compliance with IAS 19 is recognized directly in equity. In compliance with IFRS 2, the year's change in share-based payment was recognized directly in equity in the amount of SEK 18 M (12). 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 to zero upon the transition to IFRS on January 1, 2004.

Translation differences for the year amounted to SEK –987 M (1,633) and consisted mainly of differences in USD, NOK and EUR (for currency abbreviations, see Note 34, "Effect of changes in exchange rates."

During the year, the translation reserve was affected by exchange rate differences of SEK 308 M (–498) due to currency hedges. The Group has currency hedges against net investments mainly in USD, EUR, BRL and CLP. The Group began currency hedging of portions of its net investment in American operations during the spring, and this enabled it to reduce exchange rate losses in USD-denominated equity by SEK 83 M. In all, the Group was affected by currency hedges in USD, EUR and CLP totaling SEK 0.1 M each.

Cash flow hedge reserve

Recognized in the hedging reserve are unrealized gains and losses on hedging instruments when applying hedge accounting with regard to forecasted cash flows. Hedge accounting is applied for transaction exposure to foreign currencies in operations in Poland. The change in the reserve for the year amounted to SEK –18 M (52), and the closing balance of the reserve was SEK 75 M (93).

Fair value reserve

The fair value reserve includes the accumulated net change in the fair value of financial assets available for sale until the asset is derecognized from the balance sheet.

IFRS 2, "Share-based Payment":

The share incentive program ("Share Award Plan") introduced during 2005 is recognized as share-based payment, which is settled with an equity instrument in compliance with IFRS 2. This implies that fair value is calculated on the basis of estimated fulfillment of established financial targets during a measurement period. After the close of the measurement period, fair value is established. This value is allocated over the four-year vesting period. There is no reappraisal after fair value is established during the remainder of the vesting period, aside from changes in the number of shares because the condition of continued employment during the vesting period is no longer met.

Dividend

After the balance sheet date, the Board of Directors decided to propose a regular dividend of SEK 4.75 (4.50) per share plus an extra dividend of SEK 3.50 (2.00) per share. The dividend is subject to the approval of the Annual Shareholders' Meeting on April 3, 2007.

The overall proposed dividend in SEK M is

	2006	2005
Regular dividend	1,988	1,884
Extra dividend	1,465	837
Total	**3,453**	**2,721**

Number of shares

Information on the number of shares is provided in the Parent Company financial statements, Note 55.

Dilution effect

In the Share Award Plan introduced in 2005, the number of potential ordinary shares is calculated during the measurement period based on the estimated number of shares that will be issued due to the fulfillment of the established targets. After the end of the measurement period, Skanska establishes the number of shares that may be issued, provided that the conditions regarding continued employment are met. The number of potential ordinary shares thus calculated is then reduced by the difference between the payment Skanska is expected to receive and the average share price during the period.

The Share Award Plan introduced in 2005 has been estimated to have a dilution effect during 2006 of 274,398 shares or 0.07 percent of the number of shares outstanding.

The maximum dilution effect at the close of the vesting period in 2010 amounts to 844,131 shares or 0.20 percent.

Other matters

Concerning equity swaps for employee stock options, see "Accounting and valuation principles," Note 1, and Note 37, "Compensation to executive officers and Board members."

Note 26 continued

	Share capital	Paid-in capital	Reserves	Retained earnings	Total	Minority interest	Total equity
	Equity attributable to equity holders						
Equity, January 1, 2005	**1,256**	**316**	**255**	**14,413**	**16,240**	**117**	**16,357**
Change in translation reserve for the year			1,135		1,135	9	1,144
Change in cash flow hedge reserve for the year			65		65		65
Change in share-based payment for the year in compliance with IFRS 2				12	12		12
Change in pensions for the year in compliance with IAS 19				–1,685	–1,685		–1,685
Other transfers of assets recognized directly in equity [1]						–3	–3
Taxes attributed to items recognized directly in equity			–13	495	482		482
Changes in assets recognized directly in equity, excluding transactions with the Company's owners	**0**	**0**	**1,187**	**–1,178**	**9**	**6**	**15**
Profit for the year				**3,879**	**3,879**	**11**	**3,890**
Total changes in assets, excluding transactions with the Company's owners	**0**	**0**	**1,187**	**2,701**	**3,888**	**17**	**3,905**
Dividend				–1,674	–1,674	–1	–1,675
Equity, December 31, 2005/ Equity, January 1, 2006	**1,256**	**316**	**1,442**	**15,440**	**18,454**	**133**	**18,587**
Change in translation reserve for the year			–679		–679	–2	–681
Change in cash flow hedge reserve for the year			–22		–22		–22
Change in share-based payment for the year in compliance with IFRS 2				18	18		18
Change in pensions for the year in compliance with IAS 19				718	718		718
Other transfers of assets recognized directly in equity [1]					0	–1	–1
Taxes attributed to items recognized directly in equity			4	–217	–213		–213
Changes in assets recognized directly in equity, excluding transactions with the Company's owners	**0**	**0**	**–697**	**519**	**–178**	**–3**	**–181**
Profit for the year				**3,635**	**3,635**	**20**	**3,655**
Total changes in assets, excluding transactions with the Company's owners	**0**	**0**	**–697**	**4,154**	**3,457**	**17**	**3,474**
Issue of Series D shares [2]	13				13		13
Repurchase of Series D shares [2]				–13	–13		–13
Dividend				–2,721	–2,721	–3	–2,724
Equity, December 31, 2006	**1,269**	**316**	**745**	**16,860**	**19,190**	**147**	**19,337**

1 SEK –1 M (–3) in minority interest was recognized as other changes in assets directly in equity. The amount consisted of contributions of SEK +14 M (0) from minority interest, purchases of SEK –11 M (–3) from minority interests and divestments of SEK –4 M (–0) of Group companies with minority interest.

2 See Note 55, "Equity," Parent Company.

Specification of reserves included in "Equity attributable to equity holders"

	2006	2005
Translation reserve		
January 1	1,349	214
Translation differences for the year	–987	1,633
Less hedging of currency risks in operations abroad	308	–498
	670	1,349
Cash flow hedge reserve		
January 1	93	0
Change in accounting principle		41
Cash flow hedges:		
Recognized directly in equity	23	115
Transferred to income statement	–45	–50
Taxes attributable to hedging for the year	4	–13
	75	93
Total reserves	**745**	**1,442**

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 in required if a liability is to be treated as current. This does not apply to discounted operating liabilities, which are part of Skanska's operating cycle and are consequently recognized as current liabilities regardless of their maturity date.

Regarding financial risks and financial policies, see Note 6, "Financial instruments."

Financial non-current liabilities	2006	2005
Financial liabilities carried at fair value through profit or loss		
Derivatives	6	22
Other financial liabilities		
Bond loans	665	939
Liabilities to credit institutions	901	1,000
Other liabilities	467	463
Total	**2,039**	**2,424**
of which interest-bearing financial non-current liabilities	2,033	2,402
of which non-interest-bearing financial non-current liabilities	6	22

Financial current liabilities	2006	2005
Financial liabilities carried at fair value through profit or loss		
Derivatives	60	196
Other financial liabilities		
Bond loans	275	183
Liabilities to credit institutions	313	548
Liabilities to joint ventures	10	0
Discounted liabilities	694	94
Other liabilities	44	59
Total	**1,396**	**1,080**
of which interest-bearing financial current liabilities	1,336	884
of which non-interest-bearing financial current liabilities	60	196

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 balance sheet

According to the balance sheet, interest-bearing pension liability amounts to SEK 1,556 M (2,407).

Skanska has defined-benefit pension plans in Sweden, Norway, the U.K. and the U.S. The pension in these plans is mainly based on final salary. The plans include a large number of employees, but Skanska also has defined-contribution plans in these countries. Group subsidiaries in other countries mainly have defined-contribution plans.

Defined-benefit plans

The pension plans mainly consist of retirement pensions. Each respective employer usually has obligation to pay a lifetime pension. Benefits are based on the number of years of employment. The employee must belong to the plan for a certain number of years to earn a full retirement pension entitlement. For each year, the employee earns increased pension entitlements, which are reported as pension earned during the period plus an increase in pension obligation.

Pension plans are funded by securing pension obligations with assets in pension funds and provisions in the balance sheet. The plans are funded by payments from the respective Group companies and in some cases the employees.

The plan assets in each pension plan are smaller than the pension obligation. For this reason, the difference is recognized as a liability in the balance sheet. The ceiling rule that, in some cases, limits the value of these assets in the balance sheet does not apply when plan assets are smaller than pension obligations.

On the balance sheet date, the pension obligation amounted to SEK 10,888 M (10,738). The increased obligation for pensions earned during the period was partly offset by higher long-term interest rates and thus higher discount rates, which reduced the obligation. Plan assets amounted to SEK 9,332 M (8,331).

Actuarial gains and losses may be recognized directly in the balance sheet according to the alternative rule in IAS 19. Skanska applies this alternative method. Actuarial gains and losses amounted to a net gain of SEK 651 M in 2006, compared to a net loss of SEK 1,471 M in 2005. The accumulated net loss amounted to SEK 1,410 M (2,061), which is included in recognized pension liability. The accumulated net loss was mainly due to actuarial losses from lower discount rates and was offset to some extent by actuarial gains on plan assets.

The return on plan assets recognized in the income statement amounted to SEK 470 M (455), while actual return amounted to SEK 654 M (1,082).

The plan assets consisted mainly of equities, interest-bearing securities and mutual fund units. No assets are used in Skanska's operations. An insignificant percentage of shareholdings consisted of Skanska shares.

During the year, Skanska decided to replace its defined-benefit plans in the U.S. with defined-contribution plans. Curtailments in the defined-benefit plans in the U.S. had a positive effect on operating income amounting to SEK 88 M. Settlement during 2007 is expected to result in a negative cash flow effect of about SEK 100 M.

The acquisition of McNicholas Holdings PLC will result in a marginal increase in net pension liability.

Plan assets

	Sweden	Norway	United Kingdom	United States
2006				
Equities	35%	37%	56%	39%
Interest-bearing securities	47%	50%	44%	61%
Alternative investments	18%	13%	0%	0%
Expected return	4.75%	5.75%	6.00%	6.25%
Actual return	7.60%	9.20%	6.20%	9.90%
2005				
Equities	38%	37%	63%	51%
Interest-bearing securities	46%	52%	37%	49%
Alternative investments	16%	11%	0%	0%
Expected return	6.50%	6.50%	6.50%	6.80%
Actual return	13.80%	14.50%	16.00%	4.40%

The ITP occupational pension plan in Sweden is a defined-benefit plan. A small portion is secured by insurance from the retirement insurance company Alecta. This is a multi-employer insurance plan, and there is insufficient information to report these obligations as a defined-benefit plan. Pensions secured by insurance from Alecta are therefore reported as a defined-contribution plan.

Trade union-sponsored plans in the United States are defined-benefit plans that cover multiple employers. Since there is insufficient information to report these obligations as defined-benefit plans, they are reported as defined-contribution plans.

Defined-contribution plans

These plans mainly cover retirement pension, disability pension and family pension. The premiums are paid regularly during the year by the respective Group company to separate legal entities, for example insurance companies. The size of the premium is based on salary. The pension expense for the period is included in the income statement.

Obligations related to employee benefits, defined-benefit plans

	2006	2005	2004
Pension obligations, funded plans, present value on December 31	10,888	10,738	7,591
Plan assets, fair value, December 31	–9,332	–8,331	–6,586
Net liability according to balance sheet	**1,556**	**2,407**	**1,005**

Note 28 continued

Pension obligations and plan assets by country

	Sweden	Norway	United Kingdom	United States	Total
2006					
Pension obligations	3,936	1,957	4,393	602	10,888
Plan assets	–3,209	–1,672	–3,989	–462	–9,332
Net liability according to balance sheet	**727**	**285**	**404**	**140**	**1,556**
2005					
Pension obligations	3,864	2,122	3,912	840	10,738
Plan assets	–3,035	–1,497	–3,320	–479	–8,331
Net liability according to balance sheet	**829**	**625**	**592**	**361**	**2,407**

Total pension expenses

	2006	2005
Pensions earned during the year	–538	–439
Less: Funds contributed by employees	25	56
Interest on obligations	–447	–418
Expected return on plan assets	470	455
Curtailments and settlements	88	0
Pension expenses, defined-benefit plans	**–402**	**–346**
Pension expenses, defined-contribution plans	–645	–651
Social insurance contributions, defined-benefit and defined-contribution plans [1]	–68	–76
Total pension expenses	**–1,115**	**–1,073**

1 Refers to special payroll tax in Sweden and employer fee in Norway.

Allocation of pension expenses in the income statement

	2006	2005
Cost of sales	–879	–854
Selling and administrative expenses	–259	–256
Financial items	23	37
Total pension expenses	**–1,115**	**–1,073**

Actuarial gains and losses recognized directly in equity

	2006	2005	2004
January 1	–2,061	–590	0
Actuarial gains and losses, pension obligations [1]	467	–2,098	–766
Difference between expected and actual return on plan assets	184	627	176
Accumulated	**–1,410**	**–2,061**	**–590**

1 In 2006, changed assumptions amounted to SEK 296 M and experienced-based changes SEK 171 M.

See also "Consolidated statement of recognized income and expenses," which shows the tax portion and social insurance contributions recognized directly in equity.

Pension obligations

	2006	2005
January 1	10,738	7,591
Transferred from liabilities classified as held for sale	8	–8
Pensions earned during the year	538	439
Interest on obligations	447	418
Benefits paid by employers	–150	–143
Benefits paid by plan assets	–166	–100
Acquisitions of companies	343	0
Divestments of companies	–14	–12
Reclassifications	0	29
Actuarial gains (–), losses (+) for the year	–467	2,098
Curtailments and settlements	–88	–6
Exchange rate differences	–301	432
Pension obligations, present value	**10,888**	**10,738**

Plan assets

	2006	2005
January 1	8,331	6,586
Expected return on plan assets	470	455
Funds contributed by employers	409	362
Funds contributed by employees	25	56
Benefits paid	–166	–100
Acquisitions of companies	319	0
Divestments of companies	–9	–8
Reclassifications	0	0
Actuarial gains (+), losses (–) for the year	184	627
Curtailments and settlements	0	0
Exchange rate differences	–231	353
Plan assets, fair value	**9,332**	**8,331**

Funds contributed are expected to total about SEK 400 M during 2007.

Reconciliation of interest-bearing pension liability

	2006	2005
Pension liabilities, January 1	2,407	1,005
Transferred from/to liabilities classified as held for sale	8	–8
Pension expenses	490	346
Benefits paid by employers	–150	–143
Funds contributed by employers	–409	–362
Acquisitions of companies	24	0
Divestments of companies	–5	–4
Reclassifications	0	28
Actuarial gains (–), losses (+) for the year	–651	1,471
Curtailments and settlements	–88	–6
Exchange rate differences	–70	80
Net liability according to balance sheet	**1,556**	**2,407**

Actuarial assumptions

	Sweden	Norway	U.K.	U.S.[1]
2006				
Discount rate, January 1	3.50%	4.00%	4.75%	5.25%
Discount rate, December 31	3.75%	4.25%	5.00%	4.75%
Expected return on plan assets for the year	4.75%	5.75%	6.00%	6.25%
-of which equities	6.50%	7.50%	7.25%	7.75%
-of which interest-bearing securities	3.00%	4.00%	4.25%	4.75%
Expected pay increase, December 31	3.25%	3.50%	4.50%	–
Expected inflation, December 31	2.00%	2.50%	2.75%	3.00%
2005				
Discount rate, January 1	5.00%	5.25%	5.50%	5.50%
Discount rate, December 31	3.50%	4.00%	4.75%	5.25%
Expected return on plan assets for the year	6.50%	6.50%	6.50%	6.80%
-of which equities	8.30%	8.80%	8.00%	8.00%
-of which interest-bearing securities	5.00%	5.30%	5.10%	5.00%
Expected pay increase, December 31	3.00%	3.25%	4.25%	4.50%
Expected inflation, December 31	2.00%	2.50%	2.50%	3.00%

1 U.S. pension plans were replaced by defined-contribution plans. Obligations will be settled during 2007, with an expected discount rate amounting to 4.75 percent. Expected future pay increase is consequently not included in the calculation.

	Sweden	Norway	U.K.	U.S.
Life expectancy after age 65, men	18 years	18 years	22 years	19 years
Life expectancy after age 65, women	22 years	20 years	25 years	22 years
Life expectancy table [1]	FFFS 2001:13	K63	PA92	GAR94

1 Life expectancy is based on local life expectancy tables in each respective country. If life expectancy increases by one year, pension obligation is expected to increase by about 4 percent.

Note 28 continued

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	U.K.	U.S.	Total
Pension obligations, December 31	3,936	1,957	4,393	602	10,888
Discount rate increase of 0.25 percent[1]	–150	–100	–250	–	–500
Discount rate decrease of 0.25 percent[1]	150	100	250	–	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 insurance contributions.

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.

	2006	2005
Non-current provisions		
Interest-bearing	119	143
Current provisions		
Interest-bearing	20	20
Non-interest-bearing	3,456	3,180
	3,595	**3,343**

The amount for interest-bearing provisions included SEK 99 M (112) in provision to the employee foundation in Sweden.

The change during the year 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
January 1	898	1,058	1,387	3,343
Acquisitions of companies		6		6
Divestments of companies		–1		–1
Provisions for the year	294	606	504	1,404
Provisions utilized	–154	–240	–343	–737
Unutilized amounts that were reversed, change in value	–145	–33	–100	–278
Recognized directly in equity in compliance with IAS 19			–67	–67
Exchange rate differences	–23	–27	–35	–85
Reclassifications	–13	–18	41	10
December 31	**857**	**1,351**	**1,387**	**3,595**

Specification of "Other provisions"

	2006	2005
Restructuring measures	94	177
Project risks	43	85
Employee foundation, Sweden	99	112
Employee-related provisions	426	358
Environmental obligations	89	78
Provision in compliance with IAS 19 for social insurance contributions on pensions	122	196
Miscellaneous provisions	514	381
Total	**1,387**	**1,387**

Normal cycle time for "Other provisions" is about 1–3 years.

Provisions for warranty expenses refer to expenses that may arise during the warranty period.

Such provisions in Construction are mainly based 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 2006 was mainly related to Construction.

Provisions for legal disputes refer to provisions in the Construction business stream for projects that have been completed.

Provisions for restructuring refer to the expenses of adapting operations to the projected market and in accordance with the Group's strategic plan. Expenses were paid for such items as closing down operations and phasing out employees.

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.

	2006	2005
Accounts payable	13,861	14,343
Advance payments from customers	1,312	1,548
Payable to joint ventures	4	20
Payable to associated companies	2	0
Accrued expenses and prepaid income	7,333	7,187
Other trade payables	5,895	5,122
Total	**28,407**	**28,220**

"Other trade payables" included SEK 866 M (919) for checks issued but not yet cashed in the U.S. and the U.K.

See "Accounting and valuation principles," Note 1.

Note 31 Specification of interest-bearing receivables per asset and liability

The following table allocates financial current and non-current assets as well as liabilities between interest-bearing and non-interest-bearing items.

	2006			2005		
	Interest-bearing	Non interest-bearing	Total	Interest-bearing	Non interest-bearing	Total
ASSETS						
Non-current assets						
Property, plant and equipment		5,457	5,457		5,243	5,243
Goodwill		4,490	4,490		4,154	4,154
Other intangible assets		740	740		644	644
Investments in joint ventures and associated companies		1,894	1,894		1,834	1,834
Financial non-current assets	1,433	67	1,500	1,070	166	1,236
Deferred tax assets		1,976	1,976		2,282	2,282
Total non-current assets	**1,433**	**14,624**	**16,057**	**1,070**	**14,323**	**15,393**
Current assets						
Current-asset properties		11,827	11,827		10,482	10,482
Inventories		484	484		501	501
Financial current assets	3,038	116	3,154	2,225	35	2,260
Tax assets		330	330		330	330
Gross amount due from customers for contract work		5,222	5,222		5,610	5,610
Trade and other receivables		23,263	23,263		22,985	22,985
Cash equivalents	2,131		2,131	3,095		3,095
Cash	8,839		8,839	10,583		10,583
Assets classified as held for sale				2	70	72
Total current assets	**14,008**	**41,242**	**55,250**	**15,905**	**40,013**	**55,918**
TOTAL ASSETS	**15,441**	**55,866**	**71,307**	**16,975**	**54,336**	**71,311**
LIABILITIES						
Non-current liabilities						
Financial non-current liabilities	2,033	6	2,039	2,402	22	2,424
Pensions	1,556		1,556	2,407		2,407
Deferred tax liabilities		2,892	2,892		2,831	2,831
Non-current provisions	119		119	143		143
Total non-current liabilities	**3,708**	**2,898**	**6,606**	**4,952**	**2,853**	**7,805**
Current liabilities						
Financial current liabilities	1,336	60	1,396	884	196	1,080
Tax liabilities		728	728		595	595
Current provisions	20	3,456	3,476	20	3,180	3,200
Gross amount due to customers for contract work		11,357	11,357		11,782	11,782
Trade and other payables		28,407	28,407		28,220	28,220
Liabilities classified as held for sale				8	34	42
Total current liabilities	**1,356**	**44,008**	**45,364**	**912**	**44,007**	**44,919**
TOTAL LIABILITIES	**5,064**	**46,906**	**51,970**	**5,864**	**46,860**	**52,724**
Interest-bearing net receivable	10,377			11,111		

Note 32 Expected recovery periods of assets and liabilities

Amounts expected to be recovered	2006 Within 12 months	2006 12 months or longer	2006 Total	2005 Within 12 months	2005 12 months or longer	2005 Total
ASSETS						
Non-current assets						
Property, plant and equipment[1]	1,070	4,387	5,457	1,020	4,223	5,243
Goodwill[1]		4,490	4,490		4,154	4,154
Other intangible assets[1]	97	643	740	50	594	644
Investments in joint ventures and associated companies[2]		1,894	1,894		1,834	1,834
Financial non-current assets		1,500	1,500		1,236	1,236
Deferred tax assets[3]		1,976	1,976		2,282	2,282
Total non-current assets	**1,167**	**14,890**	**16,057**	**1,070**	**14,323**	**15,393**
Current assets						
Current-asset properties[4]	6,050	5,777	11,827	5,550	4,932	10,482
Inventories	453	31	484	447	54	501
Financial current assets	2,763	391	3,154	2,097	163	2,260
Tax assets	330		330	330		330
Gross amount due from customers for contract work[5]	4,912	310	5,222	5,251	359	5,610
Trade and other receivables[5]	22,743	520	23,263	22,454	531	22,985
Short-term investments	2,131		2,131	3,095		3,095
Cash and cash equivalents	8,839		8,839	10,583		10,583
Assets classified as held for sale			0	72		72
Total current assets	**48,221**	**7,029**	**55,250**	**49,879**	**6,039**	**55,918**
TOTAL ASSETS	**49,388**	**21,919**	**71,307**	**50,949**	**20,362**	**71,311**

Amounts expected to be paid	2006 Within 12 months	2006 12 months or longer	2006 Total	2005 Within 12 months	2005 12 months or longer	2005 Total
LIABILITIES						
Non-current liabilities						
Financial non-current liabilities	39	2,000	2,039	25	2,399	2,424
Pensions[6]	400	1,156	1,556	242	2,165	2,407
Deferred tax liabilities		2,892	2,892		2,831	2,831
Non-current provisions	4	115	119		143	143
Total non-current liabilities	**443**	**6,163**	**6,606**	**267**	**7,538**	**7,805**
Current liabilities						
Financial current liabilities	803	593	1,396	986	94	1,080
Tax liabilities	728		728	595		595
Current provisions	2,046	1,430	3,476	2,051	1,149	3,200
Gross amount due to customers for contract work	10,804	553	11,357	11,126	656	11,782
Trade and other payables	27,110	1,297	28,407	27,168	1,052	28,220
Liabilities classified as held for trading			0	42		42
Total current liabilities	**41,491**	**3,873**	**45,364**	**41,968**	**2,951**	**44,919**
TOTAL LIABILITIES	**41,934**	**10,036**	**51,970**	**42,235**	**10,489**	**52,724**

1 In case of amounts expected to be recovered within twelve months, expected annual depreciation/amortization has been recognized.
2 Allocation cannot be estimated.
3 Deferred tax assets are expected to be recovered in their entirety in more than twelve months.
4 Recovery within one year on current-asset properties is based on a historical assessment from the past three years.
5 Current receivables that fall due in more than twelve months are part of the operating cycle and are thus recognized as current.
6 "Within 12 months" refers to expected benefit payments.

Note 33 Assets pledged, contingent liabilities and contingent assets

Assets pledged

	2006	2005
Mortgages, current-asset properties	5	5
Shares and participations	1,344	1,444
Receivables	385	381
Total	**1,734**	**1,830**

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.

Receivables include liquid assets in escrow as collateral in conjunction with construction projects.

Assets pledged for liabilities

	Property mortgages		Shares and receivables		Total	
	2006	2005	2006	2005	2006	2005
Own obligations						
Liabilities to credit institutions	1	1			1	1
Other liabilities			385	381	385	381
Total own obligations	**1**	**1**	**385**	**381**	**386**	**382**
Other obligations	4	4	1,344	1,444	1,348	1,448
Total	**5**	**5**	**1,729**	**1,825**	**1,734**	**1,830**

Contingent liabilities

Contingent liabilities are reported in compliance with IAS 37, "Provisions, Contingent Liabilities and Contingent Assets". See "Accounting and valuation principles," Note 1.

	2006	2005
Contingent liabilities related to construction consortia	4,313	5,518
Contingent liabilities related to joint ventures	674	1,495
Other contingent liabilities	1,300	2,090
Total	**6,287**	**9,103**

The Group's contingent liabilities related to construction consortia totaled about SEK 4.3 billion (5.5). This amounted 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 Infrastructure Development business stream have raised loans.

Most of the Group's other contingent liabilities, SEK 1.3 billion (2.1), were related to obligations attributable to the operations of Residential Development Nordic

During 1988–1990 the Skanska Group, through partly owned companies, purchased holdings in aircraft. The depreciation deductions that were made by several of these companies were disallowed by the tax authorities. Due to differing views regarding the consequences for subsequent tax years due to disallowed depreciation deductions, tax litigation has arisen concerning later tax years as well. During 2006, however, the Swedish Tax Board withdrew claims, with the result that several of the legal actions have ended and Skanska has received refunds of previously paid additional taxes. The remaining tax litigation is not deemed to constitute a risk to the Group.

Since September 2006, the main hearings have been underway at Stockholm City Court in a suit filed by the Swedish Competition Authority against a number of companies in the asphalt and civil construction business, among them Skanska, concerning alleged collusive anti-competitive practices. The Competition Authority has requested total fines of SEK 1.2 billion, of which Skanska's share in SEK 557 M. Skanska has denied the Competition Authority's allegations. The case is unusually extensive, and there is great uncertainty about the outcome of the suit.

Skanska and another company suspected of having participated in cartel activities in Sweden have been sued by a number of Swedish municipalities, which 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 main hearings at the Market Court concerning alleged anti-competitive activities in the asphalt and civil construction sector were completed in December 2006. A ruling is expected to be issued during the first half of 2007. The amount of infringement fines requested totals about SEK 100 M for Skanska's part. Skanska denies the alleged infringement. The outcome of the legal action in Finland is characterized by great uncertainty.

No provisions have been made for the above litigation, since the outcome of these cases is characterized by great uncertainty. In accordance with the accounting principles applied by Skanska, the amounts requested have not been included in the table of the Group's contingent liabilities either.

Contingent assets

The Group has no contingent assets of significant importance in assessing the position of the Group.

See "Accounting 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 2006, the Swedish krona strengthened against most of the other currencies used by the Skanska Group. A comparison of the exchange rates on the balance sheet date between 2005 and 2006 shows that only the Czech koruna, CZK, strengthened against the Swedish krona. The appreciation of the krona mostly occurred during the second half of 2006, so that the average exchange rates for the year, according to which the income statement is consolidated, were not affected in the same way as the balance sheet.

		Exchange rate at balance sheet date			Change in percent	
Currency	Country/zone	2006	2005	2004	2005–2006	2004–2005
ARS	Argentina	2.235	2.622	2.218	–15	18
CZK	Czech Republic	0.329	0.324	0.296	2	10
DKK	Denmark	1.213	1.259	1.210	–4	4
EUR	EU euro zone	9.042	9.392	8.997	–4	4
GBP	United Kingdom	13.47	13.67	12.70	–1	8
NOK	Norway	1.097	1.174	1.092	–7	8
PLN	Poland	2.358	2.432	2.207	–3	10
USD	United States	6.861	7.937	6.616	–14	20

		Average exchange rate			Change in percent	
Currency	Country/zone	2006	2005	2004	2005–2006	2004–2005
ARS	Argentina [1]	2.395	2.556	2.495	–6	2
CZK	Czech Republic	0.327	0.312	0.286	5	9
DKK	Denmark	1.240	1.245	1.227	0	1
EUR	EU euro zone	9.253	9.281	9.125	0	2
GBP	United Kingdom	13.57	13.57	13.45	0	1
NOK	Norway	1.150	1.159	1.090	–1	6
PLN	Poland	2.377	2.310	2.018	3	14
USD	United States	7.376	7.463	7.348	–1	2

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 2006, the average exchange rate of ARS against the Swedish krona fell by 6 percent, while BRL rose by 10 percent. Also taking into account other Latin American currencies in which Skanska carries out operations, only a marginal overall currency rate effect arose in Latin American operations.

Effect of changes in exchange rates on the income statement compared to the previous year

Currency rate effects during the year were insignificant.

During 2005, the Swedish krona weakened against virtually all other currencies used by the Skanska Group.

In the following table, the 2006 income statement is translated at the exchange rates prevailing in 2005. The 2005 income statement is translated at 2004 exchange rates. The change, or currency rate effect, for each currency is stated in SEK M and in percent.

	Income statement		Income statement		Currency rate effect, SEK		Currency rate effect, percent	
	2006, at 2005 rates[1]	2006	2005, at 2004 rates[2]	2005	2006	2005	2006	2005
Revenue	125,436	125,603	121,414	124,667	167	3,253	0.1%	2.7%
Operating income	4,764	4,762	4,887	5,000	–2	113	0.0%	2.3%
Income after financial items	4,987	4,985	4,999	5,120	–2	121	0.0%	2.4%
Profit for the year	3,654	3,655	3,798	3,890	1	92	0.0%	2.4%

1 2006 figures translated to the exchange rates prevailing in 2005.
2 2005 figures translated to the exchange rates prevailing in 2004.

Currency rate effect by respective currency

2006	USD	EUR	GBP	NOK	CZK	PLN	Others	Total
Revenue	–443	–30	2	–91	533	192	4	167
Operating income	–9	–1	0	–5	18	8	–13	–2
Income after financial items	–10	–1	0	–5	18	9	–13	–2
Profit for the year	–6	–1	0	–4	12	8	–8	1

2005	USD	EUR	GBP	NOK	CZK	PLN	Others	Total
Revenue	662	168	96	705	884	657	81	3,253
Operating income	4	7	3	33	46	20	0	113
Income after financial items	4	7	4	36	46	26	–2	121
Profit for the year	2	6	3	25	34	25	–3	92

Note 34 continued

Effect on the Group of change in SEK against other currencies and change in USD against SEK

The following sensitivity analysis, based on the 2006 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.

	+/– 10%	of which USD +/– 10%
Revenue	+/– 9,916	+/– 4,132
Operating income	+/– 252	+/– 87
Equity	+/– 920	+/– 360

"Plus" means a weakening of the Swedish krona. "Plus" for USD thus means increased value against SEK.

Effects of changes in exchange rates on the balance sheet compared to the previous year

Amounts in SEK billion	2006	2005
Assets		
Property, plant and equipment	–0.2	0.5
Intangible assets	–0.3	0.5
Shares and participations	–0.1	0.3
Interest-bearing receivables	–0.1	0.1
Current-asset properties	–0.2	0.4
Non-interest-bearing receivables	–1.8	2.8
Cash and cash equivalents	–0.4	0.4
Total	**–3.1**	**5.0**
Equity and liabilities		
Equity attributable to equity holders	–0.7	1.1
Minority	0.0	0.0
Interest-bearing liabilities	–0.3	0.4
Non-interest-bearing liabilities	–2.1	3.5
Total	**–3.1**	**5.0**
Effect of exchange rate differences on the Group's interest-bearing net receivable	–0.2	0.1

Of the total effect on the Group's assets, SEK –2.1 billion was due to USD, SEK –0.6 billion to NOK, SEK –0.3 billion to EUR and SEK –0.3 billion to CLP. Of the total effect in 2005, SEK +2.7 billion was due to USD, SEK +0.6 billion to CZK, SEK +0.5 billion to NOK, SEK +0.5 billion to GBP, SEK +0.3 billion to EUR and SEK +0.3 billion to PLN.

Note 34 continued

Consolidated balance sheet by currency, SEK billion

2006	USD	GBP	EUR	NOK	CZK	DKK	PLN	Other foreign currencies[1]	Hedgeloans[2]	SEK	Total
Assets											
Property, plant and equipment	1.1	0.3	0.3	0.4	1.3	0.2	0.3	0.4		1.2	5.5
Intangible assets	0.4	2.1	0.4	1.4	0.5	0.0	0.0	0.3		0.1	5.2
Shares and participations	0.0	0.4	0.2	0.1	0.0	0.0	0.0	1.3		–0.1	1.9
Interest-bearing receivables	1.6	2.8	2.9	2.3	1.8	1.3	1.9	–12.7		2.6	4.5
Current-asset properties	0.0	0.0	2.0	1.0	0.5	1.4	0.0	0.3		6.6	11.8
Non-interest-bearing receivables	8.1	4.3	1.8	3.6	3.3	1.0	1.6	2.3		5.4	31.4
Cash and cash equivalents	2.2	0.0	0.0	0.1	0.0	0.0	0.2	0.3		8.2	11.0
Total	**13.4**	**9.9**	**7.6**	**8.9**	**7.4**	**3.9**	**4.0**	**–7.8**		**24.0**	**71.3**
Equity and liabilities											
Equity attributable to equity holders[3]	3.2	0.9	4.4	2.6	2.3	0.9	0.8	2.1		2.0	19.2
Minority	0.0	0.0	0.1	0.0	0.1	0.0	0.0	–0.1		0.0	0.1
Interest-bearing liabilities	0.2	1.8	0.4	1.0	0.5	1.2	0.5	–11.5	1.7	9.3	5.1
Non-interest-bearing liabilities	10.0	7.2	2.7	5.3	4.5	1.8	2.7	1.7		11.0	46.9
Total	**13.4**	**9.9**	**7.6**	**8.9**	**7.4**	**3.9**	**4.0**	**–7.8**	**1.7**	**22.3**	**71.3**

2005	USD	GBP	EUR	NOK	CZK	DKK	PLN	Other foreign currencies[1]	Hedgeloans[2]	SEK	Total
Assets											
Property, plant and equipment	1.3	0.3	0.3	0.5	1.3	0.1	0.3	0.2		1.0	5.3
Intangible assets	0.3	1.5	0.4	1.5	0.4	0.0	0.0	0.5		0.2	4.8
Shares and participations	0.0	0.2	0.2	0.1	0.0	0.0	0.0	1.5		–0.1	1.9
Interest-bearing receivables	1.7	2.7	2.8	2.5	0.8	0.8	1.6	–10.9		1.3	3.3
Current-asset properties	0.0	0.0	2.2	0.9	0.5	1.1	0.0	0.3		5.5	10.5
Non-interest-bearing receivables	9.6	3.6	1.7	2.9	3.9	0.8	1.7	2.1		5.5	31.8
Cash and cash equivalents	2.5	0.0	0.1	0.1	0.3	0.0	0.2	0.1		10.4	13.7
Total	**15.4**	**8.3**	**7.7**	**8.5**	**7.2**	**2.8**	**3.8**	**–6.2**		**23.8**	**71.3**
Equity and liabilities											
Equity attributable to equity holders[3]	3.0	1.0	4.7	2.9	2.4	0.7	1.1	2.0		0.7	18.5
Minority	0.0	0.0	0.1	0.0	0.1	0.0	0.0	0.0		–0.1	0.1
Interest-bearing liabilities	0.3	1.9	0.2	0.5	0.3	0.5	0.0	–9.9	1.6	10.5	5.9
Non-interest-bearing liabilities	12.1	5.4	2.7	5.1	4.4	1.6	2.7	1.7		11.1	46.8
Total	**15.4**	**8.3**	**7.7**	**8.5**	**7.2**	**2.8**	**3.8**	**–6.2**	**1.6**	**22.2**	**71.3**

1 Including elimination of intra-Group receivables and liabilities.
2 Aside from hedge loans in EUR and GBP, Skanska hedged equity in foreign currencies via forward contracts, which meant that equity amounted in each respective currency to SEK 5.1 billion (2.8) in USD (2.1), EUR (1.2), PLN (0.5), CLP (0.8) and BRL (0.5) (EUR, CLP and BRL).
3 The respective currencies are calculated including Group goodwill and the net amount of Group surpluses after subtracting deferred taxes.

Other matters

For information on the translation reserve in equity on January 1 and December 31, which is recognized directly in equity, see Note 26, "Equity."

Note 35 Cash flow statement

Aside from the cash flow statement prepared in compliance with IAS 7, "Cash Flow Statements," Skanska is preparing a cash flow statement based on the operations carried out by the respective business streams. This is called the "Consolidated operating cash flow statement." The connection between the respective cash flow statements is explained below.

Adjustments for items not included in cash flow

	2006	2005
Depreciation/amortization and impairment losses/reversals of impairment losses/writedowns/reversals of writedowns	1,247	1,259
Income from divestments of property, plant and equipment and current-asset properties	–2,651	–2,834
Income from divestments of discontinued operations	0	–184
Income after financial items from joint ventures and associated companies	–239	–221
Dividends from joint ventures and associated companies	99	42
Provision for the year, intra-Group profits on contracting work	157	154
Other items that have not affected cash flow from operating activities	107	97
Total	**–1,280**	**–1,687**

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 –1,067 M (–1,440).

Information on interest and dividends

	2006	2005
Interest income received during the year	397	388
Interest payments made during the year	–76	–387
Dividends received during the year	99	45

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.

	2006	2005
Cash	8,839	10,583
Cash equivalents	2,131	3,095
Total	**10,970**	**13,678**

Information about assets and liabilities in acquired Group companies

	2006	2005
Assets		
Property, plant and equipment	59	21
Intangible assets	662	31
Non-interest-bearing receivables	624	45
Interest-bearing receivables	47	
Cash and cash equivalents	12	6
Total	**1,404**	**103**
Liabilities		
Minority	–11	–3
Interest-bearing liabilities	47	29
Non-interest-bearing liabilities	673	21
Total	**709**	**47**
Purchase price paid	–695	–56
Cash and cash equivalents in acquired companies	12	6
Effect on cash and cash equivalents, investment	**–683**	**–50**

Acquired Group companies are described in Note 7, "Business combinations."

Information about assets and liabilities in divested Group companies

	2006	2005
Assets		
Property, plant and equipment	–40	–560
Intangible assets	–33	0
Current-asset properties	–154	–1
Interest-bearing receivables	0	–4
Non-interest-bearing receivables	–165	–469
Cash and cash equivalents	–14	–60
Total	**–406**	**–1,094**
Equity and liabilities		
Income from divestments of Group companies[1]	–63	199
Minority	–4	0
Interest-bearing liabilities	–23	–254
Non-interest-bearing liabilities	–162	–442
Total	**–252**	**–497**
Purchase price paid	154	597
Cash and cash equivalents in divested companies	–14	–60
Effect on cash and cash equivalents, divestment	140	537

1 Income from divested group companies is recognized both as "Income from divestments of discontinued operations" and as "Cost of sales" in continuing operations. The allocation is shown in the following table.

	2006	2005
Income from divestments of discontinued operations	0	184
Income from divestments of Group companies recognized as continuing operations [2]	–63	15
	–63	**199**

2 The income originated from the divestment of Russian operations and small operations in Sweden and Norway.

Other matters

The Group's unutilized credit facilities amounted to SEK 6,276 M (6,071) 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 Statement," 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 together with changes in interest-bearing receivables at the bottom of the operating cash flow statement, resulting in a subtotal in the statement that shows cash flow before changes in interest-bearing receivables and liabilities.

Note 35 continued

	2006	2005
Cash flow from business operations according to operating cash flow statement	2,326	5,354
less investments in property, plant, equipment and intangible assets	1,361	1 ,327
less tax payments on property, plant, equipment and intangible assets divested	30	26
Cash flow from operating activities	**3,717**	**6,707**
Cash flow from strategic investments according to operating cash flow statement	–532	527
Net investment in property, plant, equipment and intangible assets	–1,361	–1,327
Increase and decrease in interest-bearing receivables	–1,277	503
Taxes paid on property, plant, equipment and intangible assets divested	–30	–26
Cash flow from investing activities	**–3,200**	**–323**
Cash flow from financing activities according to operating cash flow statement	63	–84
Increase and decrease in interest-bearing liabilities	–211	–987
Dividend etc.	–2,712	–1,675
Cash flow from financing activities	**–2,860**	**–2,746**
Cash flow for the year	**–2,343**	**3,638**

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.

	2006	2005
Net investments in operating activities	1,155	4,387
Net investments in investing activities	–1,893	–799
	–738	**3,588**
less cash flow adjustments, net investments	–408	57
Total net investments	**–1,146**	**3,645**

The consolidated operating cash flow statement recognizes net investments divided into net investments in operations and strategic net investments as follows.

Investments in operations		
Intangible assets	–38	–46
Property, plant and equipment	–1,728	–1,455
Assets in Infrastructure Development	–286	–476
Shares	–3	–3
Current-asset properties	–7,064	–4,956
of which Residential Development	–5,153	–3,181
of which Commercial Development	–1,639	–1,135
of which other commercial properties	–272	–640
	–9,119	**–6,936**
Divestments in operations		
Intangible assets	2	4
Property, plant and equipment	496	613
Assets in Infrastructure Development	192	35
Shares	4	1
Current-asset properties	7,811	9,400
of which Residential Development	4,455	4,150
of which Commercial Development	2,966	4,430
of which other commercial properties	390	820
	8,505	**10,053**
Net investments in operations	**–614**	**3,117**
Strategic investments		
Acquisitions of businesses	–683	–50
Shares	0	0
	–683	**–50**
Strategic divestments		
Disposal of businesses	140	537
Shares	11	41
	151	578
Net strategic investments	**–532**	**528**
Total investments	**–1,146**	**3,645**

Note 36 Personnel

Wages, salaries, other remuneration and social insurance contributions

	Continuing operations		Discontinued operations		Total	
	2006	2005	2006	2005	2006	2005
Wages, salaries and other remuneration						
Board members, Presidents and Executive Vice Presidents [1]	415	339		1	415	340
(of which bonuses)	134	114		1	134	115
Other employees	17,255	15,850		16	17,255	15,866
Total wages, salaries and other remuneration	**17,670**	**16,189**	**0**	**17**	**17,670**	**16,206**
Social insurance contributions	4,425	4,063		9	4,425	4,072
of which pension expenses	1,147	1,106		4	1,147	1,110

1 The amount related to Board members, Presidents and Executive Vice Presidents included compensation to former Board members, Presidents and Executive Vice Presidents during the financial year.

Of the Group's total pension expenses, SEK 52.5 M (46.4) was related to the category "Board members, Presidents and Executive Vice Presidents. The amount included compensation to former Board members, Presidents and Executive Vice Presidents.

The expense for a provision to the employee profit-sharing foundation in Sweden totaled SEK 153 M (103).

Average number of employees

Personnel is calculated as the average number of employees. See "Accounting and valuation principles," Note 1.

	2006	of whom men	of whom women	2005	of whom men	of whom women
Continuing operations						
Sweden	10,631	9,698	933	10,663	9,758	905
Norway	4,395	4,033	362	4,346	4,034	312
Denmark	1,733	1,578	155	1,427	1,284	143
Finland	3,136	2,862	274	3,400	3,074	326
United Kingdom	3,685	3,062	623	3,399	2,959	440
Poland	4,776	4,070	706	4,006	3,350	656
Czech Republic	7,262	6,086	1,176	7,053	5,943	1,110
United States	7,808	6,794	1,014	8,102	7,070	1,032
Argentina	4,386	4,246	140	4,312	4,024	288
Other countries	8,273	7,869	404	6,947	6,478	469
Subtotal, continuing operations	**56,085**	**50,298**	**5,787**	**53,655**	**47,974**	**5,681**
Discontinued operations						
Sweden			0	43	37	6
Other countries			0	108	74	34
Subtotal, discontinued operations	0	0	0	151	111	40
Total	**56,085**	**50,298**	**5,787**	**53,806**	**48,085**	**5,721**

Men and women on Boards of Directors and among senior executives at balance sheet date

	2006	of whom men	of whom women	2005	of whom men	of whom women
Number of Board members	257	92%	8%	285	96%	4%
Number of Presidents and members of management teams in business units	190	94%	6%	182	95%	5%

Absence from work due to illness

Figures on absence from work due to illness (sick leave) apply only to operations in Sweden.

	Swedish operations	
	2006	2005
Total absence from work due to illness as a percentage of regular working time	4.0%	4.5%
Percentage of total absence from work due to illness for a continuous period of 60 days or more	54.6%	58.0%
Absence from work due to illness as a percentage of each category's regular working time:		
Men	4.1%	4.6%
Women	3.2%	3.7%
Absence due to illness by age category:		
Age 29 or younger	3.4%	3.5%
Age 30–49	2.9%	3.4%
Age 50 or older	5.6%	6.3%

Other matters

No loans, asset pledged or contingent liabilities have been provided on behalf of any Board member or President in the Group.

Note 37 Compensation to executive officers and Board members

A Preparation and decision-making processes

The salary and other benefits of the President and CEO are fixed by the Board of Skanska AB, based on recommendations from the Board's Compensation Committee. 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 2006, from the statutory Board meeting in March and onward, the Compensation Committee consisted of Sverker Martin-Löf, Chairman of the Board; and Cart Källströmer and Lars Pettersson, Board members. The Compensation Committee met four times during the year.

The Annual Shareholders' Meeting approves the total amount of directors' fees for members of the Board, based on a recommendation from the Nomination Committee.

B1 Principles for remuneration to the Senior Executive Team

The Senior Executive Team includes the President and Executive Vice Presidents of Skanska AB. The Team consisted of seven persons during 2006

The Board will submit to the Annual Shareholders' Meeting in April 2007 the following proposed guidelines for salaries and other remuneration to executive officers, for the approval of the Annual Meeting. The proposal mainly coincides with the principles for remuneration that were approved by the 2006 Annual Meeting according to the rules in the Swedish Code of Corporate Governance:

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

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

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. Under special circumstances, 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 Compensation Committee of the Board of Directors, and when it comes to the remuneration of the CEO, by the Board of Directors.

B2 Targets and performance related to flexible salary elements

Flexible salary elements may consist of two parts: flexible salary that is cash-based and the share incentive program ("Share Award Plan"), which provides compensation in the form of shares.

The Share Award Plan is presented under section E of this note. The "Outperform" targets stated below are common to both parts of flexible salary, while "starting point" is only relevant to annual flexible salary. The table below presents, by business stream, what starting point for each "Outperform" target was decided for 2006.

Targets and performance related to flexible salary elements

	Measure of earnings	Starting point	Outperform	Outcome	Fulfillment level
Construction	Operating margin	2.3%	3.2%	2.8%	56%
Residential Development	Operating margin	7.9%	10.6%	12.6%	100%
	ROCE	16.0%	21.6%	27.5%	100%
Commercial Development	ROCE[1]	4.7%	10.6%	17.2%	100%
Infrastructure Development	ROCE[2]	15.0%	25.0%	34.0%	100%
Group target, SEK M	Operating income[3]	3,374	4,189	4,744	100%

1 Return on capital employed (ROCE), including unrealized development gains and changes in market value. The "Outperform" targets for a given year are related to an ROCE measure over a 9-year economic cycle, which in 2007 amounts to 15 percent.
2 Return on capital employed (ROCE), including unrealized development gains and changes in market value but excluding effects of changes in currencies and long-term market interest rates.
3 Outcome is calculated excluding currency rate effects. The figures shown are calculated using outcome in local currency with exchange rates on September 30, 2005, which were used in calculating targets. The "Outperform" target is 90 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, management of loss-making projects and management development. A reduction occurs if, depending on the target, the person has not shown clear improvements or if nothing has occurred (for example the environment, where the target is not to have any environmental incidents).

For the President and CEO, the target has been the same as the operating income of the Group according to the above table. The President and CEO has also had non-financial targets. The 50 percent maximum flexible salary of the President and CEO (i.e. excluding the Share Award Program) was earned in full, based on the financial target, but was reduced by 11 percentage points because two non-financial targets were not met and one non-financial target was only partially met. The outcome for the President and CEO was thus 39 percent of fixed salary.

For the other members of the Senior Executive Team, annual flexible salary is either 100 percent tied to the Group target and/or to the business units they are directly responsible for. The non-financial targets are related to the business units certain individuals in the Senior Executive Team are responsible for. The outcome for the other members of the Senior Executive Team averaged 77 percent fulfillment of financial targets and 70 percent after subtracting for non-financial targets.

Note 37 continued

C. Benefits to the Board and Senior Executive Team

Compensation and benefits recognized as expenses in 2006

SEK thousand	Director's fee/ basic salary	Flexible salary element[1]	Allocated value of Share Award Plan[2]	Redemption of stock options	Other benefits	Pension expense	Total
Chairman of the Board Sverker Martin-Löf	1,425						1,425
President and CEO Stuart Graham	9,180	3,179	1,908	472	1,879	3,855	20,473
Other members of the Senior Executive Team	24,177	14,653	4,643	1,652	1,639	10,794	57,558
Total	**34,782**	**17,832**	**6,551**	**2,124**	**3,518**	**14,649**	**79,456**

1 Flexible salary element including the incentive program related to the 2006 financial year will be finally fixed and disbursed after a follow-up of the outcome in the first quarter of 2007. The amounts included under the heading "Flexible salary element" in the above table refer to the 2006 financial year. During 2006, flexible salary elements attributable to the 2005 financial year were paid in the amount of SEK 13,813,000, of which SEK 3,033,000 was related to the President and CEO. The amount was recognized as an expense in 2005 and is not included in the above table.

2 The value stated refers to the full allotment for 2006. In order to receive shares, an additional three years of service are required. The fraction of allocated value recognized as an expense during 2006 was 4/16. During 2006, share awards attributable to 2006 operations were allotted in a total amount of SEK 6,242,000, of which SEK 1,825,000 was related to the President and CEO. This amount is not included in the above table.

C1 Directors' fees

The 2006 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 4,000,000 plus a special appropriation of SEK 675,000 for committee work. The Annual Meeting decided that the fee to the Chairman of the Board shall amount to SEK 1,200,000. As authorized by the Annual Meeting, the Board decided that the members elected by the Annual Meeting shall receive SEK 400,000 each and that the special appropriation for committee work shall be paid in the amount of SEK 225,000 to the Chairman of the Board, and to each other committee member elected by the Annual Meeting SEK 100,000 for serving as a member of the Project Review Committee, SEK 75,000 for serving as a member of the Audit Committee and SEK 50,000 for serving as a member of the Compensation Committee.

C2 Chairman of the Board

During 2006 the Chairman of the Board, Sverker Martin-Löf, received a director's fee of SEK 1,200,000 and SEK 225,000 related to committee work, totaling SEK 1,425,000.

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 2006 the President and CEO, Stuart Graham, received a salary, fees and other remuneration from Group companies in the amount of SEK 9,180,000 plus a flexible salary element of SEK 3,179,000 based on financial targets achieved, which was equivalent to 39 percent target fulfillment. The flexible salary element may amount to a maximum of 50 percent of his fixed annual salary. In addition, the President and CEO is included in the Group's 2006 share incentive program, with an allocation of Skanska shares, defined in section E of this note, amounting to about 24 percent of his fixed salary, where 30 percent is the maximum possible allocation. The flexible salary element plus the outcome of the share incentive program for the 2006 financial year will be finally fixed and disbursed after a follow-up of outcome during the first quarter of 2007.

The President and CEO is entitled to a free residence in Sweden. During 2006, the Company compensated him for his residence in the amount of SEK 1,314,000. The President and CEO resides in Stockholm.

The President and CEO has had so-called expert tax status, which ceased in September 2005. Because of this, during 2005 an agreement was reached on special compensation amounting to a total of no more than SEK 10,400,000, with disbursement allocated over a three-year period. Neither flexible salary elements nor pension are affected by this.

The President and CEO is entitled to a pension from age 62 at the earliest. Full pension will be received at age 65. The total pension amounts to USD 500,000, including his share of Skanska USA's general pension plan.

His pension entitlement is indexed to an American inflation index, but with annual index increase limited to a maximum of 3 percent. This is a defined-benefit pension, and the expense during the year amounted to SEK 3,855,000. The pension entitlement is earned on a straight-line basis during his employment period and will be disbursed during the remainder of his life. The pension is conditional upon future employment.

In addition, the President and CEO will receive a nonrecurring amount of USD 180,000 at age 65. This amount was vested earlier in the United States and was reported as an expense during prior years.

In 2001 the President and CEO was allotted 80,000 employee stock options. These expired on March 31, 2006 and were exercised at a redemption price of SEK 128. He received SEK 472,000.

In case of termination by the Company, the President and CEO is entitled to his salary and other employment benefits during a six month notice period, then 30 months of severance payments equivalent to his fixed salary on the date of termination.

D Other members of the Senior Executive Team

During 2006, the other members of the Senior Executive Team totaled six persons. Members of the Senior Executive Team received a fixed salary and a flexible salary element based on the Group's earnings. In addition, executive officers of Skanska were covered by the Group's 2006 share incentive program, with an allocation of share awards, defined under section e of this note, amounting to about 24 percent of their fixed salary. The flexible salary element plus the outcome of the Share Award Plan for the 2006 financial year will be finally fixed and disbursed after a follow-up of the outcome during the first quarter of 2007. In 2001, the Senior Executive team was allocated employee stock options according to the 2001-2006 program, totaling 360,000 options.

D1 Pension benefits

Members of the Senior Executive Team are normally entitled to pension benefits according to defined-benefit pension systems. Defined-contribution pension packages occur in exceptional cases and, in terms of cost, are mainly equivalent to the ITP occupational pension plan. The retirement age for members of the Senior Executive Team is 60–65 years. The ITP plan is a defined-benefit plan and guarantees a lifetime pension from age 65. The pension amount is a certain percentage of final salary and the service period to qualify for a full pension is 30 years. The pension entitlement is 10 percent for portions of salary up to SEK 333,750 per year, 65 percent for portions of salary between SEK 333,750 and SEK 890,000 and 32.5 percent for portions of salary up to SEK 1,335,000.

In addition, this group is covered by a supplementary pension entitlement for portions of salary exceeding 30 base amounts (as defined by Swedish social insurance rules). 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 be subtracted from the amount payable.

Note 37 continued

E Skanska Share Award Plan

Skanska's 2005 Annual Meeting decided to introduce a share incentive program (the Skanska Share Award Plan, or "the Plan") for executive officers and other key employees of the Skanska Group. The Plan comprises up to 300 employees in the Group, including the President and CEO, the Chief Financial Officer, the Executive Vice Presidents, other members of the Senior Executive Team and staff units, the Presidents of business units and their management teams. The purpose of the Plan is to create shareholder value and provide incentives in order to retain and recruit qualified employees to the Skanska Group. The Plan is also expected to increase employees' interest in Skanska's business and development and to give present and future employees the opportunity to become shareholders in Skanska. In light of this, the Plan is deemed to have a positive effect on the Skanska Group's future development and thus to be advantageous both to the shareholders and the Company.

The Plan means that employees have been offered the opportunity to be granted "share awards" entitling the holder to receive Series B shares in the Company free of charge, provided that certain targets are met. The maximum yearly allocation for each participant is equivalent to 30 percent of the value of the participant's annual base salary in Series B shares, based on their average market price during the two-week period starting one week after the publication of the Year-end Report. Each participant's allocation of share awards is dependent upon the fulfillment of a number of established earnings- and performance-related conditions, which are based on the "Outperform" targets approved by the Board of Directors. The Outperform targets consist of (i) financial targets at the Group level as well as at the business unit level and (ii) non-financial targets attributable to the respective business unit, including improvements in health and safety, environment, business ethics, handling of loss-making projects and management development. In order to receive the shares, three years of employment are required after the end of the measurement period.

The Outperform targets for 2006 were adopted by Skanska's Board of Directors in 2005 and are shown in section B2 of this note. The published Outperform targets for 2007 are intended to correspond to the Outperform targets for the Plan. For the Plan, the Outperform targets for 2005 and 2006 represent a gradual raising of targets toward those for 2007. Based on the achievement of these targets, the number of share awards to be allocated will be determined after the close of each financial year. If the financial Outperform targets are achieved, the allocation of share awards may still be reduced by up to a half, to the extent that the non-financial targets are not met.

The Group's financial Outperform targets are the sum of the financial Outperform targets for each business unit. In order for an employee in a business unit to receive an allocation, the requirement is for the business unit to achieve its financial Outperform targets. For an employee at Group level to receive an allocation, the requirement is that the Group achieves 90 percent of the level of the Group's financial Outperform target.

Furthermore, there are two other conditions which must be met in order for any allocation to be made under the Plan. These are both closely tied to Skanska's consolidated earnings: (i) that Skanska's dividend capacity is intact and (ii) that consolidated operating income must exceed certain thresholds that have been approved by the Board of Directors. The threshold for 2006 was equivalent to the starting point for the Group target, i.e. SEK 3,374 M.

The outcome of the Plan for 2006 is estimated to be that 181 individuals have received share awards with a total value of about SEK 59,200,000. In addition, the Company will be charged the related social insurance expenses. The average allocation, in relation to fixed annual salary, to the group of employees encompassed by the Plan is about 18 percent.

The principles for recognition of the costs of the Plan are presented in "Accounting and valuation principles," Note 1, and comply with IFRS 2.

F1 Employee stock options, 2001 – 2006

In 2001, the Board of Skanska AB decided to allot a total of 2,040,000 options to 21 individuals in Skanska's Group Management. In February 2002, the Board of Skanska AB approved an additional allocation of options. After the above decisions, and after adjustments due to employee attrition, the 2001 – 2006 employee stock option program covered 24 individuals, and the number of options totaled 1,844,000.

The exercise price amounted to SEK 128, equivalent to 125 percent of the average closing price paid for a Skanska Series B share during the period June 14 – 20, 2001. The options could be exercised during the period March 1, 2004 – March 31, 2006. At the end of the program, a total of SEK 10,831,600 was disbursed. The estimated market price at maturity was SEK 133.9.

F2 Terms of employee stock options

For the above-mentioned employee stock option program, the following were among the conditions that applied. The option program encompassed synthetic options and settlement took place in cash. The options were provided free of charge and could only be exercised on the condition that the holder was still employed by Skanska on the exercise date or had retired with a pension. The holder could not transfer the right to exercise the options. Skanska had hedged the obligations that the Company might incur as a consequence of a market price upturn. The principles for reporting of employee stock options in the financial statements can be found under "Accounting and valuation principles."

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 a flexible salary element which is based on financial targets achieved.

Note 38 Fees and other remuneration to auditors

	2006	2005
KPMG		
Audit assignments	52	50
Other audit-related assignments	6	7
Tax advisory services	9	8
Total	**67**	**65**

"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 personnel expenses is found in Note 36, "Personnel," and Note 37, "Compensation to executive officers and Board members."

Transactions with joint ventures	2006	2005
Sales to joint ventures	5,738	5,204
Purchases from joint ventures	91	95
Interest income from joint ventures	1	4
Interest expenses to joint ventures	0	0
Dividends from joint ventures	99	42
Receivables from joint ventures	236	183
Liabilities to joint ventures	14	20
Contingent liabilities for joint ventures	674	1,495

Transactions with associated companies	2006	2005
Sales to associated companies	105	34
Purchases from associated companies	15	0
Interest income from associated companies	0	0
Interest expenses to associated companies	0	0
Dividends from associated companies	0	0
Receivables from associated companies	22	5
Liabilities to associated companies	2	0
Contingent liabilities for associated companies	0	0

Note 40 Leases

Skanska is a lessee in both finance and operating leases.

When Skanska is a lessee, finance lease assets are recognized with a carrying amount 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 finance 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 as well as machinery 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	2006	2005
Property, plant and equipment		
Property	36	42
Plant and equipment	151	25
Total	**187**	**67**
Cost	281	113
Depreciation for the year	–5	–7
Accumulated depreciation, January 1	–89	–39
Carrying amount	**187**	**67**

Variable fees for financial leases included in 2006 income amounted to SEK –4 M (–10). 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.

	Future minimum lease payments		Present value of future minimum lease payments	
Expenses, due dates	2006	2005	2006	2005
Within one year	–55	–23	–49	–17
Later than one year but within five years	–63	–50	–49	–32
Later than five years	–56	–67	–42	–48
Total	**–174**	**–140**	**–140**	**–97**

Reconciliation, future minimum lease payments and their present value	2006	2005
Future minimum lease payments	–174	–140
Less interest charges	34	43
Present value of future minimum lease payments	**–140**	**–97**

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.

The Group's leasing expenses related to operating leases in 2006 amounted to SEK –540 M (–265), of which SEK –492 M (–259) was related to minimum lease payments and SEK –48 M (–6) was related to variable payments.

The Group had SEK 5 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	2006	2005
Within one year	–442	–237
Later than one year but within five years	–959	–709
Later than five years	–560	–601
Total	**–1,961**	**–1,547**

Of this amount, SEK 29 M (29) was related to properties that were subleased.

B. Skanska as a lessor

Finance leases

Skanska owns a property in Sweden that is leased to a customer under a finance lease. The present value of the claim related to future minimum lease payments is recognized in the balance sheet as a financial non-current asset. At the balance sheet date, it amounted to:

	2006	2005
Gross investment in finance leases	13	16
- Unearned financial income	–2	–2
Net investment in finance leases	11	14
- Non-guaranteed residual value belonging to the lessor	–4	–1
Present value of claim related to future lease payments	**7**	**13**

The due dates of the gross investment and the present value of future minimum lease payments were distributed as follows:

	Gross investment in finance leases		Present value of claims related to future minimum lease payments	
Income, due dates	2006	2005	2006	2005
Within one year	3	3	2	2
Later than one year but within five years	10	13	5	10
Later than five years	0	0	0	0
Total	**13**	**16**	**7**	**12**

Reserves for doubtful receivables related to minimum lease payments amounted to SEK 0 M (0). The variable portion of lease payments included in 2006 income amounted to SEK 0 M (0).

Operating leases

Commercial Development carries out Skanska's operating lease business. These properties are recognized as current assets in the balance sheet. For a description of the Commercial Development business stream, see Note 4, "Segment reporting."

In 2006, the Group's variable lease income related to operating leases amounted to SEK 11 M (0).

The due dates of future minimum lease payments for noncancellable operating leases were distributed as follows:

Income, due dates	2006	2005
Within one year	305	373
Later than one year but within five years	653	881
Later than five years	251	349
Total	**1,209**	**1,603**

The carrying amount of current-asset properties in Commercial Development totaled SEK 5,583 M (5,804).

Note 41 Events after the balance sheet date

The financial reports were signed on February 14, 2007 and will be submitted for adoption by the Annual Shareholders' Meeting of Skanska AB on April 3, 2007.

In January 2007, Skanska USA Building was awarded a contract to build the Meadowlands NFL Football Stadium in New Jersey. The order is worth about SEK 7.4 billion, which is Skanska's largest U.S. Order ever. The stadium will be an open-air arena with seats for 82,000 spectators and 217 luxury suite boxes, comprising 175,000 sq. m (1.88 million sq. ft.). Specially built for American football, the arena will also be used for concerts and other sports and entertainment activities.

Note 42 Consolidated quarterly results

	2006				2005			
SEK M	Q4	Q3	Q2	Q1	Q4	Q3	Q2	Q1
Order bookings	**34,262**	**28,601**	**44,083**	**27,446**	**28,894**	**36,879**	**27,541**	**23,783**
Income								
Revenue	34,761	31,928	32,111	26,803	36,068	32,199	30,916	25,484
Cost of sales	–31,884	–29,216	–28,584	–24,536	–32,939	–29,494	–28,045	–22,924
Gross income	**2,877**	**2,712**	**3,527**	**2,267**	**3,129**	**2,705**	**2,871**	**2,560**
Selling and administrative expenses	–1,849	–1,793	–1,675	–1,668	–1,843	–1,566	–1,737	–1,540
Income from disposal of discontinued operations					4	0	180	0
Income from joint ventures and associated companies	120	128	105	11	165	–2	51	23
Operating income	**1,148**	**1,047**	**1,957**	**610**	**1,455**	**1,137**	**1,365**	**1 043**
Interest income	145	105	82	74	72	98	57	81
Interest expenses	–41	–23	–17	–26	–33	–39	–11	–54
Change in fair value	–33	–37	–41	–7	0	12	–24	31
Other financial items	–1	–1	27	17	–69	11	–10	–2
Net financial items	**70**	**44**	**51**	**58**	**–30**	**82**	**12**	**56**
Income after financial items	**1,218**	**1,091**	**2,008**	**668**	**1,425**	**1,219**	**1,377**	**1,099**
Taxes	–373	–287	–496	–174	–343	–244	–357	–286
Profit for the period	**845**	**804**	**1,512**	**494**	**1,082**	**975**	**1,020**	**813**
Profit for the period attributable to								
Equity holders	836	801	1 504	494	1 080	971	1,015	813
Minority	9	3	8	0	2	4	5	0
Order backlog	135,179	134,754	137,980	129,537	128,743	131,525	126,467	119,191
Capital employed	24,401	23,721	22,730	21,651	24,451	22,808	22,928	22,663
Interest-bearing net receivable	10,377	10,109	9,132	10,668	11,111	7,693	6,413	6,826
Debt/equity ratio	–0.5	–0.5	–0.5	–0.6	–0.6	–0.4	–0.4	–0.4
Return on capital employed, %	22.5	23.5	23.9	21.1	23.3	18.3	23.5	22.7
Cash flow								
Cash flow from operating activities	1,251	1,007	1,809	–350	4,793	976	1,014	–76
Cash flow from investing activities	–1,121	–355	–1,219	–505	115	–987	959	–410
Cash flow from financing activities	112	67	–2 558	–481	0	–1,161	–1,414	–171
Cash flow for the period	**242**	**719**	**–1 968**	**–1 336**	**4 908**	**–1 172**	**559**	**–657**
Business streams								
Order bookings								
Construction	34,224	28,577	43,891	27,433	29,128	36,528	26,727	23,464
Residential Development	–	–	–	–	–	–	–	–
Commercial Development	–	–	–	–	–	–	–	–
Infrastructure Development	–	–	–	–	–	–	–	–
Central and eliminations	38	24	192	13	–231	269	592	85
Discontinued operations					–3	83	222	233
Total	**34,262**	**28,601**	**44,083**	**27,446**	**28,894**	**36,880**	**27,541**	**23,782**
Revenue								
Construction	33,197	31,170	29,010	25,333	33,211	30,877	27,912	22,478
Residential Development	2,102	1,376	1,749	1,561	1,662	1,387	1,451	1,383
Commercial Development	420	276	2,027	702	1,108	417	1,699	1,851
Infrastructure Development	23	23	81	24	42	3	2	6
Central and eliminations	–981	–916	–757	–817	39	–622	–346	–454
Discontinued operations					6	138	198	219
Total	**34,761**	**31,929**	**32,110**	**26,803**	**36,068**	**32,200**	**30,916**	**25,483**
Operating income								
Construction	956	1,018	881	481	1,101	970	418	371
Residential Development	340	162	201	149	169	180	139	137
Commercial Development	44	27	934	205	211	138	700	691
Infrastructure Development	–44	26	62	–52	67	–61	–6	–9
Central	–95	–117	–154	–148	–43	–81	–81	–140
Eliminations	–53	–69	33	–25	–25	–27	0	–21
Discontinued operations					–24	17	196	13
Total	**1,148**	**1,047**	**1,957**	**610**	**1,456**	**1,136**	**1,366**	**1,042**

Note 43 Five-year Group financial summary

Income statements, SEK M

	In compliance with IFRS			In compliance with SWGAAP	
	2006	2005	2004	2003	2002
Revenue	125,603	124,667	121,263	132,879	142,033
Cost of sales	–114,220	–113,402	–111,706	–119,987	–130,452
Gross income	**11,383**	**11,265**	**9,557**	**12,892**	**11,581**
Selling and administrative expenses	–6,985	–6,686	–6,951	–8,453	–10,315
Income from disposal of discontinued operations	–	184	1 587	14	–
Income from joint ventures and associated companies	364	237	168	79	–285
Operating income	**4,762**	**5,000**	**4,361**	**4,532**	**981**
Net financial items	223	120	–34	–460	–908
Income after financial items	**4,985**	**5,120**	**4,327**	**4,072**	**73**
Taxes	–1,330	–1,230	–1,141	–1,303	–856
Profit for the year	**3,655**	**3,890**	**3,186**	**2,769**	**–783**
Profit for the year attributable to					
Equity holders	3,635	3,879	3,173	2,761	–837
Minority	20	11	13	8	54
Cash flow					
Cash flow from operating activities	3,717	6,707	6,519	11,062	3,729
Cash flow from investing activities	–3,200	–323	1,206	–1,207	–3,011
Cash flow from financing activities	–2,860	–2,746	–5,804	–7,967	–2,790
Cash flow for the year	**–2,343**	**3,638**	**1,921**	**1,888**	**–2,072**

Note 43 continued

Balance sheets

	In compliance with IFRS					In compliance with SWGAAP	
	Dec 31 2006	Dec 31 2005	Jan 1[1] 2005	Dec 31 2004	Jan 1[1] 2004	Dec 31 2003	Dec 31 2002
ASSETS							
Non-current assets							
Property, plant and equipment	5,457	5,243	4,978	5,507	6,700	6,730	7,808
Goodwill	4,490	4,154	3,899	3,899	4,259	4,259	5,360
Intangible assets	740	644	535	535	542	459	481
Investments in joint ventures and associated companies	1,894	1,834	862	862	1,374	1,374	1,468
Financial non-current assets[2,4]	1,500	1,236	1,253	1,137	2,032	2,032	1,408
Deferred tax assets	1,976	2,282	1,620	1,633	1,459	1,539	1,621
Total non-current assets	**16,057**	**15,393**	**13,147**	**13,573**	**16,366**	**16,393**	**18,146**
Current assets							
Current-asset properties[3]	11,827	10,482	11,935	11,948	13,866	13,694	19,544
Inventories	484	501	483	610	828	828	865
Financial current assets[4]	3,154	2,260	2,771	2,490	1,248	1,248	1,128
Tax assets	330	330	269	269	415	415	310
Gross amount due from customers for contract work	5,222	5,610	3,653	3,579	4,768	4,814	4,896
Trade and other receivables	23,263	22,985	21,579	21,744	22,309	22,309	26,096
Cash equivalents	2,131	3,095	3,053	3,053	218	218	303
Cash	8,839	10,583	5,794	5,815	6,819	6,819	5,460
Assets classified as held for sale		72	869				
Total current assets	**55,250**	**55,918**	**50,406**	**49,508**	**50,471**	**50,345**	**58,602**
TOTAL ASSETS	**71,307**	**71,311**	**63,553**	**63,081**	**66,837**	**66,738**	**76,748**
of which interest-bearing	15,441	16,975	12,421	12,421	10,241	10,241	7,749
EQUITY							
Equity attributable to equity holders	19,190	18,454	16,240	16,251	14,501	14,169	14,217
Minority interest	147	133	117	117	200	200	298
Total equity	**19,337**	**18,587**	**16,357**	**16,368**	**14,701**	**14,369**	**14,515**
LIABILITIES							
Non-current liabilities							
Financial non-current liabilities[4]	2,039	2,424	3,300	3,046	5,714	7,182	13,845
Pensions	1,556	2,407	1,108	1,112	1,771	2,058	984
Deferred tax liabilities	2,892	2,831	2,708	2,744	3,164	3,104	2,317
Non-current provisions	119	143	135	135	174	175	16
Total non-current liabilities	**6,606**	**7,805**	**7,251**	**7,037**	**10,823**	**12,519**	**17,162**
Current liabilities							
Financial current liabilities[4]	1,396	1,080	1,197	1,006	2,277	808	2,607
Tax liabilities	728	595	994	998	571	571	447
Current provisions	3,476	3,200	2,735	2,740	3,050	3,055	3,062
Gross amount due to customers for contract work	11,357	11,782	10,471	10,428	9,311	9,311	10,174
Trade and other payables	28,407	28,220	24,224	24,504	26,104	26,105	28,781
Liabilities classified as held for sale		42	324				
Total current liabilities	**45,364**	**44,919**	**39,945**	**39,676**	**41,313**	**39,850**	**45,071**
TOTAL EQUITY AND LIABILITIES	**71,307**	**71,311**	**63,553**	**63,081**	**66,837**	**66,738**	**76,748**
of which interest-bearing	5,064	5,864	5,192	5,192	9,804	10,091	17,125

1 In addition to the balance sheets on December 31 of each year, the tables present the opening balance in compliance with IFRS on January 1, 2004 as well as the transition to IAS 39 and IFRS 5 on January 1, 2005.

2 of which shares	59	59	74	74	76	76	547
3 Current-asset properties							
Commercial Development	5,583	5,804	7,395	7,408	9,421	9,249	12 610
Other commercial properties	956	1,396	1,272	1,272	1,051	1,051	2,120
Residential Development	5,288	3,282	3,268	3,268	3,394	3,394	4,814
	11,827	**10,482**	**11,935**	**11,948**	**13,866**	**13,694**	**19,544**
4 Items related to non-interest-bearing unrealized changes in value of derivatives/securities are included in the following amounts:							
Financial non-current assets	8	107	116				
Financial current assets	116	35	281				
Financial non-current liabilities	6	22	254				
Financial current liabilities	60	196	193				

Note 43 continued

Financial ratios etc.[5]

	In compliance with IFRS					In compliance with SWGAAP	
	Dec 31 2006	Dec 31 2005	Jan 1 2005	Dec 31 2004	Jan 1 2004	Dec 31 2003	Dec 31 2002
Order bookings	134,392	117,097		121,903		121,128	134,625
Order backlog	135,179	128,743		113,740		116,401	135,165
Average number of employees	56,085	53,806		53,803		69,669	72,698
Regular dividend per share, SEK[6]	4.75	4.50		4.00		3.00	2.00
Extra dividend per share, SEK[6]	3.50	2.00					
Earnings per share, SEK	8.68	9.27		7.58		6.60	–2.00
Capital employed	24,401	24,451	21,549	21,560	24,505	24,460	31,640
Interest-bearing net receivable (+)/net debt (–)	10,377	11,111	7,229	7,229	437	150	–9,376
Equity per share, SEK	45.85	44.09	38.80	38.83	34.65	33.90	34.00
Equity/assets ratio, %	27.1	26.1	25.7	25.9	22.0	21.5	18.9
Debt/equity ratio	–0.5	–0.6	–0.4	–0.4	0.0	0.0	0.6
Interest cover	–21.3	–37.4		122.8		16.8	5.7
Return on equity, %	19.3	22.4		20.6		19.5	–5.2
Return on capital employed, %	22.5	23.3		19.9		17.1	4.2
Total number of shares	418,553,072	418,553,072	418,553,072	418,553,072	418,553,072	418,553,072	418,553,072
Average number of shares							
Before dilution	418,553,072	418,553,072	418,553,072	418,553,072	418,553,072	418,553,072	418,553,072
After dilution	418,827,470	418,561,923					
Number of own shares held	4,500,000						

5 For definitions, see note 44.
6 Proposed by the Board of Directors: Regular dividend of SEK 4.75 per share and extra dividend of SEK 3.50 per share.

Note 44 Definitions

Return on equity	Profit attributable to equity holders as a percentage of average visible equity attributable to equity holders.
Consolidated return on capital employed	Operating income plus financial income as a percentage of average capital employed.
Return on capital employed in business streams, markets and business/reporting units	Operating income plus financial income less interest income from Skanska's treasury unit and other financial items as a percentage of average capital employed.
Yield on properties	Operating net divided by year-end carrying amount.
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 costs.
Equity per share	Visible equity attributable to equity holders divided by the number of shares.
Average visible equity	Equity attributable to equity holders on December 31 plus equity attributable to equity holders on January 1, divided by two.
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.
Consolidated operating cash flow	In the consolidated operating cash flow statement, which includes tax paid, investments are recognized both in cash flow from operations and in cash flow from strategic investments. See also Note 35.
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.
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.
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 for the period and accrued revenue plus order backlog at the beginning of the period.
Earnings per share	Profit for the year attributable to equity holders divided by the average number of shares.
Interest-bearing net receivable	Interest-bearing assets minus interest-bearing liabilities.
Interest cover	Operating income and financial income plus depreciation/amortization divided by net interest items.
Debt/equity ratio	Interest-bearing net debt divided by visible equity including minority.
Equity/assets ratio	Visible equity including minority as a percentage of total assets.
Consolidated capital employed	Total assets less non-interest-bearing liabilities.
Capital employed in business streams, markets and business/ reporting units	Total assets less tax assets and deposits in Skanska's treasury unit less non-interest-bearing liabilities less provisions for taxes and tax liabilities.

Parent Company notes

Note 45 Financial instruments, Parent Company

	2006		2005	
	Carrying amount	Fair value	Carrying amount	Fair value
Assets				
Non-current receivables from Group companies	7,693	7,693	7,332	7,332
Other non-current receivables				
Total assets	**7,693**	**7,693**	**7,332**	**7,332**
Liabilities and provisions				
Liabilities to credit institutions	0	0	188	188
Liabilities to Group companies	9,920	9,920	9,202	9,202
Total liabilities and provisions	**9,920**	**9,920**	**9,390**	**9,390**

Note 46 Net sales, Parent Company

The Parent Company's net sales consisted of intra-Group services.

The amount included SEK 26 M (50) 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	Income from financial current assets	Interest expenses and similar items	Total
2006					
Dividends	2,500				2,500
Interest income		188			188
Interest expenses				–294	–294
Derivative instruments carried at fair value					0
Other		27		33	60
Total	**2,500**	**215**	**0**	**–261**	**2,454**
2005					
Dividends	1,200				1,200
Interest income		120			120
Interest expenses				–209	–209
Derivative instruments carried at fair value		85			85
Other		11			11
Total	**1,200**	**216**	**0**	**–209**	**1,207**

Dividends

The amount for dividends consisted of dividends in compliance with a decision by the Annual Shareholders' Meeting, SEK 2,500 M (1,200).

Net interest items

Of interest income, SEK 187 M (120) was related to Group companies.
Of interest expenses, SEK -288 M (-199) were related to Group companies.

Derivative instruments carried at fair value

Derivative instruments are carried in the financial statements at fair value. See Note 1, "Accounting and valuation principles." Derivative instruments carried at fair value increased financial items for the year by SEK 0 M (85).

Note 48 Income taxes, Parent Company

	2006	2005
Current taxes	121	105
Deferred tax expense/income from change in temporary difference	1	–6
Total	**122**	**99**

Tax on Group contributions is recognized directly in equity. Tax on Group contributions received in 2006 and 2005 amounted to SEK 127 M and SEK 194 M, respectively.

The relation between the Swedish tax rate of 28 percent and taxes recognized is explained in the table below.

	2006	2005
Income after financial items	2,085	925
Taxes at tax rate of 28 percent	–584	–259
Tax effect of		
Dividends from subsidiaries	700	336
Other	6	22
Recognized tax expense	**122**	**99**

Deferred tax assets	**2006**	**2005**
Deferred tax assets for employee-related provisions	54	53
Minus deferred tax liabilities for holdings	–2	–2
Total	**52**	**51**

Change in deferred taxes in balance sheet

	2006	2005
Deferred tax assets, January 1	51	57
Deferred tax expense/income	1	–6
Deferred tax assets, December 31	**52**	**51**

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	
	2006	2005
Accumulated cost		
January 1	25	25
Additions	7	
Divestments	–4	
	28	**25**
Accumulated amortization		
January 1	–8	–7
Divestments	3	
Amortization for the year	–1	–1
	–6	**–8**
Accumulated impairment losses		
January 1	–1	–1
Divestments	1	
Impairment losses for the year		
	0	**–1**
Carrying amount, December 31	**22**	**16**
Carrying amount, January 1	16	17

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."

Buildings and land owned by the Parent Company are recognized as property, plant and equipment. These assets were divested during 2005. Machinery and equipment are recognized as one item.

The year's depreciation on property, plant and equipment amounted to SEK –1 M (–1) and was included in selling and administrative expenses.

Information about cost, accumulated depreciation, accumulated revaluations and accumulated impairment losses

	Buildings and land		Machinery and equipment	
	2006	2005	2006	2005
Accumulated cost				
January 1	0	13	8	7
Additions			1	1
Divestments and disposals		–13		
	0	**0**	**9**	**8**
Accumulated depreciation				
January 1	0	–7	–5	–4
Divestments and disposals		7		
Depreciation for the year			–1	–1
	0	**0**	**–6**	**–5**
Carrying amount, December 31	**0**	**0**	**3**	**3**
Carrying amount, January 1	0	6	3	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.

Joint ventures are described in Note 53.

Receivables are allocated between receivables from Group companies, deferred tax assets and other non-current receivables. Tax assets are described in Note 49, "Income taxes." All receivables except deferred tax assets are interest-bearing.

	Holdings in Group companies		Holdings in joint ventures	
Holdings	2006	2005	2006	2005
Accumulated cost				
January 1	12,325	12,335	0	0
Long-term Share Award Plan	–10	10		
Reclassifications				
	12,325	**12,335**	**0**	**0**
Accumulated impairment losses				
January 1	–1,760	–1,760	0	0
	–1 760	**–1 760**	**0**	**0**
Carrying amount, December 31	**10,565**	**10,575**	**0**	**0**
Carrying amount, January 1	10,575	10,565	0	0

	Receivables from Group companies		Other non-current receivables and deferred tax assets	
Receivables	2006	2005	2006	2005
Accumulated cost				
January 1	7,332	4,163	124	104
Receivables added/settled	361	3 169	6	20
	7,693	**7,332**	**130**	**124**
Carrying amount, December 31	**7,693**	**7,332**	**130**	**124**
Carrying amount, January 1	7,332	4,163	124	104

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	Percentage of capital stock and votes	Carrying amount 2006	Carrying amount 2005
Swedish subsidiaries					
Skanska Financial Services AB	556106 –3834	Solna	500,000	65	65
Skanska Kraft AB	556118 –0943	Solna	4,000,000	10,500	10,510
Total				**10,565**	**10,575**

Both of the above companies are 100 percent owned by the Parent Company.

Note 53 Holdings in joint ventures, Parent Company

Joint ventures are reported in compliance with IAS, "Interests in Joint Ventures." See Note 1, "Accounting and valuation principles."

Company	Corporate identity number	Registered office	Percentage of capital stock and votes	Carrying amount 2006	Carrying amount 2005
Swedish joint ventures					
Sundlink Contractors HB	969620–7134	Malmö	37	0	0
Total				**0**	**0**

Note 54 Prepaid expenses and accrued income, Parent Company

The Parent Company had prepaid expenses and accrued income of SEK 9 M (97). This amount consisted of SEK 3 M in prepaid insurance premiums and SEK 6 M in miscellaneous interim receivables. In 2005, the amount consisted of SEK 92 M in derivative instruments carried at fair value, SEK 2 M in prepaid insurance premiums and SEK 3 M in miscellaneous interim 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. Capital stock (share capital) and the statutory reserve comprise restricted equity. Unrestricted equity comprises 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 (1,256) in capital stock, SEK 598 M (598) in the statutory reserve (restricted reserves) and SEK 6,513 M (6,721) in retained earnings.

The proposed but not yet approved dividend for 2006 amounts to a total of SEK 3,453 (2,721). Of this, SEK 1,988 M (1,884) comprises the regular dividend, equivalent to SEK 4.75 (4.50) per share, plus SEK 1,465 M (837) in extra dividend, equivalent to SEK 3.50 (2.00) per share.

Number of shares

	2006	2005
Average number of shares		
before dilution	418,553,072	418,553,072
after dilution	418,827,470	418,561,923
Total number of shares	**418,553,072**	**418,553,072**

The number of shares amounted to 418,553,072, divided into 22,502,851 (22,554,063) Series A shares and 396,050,221 (395,999,009) Series B shares. In addition, there are 4,500,000 Series D shares in Skanska's own custody. During 2006, 51,212 (5,984,633) Series A shares were redeemed for a corresponding number of Series B shares.

During the year, 4,500,000 Series D shares were issued at a value of SEK 13 M. These Series D shares were immediately repurchased by the Company. The surplus payment in relation to quota (formerly par) value was charged to retained earnings. The Series D shares were issued in order to ensure delivery of Series B shares in accordance with the Share Award Plan. After each respective vesting period, these Series D share will be transformed into Series B shares and be delivered free of charge to employees.

The quota value per share amounts to SEK 3 (3). All shares are fully paid up. One Series A share carries 10 votes and one Series B share carries one vote. Otherwise all shares enjoy the same rights. Series B shares are listed on the Stockholm Stock Exchange (Stockholmsbörsen). According to the Articles of Association, Skanska's capital stock 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	Provisions for taxes	Other provisions
January 1	160		22
Provisions for the year	64		12
Provisions utilized	–72		–13
December 31	**152**	**0**	**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 costs of profit-sharing, certain bonus programs and other obligations to employees.

Note 57 Provisions for pensions, Parent Company

Provisions for pensions are reported in compliance with the Act on Safeguarding of Pension Commitments.

Pension liabilities according to the balance sheet

	2006	2005
Interest-bearing pension liability[1]	122	131
Other pension obligations	30	29
Total	**152**	**160**

1 Liability in compliance with the Act on Safeguarding of Pension Commitments.

Reconciliation, provisions for pensions

	2006	2005
January 1	131	156
Pension expenses	56	52
Benefits paid	–69	–56
Reclassifications	4	–21
Provisions for pensions according to the balance sheet	**122**	**131**

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."

Non-current liabilities

Interest-bearing liabilities that fall due for payment within twelve months may be regarded as non-current in some cases. The Parent Company intends to refinance SEK 0 M (0) worth of liabilities that fall due within one year. As a result, they were labeled non-current.

Accrued expenses and prepaid income

The Parent Company had accrued expenses and prepaid income of SEK 44 M (41). This was related to accrued vacation pay of SEK 17 M, accrued special payroll tax on pensions of SEK 9 M, accrued social insurance contributions of SEK 5 M and other accrued expenses of SEK 13 M.

Note 59 Expected recovery periods of assets, provisions and liabilities, Parent Company

Amounted expected to be recovered	2006 Within 12 months	2006 12 months or longer	2006 Totalt	2005 Within 12 months	2005 12 months or longer	2005 Total
Intangible non-current assets[1]	**1**	**21**	**22**	**1**	**15**	**16**
Property, plant and equipment[1]	**1**	**2**	**3**	**1**	**2**	**3**
Financial non-current assets						
Holdings in Group companies and joint ventures[2]		10,565	10,565		10,575	10,575
Receivables from Group companies[3]		7,693	7,693		7,332	7.332
Other non-current receivables		78	78		73	73
Deferred tax assets		52	52		51	51
		18 388	**18 388**		**18 031**	**18 031**
Current receivables						
Current receivables from Group companies	1		1	19		19
Tax assets	5		5	1		1
Other current receivables	108		108	49		49
Prepaid expenses and accrued income	9		9	97		97
	123	0	123	**166**	**0**	**166**
Total assets	**125**	**18,411**	**18,536**	**168**	**18,048**	**18,216**

Amounts expected to be paid	2006 Within 12 months	2006 12 months to 5 years	2006 More than 5 years (liabilities)	2006 Total	2005 Within 12 months	2005 12 months to 5 years	2005 More than 5 years (liabilities)	2005 Total
Provisions								
Provisions for pensions		152		152		160		160
Other provisions		21		21		22		22
		173		**173**		**182**		**182**
Liabilities								
Non-current liabilities								
Liabilities to credit institutions				0	30	158		188
Liabilities to Group companies[4]			9,920	9,920			9,202	9,202
	0	**0**	**9,920**	**9,920**	**30**	**158**	**9,202**	**9,390**
Current liabilities								
Trade accounts payable	12			12	15			15
Liabilities to Group companies				0	7			7
Tax liabilities				0				0
Other liabilities	7			7	6			6
Accrued expenses and prepaid income	44			44	41			41
	63	**0**	**0**	**63**	**69**	**0**	**0**	**69**
Total liabilities and provisions	**63**	**173**	**9,920**	**10,156**	**99**	**340**	**9,202**	**9,641**

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 12 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 77 M (73), which were 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," IAS 37 section, describes the accounting principles.

	2006	2005
Contingent liabilities on behalf of Group companies	73,758	64,221
Other contingent liabilities	6,002	6,193
	79,760	**70,414**

Of the Parent Company's contingent liabilities on behalf of Group companies, more than SEK 69 billion (59) was related to contracting obligations incurred by Group companies. Among the reasons for the increase during 2006 is that the Parent Company is guaranteeing the contracting work for St. Bartholomew's Hospital in London and the Royal London Hospital. Of the remaining contingent liabilities on behalf of Group companies, nearly SEK 2.9 billion (5.2) consisted of guarantees issued for borrowing by Group companies from credit institutions.

Of other contingent liabilities, nearly SEK 3.0 billion (4.0) was related to liability for the portion of construction consortia held by external entities. Of the remaining SEK 3.0 billion (2.1), more than SEK 0.6 billion (1.4) was attributable to guarantees provided for financing of joint ventures in which Group companies are co-owners and SEK 2.3 billion (0.7) 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 7 M (9) 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

	2006	2005
Depreciation/amortization	2	2
Gains from divestments of non-current assets	0	2
Total	**2**	**4**

Taxes paid

Total taxes paid in the Parent Company during 2006 amounted to SEK –35 M (–102).

Information on interest and dividends

	2006	2005
Interest received during the year	188	120
Interest paid during the year	–294	–208
Dividends received during the year	2,500	1,200

Note 62 Personnel, Parent Company

Salaries, other remuneration and social insurance contributions

	2006	2005
Salaries and other remuneration		
Board of Directors, Presidents and Executive Vice Presidents[1]	49	40
(of which bonuses)	12	10
Other employees	59	52
Total salaries and other remuneration	**108**	**92**
Social insurance contributions	62	95
of which pension expenses	26	55

1 The amount related to the Board of Directors, President and Executive Vice Presidents included compensation to former Board members, Presidents and Executive Vice Presidents during the financial year.

The Parent Company's pension expenses were calculated in compliance with the Security of Income Act. Pension expenses declined by SEK 68 M in 2006 due to reimbursement from Swedish pension funds. In 2005, pension expenses declined by SEK 38 M due to an upturn in the value of Swedish pension fund assets and reimbursement from these funds.

Of the Parent Company's pension expenses, SEK 10.0 M (12.8) was related to the category Board of Directors, Presidents and Executive Vice Presidents. The amount included compensation to former Board members, Presidents and Executive Vice Presidents. The Company's outstanding pension obligations to these amounted to SEK 200.8 M (234.8).

Average number of employees

Personnel figures are calculated as the average number of employees. See Note 1, "Accounting and valuation principles."

	2006	of whom men	of whom women	2005	of whom men	of whom women
Sweden	**69**	**43**	**26**	**59**	**36**	**23**

Men and women on the Board of Directors and Senior Executive Team on the balance sheet date

	2006	of whom men%	of whom women%	2005	of whom men%	of whom women%
Number of Board members and deputy members	14	71	29	15	73	27
President and other members of the Senior Executive Team	6	100	0	6	100	0

Absence from work due to illness (sick leave)

	2006	2005
Total absence from work due to illness as a percentage of regular working time[1]	1.9%	1.2%
Percentage of total absence from work due to illness related to continuous absences of 60 days or more	74%	63%
Absence from work due to illness as a percentage of each category's regular working time:		
Men	0.6%	0.3%
Women	4.0%	2.3%
Absence due to illness by age category		
Age 29 or younger[2]	–	–
Age 30-49[2]	2.5%	1.8%
Age 50 or older	0.5%	0.3%

1 In the Parent Company, the number of employees totaled 69 (59).

2 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."

	2006	2005
Sales to Group companies	26	50
Purchases from Group companies	–70	–52
Interest income from Group companies	187	120
Interest expenses to Group companies	–288	–199
Dividends from Group companies	2,500	1,200
Non-current receivables from Group companies	7,693	7,332
Current receivables from Group companies	1	19
Non-current liabilities to Group companies	9,920	9,202
Current liabilities to Group companies		7
Contingent liabilities on behalf of Group companies	73,758	64,221

Note 64 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.

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Skanska AB
SE-169 83 Solna, Sweden
tel +46-8-504 350 00
fax +46-8-755 71 26
www.skanska.se

For questions concerning financial information, please contact:
Skanska AB, Investor Relations, SE-169 83 Solna, Sweden
Tel: +46–8–753 88 00
Fax: +46–8–755 12 56
E-mail: investor.relations@skanska.se

Proposed allocation of earnings

The Board of Directors and the President of Skanska AB propose that the profit for 2006, SEK 2,207,344,248, plus the retained earnings of SEK 4,304,914,095 brought forward from the previous year, totaling SEK 6,512,258,343, be allocated as follows:

A dividend to the shareholders of	SEK 8.25 per share	3,453,062,844
Of which, an extra dividend of	SEK 3.50 per share	1,464,935,752
To be carried forward		3,059,195,499
Total		**6,512,258,343**

As far as we are aware, the annual accounts have been prepared in compliance with generally accepted accounting practices for listed companies, the information provided matches the actual conditions and nothing of essential importance has been omitted that might affect the picture of the Company created by the annual accounts.

Stockholm, February 14, 2007

Sverker Martin-Löf
Chairman

Roger Flanagan | Ulrika Francke | Jane F. Garvey

Finn Johnsson | Curt Källströmer

Anders Nyrén | Lars Pettersson

Folmer Knudsen | Gunnar Larsson | Alf Svensson

Stuart Graham
President

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 2006. The Company's annual accounts are included in the printed version of this document on pages 53–131. 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 26, 2007
KPMG Bohlins AB

Caj Nackstad
Authorized Public Accountant

Corporate governance report of Skanska AB (publ) for 2006 plus the Board of Directors' report on internal control

This corporate governance report for 2006 plus the Board of Directors' report on internal control have not been reviewed by the Company's external auditors. The reports are not part of the formal financial statements.

Corporate governance report

Corporate governance

Skanska AB is a Swedish public stock corporation. Skanska's Series B shares are listed on the Stockholm Stock Exchange (Stockholmsbörsen). Skanska AB and the Skanska Group are governed in accordance with Skanska AB's Articles of Association, the Swedish Companies Act, the listing agreement with the Stockholm Stock Exchange and other applicable Swedish and foreign laws and ordinances.

Skanska applies the Swedish Code of Corporate Governance ("the Code"). Skanska is not reporting any departures from the Code for 2006.

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 capital stock (share capital), any regulations on different types of shares, the number of shares and how notice of a Shareholders' Meeting shall be provided. The complete Articles of Association are available on Skanska's website, www.skanska.com, under the heading "Corporate Governance."

Shareholders' meeting

At the shareholders' meeting, the highest decision-making body, the shareholders of Skanska decide on central issues, such as adopting 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, principles of remuneration to senior executives, amendments to the Articles of Association and election of auditors. Shareholders who are listed in the register of shareholders on the record date and who notify the Company of their intention to participate in the meeting are entitled to attend it, either personally or by proxy through a representative or substitute. Every shareholder is entitled to have an item of business dealt with by the shareholders' meeting. Well before notice of the meeting is issued, the Company's website provides information on how shareholders shall proceed in order to have an item of business dealt with.

The 2006 Annual Shareholders' Meeting

The Annual Shareholders' Meeting was held on March 30, 2006 in Stockholm. At the Meeting, a total of 486 shareholders were present personally or through proxy, representing about 58.5 percent of the total voting power in the Company. The Meeting elected Roger Flanagan, Ulrika Francke, Jane Garvey, Stuart Graham, Finn Johnsson, Curt Källströmer, Sverker Martin-Löf, Anders Nyrén and Lars Pettersson as members of the Board of Directors. The employees were represented on the Board by Folmer Knudsen, Gunnar Larsson and Nils-Erik Pettersson as members with Inge Johansson, Jessica Karlsson and Ann-Christin Kutzner as deputy members. The Meeting also approved a dividend to the shareholders totaling SEK 6.50 per share.

All members of the Board and the Company's auditors were present at the Annual Shareholders' Meeting.

Complete information about the 2006 Annual Shareholders' Meeting is available on Skanska's website, www.skanska.com.

The 2007 Annual Shareholders' Meeting

The next Annual Shareholders' Meeting of Skanska AB will be held on April 3, 2007 in Stockholm, Sweden. The Meeting will take place at 4:00 p.m. at the Rival Hotel, Mariatorget 3, 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 2007 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 2006 Annual Shareholders' Meeting gave the Chairman of the Board a mandate to allow the five largest shareholders in terms of voting power each appoint a representative to comprise, together with the Chairman, a Nomination Committee in preparation for the 2007 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; Jan-Erik Erenius, AMF Pension and the AMF mutual funds; KG Lindvall, Robur mutual funds; Conny Karlsson, SEB mutual funds; and Sverker Martin-Löf, Chairman of the Board, Skanska AB.

Information has been provided on Skanska's website on how shareholders can submit their own proposals to the Nomination Committee by sending an e-mail to valberedningen@skanska.se.

The proposal of the Nomination Committee will be published in the notice of the 2007 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 organization structure of the Group. The Board has established three special committees: the Audit Committee, the Compensation Committee and the Project Review Committee. These committees are described in detail below.

The members of the Board

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

At the 2006 Annual Shareholders' Meeting, Board members Sören Gyll and Arne Mårtensson resigned. Curt Källströmer and Lars Pettersson were newly elected to the Board.

For more detailed information about Board members and deputy members, see page 138 of the Annual Report.

A majority consisting of eight of the Board members elected by the Shareholders' Meeting are independent in relation to the Company and its management. Of these, five members are also deemed independent of the Company's largest shareholders. Only one member (the President and CEO) is active in the management of the Company.

The work of the Board in 2006

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 directly after the Annual Shareholders' Meeting. At its September 2006 meeting, the Group visited Skanska Norway and received information about Skanska's activities in Norway. The Board also discussed Residential Development operations in the Nordic countries. In conjunction with this meeting, the Board carried out two work site visits. Among the more important issues that the Board dealt with during the year were Group strategy, internal control, governance of operations, risk management and employee health and safety.

During the year, the Board examined the relevance and timeliness of all legally mandated instructions.

The committees of the Board

All committees report orally to the Board at each meeting in accordance with the mechanisms that are stipulated in the Board's procedural rules. Minutes of all Committee meetings are provided to the Board.

The main task of the Audit Committee is to assist the Board in overseeing financial reporting, report procedures and accounting principles as well as monitoring the auditing of the accounts for the Parent Company and the Group. The Committee also evaluates the Group's internal control and studies the reports and opinions of the Company's external auditors. The Company's external auditors are present at all meetings of the Audit Committee. In this way, the Committee safeguards the quality of financial reporting, whose contents have been established by the Board in its Procedural Rules. The Committee prepares proposals regarding elections of auditors in the years such elections will occur. During 2006, Skanska established a new Group staff unit known as Internal Audit and Compliance. This unit reports directly to the Audit Committee. The Audit Committee consists of Anders Nyrén (Chairman), Ulrika Francke and Sverker Martin-Löf. During 2006, the committee held four meetings.

The main task of the Compensation Committee is to prepare the Board's decisions concerning employment of the President and CEO and other members of the Senior Executive Team, as well as the President and CEO's and the Senior Executive Team's compensation, pensions and other terms of employment. The committee prepares the Board's decisions on general incentive programs and examines the outcomes of flexible salary elements. The Compensation Committee consists of Sverker Martin-Löf (Chairman), Curt Källströmer and Lars Pettersson. During 2006, the committee held four meetings.

The Project Review Committee has the Board's mandate to make decisions on its behalf regarding individual construction and real estate projects, investments and divestment in infrastructure projects and certain project financing packages. Projects that include especially high or unusual risks or other special circumstances may be referred to the Board for its decision. The Project Review Committee consists of Sverker Martin-Löf (Chairman), Roger Flanagan, Stuart Graham, Anders Nyrén and Nils-Erik Pettersson. During 2006, it held nine 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.

Board of Directors	Year of birth	Nationality	Elected	Audit Committee	Compensation Committee	Project Review Committee	Remuneration, SEK
Sverker Martin-Löf, Chairman	1943	Sweden	2001	X	X	X	1,425,000
Roger Flanagan	1944	United Kingdom	1998			X	500,000
Ulrika Francke	1956	Sweden	2003	X			475,000
Jane F. Garvey	1944	United States	2003				400,000
Stuart E. Graham, President and CEO	1946	United States	2003			X	–
Finn Johnsson	1946	Sweden	1998				400,000
Curt Källströmer	1941	Sweden	2006		X		450,000
Anders Nyrén	1954	Sweden	2002	X		X	575,000
Lars Pettersson	1954	Sweden	2006		X		450,000
Jessica Karlsson, Employee Representative (Deputy)	1975	Sweden	2005				–
Folmer Knudsen, Employee Representative	1942	Sweden	1992				–
Ann-Christin Kutzner, Employee Rep. (Deputy)	1947	Sweden	2004				–
Inge Johansson, Employee Rep. (Deputy)	1951	Sweden	1999				–
Gunnar Larsson, Employee Representative	1953	Sweden	2002				–
Nils-Erik Pettersson, Employee Representative[1]	1948	Sweden	1998			X	–
Total							**4,675,000**

[1] Board member until December 11, 2006.

Attendance at Board and Committee meetings during 2006

	Board	Audit Committee	Compensation Committee	Project Review Committee
Number of meetings	**9**	**4**	**4**	**9**
Sverker Martin-Löf	9	4	4	9
Roger Flanagan	9			9
Ulrika Francke	9	3		
Jane F. Garvey	6			
Stuart E. Graham [1]	9			6
Sören Gyll [2]	2			
Finn Johnsson	9			
Curt Källströmer [3]	6		3	
Arne Mårtensson [2]	2		1	
Anders Nyrén	9	4		7
Lars Pettersson [3]	5		3	
Jessica Karlsson	9			
Folmer Knudsen	9			
Ann-Christin Kutzner	9			
Inge Johansson	9			
Gunnar Larsson	9			
Nils-Erik Pettersson [4]	9			5

[1] Appointed as a member of the Project Review Committee in April 2006.
[2] Resigned from the Board in April 2006.
[3] Elected to the Board in April 2006.
[4] Resigned as Employee Representative on the Board in December 2006.

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 2006 Annual Shareholders' Meeting in the amount of SEK 4,675,000, including a special appropriation of SEK 675,000 for committee work. The Chairman of the Board received SEK 1,200,000 in fees and other Board members SEK 400,000 each. Members of the Board's committees received SEK 50,000 each on the Compensation Committee, SEK 75,000 on the Audit Committee and SEK 100,000 on the Project Review Committee.

The Board's communication with the Company's auditors

As mentioned above, the Company's external auditors participate in all meetings of the Audit Committee. According to its 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 CEO and the Senior Executive Team

The President and Chief Executive Officer (CEO) is responsible for day-to-day management and oversight of the Group's operations. The work of the CEO is specially evaluated at one meeting each year at which no senior executives are present. The CEO and the six Executive Vice Presidents form the Senior Executive Team. Information on the CEO and the Senior Executive Team is found on page 137 of the Annual Report.

The President and CEO has no business dealings 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 eleven Group staff units plus two support units, Skanska Financial Services and Skanska Project Support. The Group staff units and support units assist the CEO and the Senior Executive Team on matters concerning Groupwide functions, coordination and controls. In addition, they provide backup 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. A presentation of the Group staff units and support units is found on page 137 of the Annual Report.

The business units and their governance

The organizational structure of the Skanska Group is characterized by clear decentralization and a large measure of delegation of authority and responsibility to the business units. Each business unit is headed by a President and has its own staff units and other resources in order to conduct its operations effectively.

Aside from day-to-day operations of the business units, there are matters related to the strategic development of the units as well as matters concerning their strategic investments and divestments. These items of business are prepared by the management team at each respective unit and are then submitted to the Senior Executive Team or Skanska AB's Board of Directors, depending on the size of the item of business. The Boards of Directors of the business units consist of representatives of Skanska AB, individuals from other business units as well as of the respective business unit's management team. In each business unit, the Chairman of the Board is a member of the Senior Executive Team. Where appropriate, employee representatives are included.

Each business unit follows a structured, step-by-step risk management process. Depending among other things on the size, type and geographic location of projects, a structured risk management report to the proper decision-making level is required before decisions on the projects are made.

Governing documents

As part of the governance of Group operations, Skanska AB's Board of Directors has adopted a number of policy documents. In addition, the Senior Executive Team has adopted more detailed guidelines for the Group. These policies and guidelines are available to all business units on Skanska's intranet and are updated regularly to reflect changes in operations and new requirements. Among the more important governing documents are the Board's Procedural Rules, the Group's financial policy, communications policy, risk management system and the Code of Conduct. The Board's Procedural Rules state what items of business shall be decided by the Board of Skanska AB, by the CEO/Senior Executive Team or at the business unit level. The threshold levels for decisions stated in the Procedural Rules are further broken down in the business units' own decision-making rules. The business units provide regular, systematic feedback on compliance with the more important governing documents, such as the Code of Conduct, to the Senior Executive Team.

Remuneration for senior executives

In compliance with the rules in the Swedish Code of Corporate Governance, the 2006 Annual Shareholders' Meeting approved principles for remuneration and other terms of employment for senior executives. These are available on Skanska's website, www.skanska.com. Information about salaries and other remuneration to the President and CEO and the other members of the Senior Executive Team as well as share award and share-related incentive programs outstanding are found in Note 37 of the Annual Report, page 116.

The Company's auditors

The 2005 Annual Shareholders' Meeting selected the accounting firm of KPMG Bohlins AB as auditor of Skanska AB. This assignment runs until the 2009 Annual Shareholders' Meeting. The auditor in charge is Caj Nackstad, Authorized Public Accountant. For further information on the Company's auditors, see page 139 of the Annual Report.

The Board of Directors' report on internal control

According to the Swedish Companies Act and the Swedish Code of Corporate Governance, the Board of Directors is responsible for internal control. This report has been drafted in compliance with the Swedish Code of Corporate Governance, section 3.7.2, taking into account the Swedish Corporate Governance Board's application instruction of September 5, 2006, and is thus limited to internal control dealing with financial reporting.

Control environment

The Board of Directors' Procedural Rules and instructions for the President and CEO and the committees of the Board ensure a clear division of roles and responsibilities in order to foster effective management of business risks. The Board has also adopted a number of fundamental guidelines of importance to the internal control task. Examples of these guidelines are the Company's risk management system, financial policy and Code of Conduct. All these guidelines are available to all business units on Skanska's intranet. The Senior Executive Team reports regularly to the Board on the basis of established procedures. In addition, the Audit Committee presents reports on its work. The Senior Executive Team is responsible for the system of internal controls required to manage significant risks in operating activities. Among other things, this includes guidelines for various employees to ensure that they will understand and realize the importance of their respective roles in the maintenance of good internal control.

Risk assessment and control activities

Skanska has identified the material risks in its operations that may, if not managed correctly, lead to errors in financial 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 2006, all business units plus Skanska Financial Services carried out self-evaluations to assess whether Group policies and procedures are being followed. These self-evaluations have been reviewed by Skanska's internal auditors.

Information and communication

Essential guidelines, manuals and other documents of importance to financial reporting are updated and communicated regularly to the affected employees. There are several information channels to the Senior Executive Team and the Board of Directors for essential information from employees. For external communication, there is an information policy document that ensures that the Company lives up to the existing requirements for correct information to the market.

Monitoring

The Board of Directors continually evaluates the information supplied by the Senior Executive Team and the Audit Committee. Of particular importance is the Audit Committee's work in monitoring the effectiveness of the Senior Executive Team's work with internal control. This work includes ensuring that steps are taken concerning shortcomings and proposed actions that have emerged from internal and external auditing.

Internal Audit and Compliance

During 2006, Skanska established the Group staff unit known as Internal Audit and Compliance (referred to in the 2005 Corporate Governance Report as the "Internal Control function"), which 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 since August 1, 2006 it has reported directly to the Board of Directors via its Audit Committee (during the buildup phase, the Internal Control function reported via Controlling, a Group staff unit, to the Company's Chief Financial Officer). 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 2006, the Internal Audit and Compliance unit has concentrated its activities on implementation of the business units' self-evaluation as well as on drafting an audit strategy. This strategy includes a risk-based assessment of how the unit shall allocate its resources, the drafting of work programs for effective auditing and a system for submitting reports and monitoring audits.

Solna, February 2007

The Board of Directors, Skanska AB (publ)

Senior Executive Team

Johan Karlström
Executive Vice President
Born 1957.
Joined Skanska in 2001.
Responsible in the Senior Executive Team for Skanska USA Building and Skanska USA Civil.
Shareholding in Skanska: 70,000 B shares.
8,575 share awards[1].

Thomas Alm
Executive Vice President
Born 1949.
Joined Skanska in 1981.
Responsible in the Senior Executive Team for Skanska UK, Skanska Latin America, Skanska Infrastructure Development.
Shareholding in Skanska: 208 B shares.
5,413 share awards[1].

Claes Larsson
Executive Vice President
Born 1965.
Joined Skanska in 1990.
Responsible in the Senior Executive Team for Skanska Poland, Skanska Commercial Development Nordic and Skanska Commercial Development Europe.
Shareholding in Skanska: 1,000 B shares.
4,034 share awards[1].

Stuart E. Graham
President and Chief Executive Officer
Born 1946.
Joined Skanska in 1990.
Responsible in the Senior Executive Team for Skanska Czech Republic.
Shareholding in Skanska: 75,000 B shares.
14,180 share awards[1].

Tor Krusell
Executive Vice President Human Resources
Born 1964.
Joined Skanska in 1998.
Shareholding in Skanska: 4,000 B shares.
3,845 share awards[1].

Hans Biörck
Executive Vice President and Chief Financial Officer
Born 1951.
Joined Skanska in 2001.
Shareholding in Skanska: 62,000 B shares.
7,080 share awards[1].

Petter Eiken
Executive Vice President
Born 1955.
Joined Skanska in 2001.
Responsible in the Senior Executive Team for Skanska Sweden, Skanska Norway, Skanska Denmark, Skanska Finland and Skanska Residential Development Nordic.
Shareholding in Skanska: 0 shares.
5,377 share awards[1].

Presidents of business units

Geir Aarstad	Skanska Norway
Zdeněk Burda	Skanska Czech Republic
David Fison	Skanska UK
Jan-Gunnar Glave	Skanska Denmark
Juha Hetemäki	Skanska Finland
Simon Hipperson	Skanska Infrastructure Development
Johan Karlström	Skanska USA Building
Anders Kupsu	Skanska Residential Development Nordic
Salvatore Mancini	Skanska USA Civil
Hernan Morano	Skanska Latin America
Lars Vardheim	Skanska Commercial Development Europe
Roman Wieczorek	Skanska Poland
Mats Williamson	Skanska Sweden
Fredrik Wirdenius	Skanska Commercial Development Nordic

Presidents of support units

Lars-Erik Alm	Skanska Project Support
Anders Årling	Skanska Financial Services

Senior Vice Presidents, Group staff units

Bert-Ove Johansson	Purchasing
Tor Krusell	Human Resources
Karin Lepasoon	Communications
Anders Lilja	Investor Relations
Einar Lundgren	Legal Affairs
Mats Moberg	Reporting
Noel Morrin	Sustainability
Staffan Schéle	Corporate Finance
Erik Skoglund	Internal Audit & Compliance
Peter Thompson	Information Technology
Mariann Östansjö	Controlling

1 See "Compensation to executive officers and Board members", Note 37

Board of Directors

Sverker Martin-Löf
Chairman of the Board
Stockholm, born 1943
Elected 2001

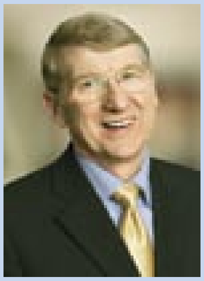
▪ Other Board assignments
– Svenska Cellulosa Aktiebolaget SCA, Chairman
– SSAB Svenskt Stål AB, Chairman
– AB Industrivärden, Vice Chairman
– Telefonaktiebolaget LM Ericsson, Vice Chairman
– Svenska Handelsbanken AB, Board member
– Confederation of Swedish Enterprise, Vice Chairman

▪ 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

▪ Shareholding in Skanska
8,000 B shares



Roger Flanagan
Professor, University of Reading, UK
Henley-On-Thames, Oxon, England, born 1944
Elected 1998

▪ Other Board assignments
– Halcrow Group Ltd, UK, Board member

▪ Education
– Engineering studies, UK
– Doctorate at University of Aston and Reading, UK

▪ Work experience
– Professor, Chalmers University of Technology, Sweden
– Professor, University of Cape Town, South Africa
– Professor, University of Reading, UK

▪ Dependency relationship in accordance with Code of Corporate Governance
– Independent in relation to company and company management
– Independent in relation to major shareholders

▪ Shareholding in Skanska
2,000 B shares

Ulrika Francke
President, Tyréns AB
Stockholm, born 1956
Elected 2003

▪ Other Board assignments
– Byggbranschens Kretsloppsråd (Construction Industry Ecocycle Council), Chairman
– Swedbank, Deputy Chairman
– Tyréns AB, Board member
– Brandkontoret (mutual insurance company), Board member

▪ Education
– Studies at Stockholm University

▪ Work experience
– Vice Mayor, City of Stockholm
– President, Fastighets AB Brommastaden
– City Planning Director, Stockholm
– Real Estate, Streets and Traffic Director, Stockholm
– President, SBC AB Sveriges BostadsrättsCentrum
– President, Tyréns AB

▪ Dependency relationship in accordance with Code of Corporate Governance
– Independent in relation to company and company management
– Independent in relation to major shareholders

▪ Shareholding in Skanska
1,000 B shares

Jane F. Garvey
Executive Vice President APCO Worldwide, U.S.A.
Kennebunkport, Maine, U.S.A., born 1944
Elected 2003

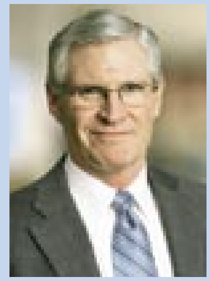
▪ Other Board assignments
None

▪ Education
– Masters degree in U.S.

▪ Work experience
– Director, Logan Airport, Boston, MA, U.S.A.
– Deputy Administrator Federal Highway Administration, U.S.A.
– Head 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

▪ Shareholding in Skanska
0 shares



Stuart E. Graham
President and CEO of Skanska AB
Stockholm, born 1946
Elected 2003

▪ Other Board assignments
– Securitas AB, Board member

▪ Education
– Bachelor of Science Economics, U.S.A.

▪ Work experience
– President, Sordoni Construction Company, U.S.A.
– President, Sordoni Skanska, U.S.A.
– President, Skanska USA Civil
– President, Skanska (U.S.A.) Inc., U.S.A.
– Executive Vice President, Skanska AB
– President and CEO, Skanska AB

▪ Dependency relationship in accordance with Code of Corporate Governance
– Dependent in relation to company and company management
– Independent in relation to major shareholders

▪ Shareholding in Skanska
75,000 B shares

Finn Johnsson
Gothenburg, born 1946
Elected 1998

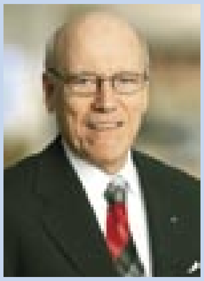
▪ Other Board assignments
– AB Volvo, Chairman
– Thomas Concrete Group AB, Chairman
– Unomedical A/S, Chairman
– KappAhl AB, Chairman
– Luvata Oy, Chairman
– City Airline, Chairman
– AB Industrivärden, Board member

▪ 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

▪ Shareholding in Skanska
8,000 B shares



Curt Källströmer
Head of Chairman's Secretariat, Svenska Handelsbanken
Stockholm, born 1941
Elected 2006

▪ Other Board assignments
– Handelsbanken Pension Foundation, Handelsbanken Personnel Foundation and Handelsbanken Pension Society, Chairman
– Holmen AB, Board member
– Indutrade AB, Board member
– Thomas Concrete Group AB, Board member
– SBC AB Sveriges BostadsrättsCentrum, Board member
– SBC Mark AB, Board member
– Mässfastigheter AB and Stockholmsmässan AB, Board member
– Umeå School of Economics, Board member

▪ Education
– Advanced banking degree

▪ Work experience
– Manager of various Handelsbanken branch offices
– Operations Manager Eastern Sweden Regional Bank, Handelsbanken
– Regional Bank Manager, Northern Region and Central Sweden Region, Handelsbanken
– Vice President, Handelsbanken
– Chairman, Stadshypotek AB
– Head of Chairman's Secretariat, Handelsbanken

▪ Dependency relationship in accordance with Code of Corporate Governance
– Independent in relation to company and company management
– Independent in relation to major shareholders

▪ Shareholding in Skanska
1,500 B shares

Anders Nyrén
President, AB Industrivärden
Bromma, born 1954.
Elected 2002.

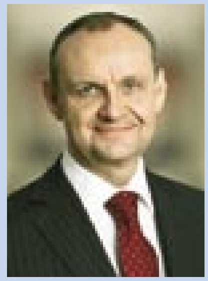
▪ Other Board assignments
– Association of Exchange-listed Companies, Chairman
– Association for Generally Accepted Principles in the Securities Market, Chairman
– AB Industrivärden, Board member
– Svenska Handelsbanken AB, Vice Chairman
– Sandvik AB, Board member
– Svenska Cellulosa Aktiebolaget SCA, Board member
– SSAB Svenskt Stål AB, Board member
– Isaberg Rapid AB, Board member
– Ernströmgruppen AB, Board member
– Center for Business and Policy Studies, Board member

▪ Education
– MBA, University of California, Los Angeles
– MBA, Stockholm School of Economics

▪ Work experience
– Executive, AB Wilhelm Becker
– Vice President and CFO, STC AB
– President, STC Venture AB
– President, OM International AB
– Vice President and CFO, Securum AB
– Senior Vice President, member of Group Management, Nordbanken AB
– Vice President and CFO, Skanska AB
– President, AB Industrivärden

▪ Dependency relationship in accordance with Code of Corporate Governance
– Independent in relation to company and company management
– Dependent in relation to major shareholders

▪ Shareholding in Skanska
2,000 B shares



Lars Pettersson
President, Sandvik AB
Born 1954
Elected 2006

▪ Other Board assignments
– Sandvik AB, Board member
– Association of Swedish Engineering Industries, Board member
– Royal Institute of Technology, Board member

▪ Education
– MSc Engineering Physics, Uppsala University
– Dr. (h.c.)

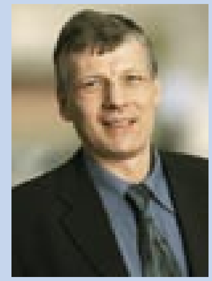
▪ Work experience
– President, AB Sandvik Coromant
– President, Sandvik Tooling
– President, Sandvik Speciality Steels
– President, Sandvik AB

▪ Dependency relationship in accordance with Code of Corporate Governance
– Independent in relation to company and company management
– Independent in relation to major shareholders

▪ Shareholding in Skanska
2,000 B shares

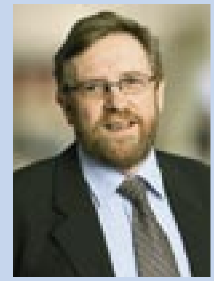
Folmer Knudsen
Wood worker
Eslöv, born 1942
Swedish Building Workers' Union
Appointed 1992

▪ Shareholding in Skanska
1,000 B shares



Gunnar Larsson
Asphalt works operator
Kalix, born 1953
Union for Service and Communication (SEKO)
Appointed 2002

▪ Shareholding in Skanska
116 B shares



Nils-Erik Pettersson[1]
Health and safety engineer
Hemmingsmark, born 1948
Swedish Association of Supervisors (Ledarna)
Appointed 1998

▪ Shareholding in Skanska
10,057 B shares

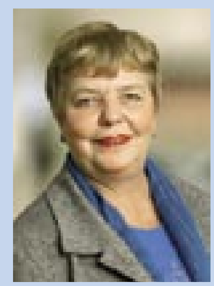
[1] Resigned from the Board on December 11, 2006.

Inge Johansson
Concrete worker
Huddinge, born 1951
Swedish Building Workers' Union
Appointed 1999
Deputy Board member

▪ Shareholding in Skanska
0 shares

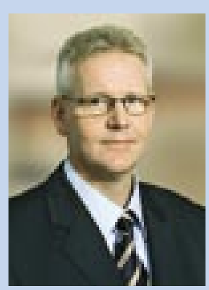
Jessica Karlsson
Salesperson
Gothenburg, born 1975
IF Metall (Industrial Workers' and Metal workers' Union)
Appointed 2005
Deputy Board member

▪ Shareholding in Skanska
0 shares



Ann-Christin Kutzner
Human Resources Administrator
Malmö, born 1947
Swedish Union of Clerical and Technical Employees in Industry (SIF)
Appointed 2004
Deputy Board member

▪ Shareholding in Skanska
332 B shares



Alf Svensson
Production manager
Sölvesborg, born 1960
Swedish Association of Supervisors (LEDARNA)
Appointed January 1, 2007

▪ Shareholding in Skanska
0 shares

Auditors
KPMG Bohlins AB
Auditors in charge:
Caj Nackstad
Stockholm, born 1945.
Authorized Public Accountant.
Auditor for Skanska since 2001.

Annual Shareholders' Meeting

The Annual Shareholders' Meeting of Skanska AB will be held at 4:00 p.m. on Tuesday, April 3, 2007 at the Rival Hotel, Mariatorget 3, Stockholm, 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 VPC (the Swedish Central Securities Depository and Clearing Organization) produced on March 28, 2007 and must notify Skanska no later than 12 noon on March 28, 2007 of their intention to participate in the Meeting.

Shareholders whose shares have been registered in the name of a trustee must have requested temporary re-registration in their own name in the register of shareholders as of March 28, 2007 to be entitled to participate in the Meeting. Such re-registration should be requested well in advance of March 28, 2007 from the bank or brokerage house holding the shares in trust. Notification may be sent in writing to:

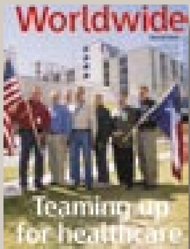
Skanska AB, Legal Affairs, SE-169 83 Solna, Sweden;
by telephone to +46 8 753 88 14 (10 a.m.–4 p.m. CET);
by fax to +46 8 753 37 52;
by e-mail to: bolagsstamma@skanska.se;
on the website: www.skanska.com.

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 regular dividend of SEK 4.75 per share and an extra dividend of SEK 3.50 per share to the shareholders for the 2006 financial year. The Board proposes April 10, 2007 as the record date to qualify for the dividend. Provided that the Meeting approves this proposal, the dividend is expected to be mailed by VPC on April 13, 2007.

More information

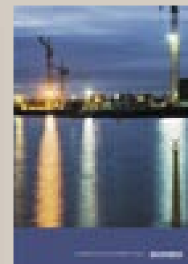


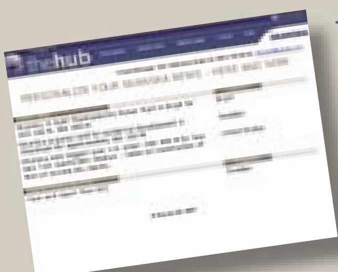
Worldwide

The Skanska Group publishes the magazine Worldwide, containing features and news items from the Group's operations around the world. The magazine appears in English four times per year. A subscription is free of charge and can be ordered at the following address:
Skanska Worldwide
c/o Strömberg Distribution
SE-120 88 Stockholm, Sweden
Telephone: +46 8 449 88 00
Fax: +46 8 449 88 10
E-mail: worldwide@strd.se
by e-mail: thehub@skanska.com.

More information about Skanska's business streams

Further information about Skanska's Residential Development and Commercial Development business streams can be downloaded from Skanska's website, www.skanska.com/investors. The reports can also be ordered from Skanska AB, Investor Relations.





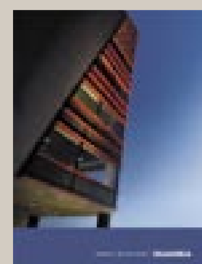
The Hub

The Hub is a news service that offers personalized news about Skanska, its competitors and its industry. It provides brief, fast news items, often linked to additional information on the Internet.

You can subscribe to receive them via e-mail, mobile phone (SMS)
or fax. All items are available in English and Swedish. You can subscribe: on the website: www.skanska.com/thehub

Annual Review

Skanska has also produced an Annual Review. It contains the same information as the Annual Report but does not include the Report of the Directors or the notes. The Annual Review is available in a euro version and a U.S. dollar version and can be downloaded from Skanska's website, www.skanska.com/investors. The reports can also be ordered from Skanska AB, Investor Relations.



Financial information

The Skanska Group's interim reports for 2007 will be published on the following dates:

Three Month Report	April 27, 2007
Six Month Report	July 26, 2007
Nine Month Report	November 1, 2007
Year-end Report	February 7, 2008

The quarterly reports will be available via Skanska's website, www.skanska.com/investors, and can also be ordered from Skanska AB, Investor Relations.

If you have questions, please contact:
Skanska AB
Investor Relations
SE-169 83 Solna, Sweden
Telephone: +46 8 753 88 00
Fax: +46 8 730 41 69
E-mail: investor.relations@skanska.se

More information about the Skanska Group is available at:
www.skanska.com

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 — Equity attributable to equity holders on December 31 plus equity attributable to equity holders on January 1, divided by two.

Capital employed in business streams, markets and business/reporting units — Total assets minus tax assets and deposits in Skanska's treasury unit minus non-interest-bearing liabilities minus provisions for taxes and tax liabilities.

Consolidated capital employed — Total assets minus non-interest bearing liabilities.

Consolidated operating cash flow — In the consolidated operating cash flow statement, which includes taxes paid, investments are recognized both in cash flow from business operations and in cash flow from strategic investments. See also Note 35.

Consolidated return on capital employed — Operating income plus financial income as a percentage of average capital employed.

Debt/equity ratio — Interest-bearing net debt divided by visible equity including minority interest.

Earnings per share — Profit for the year attributable to equity holders divided by the average of number of shares.

Equity/assets ratio — Visible equity including minority interest as a percentage of total assets.

Equity per share — Visible equity attributable to equity holders divided by the number of shares.

Interest-bearing net receivable — Interest-bearing assets minus interest-bearing liabilities.

Interest cover — Operating income and financial income plus depreciation/amortization divided by net interest items.

Net working capital — Net non-interest-bearing receivables and liabilities including taxes.

Operating cash flow — Cash flow from operations before taxes and before financial activities. See also Note 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.

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 for the period 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 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.

Abbreviations

BOT Build Own/Operate Transfer (privately financed infrastructure projects)

GDP Gross domestic product

ORA Operational Risk Assessment (Skanska's risk management model)

P3 Public Private Partnership (privately financed infrastructure projects, used in the U.S.)

PFI Private Finance Initiative (privately financed infrastructure projects, used in the U.K.)

PPP Public Private Partnership (privately financed infrastructure projects)

SET Senior Executive Team (Skanska's corporate management team)

SFS Skanska Financial Services

SPS Skanska Project Support

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p. 21 (ÅF sketch), Strategisk Arkitektur; p. 32, Wingårdh arkitekturkontor AB; p. 49 (top left), CCA; p. 51,Greenpeace

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Fax: +46 8 755 12 56
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Skanska Sweden
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Street address: Råsundavägen 2
Tel: +46 8 504 350 00
Fax: +46 8 755 63 17
Customer service: 020-30 30 40 (from inside Sweden only)
www.skanska.se

Skanska Norway
Postbox 1175 Sentrum
NO-0107 Oslo
Norway
Street address: Drammensveien 60
Tel: +47 40 00 64 00
Fax: +47 23 27 17 30
www.skanska.no

Skanska Denmark
Baltorpvej 158
DK-2750 Ballerup
Denmark
Tel: +45 44 77 99 99
Fax: +45 44 77 98 99
www.skanska.dk

Skanska Finland
P.O.Box 114
FI-00101 Helsinki
Finland
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Fax: +358 9 6152 2271
www.skanska.fi

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Kubánské námestí 1391/11
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Fax: +1 973 753 3499
www.skanska.com

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16-16 Whitestone Expressway
Whitestone NY 11357
U.S.A.
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Fax: +1 718 747 34 58
www.skanska.com

Skanska Latin America
Av. Pte. Roque S. Peña 555-8 Piso
C1035AAA Buenos Aires
Argentina
Tel: +54 11 4341 7000
Fax: +54 11 4341 7503
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Skanska Residential Development Nordic
SE-169 83 Solna
Sweden
Street address: Råsundavägen 2
Tel: +46 8 504 350 00
Fax: +46 8 504 361 99
www.skanska.com/residentialnordic

Skanska Commercial Development Nordic
SE-169 83 Solna
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Street address: Råsundavägen 2
Tel: +46 8 504 350 00
Fax: +46 8 504 361 99
www.skanska.se/fastigheter

Skanska Commercial Development Europe
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Sweden
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Tel: +46 8 504 350 00
Fax: +46 8 504 361 99
www.skanska.com/property

Skanska Infrastructure Development
SE-169 83 Solna
Sweden
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Fax +46 8 755 13 96
www.skanska.com/id

Skanska Financial Services
SE-169 83 Solna
Sweden
Street address: Råsundavägen 2
Tel: +46 8 504 350 00
Fax: +46 8 753 18 52
www.skanska.com

Skanska Project Support
SE-169 83 Solna
Sweden
Street address: Råsundavägen 2
Tel: +46 8 504 350 00
Fax: +46 8 753 48 42
www.skanska.com/projectsupport

For other addresses:
www.skanska.com

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