



USD version



ANNUAL REVIEW 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 USD 17 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



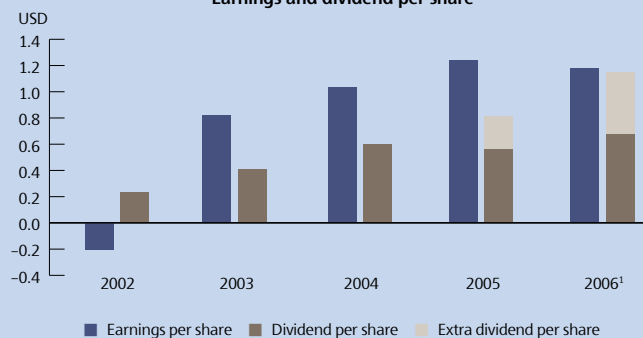
Greater industrialization is a key factor in improving quality, safety and profitability. Here the Clarion Hotel is being built at Norra Bantorget in downtown Stockholm.

Highlights

	USD M	SEK M
Revenue	17,029	125,603
Operating income	646	4,762
Income after financial items	676	4,985
Earnings per share USD/SEK	1.18	8.68
Return on equity, %	19.3	19.3
Return on capital employed, %	22.5	22.5
Order bookings ¹	18,184	134,125
Order backlog ¹	19,692	135,106

¹ Refers to Construction operations

Earnings and dividend per share



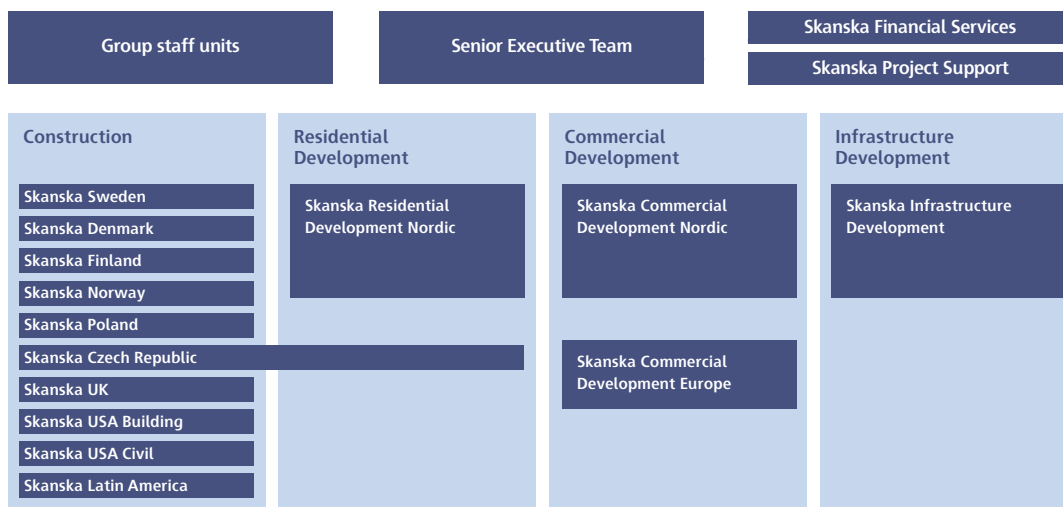
¹ Proposed by the Board of Directors



New arenas make successful sports clubs even more successful. In its new Swedbank Arena in Örnsköldsvik, Modo has again become a top ice hockey team in the Swedish Elite League. Modo alumnus and NHL pro Peter Forsberg, one of the co-owners, sent off the first puck when the arena opened before the 2006-2007 season. Skanska also completed the Läkerol Arena for the Brynäs team in Gävle during 2006.

Business streams and organization

Contents



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, USD M 16,094
Share of group 92%



Operating income, USD M 452
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, USD M 920
Share of group 5%



Operating income, USD M 116
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, USD M 464
Share of group 3%



Operating income, USD M 164
Share of group 22%



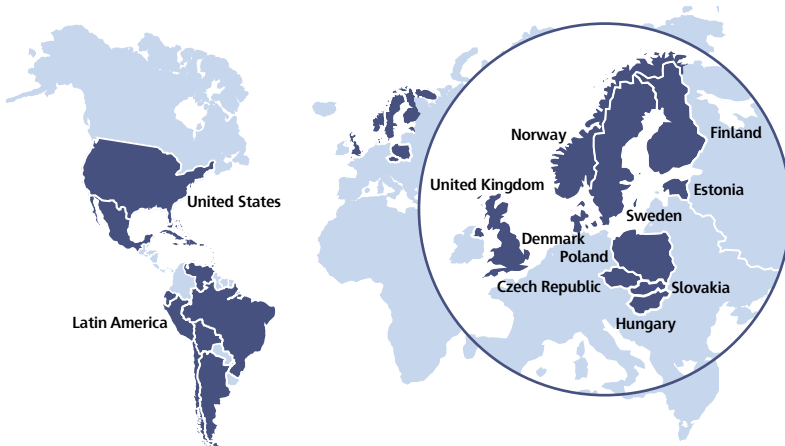
In Infrastructure Development, Skanska develops and invests in privately financed infrastructure projects such as roads, hospitals, schools and power generating plants.

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, USD M 20
Share of group 0%



Operating income, USD M -1
Share of group 0%



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

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This Annual review is in all respects a translation of the Swedish original Annual review. In the event of any differences between this translation and the Swedish original, the latter shall prevail. In the original, SEK is both reporting and presentation currency. The translated version is using USD as presentation currency. Translation of income statement and cash flow related items have been made at the average exchange rate between USD/SEK for the respective year. Balance Sheet related items have been translated at the exchange rate for the respective balance sheet date. The exchange rates used are specified in the table below.

USD	Exchange rate at balance sheet date	Average exchange rate
2006	6.86	7.38
2005	7.94	7.46
2004	6.62	7.35
2003	7.26	8.08
2002	8.83	9.73



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 USD 149 M 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 USD 1.7 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 USD 164 M, 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 USD 826 M 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 USD 16 M.

TOP PERFORM



During 2007 we closed and began construction on our largest project ever – the Barts and London Hospital, representing USD 1.9 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 USD 2.3 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.

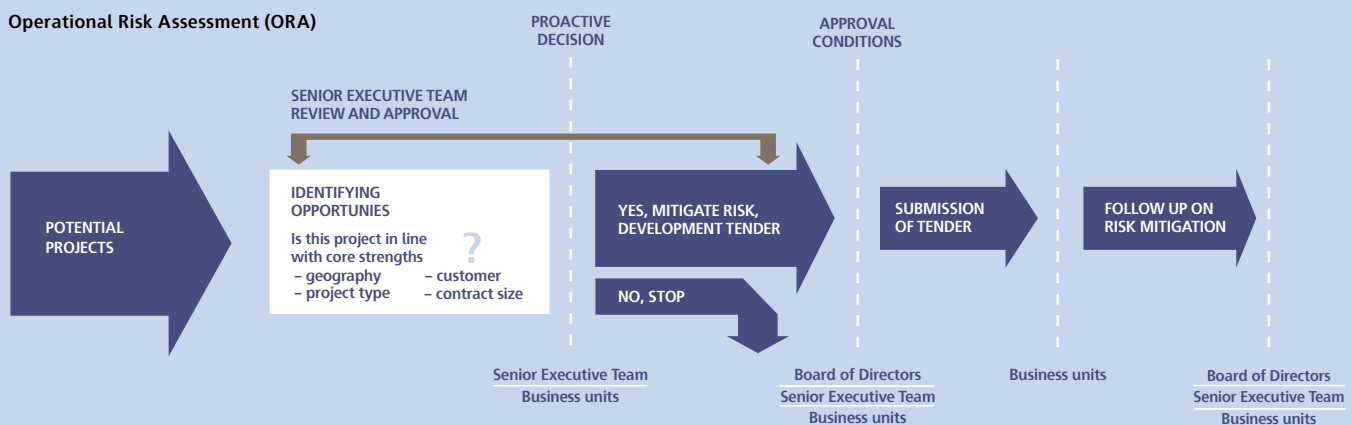
Analyses of earlier loss-making projects indicate that such factors as improper choices related to staffing and geographic location are often behind poor outcomes. Experience also shows that initial profitability problems tend to worsen rather than ease over time.

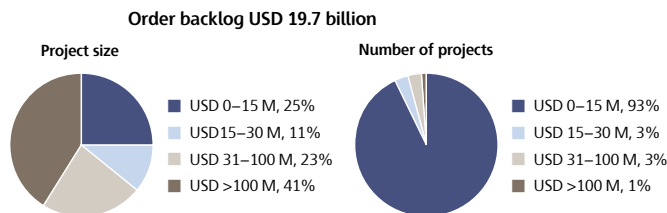
The ORA process means that the preparation of tenders is systematized. Possible new projects are analyzed in light of the core strengths of business operations, in terms of expertise, geographic market, contract types and contract size as well as available project resources. This core competence has 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)





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 endeav-

avors 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, USD 2.2 billion, was 0.2 (0.1) years and on interest-bearing liabilities, excluding pension liabilities, of USD 510 M, it was 0.9 (1.0) years. The size of Skanska's interest-bearing pension liability, USD 233 M (302), 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.

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 USD 0.9 billion (0.8) and the average maturity of the borrowing portfolio, including unutilized credit facilities, was 3.6 (3.8) years.

Interest-bearing liabilities and assets

USD bn	Dec. 31, 2006	Dec. 31, 2005
Interest-bearing gross liabilities	-0.7	-0.7
Cash and cash equivalents and interest-bearing receivables	2.2	2.1
Interest-bearing net receivable	1.5	1.4

Sensitivity of pension obligation to change in discount rate

USD M	Sweden	Norway	U.K.	U.S.	Total
Pension obligation, December 31, 2006	574	285	640	88	1,587
Discount rate increase/decrease of 0.25 percent ¹	+/-22	+/-15	+/-36	-	+/-73

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 employees¹

% 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

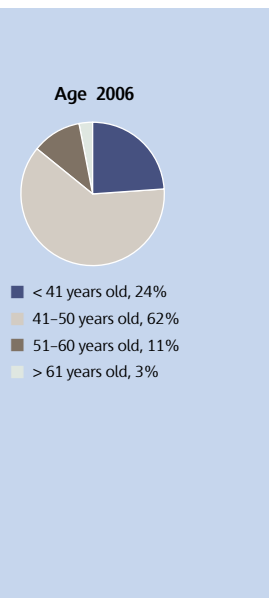
To meet its requirements and achieve better gender balance, Skanska needs more women at all levels, especially in line positions. A number of highly capable women are working at project manager level. The proportion of women in management positions is still very low.

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.



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 USD 0.44 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 USD 8.9 billion (6.2). 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.

Transfers of capital to Skanska's shareholders

	Total	2007 ¹	2006	2005	2004	2003
Regular dividend per share, USD	0.69	0.57	0.60	0.41	0.23	0.23
Extra dividend per share, USD	0.51	0.25	-	-	-	-
Total dividend, USD	1.20	0.82	0.60	0.41	0.23	0.23
Total, USD billion	1.4	0.5	0.3	0.3	0.2	0.1

¹ Proposed by the Board of Directors

Equity and adjusted equity

USD bn	2006	2005	2004
Equity attributable to equity holders	2.8	2.3	2.5
Equity per share, USD	6.68	5.55	5.87
Unrealized Commercial Development gains ¹	0.2	0.2	0.3
Unrealized Infrastructure Development gains ¹	0.4	0.2	0.1
Adjusted equity	3.4	2.7	2.8
Adjusted equity per share, USD	8.10	6.54	6.72

¹ Less 28% standard corporate tax

Skanska share history

	2006	2005	2004	2003	2002
Year-end market price, USD	19.68	15.24	12.05	8.75	5.78
Year-end market capitalization, USD bn	8.2	7.4	5.0	3.7	2.4
Average shares for the year, million	418.6	418.6	418.6	418.6	418.6
Highest share price during the year, USD	19.90	15.81	12.65	8.95	9.46
Lowest share price during the year, USD	14.36	9.95	8.69	5.25	4.67
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

Share performance

During 2006 the market price increased by 12 percent to USD 19.68 per share as the final price paid. The overall market capitalization of Skanska thus rose during the year to USD 8.2 billion. The highest price paid for a Skanska share was USD 19.90 on March 23. The lowest price paid was USD 14.36 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

Changes in shares outstanding (millions) and capital stock

Year and event	Reduction	Stock dividend	New share issue	Shares outstanding	Par value of capital stock USD M
1991 1:1	-	63.0	-	125.9	227.1
1994 conv.	-	-	-	125.9	227.1
1997 redemption 1:10	-12.0	-	-	113.9	172.3
2001 cancellation of repurchased shares	-9.2	-	-	104.7	118.7
2001 split 4:1	-	314.0	-	418.6	118.7
2006 new share issue, Series D shares	-	-	4.5	423.1	185.0

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 USD 0.69 (0.57) per share plus an extra dividend of USD 0.51 (0.25) per share, for a total payout of USD 503.2 M (342.7).

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.

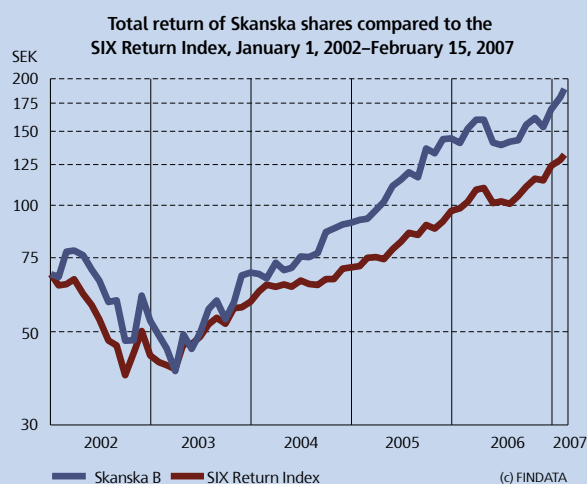
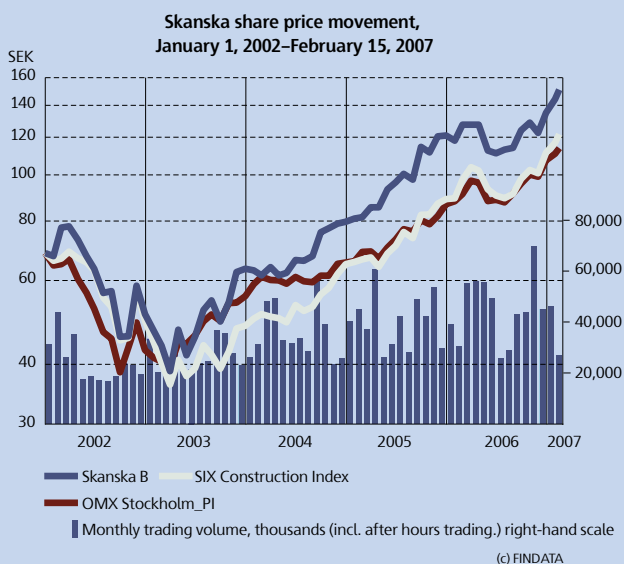
Series D shares

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, USD bn	Revenue, USD bn ¹	Income after financial items, USD bn ¹	Return on equity, % ¹	Return on capital employed, % ¹
AMEC (United Kingdom)	23	27	32	1.5	5.7	-29	1.2	6.3
ACS (Spain)	57	60	410	19.9	15.1	1,001	24.5	10.3
Balfour Beatty (United Kingdom)	24	28	201	2.1	7.0	256	38.7	27.7
Bilfinger & Berger (Germany)	38	41	161	2.7	7.7	144	5.7	6.2
Bouygues (France)	18	20	104	21.5	29.9	1,906	18.3	15.1
FCC (Spain)	61	66	279	13.3	8.8	866	18.9	17.1
Ferrovial (Spain)	26	28	308	13.7	11.1	698	19.5	6.7
Fluor Corp. (United States)	6	7	135	7.2	13.1	299	13.9	17.4
Hochtief (Germany)	46	48	303	5.1	17.0	409	3.6	8.5
NCC (Sweden)	32	42	275	3.0	6.6	212	17.4	16.1
Royal BAM Groep (Netherlands)	3	6	362	2.4	9.2	286	26.4	17.0
Skanska (Sweden)	12	17	147	8.2	16.7	686	22.4	23.3
Vinci (France)	36	39	248	29.9	27.0	1,715	18.8	14.3

¹ Refers to 2005
Source: Reuters Company Views



CONSTRUCTION

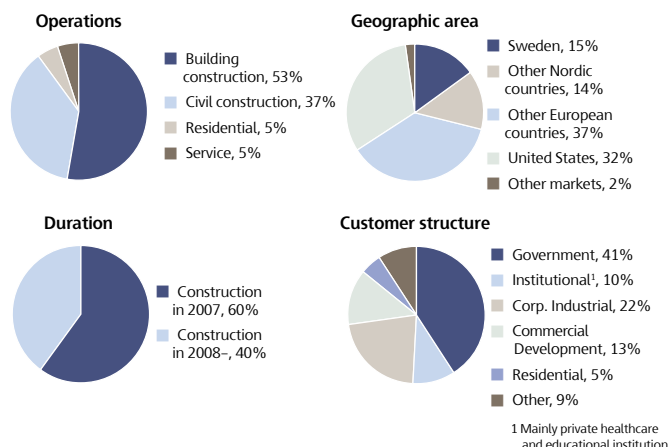
On the way to hit "Outperform" targets



USD M	2006	2005
Revenue	16,094	15,346
Operating income	452	383
Operating margin, %	2.8	2.5
Capital employed	369	400
Return on capital employed, %	>100	64.5
Operating cash flow from operating activities ¹	454	474
Order bookings	18,184	15,529
Order backlog	19,692	16,110
Number of employees	54,480	51,185

¹ Before taxes, financing operations and dividends.

Order backlog, USD 19.7 bn



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 USD 475 M worth of work for projects in the Residential Development business stream. The corresponding figure for projects in Commercial Development was USD 95 M. For projects in Infrastructure Development in which Skanska is a co-owner, Construction units performed assignments worth USD 732 M.

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 USD 19.7 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 dur-

ing 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 pre-manufactured. 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, 2006¹

Company	Country	SEK bn	USD bn
Skanska	Sweden	127.2	16.5
NCC	Sweden	51.9	6.7
YIT	Finland	30.3	3.9
PEAB	Sweden	27.7	3.6
Veidekke	Norway	17.8	2.3
Lemminkäinen	Finland	15.7	2.0
MT Højgaard	Denmark	12.4	1.6

¹ Rolling 12 months

Sources: Six month interim report of each respective company.

The top global contractors¹ – Total sales, 12 months to end of June 2006^{2,3}

Company	Country	SEK bn	USD bn
Bouygues	France	233.0	30.3
VINCI	France	212.0	27.6
Bechtel	United States	139.4	18.1
Hochtief	Germany	137.8	17.9
Skanska	Sweden	127.2	16.5
Grupo ACS	Spain	123.7	16.1
Fluor	United States	111.4	14.5
Centex, Dallas	United States	110.9	14.4

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

USD	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.

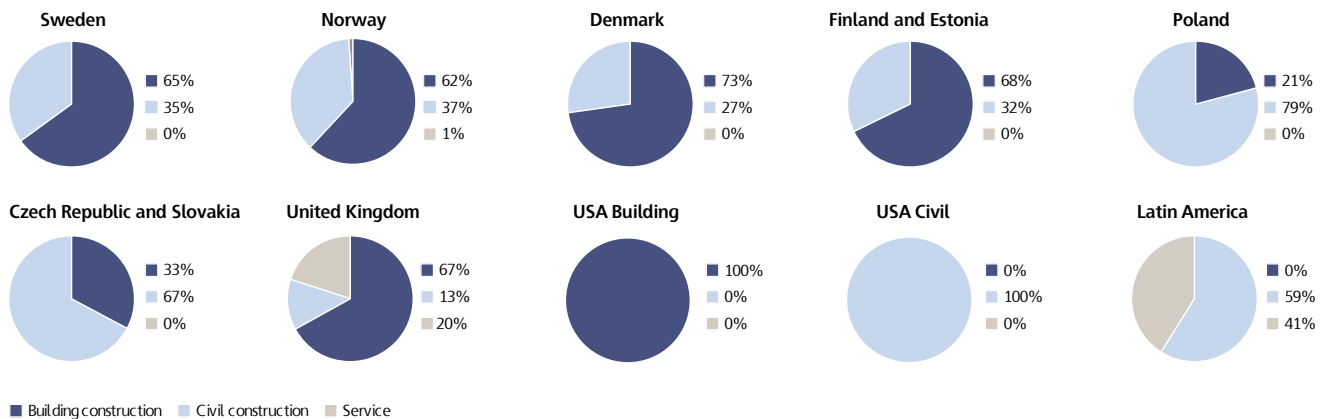
To the right:
Northern Europe's biggest industrial project – the Ormen Lange gas extraction plant on Norway's west coast – is in its final stage. Skanska has the two largest construction contracts, totaling some USD 271 M. Late in 2006 Skanska landed a third contract for civil construction, including a jetty and service work.



Markets

USD M	Revenue		Operating income		Operating margin, %		Order bookings		Order bookings/ revenue %		Order backlog	
	2006	2005	2006	2005	2006	2005	2006	2005	2006	2005	2006	2005
Sweden	3,270	2,968	149.1	118.9	4.6	4.0	3,730	2,961	114.0	99.8	2,872	2,016
Norway	1,442	1,408	60.3	57.0	4.2	4.0	1,677	1,522	116.3	108.1	1,416	1,087
Denmark	519	588	-43.1	6.7	-8.3	1.1	508	523	97.9	89.0	293	273
Finland and Estonia	1,137	1,121	25.9	29.8	2.3	2.7	1,305	1,217	114.8	108.6	1,022	740
Poland	926	681	36.5	19.6	3.9	2.9	768	1,022	82.9	150.0	852	900
Czech Republic and Slovakia	1,529	1,381	45.0	62.5	2.9	4.5	1,583	1,148	103.5	83.2	1,908	1,573
United Kingdom	1,669	1,442	55.9	49.6	3.3	3.4	3,213	1,852	192.5	128.4	4,634	2,193
USA Building	3,760	4,014	37.6	32.0	1.0	0.8	3,402	3,104	90.5	77.3	3,808	4,618
USA Civil	1,332	1,262	62.4	-13.3	4.7	-1.1	1,504	1,767	112.9	140.0	2,488	2,315
Latin America	509	480	22.8	20.6	4.5	4.3	494	413	97.1	86.1	399	395
Total	16,094	15,346	452.3	383.4	2.8	2.5	18,184	15,529	113.0	101.2	19,692	16,110

Breakdown of order backlog, USD 19.7 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 avia-

tion terminal for nearly USD 54 M each. In Norway, Skanska is building an expressway and a postal terminal worth USD 106 M and USD 90 M, respectively. In Denmark, Skanska is constructing the first phase of its own new Havneholmen commercial project, with an investment of USD 44 M. In Sweden, the Company signed a contract worth USD 81 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 USD 203.4 M. 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.

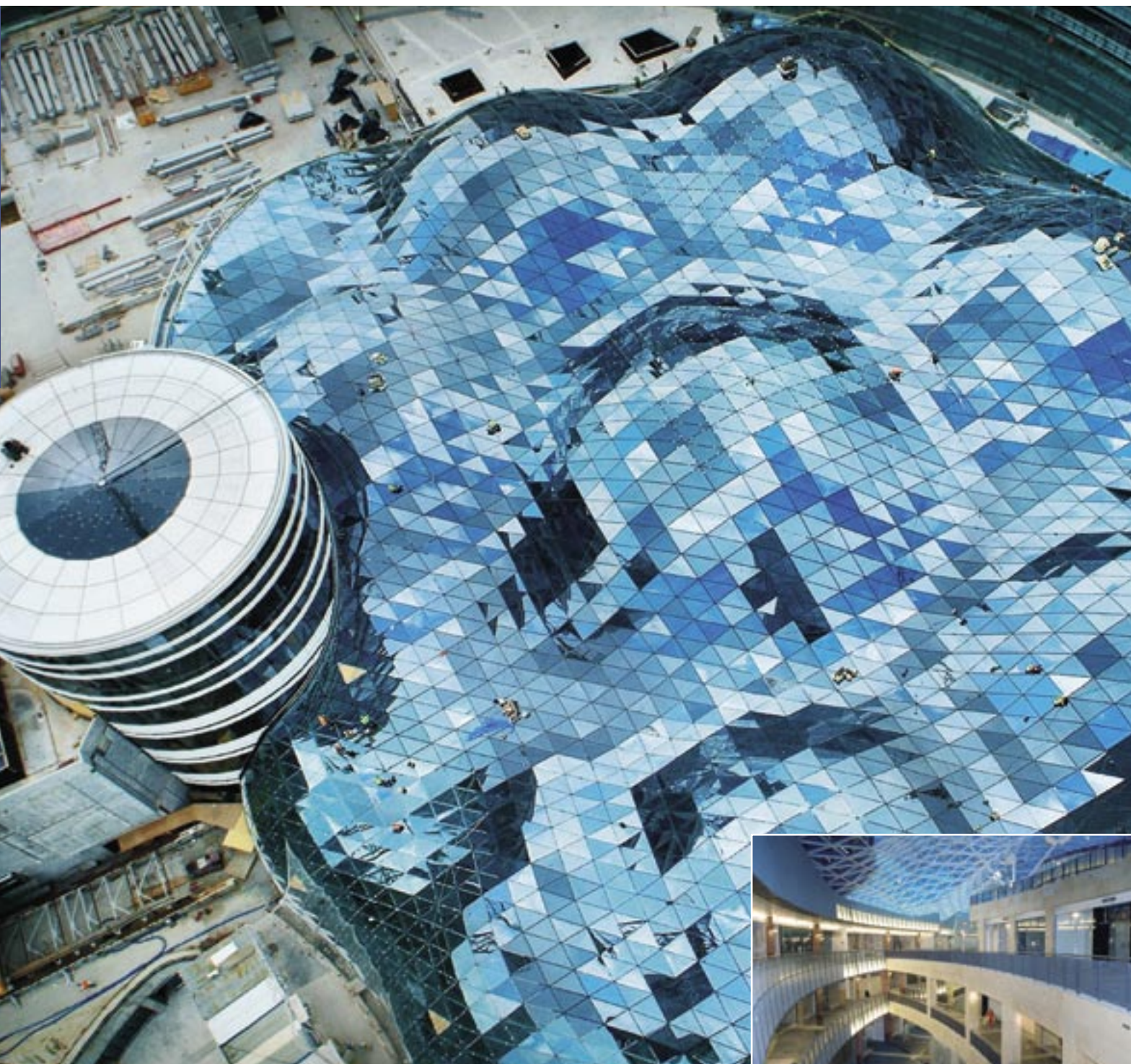
Central Europe – strong civil construction market

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 USD 75 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 USD 51 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 Malecki.

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 USD 136 M. 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 USD 1.9 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: construc-

tion 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 thermo-electric power plant in Cubatão, outside São Paulo, Brazil. Skanska has been entrusted with leading this large project, with the Company's contract share totaling USD 129 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 USD 108 M. Construction work began in mid-2006, and occupancy is scheduled for October 2008.





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 Metropolitan Methodist Hospitals.

RESIDENTIAL DEVELOPMENT

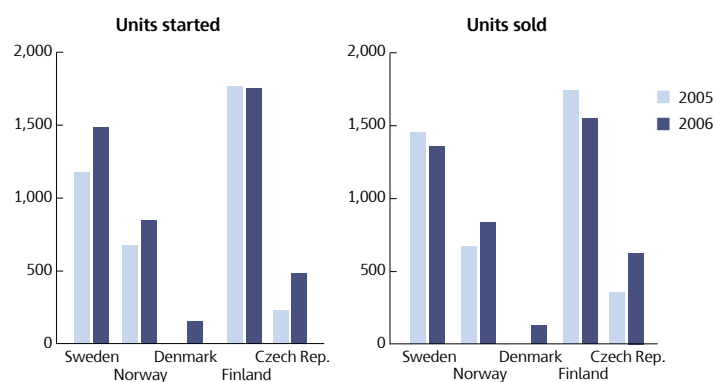
Growth in strong Nordic and Czech residential markets



USD M	2006	2005
Revenue	920	789
Operating income	116	84
Operating margin, % ¹	12.6	10.6
Investments	-684	-404
Divestments	565	526
Operating cash flow from operating activities ²	-63	154
Capital employed	537	299
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 Kärna, 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

USD M	Revenue		Operating income		Operating margin, %		Capital employed		Return on capital employed, %	
	2006	2005	2006	2005	2006	2005	2006	2005	2006	2005
Sweden	355	321	40.4	26.3	11.4	8.2	87	-26	>100	>100
Norway	213	180	22.1	17.7	10.4	9.8	201	155	12.9	12.0
Denmark	73	-	13.0	-	17.9	-	113	-	23.3	-
Finland and Estonia	213	217	30.0	26.1	14.0	12.1	95	114	24.2	27.5
Poland	-	15	-	2.1	-	14.0	-	6	-	21.5
Czech Republic and Slovakia	66	56	10.0	11.5	15.2	20.7	42	38	26.0	31.8
Total	920	789	115.5	83.8	12.6	10.6	535	299	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

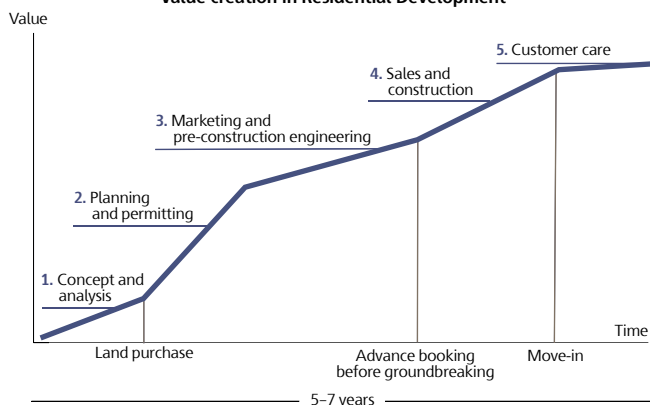
Market	Master plan	Local plan underway	Local plan approved	Building permit stage	Total building rights ¹	Other rights
Sweden	3,900	2,500	2,800	400	9,600	2,000
Norway	700	400	2,000	100	3,200	2,000
Finland and Estonia	500	600	5,200	100	6,400	3,900
Denmark	0	300	400	0	700	100
Nordic countries	5,100	3,800	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



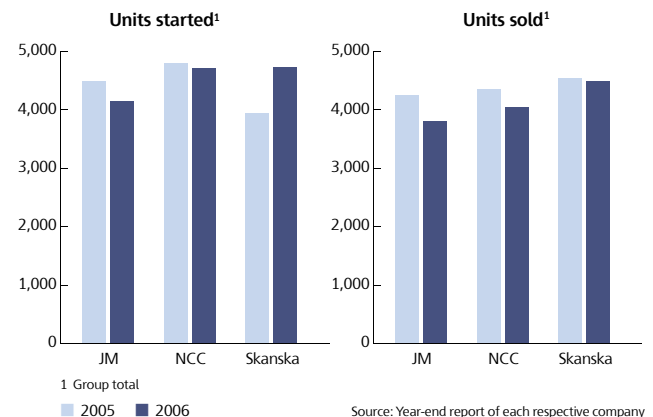
Generating value, step by step

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.

Comparison of Nordic residential developers



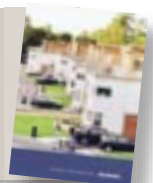
¹ Group total

■ 2005 ■ 2006

Source: Year-end report of each respective company

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



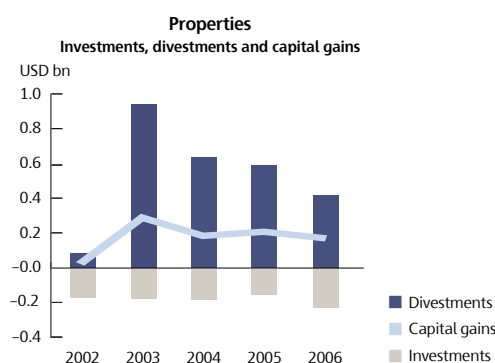
USD M	2006	2005
Revenue	464	680
Operating income	164	233
of which gain from divestments of properties ¹	171	208
of which operating net, completed properties ²	14	47
Investment obligations, projects started during the year	214	220
Investments	-227	-153
Divestments	418	594
Operating cash flow from operating activities ³	168	482
Capital employed	838	760
Return on capital employed, %	21.1	25.1
Return on capital employed, % ⁴	17.5	16.7
Number of employees	135	125
	5	10

1 Additional gain included in eliminations

2 After selling and administrative expenses

3 Before taxes, financing operations and dividend

4 Calculated in accordance with the definition of financial targets



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.

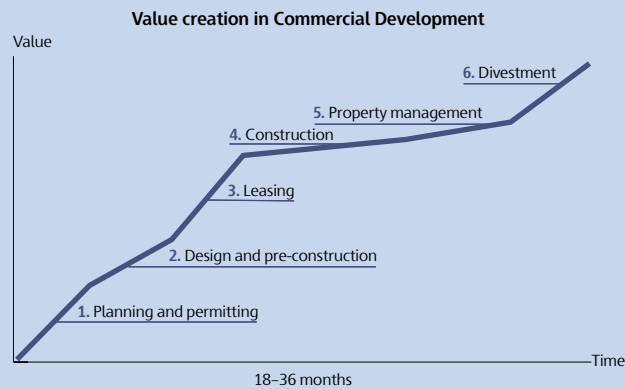
Tenants and investors – two customer categories

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.



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 USD 108–122 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 USD 420 M.

The operating income of Skanska's two commercial development units totaled USD 164.1 M, of which USD 171 M stemmed from property divestments.

At year-end 2006, Skanska had a portfolio of completed properties with an externally appraised market value of USD 0.6 billion (including projects completed in 2006), equivalent to a surplus value of USD 0.1 billion

The market value of identical properties rose by about USD 27 M during the year, equivalent to 6 percent. During 2006,

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 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.

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 USD 73 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

USD M	Revenue		Operating income		Gain from divestments of properties		Capital employed		Return on capital employed, % ¹	
	2006	2005	2006	2005	2006	2005	2006	2005	2006	2005
Nordic	367	534	144.8	205.2	148	177	724	621	18.3	17.0
Europe	98	147	19.3	28.0	23	31	114	139	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 USD 325 M, with a capital gain of USD 148 M.

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 USD 102 M. The purchaser was Gothenburg-based real estate company Fastighets AB Balder, and the capital gain was USD 68 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 locations 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 under-

way. 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 USD 45 M was invested in land and ongoing projects in Commercial Development Europe.

During 2006, Skanska sold the Budejovicka Alej project in Prague, which was completed in 2005. The sale price totaled USD 46 M, with a gain of USD 16 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 Wrocław.

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.

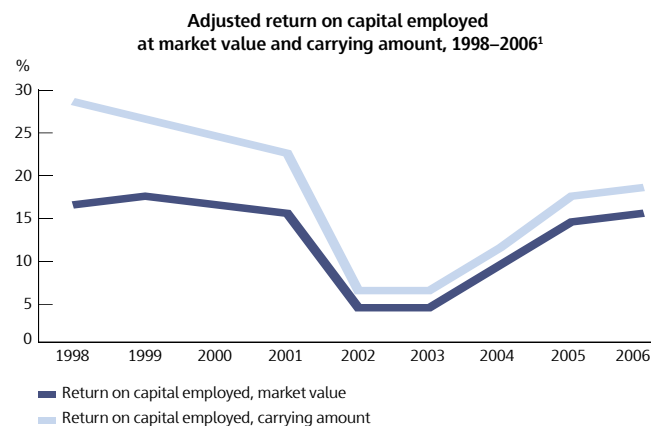


The Danish unit of Svenska Handelsbanken (SHB), a major Swedish-based bank, will be among the tenants at Skanska's new Atrium office building in Havneholmen, central Copenhagen. Atrium, the first of several planned office projects, will total 15,000 sq. m (108,000 sq. ft.) on seven floors. SHB's lease is for three floors, totaling some 4,000 sq. m. Skanska is investing some USD 44 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

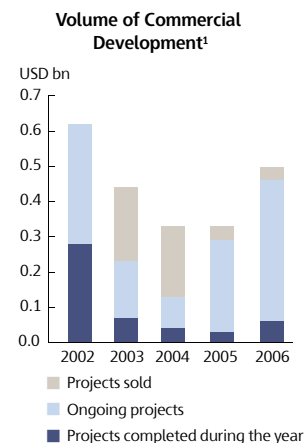
USD billion	Carrying amount Dec 31, 2006	Carrying amount upon completion	Market value, Dec 31, 2006	Surplus value	Leasable space, 000 sq m	Economic occupancy level, %	Operating net, USD M	Yield on carrying amount, %	Yield on market value, %	Projected rental value fully leased, USD M	Average lease, years ⁷
Completed projects	0.4	0.4	0.5	0.1	291	70	12.7 ³	3.7	2.7	53.3 ⁵	4.0
Projects completed in 2006	0.1	0.1	0.1	0.0	28	76	5.3 ⁴	9.2	6.8	6.0 ⁵	9.0
Ongoing projects	0.1	0.4	0.5 ²	0.1	154	49	29.6 ⁴	7.8	6.1	34.5 ⁶	12.0
Total	0.6	0.9	1.1	0.2	473		47.6				
Development properties ¹	0.3										
Total	0.9										

- 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.



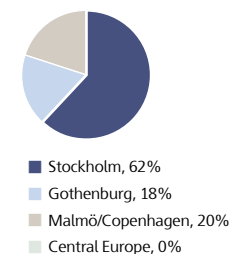
1 Including operating net, accrued unrealized development gains as well as changes in market value

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.



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 ship-building 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 USD 68 M in capital gains.

INFRASTRUCTURE DEVELOPMENT

New opportunities in the international market

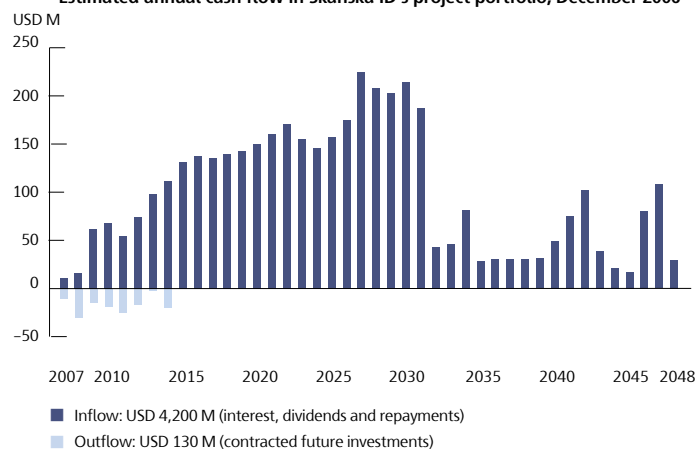


USD M	2006	2005
Revenue	20	7
Operating income	-1	-1
Investments	-39	-64
Divestments	26	5
Operating cash flow from operating activities ¹	-11	-86
Capital employed	352	319
Return on capital employed, %	0.6	-0.1
Return on capital employed, % ²	34	36
Number of employees	103	66

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 2006¹



¹ The cash flows have been translated into USD 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.

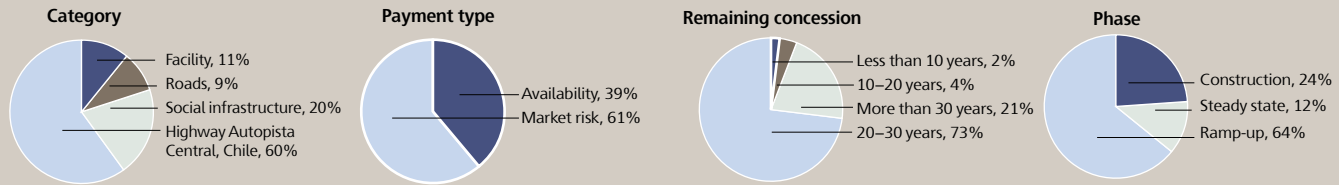
In the availability model, compensation is based on providing a given amenity and agreed services at a predetermined price. Compensation is payable regardless of the extent to which the facility is utilized.

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 full operation and has achieved long-term revenue and cost levels.	The long-term discount rate is applied.	Yes

INFRASTRUCTURE DEVELOPMENT

Estimated gross present value by



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 macro-economic 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.

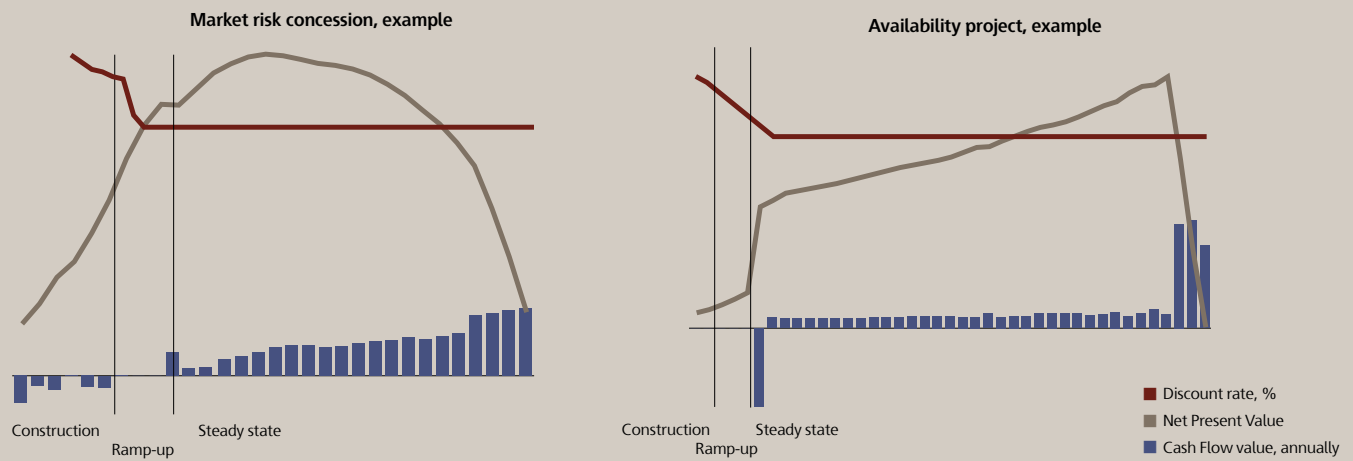
The most recently updated financial model is used as a base. This financial model describes all cash flows in the project and serves as the ultimate basis for financing, which in most cases is carried out with full project risk and without guarantees from Skanska. The financial model has been examined 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 USD 916 M (655). Estimated unrealized development gains in Skanska ID increased during 2006 by USD 126 M and thus amounted to USD 470 M (344). 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 USD 87 M.

In the consolidated accounts, elimination of intra-Group profits totaled USD 58 M (38), which meant that unrealized development gains at Group level amounted to USD 539 M (340) 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 USD 16 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 Trondheim, 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.

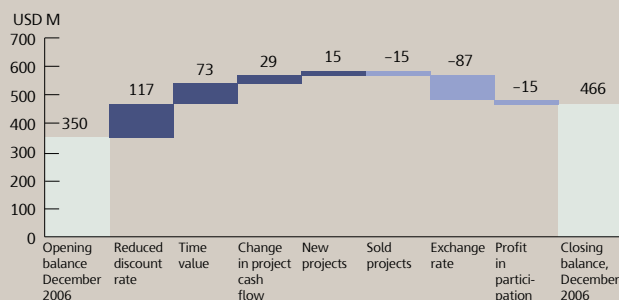
The Nelostie expressway between Helsinki and Lahti, Finland, has been in operation since 1999. The trend of traffic flow has been positive, and the highway has contributed to an upswing for the region north of Helsinki.

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 USD 206 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 USD 1.9 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, USD M

Category	Gross present value, Dec 2006	Discount rate 2006, %	NPV remaining Inv ¹	Carrying amount 2006 ²	Unrealized development gain, 2006
Highways	79	8.9%	14	29	35
Autopista Central, Chile	551	12.0%	0	181	369
Social infrastructure	186	9.2%	76	57	53
Facilities	101	16.6%	0	88	13
Total	916	11.7%	90	356	470

Accumulated development gain, 2005	344
Change, 2006 ³	126

1 Nominal value USD 135 M

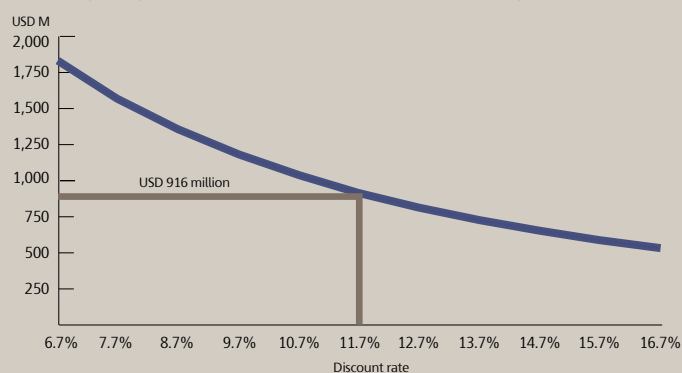
2 Invested capital plus accrued value of participations in project companies corresponding to Skanska's ownership.

3 Eliminations at Group level reduce the book value and hence increase the accumulated development gain by USD 580 M to approximately USD 539 M.

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 – USD 916 million



Sensitivity analysis

USD M	Change	
Discount rate (-/+ 1 percentage point)	116.6	-102.0
Autopista cash flow (+/- 10%)	58.3	-58.3
SEK/USD (-/+10%)	-58.3	58.3
SEK/GBP (-/+10%)	-14.6	14.6
SEK/EUR (-/+10%)	-5.8	5.8

build project total USD 221 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 USD million	Type	Category	Payment type	Country	Ownership, %	Invested capital at Dec 31, 2006 USD M	Total commitment USD M	Year of operation/ full operation	Concession ends
In operation, fully or partially, Dec 2006									
Nelostie	Highway	Highway	Availability	Finland	50	5.4	5.4	1999	2012
E39	Highway	Highway	Availability	Norway	50	9.9	9.9	2005	2028
Autopista	Highway	Highway	Market risk	Chile	48	167.7	167.7	2004/2006	2031
Coventry & Rugby	Hospitals	Social infrastructure	Availability	U.K.	25	17.0	17.0	2005/2007	2035
Bexley schools	Schools	Social infrastructure	Availability	U.K.	50	3.5	3.5	2005	2031
Ponte de Pedra	Power plant	Facility	Availability	Brazil	50	52.6	52.6	2005	2036
Manaus (Breitener)	Power plant	Facility	Availability	Brazil	35	23.3	23.3	2006	2025
Maputo	Port	Facility	Market risk	Mozambique	12	2.6	2.6	2004	2017
Nordvod	Wastewater	Facility	Availability	Russia	14	2.8	2.8	2005	2017
Under investment									
E18	Highway	Highway	Availability	Finland	41	5.5	12.8	2010	2031
A1, phase 1	Highway	Highway	Availability	Poland	30	3.9	13.3	2009/2010	2032
Mansfield	Hospital	Social infrastructure	Availability	U.K.	50	0.0	29.3	2010/2011	2040
Derby	Hospital	Social infrastructure	Availability	U.K.	25	0.0	19.2	2009	2038
Barts and London	Hospital	Social infrastructure	Availability	U.K.	38	14.9	78.8	2012/2014	2043/2045
Bristol	Schools	Social infrastructure	Availability	U.K.	50	8.7	8.7	2009	2034
Midlothian	Schools	Social infrastructure	Availability	U.K.	50	0.0	3.2	2007	2037
Total Skanska ID						317.9	445.6		
Accumulated share of earnings in participations							37.9		
Carrying amount, Skanska ID						355.8			
Awarded projects in the preferred bidder stage									
Walsall	Hospital	Social infrastructure	Availability	U.K.	50		11.8	2010	2033





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 USD 4.0 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 USD 221 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 CO₂ 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.

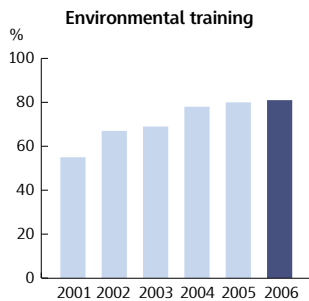
4 zero visions

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.

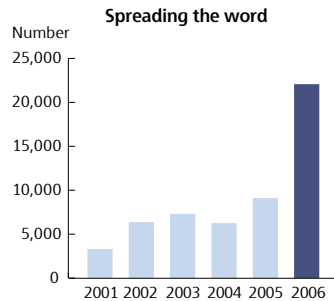
Triple bottom line

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.

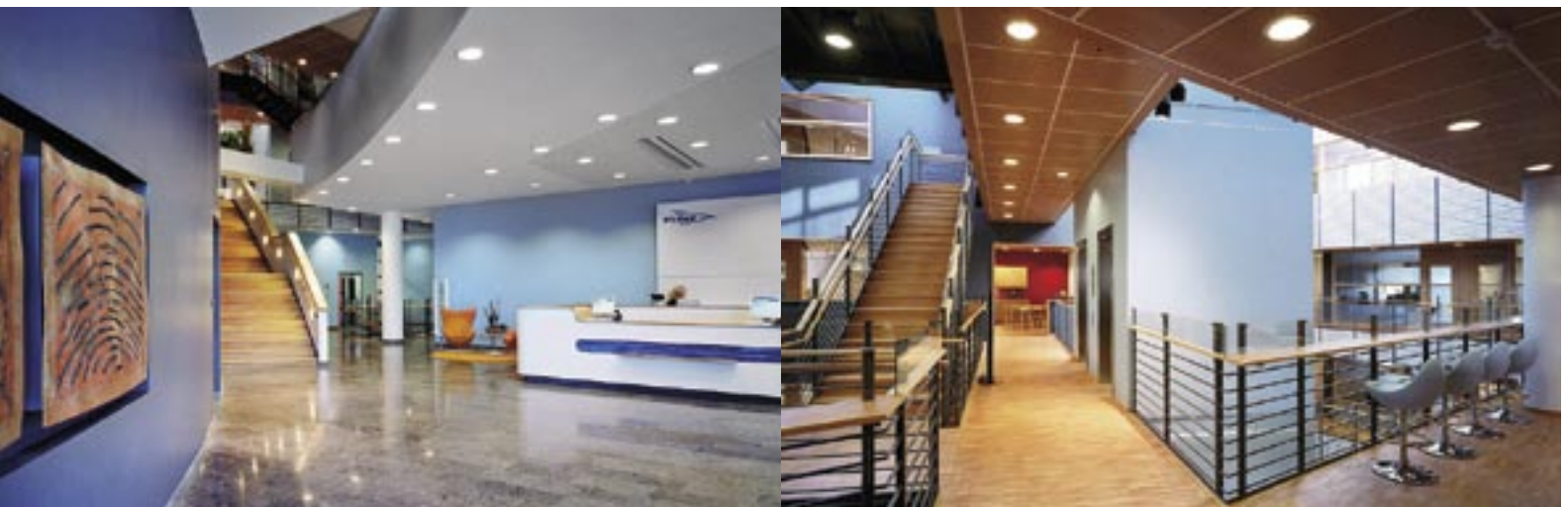
The environmental challenge

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*.

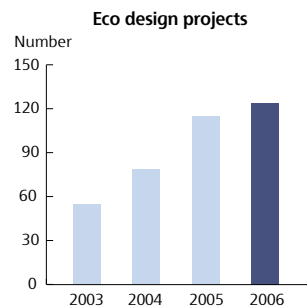
Eco-cars, including hybrids and biofuel powered vehicles, are now being introduced to the company fleet in Sweden. Many staff have been trained in eco-driving, a technique that focuses on reducing fuel consumption in conventional vehicles through proper use of throttle, gearbox and brakes as well as 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

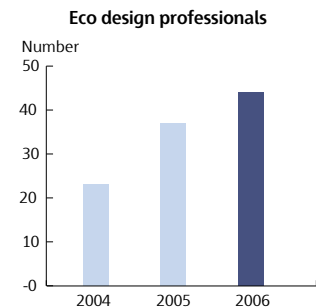
Hospital project in England recycled 100 percent of earthworks waste, 98 percent of demolition waste and 84 percent of overall waste. In Bodø, north of the Arctic Circle, Skanska Norway is report up to 90 percent recycling on new building construction across the five sites it is currently operating. 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.

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:



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.

- 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.

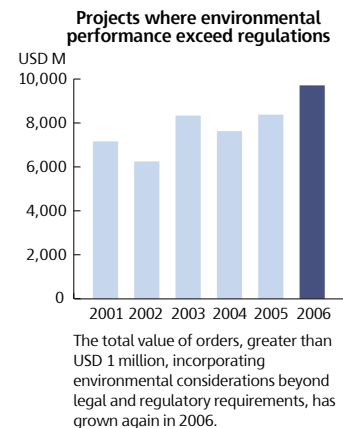
Long-term public sector contracts of up to 30 years' duration, funded by private consortia, are becoming commonplace in many of the home markets in which Skanska operates. They provide local populations with schools, hospitals, and road infrastructures that are often badly needed, without placing undue 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.



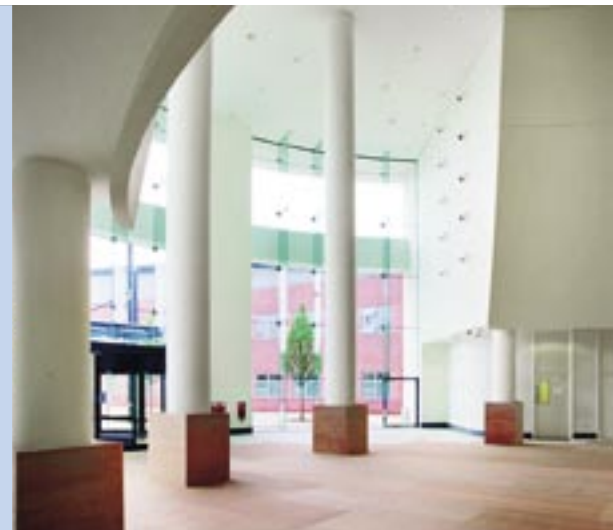
The importance Skanska places on the improved design and use of buildings is one reason why the company continues to be involved in the World Business Council for Sustainable Development's Energy Efficiency in Buildings Initiative and the United Nations Environment Program's Sustainable Building and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



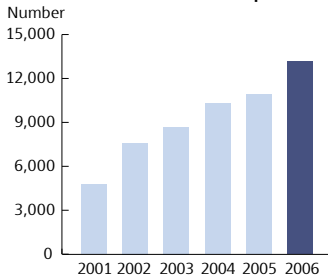
Zero tolerance to corruption

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 of 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

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.

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 replace-

ment 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.



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.

Consolidated income statement

USD M	Continuing operations		Discontinued operations		Group total	
	2006	2005	2006	2005	2006	2005
Revenue	17,029	16,636		75	17,029	16,711
Cost of sales	-15,485	-15,141		-60	-15,485	-15,201
Gross income	1,543	1,495	0	15	1,543	1,510
Selling and administrative expenses	-947	-884		-12	-947	-896
Income from disposal of discontinued operations				25		25
Income from joint ventures and associated companies	49	32		0	49	32
Operating income	646	643	0	27	646	670
Financial income	63	43		1	63	44
Financial expenses	-33	-24		-4	-33	-28
Income from associated companies	0	0		0	0	0
Net financial items	30	19	0	-3	30	16
Income after financial items	676	663	0	24	676	686
Taxes	-180	-166		1	-180	-165
Profit for the year	496	496	0	25	496	521
Profit for the year attributable to						
Equity holders	493	495		25	493	520
Minority interest	3	1		0	3	1
Earnings per share, USD						
before dilution	1.18	1.18	0.00	0.06	1.18	1.24
after dilution	1.18	1.18	0.00	0.06	1.18	1.24
Average number of shares						
before dilution					418,553,072	418,553,072
after dilution					418,827,470	418,561,923
Proposed regular dividend per share, USD					0.69	0.57
Proposed extra dividend per share, USD					0.51	0.25

Consolidated balance sheet

USD M	2006	2005	USD M	2006	2005
ASSETS			EQUITY		
Non-current assets			Share capital		
Property, plant and equipment	795	660		185	158
Goodwill	654	523	Paid-in capital		
Other intangible assets	108	81		46	40
Investments in joint ventures and associated companies	276	231	Reserves		
Financial non-current assets	219	156		109	182
Deferred tax assets	288	287	Retained earnings		
Total non-current assets	2,340	1,939		2,457	1,945
Current assets			Equity attributable to equity holders		
Current-asset properties	1,724	1,320		2,797	2,324
Inventories	71	63	Minority interest		
Financial current assets	460	285		21	17
Tax receivables	48	42	Total equity		
Gross amount due from customers for contract work	761	707		2,818	2,341
Trade and other receivables	3,391	2,895	LIABILITIES		
Cash equivalents	311	390	Non-current liabilities		
Cash	1,288	1,333	Financial non-current liabilities		
Assets classified as held for sale		9		297	305
Total current assets	8,053	7,043	Pensions		
TOTAL ASSETS	10,393	8,981		227	303
of which interest-bearing non-current assets	209	135	Deferred tax liabilities		
of which interest-bearing assets held for sale		0		422	357
of which other interest-bearing current assets	2,042	2,003	Non-current provisions		
	2,251	2,138		17	18
			Total non-current liabilities		
				963	983
			Current liabilities		
			Financial current liabilities		
				203	136
			Tax liabilities		
				106	75
			Current provisions		
				507	403
			Gross amount due to customers for contract work		
				1,655	1,484
			Trade and other payables		
				4,140	3,554
			Liabilities classified as held for sale		
					5
			Total current liabilities		
				6,612	5,657
			Total liabilities		
				7,575	6,640
			TOTAL EQUITIES AND LIABILITIES		
				10,393	8,981
			of which interest-bearing financial liabilities		
				491	414
			of which interest-bearing pensions and provisions		
				247	324
			of which interest-bearing liabilities held for sale		
				0.0	1.0
				738	739

Consolidated statement of recognized income and expenses

USD M	2006	2005
Translation differences for the year	-134	220
Hedging of exchange rate risk in operations outside Sweden	42	-67
Cash flow hedge		
Recognized directly in equity	3	15
Transfer to income statement	-6	-7
Change in pension liability		
Changed assumptions	63	-281
Difference between expected and actual return on plan assets	25	84
Social insurance contributions	9	-29
Share-based payment	2	2
Other transfers of assets recognized directly in equity	0	0
Tax attributable to items recognized directly in equity	-29	65
Changes in assets recognized directly in equity, excluding transactions with the Company's owners	-25	2
Profit for the year	496	521
Total change in assets, excluding transactions with the Company's owners	471	523
Attributable to:		
Equity holders	469	521
Minority	2	2

Consolidated cash flow statement

USD M	2006	2005
Operating activities		
Operating income	646	670
Adjustments for items not included in cash flow	-174	-226
Income tax paid	-137	-194
Cash flow from operating activities before change in working capital	335	250
Cash flow from change in working capital		
Investments in current-asset properties	-915	-677
Divestments of current-asset properties	1,071	1,265
Change in inventories and operating receivables	-167	-158
Change in operating liabilities	180	219
Cash flow from change in working capital	169	649
Cash flow from operating activities	504	899
Investing activities		
Acquisitions of businesses	-93	-7
Investments in intangible assets	-5	-6
Investments in property, plant and equipment	-234	-195
Investments in Infrastructure Development assets	-39	-64
Investments in shares		
Increase in interest-bearing receivable, loans provided	-280	-186
Disposals of businesses	19	72
Divestments of intangible assets	0	1
Divestments of property, plant and equipment	67	82
Divestments of Infrastructure Development assets	26	5
Divestments of shares	2	6
Decrease in interest-bearing receivables, repayments of loans provided	107	253
Income tax paid	-4	-4
Cash flow from investing activities	-434	-43
Financing activities		
Net interest items	37	18
Other financial items	-25	-34
Borrowings	124	55
Repayment of debt	-152	-187
Dividend paid	-369	-224
Contribution from/dividend to minority	1	0
Income tax paid	-4	5
Cash flow from financing activities	-388	-368
Cash flow for the year	-318	488
Cash and cash equivalents, January 1	1,723	1,340
Reclassifications	0	113
Translation differences in liquid assets	-49	56
Translation from functional currency to presentation currency (USD)	243	-274
Cash and cash equivalents, December 31	1,599	1,723

CHANGE IN INTEREST-BEARING NET RECEIVABLES

USD M	2006	2005
Interest-bearing net receivables, January 1	1 399	1 092
Cash flow from operating activities	504	899
Cash flow from investing activities excluding change in interest-bearing receivables	-261	-111
Cash flow from financing activities excluding change in interest-bearing liabilities	-359	-236
Change in pension liability	88	-197
Reclassifications ¹	-32	150
Net receivable/liability acquired/divested	3	29
Translation differences	-32	16
Other items	-9	-13
Translation from functional currency (SEK) to presentation currency (USD)	210	-230
Interest-bearing net receivables, December 31	1,512	1,399

¹ This amount included USD -19 M due to reclassification to a finance lease of cars in Sweden and USD -13 M due to discounting of debt to sellers upon the purchase of properties. In 2005, reclassifications included USD +96 M in uncashed checks, USD -24 M in subordinated loans in Skanska Infrastructure Development and USD +59 M in receivables from property buyers.

CONSOLIDATED OPERATING CASH FLOW STATEMENT

USD M	2006	2005
Cash flow from business operations before change in working capital and taxes paid	472	444
Change in working capital excluding current-asset properties	12	61
Net investments in operations	-83	418
Cash flow adjustment, net investments ¹	55	-8
Taxes paid in business operations	-141	-198
Cash flow from business operations	315	718
Net interest items and other net financial items	12	-16
Taxes paid in financing activities	-4	5
Cash flow from financing operations	9	-11
Cash flow from operations	324	706
Net strategic investments	-72	71
Taxes paid on net strategic investments	0	0
Cash flow from strategic investments	-72	71
Dividend etc.	-368	-225
Cash flow before changes in interest-bearing receivables and liabilities	-116	553
Change in interest-bearing receivables and liabilities	-202	-65
Cash flow for the year	-318	488

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.

Five-year Group financial summary

Income statements

USD M	In compliance with IFRS			In compliance with SWGAAP	
	2006	2005	2004	2003	2002
Revenue	17,029	16,711	16,498	16,445	14,597
Cost of sales	-15,485	-15,201	-15,198	-14,850	-13,407
Gross income	1,543	1,510	1,300	1,596	1,190
Selling and administrative expenses	-947	-896	-946	-1,046	-1,060
Income from disposal of discontinued operations	-	25	216	2	-
Income from joint ventures and associated companies	49	32	23	10	-29
Operating income	646	670	593	561	101
Net financial items	30	16	-5	-57	-93
Income after financial items	676	686	589	504	8
Taxes	-180	-165	-155	-161	-88
Profit for the year	496	521	433	343	-80
Profit for the year attributable to					
Equity holders	493	520	432	342	-86
Minority	3	1	2	1	6
Cash flow					
Cash flow from operating activities	504	899	887	1 369	383
Cash flow from investing activities	-434	-43	164	-149	-309
Cash flow from financing activities	-388	-368	-790	-986	-287
Cash flow for the year	-318	488	261	234	-213

Five-year Group financial summary

Balance sheets

USD M	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	795	660	752	832	923	927	884
Goodwill	654	523	589	589	587	587	607
Intangible assets	108	81	81	81	75	63	54
Investments in joint ventures and associated companies	276	231	130	130	189	189	166
Financial non-current assets ^{2,4}	219	156	189	172	280	280	159
Deferred tax assets	288	287	245	247	201	212	184
Total non-current assets	2,340	1,939	1,986	2,050	2,254	2,258	2,055
Current assets							
Current-asset properties ³	1,724	1,320	1,803	1,805	1,910	1,886	2,213
Inventories	71	63	73	92	114	114	98
Financial current assets ⁴	460	285	419	376	172	172	128
Tax assets	48	42	41	41	57	57	35
Gross amount due from customers for contract work	761	707	552	541	657	663	554
Trade and other receivables	3,391	2,895	3,260	3,285	3,073	3,073	2,955
Cash equivalents	311	390	461	461	30	30	34
Cash	1,288	1,333	875	878	939	939	618
Assets classified as held for sale	0	9	131				
Total current assets	8,053	7,043	7,614	7,479	6,952	6,935	6,637
TOTAL ASSETS	10,393	8,981	9,600	9,529	9,206	9,193	8,692
of which interest-bearing	2,251	2,138	1,876	1,876	1,411	1,411	878
EQUITY							
Equity attributable to equity holders	2,797	2,324	2,453	2,455	1,997	1,952	1,610
Minority interest	21	17	18	18	28	28	34
Total equity	2,818	2,341	2,471	2,473	2,025	1,979	1,644
LIABILITIES							
Non-current liabilities							
Financial non-current liabilities ⁴	297	305	498	460	787	989	1,568
Pensions	227	303	167	168	244	283	111
Deferred tax liabilities	422	357	409	415	436	428	262
Non-current provisions	17	18	20	20	24	24	2
Total non-current liabilities	963	983	1,095	1,063	1,491	1,724	1,944
Current liabilities							
Financial current liabilities ⁴	203	136	181	152	314	111	295
Tax liabilities	106	75	150	151	79	79	51
Current provisions	507	403	413	414	420	421	347
Gross amount due to customers for contract work	1,655	1,484	1,582	1,575	1,283	1,283	1,152
Trade and other payables	4,140	3,554	3,659	3,702	3,596	3,596	3,259
Liabilities classified as held for sale	0	5	49				
Total current liabilities	6,612	5,657	6,034	5,993	5,690	5,489	5,104
TOTAL EQUITY AND LIABILITIES	10,393	8,981	9,600	9,529	9,206	9,193	8,692
of which interest-bearing	738	739	784	784	1,350	1,390	1,939

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 9 7 11 11 10 10 62

3 Current-asset properties

Commercial Development	814	731	1 117	1 119	1 298	1 274	1 428
Other commercial properties	139	176	192	192	145	145	240
Residential Development	771	413	494	494	467	467	545
	1 724	1 320	1 803	1 805	1 910	1 886	2 213

4 Items related to non-interest-bearing unrealized changes in value of derivatives/securities are included in the following amounts:

Financial non-current assets	1	13	18				
Financial current assets	17	4	42				
Financial non-current liabilities	1	3	38				
Financial current liabilities	9	25	29				

Financial ratios

USD M	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	18,184	15,697		16,585		14,991	13,836
Order backlog	19,692	16,214		17,181		16,033	15,307
Average number of employees	56,085	53,806		53,803		69,669	72,698
Regular dividend per share, USD ¹	0.69 ¹	0.57		0.60		0.41	0.23
Extra dividend per share, USD ¹	0.51 ¹	0.25					
Earnings per share, USD	1.18	1.24		1.03		0.82	-0.21
Capital employed	3,556	3,079	3,255	3,257	3,375	3,369	3,583
Interest-bearing net receivable (+)/net debt (-)	1,512	1,399	1,092	1,092	60	21	-1,062
Equity per share, USD	6.68	5.55	5.86	5.87	4.77	4.67	3.85
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						

¹ Proposed by the Board of Directors: Regular dividend of USD 0.69 per share and extra dividend of USD 0.51 per share.

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.

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.

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.

Statement of the Auditors

The complete annual accounts of Skanska AB for 2006 have been prepared in accordance with the Annual Accounts Act. The consolidated accounts have been prepared in accordance with the Annual Accounts Act and with International Financial Reporting Standards (IFRSs) as adopted by the EU.

Stockholm, February 26, 2006

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 USD 0.82 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 66.

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, USD
Sverker Martin-Löf, Chairman	1943	Sweden	2001	X	X	X	193,194
Roger Flanagan	1944	United Kingdom	1998			X	67,787
Ulrika Francke	1956	Sweden	2003	X			64,398
Jane F. Garvey	1944	United States	2003				54,230
Stuart E. Graham, President and CEO	1946	United States	2003			X	-
Finn Johnsson	1946	Sweden	1998				54,230
Curt Källströmer	1941	Sweden	2006		X		61,009
Anders Nyrén	1954	Sweden	2002	X		X	77,956
Lars Pettersson	1954	Sweden	2006		X		61,009
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							633,812

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

¹Appointed as a member of the Project Review Committee in April 2006.

²Resigned from the Board in April 2006.

³Elected to the Board in April 2006.

⁴Resigned 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 USD 633,812 including a special appropriation of USD 91,513 for committee work. The Chairman of the Board received USD 162,690 in fees and other Board members USD 54,230 each. Members of the Board's committees received USD 6,779 each on the Compensation Committee, USD 10,168 on the Audit Committee and USD 13,557 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 65.

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 65.

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 Bohlin 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 67.

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 USD 1.4 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 awards¹.

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 awards¹.

Claes Larsson

Executive Vice President
Born 1965.
Joined Skanska in 1990.
Responsible in the Senior Executive Team for Skanska Poland, Skanska Commercial Development Nordic and Skanska Commercial Development Europe.
Shareholding in Skanska: 1,000 B shares.
4,034 share awards¹.

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 awards¹.

Tor Krusell

Executive Vice President
Human Resources
Born 1964.
Joined Skanska in 1998.
Shareholding in Skanska: 4,000 B shares.
3,845 share awards¹.

Hans Björck

Executive Vice President and Chief Financial Officer
Born 1951.
Joined Skanska in 2001.
Shareholding in Skanska: 62,000 B shares.
7,080 share awards¹.

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 awards¹.

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 Wirderius	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 Annual Report "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 Ecology 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
 - Mässfästigheter 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 Pettersson¹
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 (corresponding to USD 0.69 per share) and an extra dividend of SEK 3.50 per share (corresponding to USD 0.51 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

Skanska's Annual Report 2006

The Report of the Directors and the notes to the financial statements including accounting and valuation principles can be found in Skanska's full-length Annual Report 2006, which can be ordered from:

Strömberg Distribution
SE120 88 Stockholm, Sweden
Telephone: +46 8 449 88 10, Fax: + 8 449 88 10
E.mail: skanska@strd.se

It is also possible to download the Annual Report from Skanska's web site www.skanska.com



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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), click "Investors" followed by "Reports" and the name of each report. The reports can also be ordered in hard copy 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

Addresses

Skanska AB
SE-169 83 Solna
Sweden
Street address: Råsundavägen 2
Tel: +46 8 753 88 00
Fax: +46 8 755 12 56
www.skanska.com

Skanska Sweden
SE-169 83 Solna
Sweden
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
Street address: Paciuksenkatu 25
Tel: +358 9 6152 21
Fax: +358 9 6152 2271
www.skanska.fi

Skanska Poland
Gen. J. Zajaczką 9
PL-01-518 Warsaw
Poland
Tel: +48 22 561 3000
Fax: +48 22 561 3001
www.skanska.pl

Skanska Czech Republic
Kubánské náměstí 1391/11
CZ-100 05 Prague 10
Czech Republic
Tel: +420 2 67 310 476
Fax: +420 2 67 310 644
www.skanska.cz

Skanska UK
Maple Cross House
Denham Way, Maple Cross
Rickmansworth
Hertfordshire WD3 9SW
United Kingdom
Tel: +44 1923 776 666
Fax: +44 1923 423 900
www.skanska.co.uk

Skanska USA Building
1633 Littleton Road
Parsippany, NJ 07054
U.S.A.
Tel: +1 973 753 3500
Fax: +1 973 753 3499
www.skanska.com

Skanska USA Civil
16-16 Whitestone Expressway
Whitestone NY 11357
U.S.A.
Tel: +1 718 747 34 54
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
www.skanska.com.ar

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
Sweden
Street address: Råsundavägen 2
Tel: +46 8 504 350 00
Fax: +46 8 504 361 99
www.skanska.se/fastigheter

Skanska Commercial Development Europe
SE-169 83 Solna
Sweden
Street address: Råsundavägen 2
Tel: +46 8 504 350 00
Fax: +46 8 504 361 99
www.skanska.com/property

Skanska Infrastructure Development
SE-169 83 Solna
Sweden
Street address: Råsundavägen 2
Tel: +46 8 504 350 00
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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