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This year Skanska is celebrating its 100th anniversary. On January 26, 1887, the statutory shareholders' meeting of AB Skånska Cementgjuteriet (Scanian Pre-Cast Concrete Inc.) was held in Malmö, the largest city in southern Sweden's Skåne (Scania) province. The dominant shareholder was a portland cement manufacturer, Skånska Cement AB, which has evolved into today's Euroc Group; it accounted for 48.2 percent of the capital stock, which totaled SEK 207,500 at the time. Its manager, R.F. Berg, created the new company in order to pioneer the use of concrete in Sweden's construction trade.

Skanska is still successfully using concrete as a building material in site-cast structures, in prefabricated products and in shotcrete. But what distinguishes today's Skanska – one of Europe's largest construction enterprises – is its many-faceted expertise within the entire construction process. This applies to the construction of buildings and to civil engineering projects on land, underground and in water. Skanska can now assume responsibility for planning, design, construction and function, as well as management of completed projects.

Starting in the 1940s, the Company supplemented its construction work with property management services. It began to build properties as investments for its own account. Today Skanska is one of Sweden's largest real estate owners. Years of good earnings have gradually strengthened its liquidity. In the past decade the Company has also invested large sums in listed shares. Its real estate and financial management operations have given Skanska another two stable sources of income and a good foundation for future business ventures.

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Comments on the English version of Skanska's Annual Report.

□ For the convenience of readers who may not be familiar with Swedish accounting and reporting practices, this English-language version of Skanska's Annual Report contains additional explanatory comments on page 26. Otherwise the presentation of financial and other information is the same as in the Swedish version, except that certain detailed statistics on employees in Sweden and on Group stockholdings – required by the Swedish authorities but of little interest to foreign readers – have been omitted.

□ The following international currency codes have been used:

SEK	Swedish kronor
BEC	Belgian francs
CAD	Canadian dollars (commercial)
DEM	West German marks
DKK	Danish kroner
ESB	Spanish pesetas
FRF	French francs
GBP	British pounds Sterling
HKD	Hong Kong dollars
NLG	Dutch guilders
NOK	Norwegian kroner
SAR	Saudi Arabian riyals
USD	United States dollars
YER	Yemeni riyals

□ The abbreviation M after a currency code and amount means millions, while 000 means thousands. Figures in parentheses after 1986 amounts refer to the corresponding 1985 amounts. Sveriges Riksbank is Sweden's central bank. All places mentioned are in Sweden unless otherwise specified.

□ During 1986 the average exchange rate for Swedish kronor to U.S. dollars was SEK 7.11 = USD 1. The year-end rate was SEK 6.83.

GROUP FINANCIAL HIGHLIGHTS

(Amounts in SEK M)

	1986	1985
Revenues	16,103	14,957
Of which, construction abroad	2,632	2,254
As percentage of revenues	16	15
Income before allocations and taxes	1,046	811
Of which, Contracting operations etc	-12	52
Property management	290	230
Sale of investment properties	161	54
Financial management	455	478
Extraordinary items	152	-3
Investment and development properties (book value)	4,248	3,781
Total assets	19,296	17,638
Dividend per share, SEK	3.00	2.50
* Adjusted earnings per share, SEK	7.55	6.00
Adjusted earnings per share after extraordinary items, SEK	9.25	5.95
Return on shareholders' equity, %	11.2	9.5
Return on capital employed, %	16.2	17.1
Equity/assets ratio, %	23.2	23.0
Number of employees in Sweden	19,846	20,733
Abroad	7,781	7,501
Total	27,627	28,234

For definitions of financial ratios, see page 27.

The President's review of 1986

Although the Swedish construction industry is struggling with difficulties, there are good opportunities for improving its situation. It is necessary to take advantage of these opportunities if construction companies are to assume both a greater responsibility for providing steady employment to their personnel and a greater overall responsibility toward clients for their products. For example, reducing the red tape that surrounds the residential construction process would open up opportunities for better product development and for better-planned and thereby less expensive production.

Residential construction, which comprises about one fourth of total construction in Sweden, is currently not a profitable business. For some years, there has been a major shift in emphasis from new construction toward repair, conversion and extension of existing residential buildings. There is a growing need for investments in this sector during the next decade. At the same time, however, the shortage of new housing in the major urban regions of Stockholm, Gothenburg and Malmö has now become so acute that conversion work is now being cut back sharply in order to give higher priority to new construction. Such abrupt reversals in government policy do not provide a basis for good planning and a resulting favorable trend in costs. During 1986, heavier demand for the services and products of construction companies – especially in major urban areas – has already contributed to strong wage drift and rising prices for deliveries and services from subcontractors. This further underscores how important it is for the authorities to act in ways that enable the construction industry to plan its operations on a more long-term basis.



Lars-Ove Håkansson

During 1986, Skanska's operations were restructured. They were divided into six business segments:

- Swedish contracting operations, organized into six districts, primarily on the basis of geographic regions.
- Industrial companies and other specialized firms that supplement Swedish contracting operations.
- Contracting operations abroad, administered on a project basis through two international divisions in Sweden, supplemented by about 10 subsidiaries abroad.
- Operations in North America.
- Real estate operations.
- Financial operations.

Approximately two thirds of Skanska's personnel are employed in Swedish contracting operations. During the past few years, developments in this area have been a source of disappointment. It is therefore gratifying to be able to say now that the downward trend has been interrupted and positive earnings can be reported. So far, however, we have not achieved the conservative profitability target that we have established for all

portions of our contracting operations. Skanska has maintained roughly a 20 percent share of the construction market open to contracting companies in Sweden. Because construction volume is again expected to grow somewhat during 1987, we anticipate continued high utilization of our resources, assuming an unchanged market share.

During 1986, Skanska has undertaken extensive strategic planning, entailing:

- The restructuring of the Group into the above-mentioned business segments, enabling each part of the organization to concentrate on its basic operations.
- Specialization aimed at enabling Skanska to field a team for every project with previous experience of that particular type of project.
- A vigorous commitment to technological development, aimed at providing the client with good proposals in the early stages of the construction process.
- A continued commitment to our quality assurance programs, which encompass the entire construction process from the proposal stage to the operational stage.

This set of objectives will not only further enhance Skanska's ability to guarantee an agreed price level, but also to assume more far-reaching responsibility for the product/project – something which our clients are increasingly requesting. A unified construction process, supervised by an experienced contractor, gives the product the proper quality at the lowest cost, as well as providing clear lines of responsibility. During 1986 there was a continued increase in the proportion of package deals as well as negotiated contracts.

In recent years we have participated in numerous development projects and assignments involving new business concepts. Such ventures do not always yield a return, but they almost always involve high start-up costs. During 1986 some unprofitable operations were dis-

continued. At the same time, we were gratified by the successes of our efforts in such fields as energy. Further refinements of our ideas from the recent Bo 85 housing exhibition near Stockholm also attracted interest, and our urban renewal concepts in connection with the repair, conversion and extension of residential areas likewise resulted in a number of projects. In 1986 we participated in the Bo 86 exhibition in Malmö, displaying a number of houses embodying new concepts.

During 1986 a Group-wide computer system for cost projections, budgeting, auditing and feedback was completed. This system will help ensure more reliable cost projections and better production monitoring, giving our customers more reliable reports on costs during each stage of the construction process. In the computer-aided design (CAD) field, a development project supported by the Swedish Council for Building Research and the Development Fund of the Swedish Construction Industry was completed.

In the training field, our work during 1986 included launching a special management development program. A more systematic use of career planning discussions was also introduced, as an aid in personnel development. In addition, a large-scale program of advanced training for younger engineers was initiated.

Our technical divisions had very heavy work loads during 1986, which was also a successful year for our specialized companies in various fields. All our major companies except those in plumbing and heating reported good earnings.

If developments have thus been largely favorable in our Swedish operations, in contrast we have suffered some very large losses in our international operations. As a consequence, for the first time in several decades we are reporting negative earnings for our

overall contracting operations – despite the fact that the year's volume of contracts credited to income was somewhat larger than invoiced sales. A number of our projects in Africa, with a strong concentration in Libya (S.P.L.A.J.), caused these large losses. The reason was a combination of tenders which proved too low, difficult working conditions and the inability of our Libyan clients to pay their bills. The projects were contracted before 1986. Several were completed during the year. For the remainder, most of which will be completed during 1987, provisions for expected losses have been made in the accounts.

Our real estate operations showed a continued positive trend. Earnings rose. In addition, the market value of our holdings increased strongly during 1986, especially for centrally located commercial properties. The rapid pace of investment, particularly in the Stockholm area, contributed further toward increasing the value of Skanska's real estate. The occupancy rate in completed projects is 98 percent.

We intend to continue expanding our own real estate holdings, taking advantage of the Group's collective skills. Our construction managers have a broad network of contacts and the ability to find solutions to various customer needs. This constantly generates new real estate ventures. The Company's technological know-how and long experience of property management gives us competitive advantages. This applies especially to technically complex projects. In the future, Skanska will give priority to investments in office, commercial and industrial premises in attractive locations in commercially expansive cities and towns. Current and planned projects make possible a continued high level of activity in real estate operations during the next few years as well. Because the supply of available space in some parts of Sweden can be

expected to increase substantially, Skanska will carefully consider the situation before starting construction of currently planned projects for its own account.

Our large investments in the shares of a number of well-known industrial, investment and property companies showed favorable growth during 1986.

In a relatively short period, Skanska has adapted its organizational structure to its new system of business segments. During the same period, there has been an infusion of new blood in many areas of management. This has also led to re-examination of our operations. We constantly try to adapt Skanska to changing conditions and new future-oriented goals. During 1987, the Company will once again thus be in the midst of a far-reaching action program to improve production and profitability. Skanska has many knowledgeable, experienced employees with the right motivation. We will build our teams around them and continue our work, with a strong sense of responsibility that reaches deep down in the organization.

During 1987 Skanska marks its 100th anniversary. This gives us another opportunity to join together in promoting the Company's continued development and disseminating information on what we can do, what we want and what we stand for. We will take advantage of this opportunity. We hope that in different ways we will be able to meet our shareholders, our clients and our other contacts in a pleasant centennial celebration.

Danderyd, April 1987



REPORT OF THE DIRECTORS

The Board of Directors and the President of Skanska Aktiebolag herewith present their report on the Company's operations during 1986, its 100th year of business.

The economic situation

During 1986 international economic developments did not fulfill the expectations that existed at the beginning of the year. As during the immediately preceding years, the Swedish economy grew more slowly than that of most other industrialized countries. Gross domestic product (GDP) thus increased by less than 1.5 percent.

Inflation continued to fall. Lower interest rates and oil prices as well as the diminishing value of the U.S. dollar against the krona helped limit the increase in Sweden's consumer price index to 3.3 percent. In international terms, however, Swedish inflation remained high.

Construction investments in Sweden, which have shown a declining trend for some years, increased somewhat. Lower interest rates helped bring about heavier capital spending, especially in industry and the service sector. New residential construction, which has shown declining figures for many consecutive years, also rose. During 1986 the number of housing starts was 28,900 units, an increase of 8 percent compared with 1985.

The international construction market was characterized by continued stiff competition and an unsatisfactory price level. Unstable currency exchange rates, falling oil prices and the debt burden of developing countries helped increase the problems of Swedish builders abroad.

Swedish market interest rates underwent a sharp decline during the first half of 1986, a weaker decline during the third quarter and a rapid rise during the final months of the year. Sveriges Riksbank - Sweden's central bank - cut the official discount four times for a total reduction of 3 percentage points, leaving the rate at 7.5 percent during the latter part of 1986. During the fall, the Riksbank decided to abolish the so-called placement requirement, under which insurance companies and pension funds had been compelled for many years to buy certain types of government and housing bonds. This meant that the interest rate on housing bonds was adjusted upward to the market level.

Invoiced sales and earnings

The Group

During 1986 the Skanska Group's consolidated invoiced sales, including rental income, rose by nearly 8 percent to SEK 16,103 M (14,957). The Swedish market accounted for SEK 13,471 M (12,703) of this, a rise of 6 percent. Invoiced sales outside Sweden - which fell sharply in 1985 - increased by roughly 17 percent to SEK 2,632 M (2,254). These amounts include the shares of Group companies in construction operations carried out in consortia with other companies.

The year's contracts credited to income totaled SEK 16,303 M (12,470). Invoicing on contracts credited to income rose to 108 percent (89) of invoiced sales during the year. As in prior years, the year's administrative expenses for construction operations were charged to income. The relatively high ratio between contracts credited to income and invoiced sales meant a reduction in earlier consolidation.

Income after depreciation on contracting operations etc. during 1986 was SEK -12 M (52). The reasons for this deterioration in earnings are commented upon under the heading Parent Company.

Parent Company

The year's invoiced sales by the Parent Company and those subsidiaries which operate on a commission basis for it advanced to SEK 12,399 M (11,704). Swedish invoiced sales rose from SEK 10,486 M to SEK 11,070 M. Sales outside Sweden increased, too - from SEK 1,218 M to SEK 1,329 M. The Company's share of revenues from building activities carried out in consortia with other construction companies accounted for SEK 1,522 M (1,397) of the year's invoiced sales. The Parent Company's purchases from other Group companies totaled SEK 290 M, and sales to such companies reached SEK 553 M.

The year's operating income after depreciation fell to SEK -110 M (49) despite the fact that invoicing for contracts credited to income amounted to 111 percent (89) of invoiced sales. Earnings derived from Swedish contracts credited to income showed some improvement. The decline in earnings was entirely attributable to operations outside Sweden.

For a number of years, the Company has carried out relatively large-scale production in Libya (S.P.L.A.J.). During 1985 and 1986, the opportunities for con-

tinued operations in that country gradually deteriorated. Payments for completed work largely ceased during 1986. Faced by the threat of a further increase in such claims, during 1986 Skanska decided not to undertake any new contracts in Libya. Provisions have also been made for possible losses on certain other projects abroad.

During 1986 order bookings from the Swedish market were about 15 percent higher than during the preceding year. Because of a lower influx of orders from international operations, however, by the close of 1986 the order backlog had dropped to SEK 7.7 billion (8.3). Foreign orders accounted for 14 percent (23) of this.

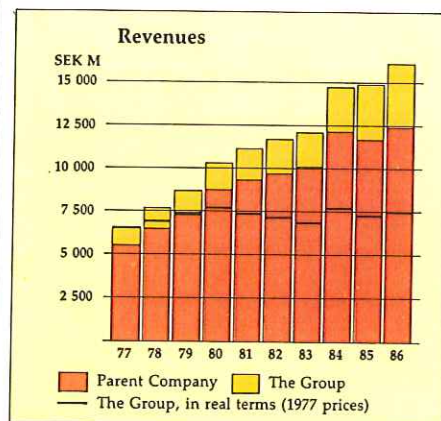
Other contracting companies

Aggregate revenues of these companies increased to SEK 1,792 M (1,511). Invoicing on contracts credited to income amounted to 104 percent (63) of this amount. Operating income after depreciation improved to SEK 1 M. The following paragraphs contain brief comments on some of the larger companies. A more detailed report can be found on pages 41-42.

Revenues of Ohlsson & Skarne AB continued to climb sharply during 1986, reaching SEK 634 M (535). The volume credited to income amounted to only SEK 307 M, however, and operating income was thus only SEK 0.2 M (-9.3).

Revenues of the Danish subsidiary C G Jensen A/S rose to SEK 580 M (564). Contracts credited to income exceeded SEK 900 M, and operating income after depreciation consequently improved to SEK 1.1 M (-17.2).

The Industriventilation group's revenues advanced to SEK 341 M (287),



and operating income after depreciation reached SEK 7.8 M (-1.7).

Industrial companies etc.

Within the category of Group companies that carried out operations outside the contracting and real estate fields, the year's revenues climbed to SEK 950 M (865). At the same time, operating income after depreciation improved to SEK 81 M.

The Myresjö group's revenues increased by nearly 20 percent to SEK 652 M (553). Operating income after depreciation also improved sharply to SEK 35.8 M (15.7). Sektionsbyggarna Oresjö AB also increased its revenues, reaching SEK 121 M (100). Operating income after depreciation rose to SEK 9.6 M (6.5). Boxholms Såg AB reported revenues of SEK 119 M (106). Because of the continued difficulties of the Swedish sawmill industry, operating income after depreciation was SEK -7.1 M (-6.3). Förvaltnings AB Albus showed an operating income of SEK 35.4 M (20.1) on its share dealing. The sale of a block of Series C shares in Ahlsell AB accounted for nearly half this surplus.

Reports on some of the larger companies' operations can be found on pages 42-43.

Property management companies

Rental revenues climbed to SEK 962 M (871). Operating income on investment properties after depreciation and interest on outside funds amounted to SEK 290 M (230). Certain non-recurring expenses totaling about SEK 40 M affected 1985 earnings. As in 1985, real estate tax - which amounted to SEK 47 M for investment properties - was reported as a tax and thus did not affect

operating income. A more detailed report on earnings from property management during 1986 is provided on page 21.

Management of redevelopment properties and partially owned partnerships and limited partnerships yielded an operating income of SEK 16 M.

Sale of investment properties

During 1986 the sale of investment properties owned by the Group brought in a total of SEK 189 M (79). Most of this was for commercial real estate in the Greater Stockholm area, but these sales also included residential properties in Mariestad, Stockholm and Ulricehamn. The above sales figure does not include the sale of participation units in AB Farsta Centrum KB, a limited partnership that owns a suburban Stockholm shopping center. This transaction is described below under the heading "Shares and participations." This divestment resulted in a gain of SEK 51 M. Given the nature of this holding, in the income statement it has been classified as a gain on the sale of investment properties. AB Mälarhus, a Group property management company, also carried out a similar sale of its participation units in Tullinge Kontorshus KB, a limited partnership in an office property near Stockholm, which was reported in corresponding fashion.

The Group's investment properties are mainly owned by companies which are classified as operating companies from a tax standpoint. This means that income from sales of real estate is not taxed according to capital gains rules.

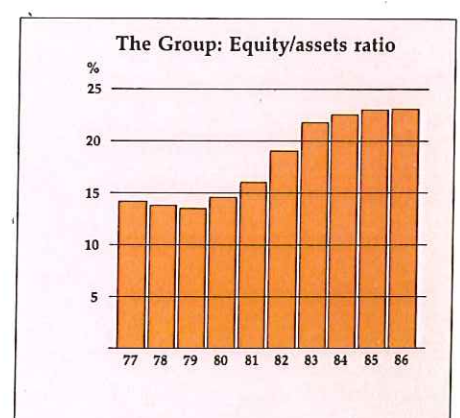
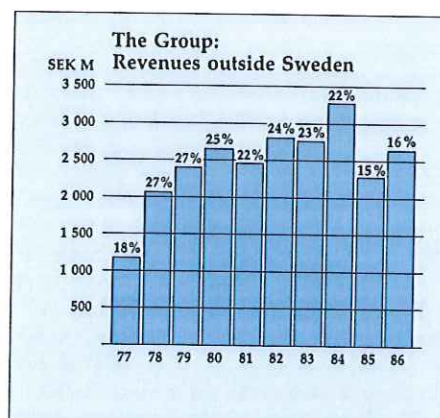
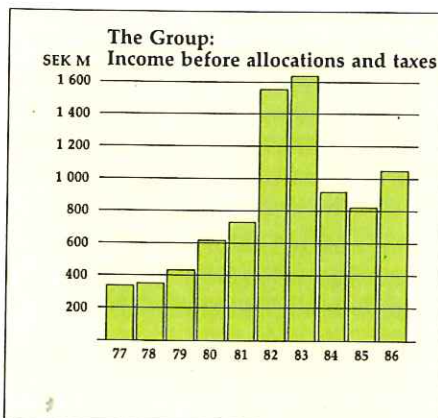
Financial items

The Group's financial assets are managed mainly by the Parent Company, whose surplus in net financial items dropped to SEK 520 M (555). The Group's surplus in net financial items was also lower, at SEK 455 M (478). The decline was thus on a limited scale, despite sharply lower market interest rates. Taken together, liquid assets and short-term investments increased somewhat toward the end of the year. At times, the existing differences in market yields resulted in substantial redeployments between different types of assets. During most of the year, more than SEK 265 M remained in a liquidity account in the Riksbank with fixed interest of 7 percent.

Dividends from non-Group companies increased sharply. The Group received a total of SEK 175 M (137) in such dividends. Of this amount, SEK 125 M (80) came from companies classified as long-term investments, whose dividends are thus exempt from taxation.

Income before allocations and taxes

Consolidated income before allocations and taxes rose to SEK 1,046 M (811). As the income statement indicates, the sale of shares - which is reported as an extraordinary item - accounted for SEK 155 M of this improvement. Rising interest rates during the latter part of the year and a strong September-December in a number of subsidiaries were the main reasons why the Group exceeded the forecast stated in the Interim Report published during the fall.



Profitability

Visible pretax return on capital employed fell to 16.2 percent (17.1). Return on shareholders' equity after full taxes was higher than in 1985, however, reaching 11.2 percent (9.5). The increase in the market value of the Group's share portfolio and real estate holdings was not included in these figures.

Personnel

During 1986 the employment situation in the construction industry was largely unchanged compared with 1985. In Sweden as a whole, the average unemployment rate among building workers was 6.2 percent (6.4). There were still significant regional differences between the major urban areas and most of the "forest counties," which in some cases had higher unemployment than during 1985.

The average number of employees in the Group diminished by more than 600 during 1986. The number of employees abroad increased by 280, while the decline in Sweden totaled nearly 900 employees. Nearly all of this decrease consisted of blue-collar workers.

The introduction of a more clearly defined organization in certain business segments (Swedish contracting operations, property management, international contracting operations) as well as a change in administrative structure resulted in significant redeployments of white-collar employees. The task of adapting each business segment's personnel strength to its market and profitability situation is underway. The Company's objective of increasing the

proportion of package deals will bring about increased efforts to recruit and train personnel for this type of assignments.

The practice of employing people for specific projects – which completely dominates new construction today – is currently the topic of discussions between Swedish labor and management organizations. Any transition to more permanent employment status for construction workers must be combined with other measures, including steps by the public sector to improve the continuity of construction activity in Sweden.

Capital expenditures

Group companies

During 1986, the composition of the Skanska Group was largely unchanged.

At the end of December 1986 Skanska reached an agreement under which it acquired all shares in the Gothenburg municipal housing company AB Göteborgshem. The shares were transferred in February 1987, but the final implementation of the transaction depends on the outcome of certain requests for preliminary rulings from the National Tax Board. Among other things, the purchase adds 4,300 dwelling units to the Group's residential properties. Most of these are in need of modernization and conversion, which will provide a substantial number of jobs during the next decade.

Investment and development properties

During 1986 the Group completed SEK 211 M (381) worth of investment properties for its own account. The year's sales

of investment properties totaled SEK 189 M (79). As for undeveloped land and redevelopment properties, a number of them were sold when construction on these properties was completed.

The year-end book value of all investment and development properties amounted to SEK 4,248 M (3,781). Completed investment properties accounted for SEK 2,960 M (2,924) of this total, undeveloped land and redevelopment properties for SEK 716 M (590) and properties with construction in progress for SEK 572 M (267).

Shares and participations

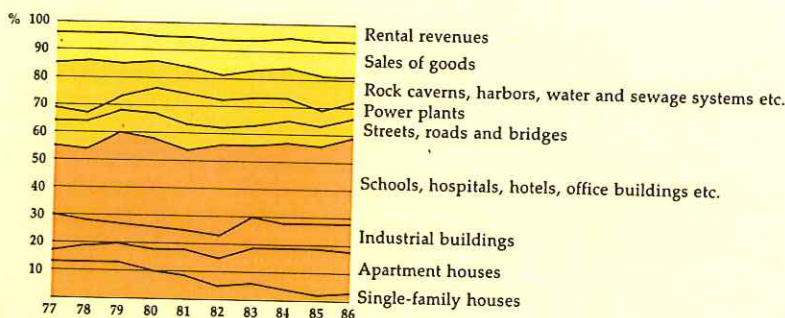
The Group's portfolio of shares and participations, which are booked as fixed assets, changed during 1986 due to a number of business transactions. Acquisitions – including participation in new issues – amounted to a total of SEK 386 M (1,116), while sales were on a considerably larger scale. The book value of shares sold amounted to SEK 471 M (22).

In connection with new issues or subscription offers, Skanska acquired small blocks of shares in the commercial property management companies Klöver Fövaltnings AB and AB Piren and in EDEBE Promotion AB. The Company also subscribed for 20 percent of the shares in the newly established Atrium Fastighets AB, a company whose specialty is investments in shopping centers. In addition, Skanska acquired approximately 5 percent of the shares in Investment AB Öresund, a stake which may be increased during 1987 under the terms of existing option agreements.

Because the most important sales occurred early in 1986, they were discussed both in last year's Report of the Directors and in last fall's Interim Report. Skanska's holdings in Säfveån AB (an investment company), AB Cardo (agribusiness investments) and Wilh. Sonnesson AB (engineering and health care products) were divested. In the first-mentioned case, as partial payment Skanska received convertible debentures in AB Catena (a diversified car dealership company), a small portion of which were later sold. The sale of participation units in AB Farsta Centrum KB was mentioned earlier. This holding – equivalent to 1/3 of the partnership equity – was sold early in 1986 to Atrium Fastighets AB.

Fövaltnings AB Albus carries out share trading as a business, and the Company's stock portfolio was thus

The Group: Revenues by product categories



reported as current assets. In keeping with the lower value principle, its shares were booked at SEK 94 M at the beginning of 1986 and SEK 104 M at year-end. Operating income during 1986 amounted to SEK 35.4 M (20.1).

At year-end the Group's total portfolio of securities listed on the Stockholm Stock Exchange had a book value of SEK 3,365 M (3,478). Its market value amounted to SEK 7,323 M (5,100). Skanska's stake in Graningeverkens AB, a forest product and hydroelectric power company, was not included in these amounts. Since the beginning of 1987 the difference between the book value of the portfolio and its market value grew further, amounting to SEK 4,872 M on April 15.

On December 15, 1986, Skanska and AB Handus, a wholly owned subsidiary of the investment company AB Industrivärden, concluded an agreement on a two-stage sale of Handus' entire shareholding in JM Byggnads och Fastighets AB, a construction and real estate company. An extra meeting of Skanska shareholders on March 4, 1987 approved the issue of 808,500 new Series A shares in Skanska as payment for the Series A shares in JM sold by Handus. After this, Skanska exercised an option included in the above-mentioned agreement, thereby acquiring Handus' Series B shares in JM as well. After that, Skanska's stake in JM is equivalent to 32.4 percent of its capital stock and 49.7 percent of voting power.

In March 1987 an offer was made to the shareholders in the real estate company Fastighets AB Stockholms Badhus to sell their shares to the life insurance company Livförsäkrings AB Skandia. If this offer is accepted by Skanska and is otherwise carried out, the Company will report a gain of more than SEK 340 M.

Machinery and equipment

Investments in machinery and equipment increased during 1986. The Group's total purchases thus reached SEK 391 M (348). The Parent Company accounted for SEK 291 M (277) of this. The Company's general investment reserve was utilized for the purchase of machinery intended for use in regional development areas designated by the Swedish government. During 1986, machinery and equipment with a book value of SEK 45 M (41) were sold.

Fixed-asset properties

Real estate held for use in each respective company's operations is booked as

fixed-asset properties. During 1986, Skanska added SEK 344 M (45) worth of such real estate. The largest single item was the Kymmen hydroelectric power plant in the Rottnen lake and river system of western Värmland province, near Norway. The power plant, whose normal annual production is estimated at 60 GWh, can be used as a pumped storage plant under extreme load conditions. The amount of SEK 250 M is reported as a fixed-asset property, of which SEK 21 M consists of land. The entire investment, excluding the land, has been depreciated against special and general investment reserves. An agreement has been reached with the power company Uddeholm Kraft AB on delivery of the energy produced.

Among other newly added fixed-asset properties belonging to the Parent Company were new office space in Linköping and at the concrete product plant in Sjövik, northeast of Gothenburg. Subsidiaries' investments were dominated by the Myresjö group's expansion of its production facilities in Myresjö and Vetlanda, southeastern Sweden, and the Danish subsidiary C G Jensen's acquisition of an office property in the Copenhagen area. Real estate with a book value of SEK 4 M (3) was sold during the year.

The book value of fixed-asset properties in the 1986 balance sheet was SEK 753 M (458). This was after depreciation of SEK 26 M (18). In addition, construction in progress on such properties was booked at SEK 2 M (157) at year-end.

During 1986 a small quantity of timberland was sold. After this, the Group owns 47,000 hectares (nearly 122,000 acres) of productive forest, with a book value of SEK 330 M (332).

Changes in the Parent Company's Board and organization.

In connection with the 1986 annual meeting of shareholders, Birger Löwhagen resigned as President and was succeeded by Lars-Ove Håkansson. Mr. Löwhagen also resigned from the Board. Percy Barnevik and Lars-Ove Håkansson, the latter previously a deputy member of the Board, were appointed as new Board members.

A number of organizational changes were implemented effective from January 1, 1987.

Göran Lidström, Executive Vice President, was appointed Deputy to the Pres-

ident, resigning at the same time as head of the Company's international operations. Mats Dahlbom became the new head of international operations. Executive Vice President Lennart Larsson resigned as the head of real estate operations and was succeeded by Bo G Boestad. The Southeastern region, which was discontinued some years ago, was re-established with its office in Växjö. Appointed as new regional managers were Per Westlund (Gothenburg) and Tommy Sernelin (Southeastern Sweden).

Shareholders' equity

As mentioned previously, an extra meeting of shareholders was held on March 4, 1987. The meeting approved an offer to AB Handus to subscribe for 808,500 Series A shares in Skanska, thereby making an exception from the right of priority to existing shareholders. The subscription price was SEK 215 per share. The shares entitle the holder to a dividend for the financial year 1986. The new issue was registered on March 30, 1987. This increased the shareholders' equity of Skanska by SEK 8,085,000 to SEK 625,016,600 and added SEK 165,742,500 to the legal reserve.

As part of the celebration of the Company's 100th anniversary, the Board of Directors of Skanska has decided to propose to the annual meeting of shareholders in June 1987 that it approve an increase in the Company's capital stock by an additional amount not to exceed SEK 0.8 M, with existing shareholders thereby yielding their right of priority. According to the proposal, employees of the Group who have reached a minimum of approximately 2 1/2 years of employment, in keeping with rules established by the Board, will be eligible to subscribe for five Series B shares. The new shares will be issued at a price of SEK 12 each and entitle the owner to a dividend for the 1987 financial year onward. The premium of SEK 2 per share will be allocated to the legal reserve. It is estimated that the number of people eligible to subscribe for these shares will not exceed 16,000.

Forecast

Swedish construction investments are likely to increase somewhat during 1987. Rising demand for housing – especially in major urban areas – will probably result in a rising number of housing starts. Earlier price levels – which have

not permitted acceptable profitability – are likely to undergo some improvement. The international construction market, in contrast, is expected to shrink further during 1987, with continued stiff price competition as a consequence.

Given this background, income from contracting operations during 1987 is expected to improve compared with

1986. It is also anticipated that earnings from property management will be better, primarily due to adjustment to the prevailing market situation when leases on commercial space are renegotiated.

Skanska's surplus on net financial items is strongly dependent on the trend of market interest rates. At the prevailing interest rates, a largely unchanged

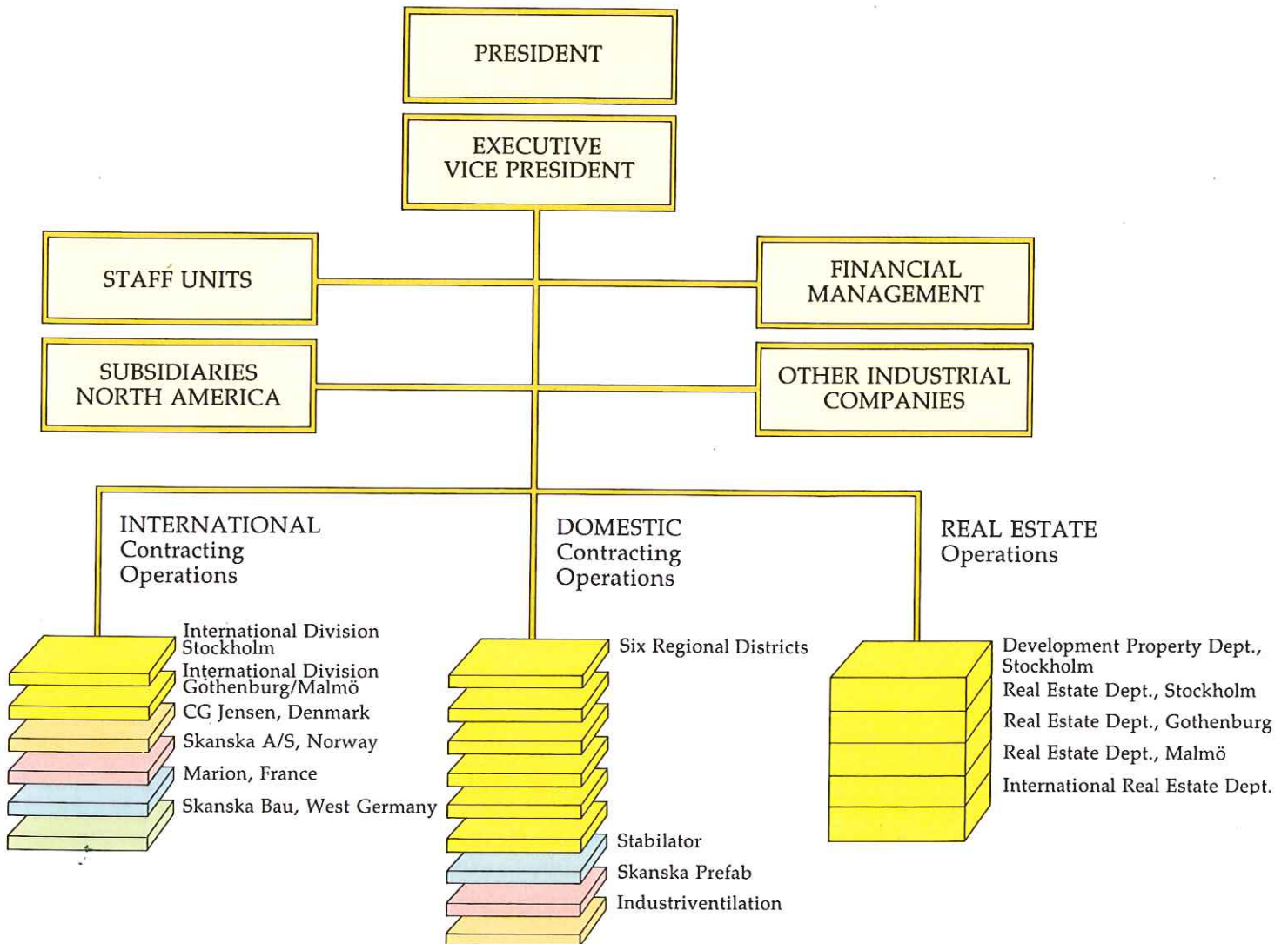
surplus can be predicted. Provided that the above-mentioned offer to the shareholders in Stockholms Badhus is accepted and carried out, it will result in substantial extraordinary revenue.

Under the above-stated conditions, consolidated income before allocations and taxes is expected to be higher than in 1986.



Skanska gives high priority to in-house training, and has a wide range of courses available.

Group organizational chart



Presentation of the regional districts

Industry the prime mover in western Sweden

The Gothenburg regional district is undergoing a period of adjustment. The district now consists of seven building construction divisions and one road, one public works and one technical division. The market was generally good during 1986, despite stiff competitive pressure.



Extension and conversion of the postal terminal in central Gothenburg.

Industry was, and remains, the prime mover. Especially in Gothenburg and the Trollhättan-Vänersborg-Uddevalla area, Skanska succeeded in obtaining a good share of construction assignments for industrial firms, the health care and social welfare sector, hotels and schools. Housing construction, in contrast, was more difficult because of lending rules and the planning situation in local governments.

The supply of ground and road works was normal. With its well-established local presence, its many permanent facilities and continuity of operations, the Gothenburg regional district's road division obtained a large share of such work. The market for major civil engineering projects was weak, however. Small jobs and the restoration of existing installations are being offered, but they cannot keep the district's resources occupied.

During 1986 some good reference jobs took shape in Gothenburg: Tornhuset – a private housing alternative for older people – and the big Solstaden renova-



Asphalt paving with recycled roadway materials.

tion project, which was among the reasons why Skanska was allowed to acquire the municipal housing company Göteborgshem and 4,300 of its apartments. These will be restored during a period of 8–10 years at an estimated annual cost of SEK 100–150 M.

The year's most interesting assignment, as well as Skanska's first major construction management job, involved Volvo's new car plant at Uddevalla. The year's most impressive structure, now about to begin construction, is the Skanska-owned Guldets office space project in Gothenburg's Lilla Bommen area. The IBM complex in the same block is the largest competitively awarded contracting job of 1986 received by the Gothenburg regional district. Another slightly unusual assignment was the installation of interior fittings of Stena Line's Polish-built ferryboat. The enlargement of the Summerland theme park in Skara and the expansion of Volvo's Skövde plant are continuing tasks, stretching over many years.

The road division's venture into fiber-



Gothenburg region Gothenburg

Alingsås	Skara
Angered	Skövde
Borås	Stenungsund
Falköping	Strömstad
Lidköping	Tibro
Mariestad	Trollhättan
Mellerud	Uddevalla
Mölnådal	

1986 revenues: SEK 2,150 M
Order backlog, Dec. 31, 1986: SEK 1,554 M
Employees (full-time equivalent): 3,345
Regional manager: Per Westlund

reinforced paving is an innovation that is spreading around Sweden. The division's energy task force in Trollhättan has opened an attractive niche by expanding and assuming responsibility for delivery of heat via municipal district heating networks.

The shortage of skilled workers in the region is troublesome, and the resulting wage drift is a major problem. Recruitment of engineers, on the other hand, has been satisfactory. The regional district devotes a lot of effort to recruitment and to providing mentors and job training.

An important service unit for the production divisions is the district's well-equipped workshop and store in Linnarhult.

During the last few years the activities of the subsidiary Gråbo Bygg have been restructured from producing single-family houses to specializing in prefabricated bathrooms, building-site offices and pavilions for temporary housing.

The district's highly skilled design division helps construction units to carry out design-construct assignments and to both prevent and resolve problems related to all types of contracting jobs.

The district is not without its problems, however. A few major contracts in Gothenburg yielded poor profitability, and the subsidiary IMS has had to cut back its operations and shut down the Lödöse shipyard.



The new Swedish State Railways ferry berth in Helsingborg. Behind it are grain elevators belonging to the regional farmer cooperative Skånska Lantmän.



Southern region

Malmö

Dalby	Kristianstad
Eslöv	Lund
Fosie	Trelleborg
Helsingborg	Ängelholm
Hässleholm	Önnestad
Kivik	

1986 revenues: SEK 1,830 M
 Order backlog, Dec. 31., 1986: SEK 1,600 M
 Employees (full-time equivalent): 2,933
 Regional manager: Sven-Eric Hersvall

Small projects dominate Southern region

The Southern region became smaller when the Southeastern region was established on January 1, 1987. The Southern region now encompasses only Skåne, the province which gave Skanska its name. The region has five building construction divisions and one road, one civil engineering and dredging division and one technical division. The supply of assignments has been satisfactory, but competition is stiff. The regional district has a good work load, dominated by numerous small and medium-sized projects.

This year, the supply of work in the housing construction market is expected to increase. Inadequate lending limits remain an obstacle to a rapid growth in residential construction, however. Repair, conversion and extension of existing buildings is declining in the Malmö region. An unchanged market situation is anticipated in industrial and public-sector construction and in road paving assignments.

The regional district has a large technical division as well as special skills in slipforming work, heavy industrial buildings and harbor and marine construction projects. During 1986 the district began a grain elevator construction job worth SEK 80 M for Skånska Lantmännen, a regional growers' cooperative, and it completed a train ferry berth for the Swedish State Railways (SJ) – both in Helsingborg. A new office building for Swedish Telecom (Televerket) in Malmö, costing about SEK 100 M,

was among the year's larger orders, as was the conversion of part of Malmö's Caroli City complex into a Scandinavian Airlines Systems (SAS) hotel, a project worth SEK 65 M.

The expansion of Sweden's first research park – Ideon, located next to the Lund Institute of Technology – has taken place over a period of years. Ideon has now achieved a large volume. Skanska became involved in 1983, when the Ideon concept was being developed, and has actively contributed to its realization through package deals. Skanska is also involved in the initial stages of Medeon, a smaller medical and dental research park being built next to Malmö General Hospital.

During 1986 the number of employees in the district's staff and support divisions was reduced and the organization was made more efficient. Continued streamlining is necessary. Beyond this, the excessive wage drift in the region is



A historic house in Malmö, restored for Sulcus, a Skanska real estate company.

à major problem. Another problem has been the negative impact on the profitability of the district's construction operations resulting from the completion of certain projects abroad.

The technical division reported a good work load, including assignments from both Group and outside clients.

The large workshop and store in Fosie (Malmö) also had a high level of activity in its operations.

Among the regional district's subsidiaries, it is worth giving special mention to Skånska Makadam, which marketed itself actively during 1986. This yielded good results.



The new waiting room for railroad passengers at the Stockholm Klara terminal.



Stockholm region
Stockholm/Danderyd

- | | |
|------------|----------------|
| Farsta | Södertälje |
| Huddinge | Trångsund |
| Sollentuna | Upplands Väsby |
| Sundbyberg | Älvsjö |

1986 revenues: SEK 2,579 M
 Order backlog, Dec. 31, 1986: SEK 2,600 M
 Employees (full-time equivalent): 2,730
 Regional manager: Bert Lilja

Stockholm region an attractive market for future-oriented projects

The market is very good in the Stockholm region. About one third of all construction in Sweden takes place there. It is an attractive market where a lot is happening in all areas of operations. The regional district, which has six building construction divisions as well as road, civil engineering and technical divisions, is also involved in planning such future-oriented projects as the Arlanda Stad development at Stockholm International Airport, the Österleden ring road/tunnel and the expansion of local and long-distance train services. Skanska's well-developed CAD technology for both civil works and building construction projects has helped bring about fine technical solutions in various projects.

The growth of the Stockholm region benefits the whole country. The Swedish capital is in great need of ring roads, more double tracks and railroad stations, expanded energy supply and both new and renovated residential space. There is a threat of a severe housing shortage. Skanska is actively involved in projects designed to satisfy these needs.

The regional district's participation in the Österleden bypass road/tunnel project; its agreement with the Nynäs Complex on the construction of a hot water pipeline between its proposed petrochemical plant at the port of Nynäshamn and Stockholm; and the proposal for a long-distance train station at Flemingsberg in the suburb of Huddinge are examples of this. Other exam-

ples are Skanska's role in Novum, a biotechnology research center at Huddinge University Hospital; and its participation in the restoration of suburban residential developments in Greater Stockholm built during the "million dwelling program" of 1965-1975.

Other future-oriented Skanska projects are its ideas on development of a neighborhood in Upplands Väsby and the construction of housing for young people in Sollentuna by increasing neighborhood density. The latter project is to be completed before the end of 1987. In the nearby suburb of Järfälla, the restoral of housing, offices and shopping areas in the Barkarby area is now underway.

During 1986 Skanska continued its

expansion of the Rissne neighborhood in Sundbyberg and construction of the Stockholm Klara postal terminal. It began major redevelopment work at Stockholm's Södra station and office space for the Bank Giro interbank clearing service. The regional district completed a large residential project in Edsbacka, Sollentuna, and the upgrading of environmental technology in the Henriksdal neighborhood of Nacka.

ByggDirekten, the regional district's repair, conversion and extension service operation, grew strongly during 1986. An asbestos removal company, Sanab, was formed in partnership with Calor-Celsius, a piping contractor.

During 1987 the district also intends to expand its rock crushing and asphalt operations by adding a plant in the Arlanda area.

The workshops and store in Upplands Väsby reported extensive and successful operations during 1986. They provide an increasing degree of service.

The district's technical division participated successfully, as always, in Skanska's jobs both in Sweden and abroad. Thanks to a well-crafted proposal of its own, the civil engineering division received a contract for the Ekolsund Bridge near Uppsala. Investigative resources for repair, conversion and extension of water and sewage systems were heavily utilized during the year.

Package deals increasingly common in Central Sweden region

During 1986 the supply of work in the construction market was generally good in the Central Sweden region, where each county has a building construction division and a manager for road construction, whose work is coordinated by a single district road division manager. Some slowdown is now noticeable in certain areas. A shrinking supply of work in a market characterized by surplus capacity and stiff competition is a serious warning sign. A company may find itself with excessive overhead expenses if it does not adapt its resources and operations in time to the needs and wishes of local clients. There is a trend toward more package deals — including responsibility for the function, finances, quality and operation of completed projects.

In a number of places, the Central Sweden regional district has also managed to win support for its own proposals at an early stage of a project. Examples are a shopping center in Stöten, Dalarna province, a successful land-use proposal for a centrally located block in Motala, and a design-construct assignment to renovate a 1,400-unit residential area in Västerås for the municipal housing company Mimer. In Enköping the housing company Hyresbostäder assigned Skanska the task of carrying out a program of its own, within specified lending limits, to renovate 800 apartments and assume responsibility both for project management and administration of the renovation process.

Among the other new ideas tried out by the Central Sweden regional district,

Skanska bought a school in Falun from the municipal government, renovated it and is renting out space to such tenants as the Regional Music Authority. In Eskilstuna, Skanska is investing in a development center in partnership with the Regional Development Fund, the R&D Council, the Eskilstuna/Västerås higher education authority, the defense contractor FFV and the municipal government. This project, known as Samtek, is aimed at creating an environment for human, technological and business development. In Uppsala, Skanska has become a part-owner of the Glunten research park, whose first 4,000 m² (43,000 sq ft) stage began to be built during 1987.

In Mora, Skanska formed a limited partnership with the municipal govern-



Central Sweden region Stockholm/Danderyd

Arvika	Mora
Borlänge	Norrköping
Bålsta	Nyköping
Enköping	Säffle
Eskilstuna	Tierp
Falun	Torsby
Karlskoga	Uppsala
Karlstad	Västerås
Linköping	Örebro

1986 revenues: SEK 1,766 M

Order backlog, Dec. 31, 1986: SEK 1,320 M

Employees (full-time equivalent): 2,335

Regional manager: Göran Larsson

ment to expand the existing Alpine skiing facilities and other tourist amenities at Gesundaberget. These facilities are leased and operated by a joint company owned by four local firms.

Among major industrial projects which began during 1986 were the extension of Stora's Kvarnsveden paper mill, a trash-burning plant for the Municipality of Karlstad, extensions for the heavy equipment manufacturer Volvo BM and a project for the agricultural computer firm Lantbruksdata (the latter two jobs in Eskilstuna).

In Karlstad and Linköping, Skanska was entrusted with the construction of new offices for Sveriges Riksbank. In Munkfors, during 1987 the Company will begin construction of a housing project for the National Association of Tenants' Savings and Building Societies (HSB) according to a concept introduced at the Bo 85 housing exhibition, i.e. entirely prefabricated star-shaped apartment buildings that preserve the natural environment right next to the buildings.

The regional district's road builders reported a good year in 1986. One interesting Skanska project in which they are participating involves the Company-owned sawmill in Boxholm. A district heating system will pipe hot water from the mill's boiler room to residential, industrial and municipal buildings.

During 1986 the district carried out a down-to-earth internal training program under the slogan "Better Builders." It deals with production, financial and quality monitoring at construction sites.



Hotell Kompaniet in Nyköping is part of the Home Hotel chain.

Southeastern region is reborn, starts with strong market position

The Southeastern regional district, reborn at the beginning of 1987, consists of five building construction divisions and a road division. The district has a strong overall market position but the market is clearly weak in certain geographic areas.



Southeastern region

Växjö
 Gislaved
 Halmstad
 Jönköping
 Kalmar
 Karlshamn
 Karlskrona
 Ljungby
 Nässjö
 Oskarshamn
 Ronneby
 Varberg
 Visby
 Västervik

The Southeastern regional district is especially strong in road and civil engineering work. This is by virtue of good market coverage and large resources in well-equipped and well-maintained facilities. In addition it has an excavation and trucking subsidiary of the appropriate size working on a commission basis – Schakt & Transport, Växjö.

Such major projects as Södra Skogsägarna's Mönsterås paper mill or the nuclear power plant and adjoining underground storage facility for spent fuel at Simpevarp (Oskarshamn) were one-time phenomena, and nothing similar is within sight. During 1987, however, the district will begin SEK 100 M worth of maintenance work at Södra's Mörrum mill.

The district's building construction work was dominated by contracts for county councils and industrial firms. The first stage of the Växjö county hospital was completed during 1986, as was the surgical wing at Karlskrona. A major hospital construction job is still underway in Jönköping. As for industry, Skanska is continuing to carry out extensions of the Volvo plants in Kalmar and Olofström.

Housing construction work has included both new buildings and repairs, conversions and extensions. In central Kalmar, for example, the Bryggeriet (Brewery) block is undergoing urban renewal. An old brewery there is being replaced by a residential building, which Skanska is constructing for the housing company Kalmarhem. Residential construction activity is expected to increase in the Southeastern region due to a housing shortage in its larger cities.

During the 1970s and early 1980s, several divisions in the regional district participated in construction abroad. This has now diminished greatly in vol-

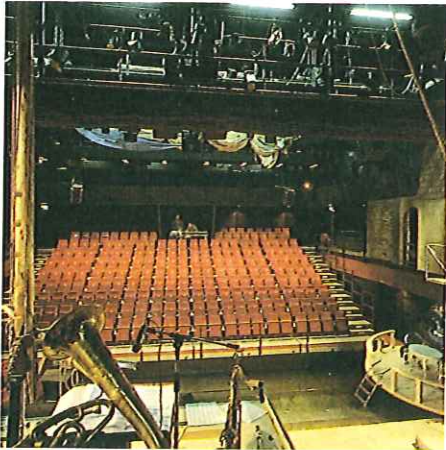
ume. As a result, the organization and its resources have to be adapted to the market. There is surplus personnel in some parts of the organization. The task of solving these problems is underway.

The district's strong market position, the current adjustment of its resources, and efforts to improve the monitoring of production and quality give it the prerequisites for smoothly functioning future operations.

1986 revenues: SEK 1,373 M
 Order backlog, Dec. 31, 1986: SEK 728 M
 Employees (full-time equivalent): 1,951
 Regional manager: Tommy Sernelin



Saab-Scania Combitech's electronics factory and offices in Jönköping, completed in late 1986.



The Norrbotten Theater in Luleå.



Extension of Alpine skiing facilities in Åre.



**Norrland region
Sundsvall**

- | | |
|------------|--------------|
| Gävle | Sollefteå |
| Kramfors | Söderhamn |
| Ljusdal | Umeå |
| Luleå | Örnsköldsvik |
| Piteå | Östersund |
| Skellefteå | |

1986 revenues: SEK 1,278 M
 Order backlog, Dec. 31, 1986: SEK 800 M
 Employees (full-time equivalent): 1,809
 Regional manager: Lennart Daleke

Northerners shift emphasis from industry to housing

The overall construction market in the Norrland district stagnated. In some areas it fell by half in 1986. Skanska's major industrial assignments were over. In contrast, some increase was noted in other areas. But the competition is tough. Not only are all the nationwide construction companies represented, but in some places there are also strong local builders. The region has five building construction divisions and road, hydroelectric power plant and technical divisions.

For the Norrland region, 1986 was characterized by strong efforts to offer clients complete service from the talking stage to the finished project. An interesting example of this is the expansion of the Södra hamnen (South Harbor) project in Luleå, including a concert hall, a hotel, offices, a parking garage and 390 apartments. To implement this, Skanska signed a cooperation agreement with the construction firm Riksbyggen. The district's Gävleborg branch has successfully carried out design-construct contracts to renovate dwellings for cooperative housing associations.

The Sundsvall branch finished its construction work at SCA's Ortvikens paper mill, an investment worth more than SEK 200 M. Also completed during 1986 were the new offices in Sundsvall of Sunds Defibrator, an internationally well-known manufacturer of pulp and paper mill equipment.

During 1986 the Örnsköldsvik office finished a large rush job for the MoDo forest product group - construction

related to that company's third paper machine at Husum, the PM 8. The project was worth SEK 150 M. The office also had 60 men at work all year doing repairs and maintenance as well as small construction assignments for MoDo at nearby Husum and Alfredshem.

Because the industrial construction market is beginning to exhaust itself, the Norrland regional district is focusing on increasing its skills in residential construction in Sundsvall, Örnsköldsvik and Umeå. This is because even in thinly populated northern Sweden, the need to step up the construction of new housing is starting to become evident.

An interesting organizational change took place in the region during 1987. Both in Luleå and Östersund, road and building construction operations were placed under a joint branch office manager, thereby creating what might be called "comprehensive construction divisions."

The hydroelectric power plant division completed the Kymmen power

plant in Värmland, western Sweden. This is Skanska's first hydroelectric plant of its own, and the power it generates is sold to Uddeholm Kraft AB. The division also completed the first mini-power station in Norrbotten, Sweden's northernmost county. Two more will be completed during the spring of 1987. This year Skanska started to build a 3 km (2 mi) tunnel, blasting away 400,000 m³ of rock, between Lake Storsjön and the Indalsälven River for a water regulation company. During 1987 Skanska will also start to build a water regulation dam and a power station at Skinnmuddselet on the upper Gideälven River for Gide Kraft AB, a power company.

In 1986 Skanska began collaboration with Graningeverken, a forest product and power company. Skanska is blasting out new timber storage space for the company in Bollstabruk and is being allowed to recycle the debris. Skanska started both rock crushing and asphalt plants in Bollsta and has permission to operate them until 1989.

In a consortium with Siab, a construction company, Skanska is carrying out a very large underground assignment - the largest in Sweden - for the LKAB iron company at its Vitåfors mine in Malmberget. A new tunnel system is being created at a depth of 615 meters (over 2,000 ft), a task that will continue until 1990.

The district's gravel and concrete subsidiaries Sundsvalls Grus & Betong and Hälsinge Grus och Betong had a successful year, even though concrete sales in the Sundsvall area fell sharply due to the low level of industrial construction.

International operations

Skanska's entire international operations, except for those carried out in the United States and Canada, were given a new organizational structure effective from the beginning of 1987. They have been placed under the umbrella of "the Skanska International Contracting Operations" which now works through two international divisions, one in Stockholm and the other in Gothenburg/Malmö, as well as through four major subsidiaries abroad: C G Jensen A/S in Denmark, Skanska A/S in Norway, Marion SA in France and Skanska Baugesellschaft mbH in West Germany.

The international contracting market has become increasingly tough in recent years. Its volume has declined, among other things because oil-producing countries believe they have already done enough construction and in many cases have had payment difficulties. Protectionist tendencies are also increasingly noticeable. Many developing countries have increased their level of skills and have a cost situation which makes the market unattractive to foreign contractors.

What creates particular difficulties in the international contracting market is the major role played by soft loans in competing for contracts. The ability to offer good financing is frequently decisive. Subsidized financing is consequently very important. But creativity and a high level of technological skills obviously also remain major factors in the case of technically complex projects.

Skanska's construction work abroad consequently now focuses primarily on products and projects in which we have had thorough technical expertise and extensive experience for many years, such as dams and hydroelectric power plants, other tunneling and underground assignments, harbors, hospitals and hotels. Skanska is mainly looking for turnkey projects, where a large proportion of the design, project manage-

ment work etc. are provided by the contractor.

For Skanska's international construction specialists, 1986 was a gloomy year. Losses were considered to be large. The Stockholm international division was a bright spot, however.

The large and technically complex hydroelectric power project in Mrica, Indonesia, has so far proceeded according to plans. Despite a "300-year rain" in March 1986, which caused the water level in the river to rise 13 meters (43 ft) in two hours and left the power station site under water, it proved possible to keep the project well in step with the timetable. The entire power plant will be in service during 1989 as agreed.

The final costs of this type of large project, which are affected by so many factors, are difficult to assess preliminarily. It is thus that much more satisfying when they stay within existing financial limits. In the case of Mrica, these limits at first seemed low, but now we know that they will hold. This is very important, because Swedish government agencies have committed funds to the project and therefore feel morally responsible for its implementation.

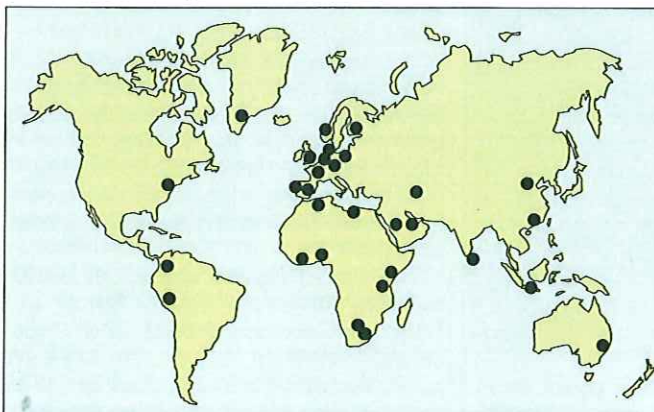
In Kenya, Skanska and its Canadian associated company Foundation, working in the Kimco consortium, largely completed their part of the Kiambere

project – the power station and intake tubes, tailrace tunnel, switchgear etc. – during 1986. The underground reinforcements required at Kiambere were less extensive than both the British engineering consultant firm and Kimco had deemed necessary. For this reason, the Swedish-Canadian financing package for the project did not have to be fully utilized in the construction of the power plant. The client, the Tana and Athi Rivers Development Authority, thus decided to use the money to improve the access roads to the power plant. This task was entrusted to Kimco.

Another positive development was that Skanska has once again managed to establish itself in the Hong Kong market. It now has a representative office there and a partly owned company, Pol-lard Construction Ltd. During 1986 a consortium including Skanska was awarded a contract for construction of a motorway in Hong Kong with 5 km (3 mi) of road tunnels and an estimated construction time of three years and seven months. The consortium also received an order to alter the route of Tonkin Street and lengthen it – a task expected to take two years – and to construct Area 6 of the large Tai Po land development project, i.e. build roads and streets, change the course of a river, and build a canal, bicycle paths, bridges etc. Actual construction time for Tai Po is estimated at two years and nine months.

Because of about SEK 100 M worth of supplementary work at the Kotmale hydroelectric project in Sri Lanka, Skanska will stay there throughout 1987. As the base organization for the Kotmale project remains in the island nation, in the spring of 1987 it won a World Bank-financed contract to restore the Kantalai Dam. The foundation work

In 1986 the Group was active in more than 30 countries outside Sweden. Foreign revenues totaled SEK 2,632 M.



	SEK M		SEK M
Algeria	14	Libya (S.P.L.A.J.)	269
Australia	3	Netherlands	27
Botswana	15	Nigeria	74
China	41	Norway	266
Colombia	3	Peru	23
Denmark	332	Poland	62
Finland	61	Portugal	3
France	103	Qatar	3
Great Britain	14	Saudi Arabia	435
Greenland	144	Spain	23
Hong Kong	13	Sri Lanka	80
Indonesia	275	Tanzania	109
Iran	11	United States	122
Ivory Coast	15	West Gernay	21
Kenya	46	Others	10
Lesotho	15		

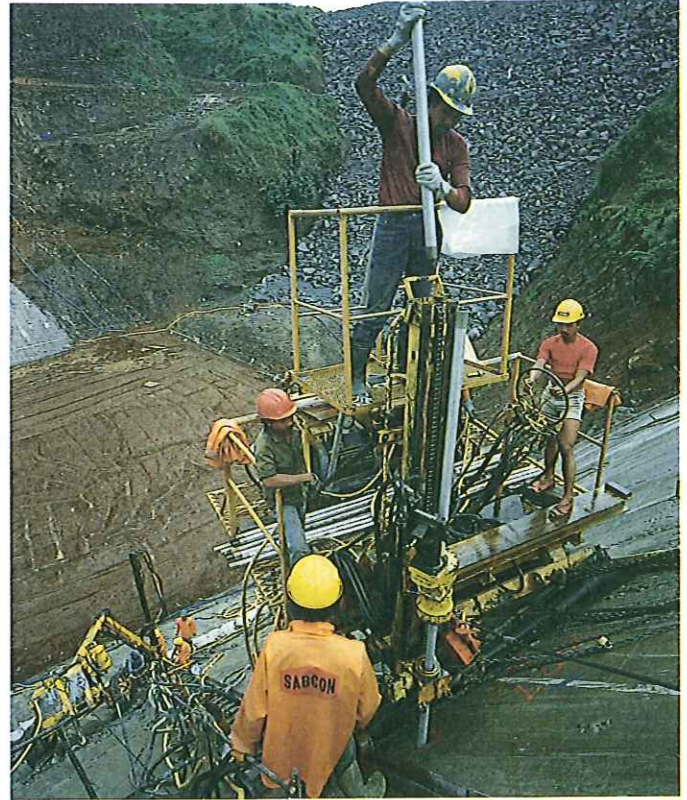
1986 revenues: SEK 2,510 M
Order backlog, Dec. 31, 1986: SEK 1,700 M
Swedish employees (full-time equivalent): 162
Manager: Mats Dahlbom



Access roads being built to the Kiambere power plant in Kenya.



The Red Sea Hospital in Jeddah, one of two turnkey hospitals built in Saudi Arabia.



Curtain grouting under the clay core of the main dam at the Mrica power plant in Indonesia.

and the bridge deck for one side of the two Kalutara bridges have been completed. Because a new foundation must also be laid for the other side, the assignment has been extended for one year. This work will thus continue throughout 1988.

In South America, the market is nearly non-existent due to the weak economic situation of all countries. The big Majes irrigation project in southern Peru is being completed this year after more than a decade of construction work. This year there are also hopes of being able to resume construction of the Carhuaquero power plant in northern Peru, a project which has been suspended because of payment difficulties.

In Africa there are largely only a few World Bank or development aid-funded projects. During 1986, however, Skanska in partnership with Sweden's Ericsson Group signed a contract with Nigeria's state oil company to install a telecommunications network that will mainly occupy a cable that follows an oil pipeline. Skanska will lay 870 km (540 mi) of cable and erect small buildings and foundations. The order is worth a

total of SEK 600 M, which Skanska and Ericsson are sharing.

In 1986 Skanska also became part of a major new project in Spain. Together with a Spanish company, it is building a large underground power plant installation where the Rio Duero and Rio Huebra meet at Saucelle, located on the border with Portugal. The construction period is just over three years.

The actual construction work on the hospitals in Jeddah and Bishah, Saudi Arabia, which began in 1985, is finished. These are turnkey projects in which Skanska is responsible for everything from landscaping to interior fittings and medical equipment. The hospitals will be turned over to the customer at the end of 1987.

International operations are having an increasingly difficult time recruiting talented Swedes willing to work abroad for 2-5 years.

Third-country nationals (TCN workers) are disappearing more and more from our work sites abroad, because we have few construction projects in the oil-producing countries where they have worked previously. The Stockholm

international division, which works in other markets, almost always uses local labor at its construction sites.

The oldest and largest subsidiary in the International Division is C G Jensen in Denmark. CGJ had some difficulties in its domestic market during 1986, but its operations in Tanzania were successful. CGJ has worked there since 1974.

In 1986 C G Jensen manufactured and delivered a ferryboat in sections, which were welded together in Tanzania. The ferry will be handed over on a turnkey basis this fall and will then begin transporting people and cargo on Lake Victoria. The project was financed by DANIDA, Denmark's development aid agency.

Stage II of the big national bank construction project in Dar-es-Salaam was completed during 1986, and now CGJ is working on Stage III. The whole project is worth about SEK 200 M. CGJ also has various small assignments in Dar-es-Salaam for domestic and foreign clients. Among other things it is renovating residential buildings for the Swedish International Development Authority (SIDA).

Real estate operations

Skanska is one of Sweden's largest property owners. During 1986, real estate operations were separated from the regional districts and placed directly under the President as a separate business segment, whose objective is to supply the kind of premises and services which the market demands. This is done mainly by starting with undeveloped land and designing and constructing buildings as investment properties. All real estate holdings are managed by Skanska's various real estate companies. There is also a subsidiary called Skanska Fastighetservice AB in which those who maintain the Group's properties are employees.

Real estate operations take place through five departments:

- The real estate department in Malmö, whose territory coincides with the Southern and Southeastern regions. Its largest subsidiary is Fastighets AB Sulcus in Malmö.
- The real estate department in Gothenburg, whose territory coincides with the Gothenburg region. Its largest subsidiary is Fastighets AB Betongblandaren.
- The real estate department in Stockholm, whose territory coincides with the Stockholm, Central Sweden and Norrland regions. Its largest subsidiaries are AB Mälarhus and Fastighets AB Vellonia.
- The development property department in Stockholm, which is in charge of lots acquired for subsequent construction and rental. After that, the real estate department in Stockholm assumes responsibility for these properties.
- The international real estate department, whose main area of operations is Western Europe and North America.

About 80 percent of the properties that Skanska manages today were built by its construction departments. The Group has built up its real estate holdings methodically over a period of many years. It now constructs between SEK 500 M and SEK 1 billion worth of properties annually for its own account, the bulk of them in the Stockholm region.

Skanska collects about 45 percent of its rental revenues in the Stockholm region. Next in volume are its southern Swedish properties, representing about 25 percent of the total. The proportion of office buildings is substantially higher in Stockholm than elsewhere in Sweden.

The Malmö department's most interesting project during 1986 was the conversion of portions of Caroli City into an SAS hotel. This is an investment of SEK 85 M. The hotel will have 240 rooms, restaurants, conference space etc. The lease with SAS runs for 15 years, with the opening date scheduled for October 1987. Another interesting project is the Kolonien (Colony) city block in Helsingborg, which is being converted and extended to create a total of 10,000 m² (over 100,000 sq ft) of offices, shops and apartments – an investment totaling SEK 65 M.

The real estate department in Gothenburg began to design a large office building – about 40,000 m² (430,000 sq ft) of space in Gothenburg's Lilla Bommen district – with construction due to begin during the first half of 1987. Just before year-end 1986 Skanska acquired the municipal housing company Göteborgshem, including 4,300 of its apartments. On Halmstad's main square, construction of an interesting three-story commercial and office building began.

In the Central Sweden region, during 1986 the real estate department in Stockholm began construction of a partly owned office and commercial building in Karlstad, at a total cost of SEK 80 M. It also began construction of a building in central Mora containing a new Skanska office, a hotel and a discotheque. During the year Skanska completed an office building in Nyköping, and an office building in the Vapensmeden (Gunsmith) block of Eskilstuna which is leased by FFV, a government-owned defense contractor.

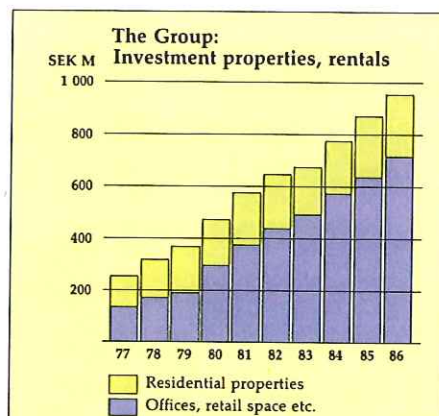
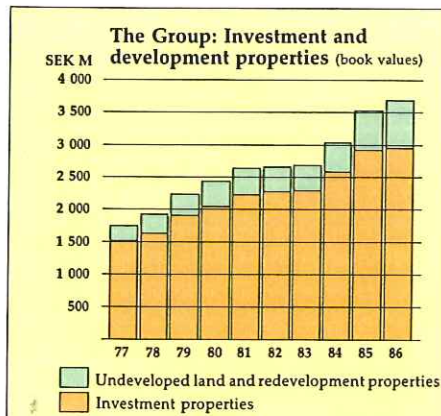
In the Norrland region, Skanska completed the addition of 60 new rooms to the Hotel Winn in Östersund, while the hotel's older rooms are being renovated during 1987. In Härnösand, the former Domus cooperative department store was gutted and renovated, including the addition of an extra office floor.

Projects in the Stockholm region during 1986 included the beginning of an extension of Nacka Centrum, a suburban shopping center, costing SEK 350 M; an energy center costing about SEK 185 M; an office building in Solna costing roughly SEK 80 M; and the half-owned hotel on the heights of Södermalm overlooking Stockholm's Old Town, costing about SEK 300 M. Construction continues on an office complex costing SEK 500 M in the electronics center of Kista – IBM will rent half the building – as well as conversions and extensions of a property in downtown Stockholm and conversion of the half-owned Hotel Carlton into offices. Skanska is still renovating and extending the suburban Haninge Centrum and is constructing 53,000 m² (over 550,000 sq ft) of office space in the nearby Najaden (Naiad) block.

Projects designed during 1986 included offices to be built on the site of a former ASEA factory in Stockholm's Södermalm district, a biotechnology center at a large teaching hospital in Huddinge and an office building in Upplands Väsby.

In the United States, Skanska owns land partly for sale and partly for its own investment properties. On East 44th Street in Manhattan, a stone's throw from the United Nations, it owns a property where a new 10,000 m² (107,000 sq ft) building can be constructed.

Skanska owns a parcel of land near Boston, Massachusetts, zoned for about 550 single-family homes. The first 50 homes have been built and sold. In Atlanta, Georgia, Skanska owns half of an office building now under construc-



Book value of investment and development properties: SEK 4,248 M
of which abroad: SEK 289 M
Rental revenues: SEK 962 M
Employees, departments (full-time equivalent): 105
Employees Skanska Fastighets-service AB (full-time equivalent): 316
Manager: Bo G Boestad

tion, which will be rented out. The production cost is about USD 40 M. The building is scheduled for completion in the second half of 1987. Skanska also owns 27.5 percent of Skandinavian Development Inc. (SDI), which in turn owns 100 percent of the former Vance Corporation in Seattle. This real estate company, which has been reorganized and renamed Camlin Corporation, is one of SDI's five wholly owned subsidiaries. Skanska has management responsibility for the corporate group.

In Western Europe, Skanska has begun cooperation with Scandic Hotel AB, Sweden's largest hotel chain. In 1986 Scandic assumed management of the first hotel in West Germany which Skanska had planned, designed and constructed for its own account. The 170-room hotel is located in Koblenz, and Scandic is responsible for managing it under a long-term rental contract. In the summer of 1986 Skanska began construction of a 380-room hotel in Vienna, Austria, under the same arrangement. In 1987 it will begin construction of an additional hotel - this time with 200 rooms - located in Ettlingen, outside Karlsruhe, West Germany.

Some figures on Skanska's real estate operations:

- As of December 31, 1986, the book value of Skanska's investment and development properties, excluding construction in progress, was SEK 3,676 M (3,514). Undeveloped land and redevelopment properties accounted for SEK 716 M (590) of this.
- The book value of construction in progress was SEK 572 M.
- In 1986 investment properties comprised 280 (290) separate units.
- Pretax income from property management was SEK 290 M (230).
- At year-end, unrented premises were equivalent to a lost income of 2 percent of total rental revenues.
- SEK 2,529 M (2,098) worth of loans were secured on real estate holdings, or 85 percent of their book value.
- The average interest rate on borrowed funds was 9.8 percent (10.9).
- The Group's investment and development properties have been written down by SEK 375 M beyond ordinary depreciation. This is reported as an untaxed reserve in the consolidated balance sheet.
- Investment properties are depreciated at the maximum annual amounts permitted by tax law.



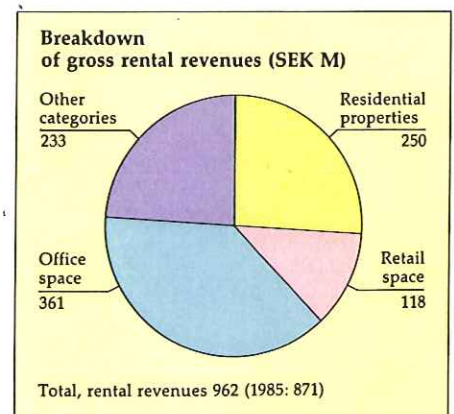
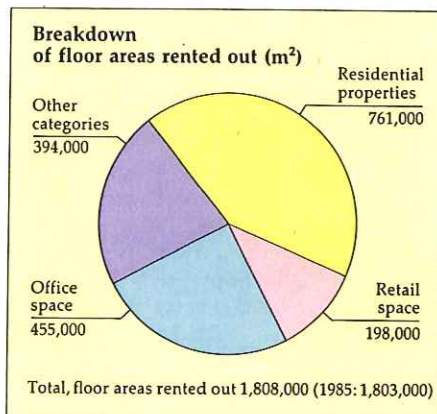
Mälarhus office building in Solna, a Stockholm suburb.



The Hotel Winn in Östersund, northern Sweden, was extended. The older portion is being renovated during 1987.



Modernized residential and office buildings at Lilla Torget, a square in the town of Oskarshamn, southeastern Sweden.



Financial operations

For many years it has been said of the contracting business that its operations can be made self-financing by means of advance payments from clients. The capital required by construction companies for such production resources as buildings and machinery is limited. The payment schedules of projects thus do not need to contain a large element of advance payments in order for the contractor to build up liquidity.

Until the mid-1970s there was no dramatic growth in the liquid assets of the Skanska Group. The surpluses that arose were spent for investment properties and undeveloped tracts of land intended for use in later production. Only in 1973 did the Group's interest revenues exceed its corresponding interest expenses. After the large oil price hikes of 1973-74 there was an investment boom in most oil-producing countries. In that context, the Group participated in a number of major projects involving large advance payments. Partly because of the prevailing negative real interest rates in Sweden, the Group began to manage its growing liquid assets more actively. This assumed the form of financial placements outside the banking sector as well as greater emphasis on real estate holdings and on the purchase of Swedish listed shares.

Money market investments

In the contracting business, there are major seasonal fluctuations in liquidity. A relatively good level of preparedness for payments is also justified by the Group's desire to help its clients finance their projects when necessary. The Swedish government's Treasury discount notes and Treasury notes - which can be sold quickly - are thus common components of the Group's portfolio.

Commercial paper and similar debt instruments issued in the market under the auspices of various banks are traded on such a large scale that they can be converted into liquid funds without significant extra expenses. In relation to the credit risk they entail, these debt instruments pay higher interest than government securities. Avoiding excessive amounts of commercial paper from the same company limits this risk.

In today's money market, companies often borrow funds in exchange for promissory notes. The interest rates are usually somewhat higher than for the commercial paper sold by corporations and finance companies. The reason is that these debt instruments lack official listings, which makes it more difficult to sell them if necessary. Through contacts with respected corporations and finance companies with Stock Exchange listings, Skanska makes some of these investments without middlemen, which further improves the return. By maintaining a large volume of such investments with an even distribution of maturity dates, the Group achieves a good return on its funds and at the same time has certain amounts that are easily accessible.

In recent years, the Swedish money market has undergone dramatic growth, both in terms of size and investment alternatives. Because of heavier demands for specialization, an overall perspective and quick decisions, the Group's liquidity management has been centralized. Only a few subsidiaries manage their own liquidity today.

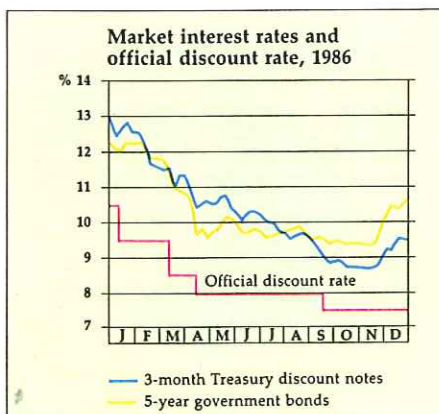
Investments in shares

The Group's first step toward a stock portfolio of its own occurred in 1974, when the unstable ownership situation in Industri AB Euroc led, among other things, to the formation of two investment companies, AB Opus and Protorp Förvaltnings AB. At the same time, it was decided that shares representing strategic, long-term investments would be owned by the Parent Company, while shares of a more short-term nature would be held by Förvaltnings AB Albus. The operations of Albus began in the late 1970s, but stock transactions both there and in the Parent Company picked up only when the level of activity on the Stockholm Stock Exchange increased during the early 1980s. Albus' operations have reached such a volume that from a tax standpoint, it is regarded as an operating company. In contrast, the Parent Company's trading in shares

has been limited, even if its acquisitions and the growth in the value of its shareholdings have been substantial. The portfolio is dominated by large blocks of shares in industrial and real estate companies. The dividends on Skanska's shares in Euroc, Graningevarken, Sandvik, SKF and Stockholms Badhus are currently tax-exempt, because these holdings are regarded as permanent.

After adjusting for purchases and sales, the market value of the Parent Company's portfolio increased by 48 percent during 1986. This was somewhat lower than the increase in the General Index maintained by the business weekly Affärsvärlden, which was 51 percent. In this context it is worth recalling that during 1985, Skanska's portfolio grew in value considerably faster than this index - 43 percent compared with 26 percent.

During 1986 certain holdings - Ahlsell, Cardo, Sonesson and Säfveån - were the object of exchange and purchase offers and Skanska consequently sold these shares. No major acquisitions were made - partly because of poorer profitability in contracting operations and heavy investments in real estate. During 1987, a sizable block of JM shares has already been acquired, resulting in a disbursement of more than SEK 530 M. Because of the prevailing high share prices, there is reason to assume that the Group will not make any other major acquisitions during 1987.



CONSOLIDATED INCOME STATEMENT

(Amounts in SEK M)

	1986		1985	
Contracting operations etc.				
Invoiced sales for the year		15,141		14,086
Plus amount invoiced but not credited to income as of Jan. 1	17,677		16,061	
Less amount invoiced but not credited to income as of Dec. 31	<u>-16,515</u>	<u>1,162</u>	<u>-17,677</u>	<u>-1,616</u>
Invoiced sales on contracts credited to income during the year, factory operations etc.		16,303		12,470
Production costs for contracts credited to income, factory operations etc. plus the year's administrative expenses		<u>-16,022</u>		<u>-12,132</u>
Income from contracting operations etc. before depreciation ..		281		338
Depreciation (Note 1)		<u>-293</u>		<u>-286</u>
Income from contracting operations etc. after depreciation		<u>- 12</u>		<u>52</u>
Property management				
Rental revenues for the year	962		871	
Operating and administrative expenses (Note 2)	<u>-341</u>		<u>-312</u>	
Depreciation	<u>-103</u>		<u>-100</u>	
Interest expenses	<u>-228</u>	290	<u>-229</u>	230
		278		282
Sale of investment properties				
Sales revenues	250		79	
Book value	<u>89</u>	<u>161</u>	<u>25</u>	<u>54</u>
Operating income after depreciation		439		336
Financial items				
Dividends on shares and participations	175		137	
Interest revenues	527		585	
Interest expenses	<u>-251</u>		<u>-269</u>	
Exchange difference on loans	<u>- 5</u>		<u>9</u>	
Other financial items	<u>9</u>	455	<u>16</u>	478
Income after financial items		894		814
Extraordinary items				
Gain/loss on sale of shares		<u>152</u>		<u>- 3</u>
Income before allocations and taxes		1,046		811
Allocations				
Writedown of shares and participations	<u>- 3</u>		<u>- 3</u>	
Inventory reserve	<u>- 6</u>		<u>33</u>	
Payroll reserve	<u>- 25</u>		<u>- 20</u>	
Reserve for uncompleted contracts	<u>-187</u>		<u>-142</u>	
Reserve for investment and development properties	<u>- 14</u>		<u>- 28</u>	
Extra depreciation (Note 1)	<u>-278</u>		<u>-112</u>	
Investment reserves (Note 3)	332		103	
Development reserve	<u>-</u>	<u>-181</u>	<u>- 57</u>	<u>-226</u>
Income before tax		865		585
Minority interest in income		4		5
Taxes (Note 4)		<u>- 384</u>		<u>-332</u>
Net profit for the year		<u>485</u>		<u>258</u>

CONSOLIDATED BALANCE SHEET

(Amounts in SEK M)

Assets	1986	1985
Current assets		
Bank balances	1,414	1,556
Shares and participations (Note 5)	104	94
Bonds	188	39
Accounts receivable	2,247	2,069
Prepaid expenses and accrued revenues	87	59
Current assets held by consortia (Note 6)	790	782
Other receivables (Note 7)	3,160	2,506
Inventories	406	404
	<u>8,396</u>	<u>7,509</u>
Investment and development properties		
Investment and development properties (Note 9)	3,676	3,514
Investment and development properties under construction	572	267
	<u>4,248</u>	<u>3,781</u>
Restricted accounts in Sveriges Riksbank		
For special investment reserve	4	33
For general investment reserve	91	69
For development reserve	56	—
	<u>151</u>	<u>102</u>
Fixed assets		
Shares and participations (Note 8)	4,040	4,127
Notes receivable	415	289
Goodwill	—	4
Extraction rights	12	11
Ships (Note 9)	4	8
Machinery and equipment (Note 9)	916	832
Advance payments on fixed assets	29	28
Buildings (Note 9)	384	335
Buildings under construction	2	157
Hydroelectric power plants (Note 9)	229	—
Land and other real estate (Note 9)	140	123
Timberland (Note 9)	330	332
	<u>6,501</u>	<u>6,246</u>
	<u>19,296</u>	<u>17,638</u>
Assets pledged		
Real estate mortgages	3,198	3,118
Chattel mortgages	45	55
Shares	25	1
Bank assets (Note 10)	13	21
Contingent liabilities		
Sureties (Note 11)	780	1,910
Guarantees	129	115

Liabilities and shareholders' equity	1986	1985
Current liabilities		
Accounts payable	1,295	1,212
Tax liability	286	217
Accrued expenses and prepaid revenues	1,529	1,288
Current liabilities of consortia	500	531
Other current liabilities (Note 12)	1,110	973
	<u>4,720</u>	<u>4,221</u>
Uncompleted contracts		
Invoiced sales from beginning of contracts	16,515	17,677
Accumulated expenses from beginning of contracts	-13,082	-14,375
	<u>3,433</u>	<u>3,302</u>
Loans on investment and development properties		
Building credits	70	82
Mortgage loans	2,520	2,137
Other liabilities	108	53
	<u>2,698</u>	<u>2,272</u>
Long-term liabilities		
Building credits	15	85
Mortgage loans	36	226
Other liabilities	677	384
Deferred tax liability	44	46
Provision for pensions (Note 13)	813	746
	<u>1,585</u>	<u>1,487</u>
Untaxed reserves		
Inventory reserve	126	119
Payroll reserve	515	490
Reserve for uncompleted contracts	2,740	2,554
Reserve for investment and development properties	375	361
Accumulated extra depreciation		
Ships	4	8
Machinery and equipment	472	438
Fixed-asset properties	350	102
Special investment reserve	-	103
General investment reserve	98	326
Development reserve	56	57
	<u>4,736</u>	<u>4,558</u>
Minority interests	9	13
Shareholders' equity (Note 14)		
<i>Restricted equity</i>		
Capital stock (Note 15)	617	617
Restricted reserves	379	343
<i>Unrestricted equity</i>		
Unrestricted reserves	634	567
Net profit for the year	485	258
	<u>2,115</u>	<u>1,785</u>
	<u>19,296</u>	<u>17,638</u>

Comments and notes to the consolidated financial statements

Accounting principles

Swedish law and practice

The form and content of Swedish annual reports are governed by the Swedish Companies Act and the Accounting Law, both of which went into effect in 1977. The Swedish Institute of Authorized Public Accountants (FAR) has also issued a series of authoritative opinions on the presentation of financial information by Swedish companies.

Tax legislation has also exercised a powerful influence on how Swedish companies report their earnings; these laws require companies to record in their books and financial statements the allocations of pretax income required for the company to be able to take advantage of the substantial tax incentives available to most corporate taxpayers.

In broad terms the pretax income reported by a Swedish company does not differ significantly from its taxable income, but it may materially differ from earnings determined on the basis of generally accepted accounting practices in many other countries. The major areas in which Swedish accounting principles uniquely differ from those broadly accepted in English-speaking countries are outlined below.

Differences from accounting principles in English-speaking countries

All companies

Deferred tax accounting is not generally practiced. The gross amounts of tax incentives (such as unrequired inventory and reserves for work in progress – roughly comparable to stock relief in Great Britain – and accelerated depreciation on existing assets as well as advance accelerated depreciation on assets yet to be acquired) have to be reported as specific allocations in the income statement and as separate items in the balance sheet in order for companies to make use of these incentives.

Equity accounting for investments in associated companies (owned 50 percent or less) is not required and is still uncommon.

Extraordinary items are not as strictly defined as in the United States. Leasing arrangements do not have to be disclosed to the same extent as in certain other countries.

As a rule of thumb, Swedish financial statements can be adjusted to reflect U.S. accounting principles by adding to their reported net income 48 percent of the year's transfers to untaxed reserves and by adding to shareholders' equity 48 percent of untaxed reserves in the balance sheet. Of these items, 52 percent represents deferred income taxes. Sweden also has a profit sharing tax which adds about 5 percent to the total tax cost.

The construction industry

Swedish companies engaged in long-term construction or installation contracts normally apply the completed contract method for revenue recognition purposes rather than the percentage-of-completion method. This approach is governed both by the tax rules which permit revenue recognition to take place no later than one year after the final inspection of a completed project and by the traditional preference for conservative accounting. Companies applying the completed contract method do not disclose what their revenues would have been under the percentage-of-completion method.

Effective from 1983 the tax rules were changed to require revenue recognition of cost-plus contracts as and when the related invoicing takes place, subject to certain transitional regulations.

Construction companies classify their holdings of real estate under two categories:

Real estate used for the company's own business purposes,

such as office premises, warehouses and depots, is classified as fixed assets and is subject to the usual Swedish rules (recording at original cost, with depreciation on a straight-line economic lifetime basis, plus tax-deductible accelerated allowances).

Real estate held for all other purposes is treated as a semi-current asset and is subject to special tax allowance rules. As a result, construction companies classify properties of their own construction held for long-term leasing purposes and properties acquired for development purposes (which may or may not be intended as long-term investments) under the single heading "Investment and development properties."

Tax assessment values

All real estate in Sweden is assessed by the tax authorities at roughly five-year intervals. In general, assessed values do not exceed two thirds of current market values.

Accounting and valuation principles adopted by Skanska.

Revenue recognition

Total invoiced sales for the year are recognized as revenues, as is the practice among Swedish construction companies. Also included in revenues is the Company's share in invoiced sales pertaining to construction operations carried out together with other contracting companies in consortium form.

Invoicing for the portion of production consisting of goods (finished concrete, concrete products, asphalt compounds etc.) follows the customary practice in other industries.

In Skanska's dominant field of activity, contracting operations, revenues consist of sales that were invoiced during the year on the basis of agreed invoicing plans. These may be tied either to stages of construction or to time schedules. This gives the Company a better idea of the production volume in a given year than if only the volume of contracts credited to income during the year were stated. Revenues do not include offices, factories, hydroelectric power plants etc. built for the Company's own operations.

Revenues also include rental revenues, which are reported separately in the consolidated income statement.

Revenues do not include revenues from the sale of investment properties during the year, which are reported in the consolidated income statement.

Income

Income is calculated on the basis of contracts completed during the year = contracts credited to income.

Interest on pension liability

Interest on Pension Registration Institute (PRI) liability was set at 11.5 percent in keeping with a recommendation by the Swedish Institute of Authorized Public Accountants and PRI. The rest of the year's PRI provision comprised an operating expense.

Untaxed reserves

Valuation of inventories, provisions for guarantee risks and reserves for uncompleted contracts by construction companies are governed by the law on municipal taxation and by National Tax Board regulations issued on January 20, 1983.

The reserve entitlement for inventories of materials and goods may not exceed 50 percent of the value of inventories. If an allocation is made to a payroll reserve, the entitlement is limited to 35 percent of this value.

In addition, a 15 percent allocation may be made to a reserve for a company's own real estate which comprises an inventory asset (investment and development properties) provided that no funds are set aside for a payroll reserve, and a 10 percent allocation is permitted if funds are set aside for this purpose.

As the Group has elected to allocate funds for 1986 to a payroll reserve (in which the allocation may not exceed 20 percent of direct payroll expenses), the inventory reserve is limited to 35 percent of the value of inventories and the allocation to the reserve for investment and development properties is limited to 10 percent of the total acquisition cost of the properties. Both construction companies and companies which deal in real estate are entitled to make allocations to reserves for investment and development properties.

The maximum provision for guarantee risks is 1 percent of the invoiced amount for contracts on which the guarantee period has not expired at year-end. The year's change in the provision is charged to operating income, and the provision itself is included among current liabilities in the balance sheet.

The provision for loss risks on uncompleted contracts may not exceed 15 percent of direct construction expenses incurred. The writedown entitlement should be viewed against the background of the difficulty of assessing the risks often connected with uncompleted contracts. In cases where a loss is expected on a given uncompleted contract, according to the customary practice the entire expected loss is charged against the year's income. This may not exceed the 15 percent provision entitlement. Cost-plus contracting assignments are not normally entitled to this provision.

Reserves for indirect costs are included under the heading "Reserve for uncompleted contracts."

Real estate

In the Parent Company balance sheet, all real estate is reported as fixed assets. The Parent Company owns only properties for its own use as offices, warehouses, factories and gravel pits. The consolidated balance sheet also includes large quantities of real estate under the heading "Investment and development properties." Subsidiaries' holdings of investment properties, development properties and undeveloped land are reported here.

Investment and development properties comprise investment properties plus redevelopment properties and undeveloped land.

Properties constructed by the Group have been booked at values broadly based on the standards applied by rent-setting authorities and government loan agencies. Properties not valued according to these standards have been valued with reference to their rental revenues and market value. When properties remain in the Group's ownership, provision is made for any internal profits – the difference between valuation and the construction company's production expenses – and the Group's operating income is thus not affected by such surpluses. Annual depreciation on the value thus determined has been carried out according to guidelines established by the tax authorities.

Investments in undeveloped land and redevelopment properties are booked at their acquisition cost plus other expenses incurred in cases where special exceptions have not been considered justified. Annual interest expenses have not, however, been added to value but have instead been charged against income in each respective year.

Uncompleted contracts

The balance sheet states the net amount of invoiced sales and expenses incurred. This amount is affected by the pace of invoicing for both outgoing and incoming bills. This pace does not always coincide with the percentage of completion. The amount is also affected by the profitability of uncompleted contracts. See also the second paragraph under the heading "Valuation principles."

Figures for invoiced sales and expenses incurred also include the Group's share in contracts carried out by consortia.

Principles of consolidation

The consolidated financial statements have been drawn up using the purchase accounting method.

In the consolidated financial statements, the income statements and balance sheets of foreign subsidiaries have been translated at year-end rates, except that shareholders' equity has been translated at the rate prevailing on the investment date. Translation differences have been included among "Other current liabilities."

Valuation principles

Current assets have been valued according to the lower value principle, i.e. their value may not exceed market value or acquisition cost, whichever is lower. Foreign receivables have been stated at the exchange rate on the accounting date or at year-end, whichever is lower, and liabilities have been stated at the higher of these rates.

Direct expenses and indirect work site expenses are counted as expenses incurred on uncompleted contracts. Estimated losses on uncompleted contracts have been subtracted from expenses.

Depreciation has been charged against operating income (using a declining balance method in the case of certain large machinery). Depreciation on the excess value of Group assets has also been made, using the following annual rates: Goodwill (equivalent to amortization in U.S.) 20 percent, ships 10 percent, machinery and equipment 10-20 percent, buildings 2-7 percent and land improvements 3.75 percent.

The rate of book depreciation on machinery and equipment has generally been 20 percent of acquisition cost for the past five years. In certain Group companies, the main rule in the Municipal Tax Act has been used instead. Buildings comprising investment and development properties have been written off at the highest annual percentage rate permitted for tax purposes.

Definition of financial ratios

The following definitions are in keeping with a recommendation by the Industry and Commerce Stock Exchange Committee.

Adjusted earnings per share

Income after financial items minus minority interest in income and full taxes, divided by the number of shares outstanding at year-end 1986.

Adjusted earnings per share after extraordinary items

Income before allocations and taxes minus minority interest in income and full taxes, divided by the number of shares outstanding at year-end 1986.

Return on shareholders' equity

Income after financial items minus minority interest in income and full taxes, as a percentage of average adjusted shareholders' equity, i.e. reported shareholders' equity plus 48 percent of reported untaxed reserves excluding the minority share in these.

Return on capital employed

Income after financial items plus interest expenses and exchange differences, as a percentage of average total assets minus operating liabilities. Operating liabilities are defined as current liabilities except for short-term loans, the balance of uncompleted contracts and deferred tax liability in untaxed reserves.

Equity/assets ratio

Reported shareholders' equity plus 50 percent of reported untaxed reserves as a percentage of total assets.

Notes

Note 1. Depreciation (SEK M)

	Depreciation		Extra depreciation		Book depreciation for year*	
	1986	1985	1986	1985	1986	1985
Goodwill	3	10			3	10
Ships	4	4	-4	-3	0	1
Machinery and equipment....	260	254	34	117	294	371
Fixed-asset properties incl. hydroelectric power plants ..	26	18	248	-2	274	16
Total depreciation	293	286	278	112	571	398

* Including depreciation against investment reserves

Note 2. Property management. Operating and administrative expenses

The national real estate tax introduced in 1985, totaling SEK 47 M (43) for investment properties, is reported under the heading "Taxes". This tax, based on assessed value, applies among other things to all apartment house units. Among exempted real estate are redevelopment and industrial properties.

Note 3. Investment reserves (SEK M)

	1986	1985
Special investment reserve		
Withdrawal	103	132
General investment reserve		
Allocation	-10	-68
Withdrawal	239	39
Change during the year	229	-29
Change according to income statement	332	103

Note 4. Taxes (SEK M)

	1986	1985
Income tax	270	259
Profit sharing tax	65	26
Real estate tax	49	47
	384	332

Note 5. Shares (current assets)

List of shareholdings of Group companies comprising trading inventory assets as of December 31, 1986.

Shares and debentures listed on the Stockholm Stock Exchange	Number	Par value SEK 000	Market value SEK 000	Book value SEK 000
AGA, Series A	51,700	1,293	8,686	8,686
AGA, Series B	40,100	1,003	6,536	6,536
Atlas Copco	4,000	100	672	672
Boliden, conv. debentures		3,300	4,587	4,047
Catena	30,000	600	4,410	4,410
Catena, conv. debentures		1,531	3,291	1,607
Electrolux, Series B	45,000	1,125	13,995	13,995
Esselte, Series B	22,000	275	3,014	3,000
Euroc, Series A	25,300	1,265	5,313	4,643
Götabanken	2,000	50	820	820
Hufvudstaden, Series A	16,000	400	5,760	5,405
Perstorp, Series B	3,900	39	655	643
Pharmacia, Series B	22,900	229	4,236	4,236
Piren	10,000	250	1,580	1,483
PKBanken	2,000	50	478	478
Promotion, Series B	2,000	100	880	880
Protorp	48,970	2,449	10,284	6,583
Providentia, Series A	1,000	25	185	185
SCA, Series B	25,900	648	7,511	7,403
S-E-Banken	28,200	282	3,497	3,496
SKF, Series A	200	10	60	60
Sandvik, Series A	35,100	878	5,265	5,265
Skandia	44,300	222	5,936	5,936
Skåne-Gripen, Series B	27,500	275	1,183	1,183
Stockholms Badhus, Series B	12,500	125	1,763	1,482
Volvo, Series B	31,000	775	10,633	10,633
			111,230	103,767

Note 6. Current assets held by consortia

This represents the Group's share of all assets held by consortia (except for expenses incurred that are included under the heading "Un-completed contracts"). Liabilities (except for invoicing) are similarly shown under the heading "Current liabilities of consortia."

Note 7. Other receivables (current assets)

This heading refers primarily to short-term investments in the form of promissory notes and commercial paper issued by corporations and finance companies.

Note 8. Shares and participations (fixed assets)

Portfolio as of December 31, 1986:

Swedish companies

Shares and debentures listed on the Stockholm Stock Exchange

	Number	% stake	Par value SEK 000	Market value SEK 000	Book value SEK 000
Bohus	173,588	7	1,736	26,038	10,242
Catena	1,575,000	11	31,500	231,525	79,144
Catena convertible debentures	1,124,926		179,988	386,975	188,988
Custos, Series A	5,816,603	17	145,415	1,250,570	835,915
Custos, Series B	486,643	1	12,166	102,195	57,204
Custos, Series A II conv. debentures	28,095		7,867	26,746	18,952
EDEBE	152,625	8	763	11,294	9,921
Euroc	3,052,500	26	152,625	638,583	180,400
Industrivärden	540,000	2	10,800	93,960	70,454
Klövern	368,036	4	7,361	53,733	29,760
Opus	872,000	27	43,600	379,320	71,250
Opus conv. debentures	28,288		8,486	44,978	8,499
Piren	250,000	6	6,250	39,500	15,000
Protorp	2,125,000	21	106,250	446,250	94,593
Sandvik, Series A	11,094,000	22	277,350	1,662,615	741,398
SKF, Series A	3,110,000	12	155,500	939,220	338,070
SKF, Series B	450,600	1	22,530	124,422	57,528
Stockholms Badhus, Series A	1,382,153	8	13,822	214,234	147,678
Stockholms Badhus, Series B ..	3,470,615	21	34,706	489,357	259,667
Öresund	113,583	5	5,679	50,545	46,939
				7,212,060	3,261,602

Other shares

	Number	% stake	Par value SEK 000	Book value SEK 000
ABV Rock Group AB	1,500	50	150	548
Atrium Fastighets AB	250,000	20	25,000	30,000
BGB i Malmö AB	5,897	13	590	851
Blekinge Invest AB	500	1	50	55
Branäs Fritidscenter AB	15,000	8	1,500	1,500
Byggnads AB Tryckeriet	600	50	60	60
Dala Tillväxt AB	1,000	2	100	100
Fastighets AB Luxor	1,000	50	100	100
Fastighets AB Sibos	5,000	50	500	500
Förvaltnings AB Öreköp	250	50	250	250
Graningeverkens AB	255,718	29	127,859	638,223
H-Invest AB	500	1	50	50
Halmstads Byggmästares Gemensamma Byggnads AB	112	41	56	55
AB Helsingborgs Byggbetong	240	33	240	1,085
AB Hälsingborgs Byggelement	350	50	350	757
Ideon AB	1,750	9	1,750	2,121
Jönköpings Betong AB	1,000	50	100	100
AB Kalmar Betongindustri	160	10	80	40
Makadam AB Lapillus	126	50	126	126
AB Malmö Börshus	6,000	1	300	1,050
Medeon AB	1,200	33	120	195
Nohab Industrifastigheter AB	20,000	50	1,000	1,000
Näringslivets Utbildnings AB	170	7	170	0
AB Pålårbeten	500	50	50	5
Råsjö Torv AB	19,780	20	1,978	5,951
AB Staven	10,000	33	1,000	1,142
Swedevelop Hospital AB	9,000	9	900	914
AB Sydsten	60,000	40	3,000	3,880
Såbi AB	1,800	1	180	90
Uddevalle Invest AB	50,000	21	5,000	5,000
VenCap AB	5,000	25	500	635
Väst-Pålar AB	1,750	50	175	250
Bostadsföreningen Borgens ..		50		7,121
Miscellaneous shares and participations				26,377
				730,131

	Number	% stake	Par value, in 000 of respective currency	Book value SEK 000
Foreign companies				
Anglo-Swedish Construction Co. Ltd., Great Britain	490,000	49	GBP 490	5,054
Beaconsfield Ltd, Bermuda	10,000	24	USD 100	1,060
CAC International N.V., Belgium	2,800	50	BEC 700	104
Canadian Foundation Co. Ltd., Canada	577,128	48	CAD 2,886	12,460
Entreprenörservice A/S, Norway Grove Equity Inc.	2,500	50	NOK 2,500	2,374
United States	24	48	USD 33	225
Karl Koch Erecting Co. Inc., United States	49	49	USD 132	23,000
Pollard Construction Co. Ltd., Hong Kong	2,700	10	HKD 270	278
A/S Skanska-Lekven, Norway	50	50	NOK 250	230
Sihkska A/S, Denmark	150	50	DKK 150	138
Skanska Hispania SA, Spain	500	50	ESB 5,000	257
VSL Norge A/S, Norway	140	35	NOK 140	146
Yemen Construction & Develop- ment Co., North Yemen ..	3,000	3	YER 3,000	1,150
Miscellaneous shares and participations				1,586
				48,062
Total				4,039,795

Note 9. Property, plant and equipment (SEK M)

a) Acquisition price and accumulated depreciation

	Acquisition price for remaining assets		Accumulated depreciation	
	1986	1985	1986	1985
Ships (dredgers, barges)	117	117	113	109
Machinery and equipment	2,651	2,456	1,735	1,624
Buildings (fixed-asset properties)	573	506	189	171
Hydroelectric power plants	229	-	-	-
b) Assessed values	1986	1985		
Investment and development properties				
Buildings	2,088	2,095		
Land and other real estate	484	488		
Fixed-assets properties				
Buildings, incl. power plants	434	377		
Land and other real estate	139	132		
Timberland	244	246		

Note 10. Assets pledged

Pledged bank deposits constitute collateral for contracting commitments.

Note 11. Sureties

The Group's total sureties amounted to SEK 814 M, of which SEK 34 M was covered by first class co-guarantors.

Note 12. Other current liabilities

As of December 31, 1986, other current liabilities consisted of SEK 128 M in the current portion of long-term liabilities, SEK 381 M in other interest-bearing liabilities and SEK 601 M in non-interest-bearing liabilities.

Note 13. Provision for pensions (SEK M)

	The year's provision	Liability as of December 31, 1986
PRI liability	68	788
Other pension commitments	-1	25
	67	813

Note 14. Change in shareholders' equity (SEK M)

	Capital stock	Restricted reserves	Unrestricted reserves
Opening balance, Jan. 1, 1986	617	343	824
Transferred to restricted reserves		36	- 36
Dividend			-154
Closing balance, Dec. 31, 1986	617	379	634

Note 15. Capital stock

See Note 13 to the Parent Company balance sheet.

Personnel

The average number of employees in the Group, including consortia administered by the Company, amounted to 27,627 (28,234). Of these, 19,846 (20,733) worked in Sweden and 7,781 (7,501) abroad.

The corresponding number for the Parent Company and the companies operating on a commission basis for it was 22,817 (23,748). Of these, 16,916 (17,910) worked in Sweden and 5,901 (5,838) abroad.

The average number of employees in Sweden was calculated by taking total hours worked and dividing by a standard working year of 1,600 hours.

Average number of employees

Sweden	Group	Parent Company
Contracting operations	15,321	14,731
Other operations	<u>4,525</u>	<u>2,185</u>
Total in Sweden	19,846	16,916

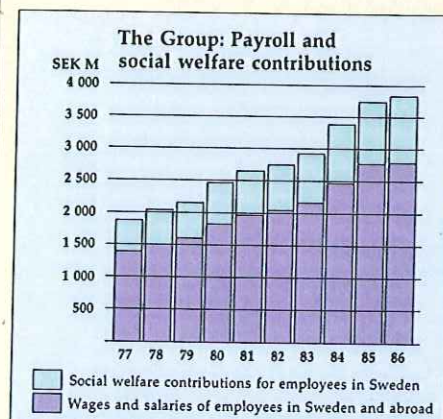
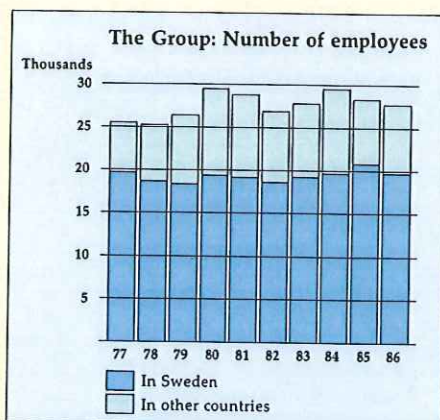
Abroad	Group	Parent Company
Algeria	87	65
Austria	1	1
Botswana	996	996
China	2	2
Colombia	1	1
Denmark	566	1
Egypt	39	39
Finland	3	2
France	220	-
Great Britain	11	-
Hong Kong	76	76
Indonesia	1,239	886
Iran	68	68
Iraq	5	5
Ivory Coast	121	121
Jordan	1	1
Kenya	394	394
Lesotho	235	235
Libya (S.P.L.A.J.)	1,003	1,003
Netherlands	11	-
Nigeria	16	16
North Yemen	5	5
Norway	245	72
Panama	3	3
Peru	197	39
Poland	324	307
Portugal	3	3
Qatar	5	5
Saudi Arabia	805	687
Spain	106	106
Sri Lanka	753	753
Tanzania	141	1
Thailand	7	7
United Arab Emirates	1	1
United States	74	-
West Germany	<u>17</u>	-
Total abroad	<u>7,781</u>	<u>5,901</u>
Grand total	27,627	22,817

Payroll and social welfare contributions

Sweden	Group SEK M	Parent Company SEK M
Board of Directors and Presidents	11.9	4.4
Of which, bonuses	(3.2)	(1.0)
Other employees	<u>2,353.3</u>	<u>2,011.6</u>
	2,365.2	2,016.0
Social welfare contributions and pensions	<u>1,024.5</u>	<u>872.4</u>
Total in Sweden	3,389.7	2,888.4
Abroad		
Algeria	10.6	8.0
Botswana	7.4	7.4
China	0.1	0.1
Colombia	0.2	0.2
Denmark	97.2	0
Egypt	1.8	1.8
Finland	0.6	0.5
France	21.9	-
Great Britain	2.0	-
Hong Kong	2.8	2.8
Indonesia	30.0	21.4
Iran	9.3	9.3
Iraq	0.7	0.7
Ivory Coast	3.2	3.2
Jordan	0.1	0.1
Kenya	9.0	9.0

Sweden	Group SEK M	Parent Company SEK M
Lesotho	3.2	3.2
Libya (S.P.L.A.J.)	68.8	68.8
Netherlands	1.6	-
Nigeria	0.5	0.5
North Yemen	1.1	1.1
Norway	27.9	10.0
Panama	0.4	0.3
Peru	6.7	1.6
Poland	22.7	20.1
Portugal	0.4	0.4
Qatar	1.0	1.0
Saudi Arabia	53.6	41.7
Spain	4.0	4.0
Sri Lanka	16.2	16.2
Tanzania	4.5	4.5
Thailand	0.3	0.3
United Arab Emirates		
United States	0.1	0.1
West Germany	20.8	-
	<u>3.9</u>	-
Total abroad	434.6	238.3

Board of Directors and Presidents of foreign subsidiaries received salaries and remuneration totaling the equivalent of SEK 1.7 M.



PARENT COMPANY INCOME STATEMENT

(Amounts in SEK M)

	1986	1985
Contracting operations etc.		
Invoiced sales for the year	12,399	11,704
Plus amount invoiced but not credited to income as of Jan.1	16,230	14,921
Less amount invoiced but not credited to income as of Dec. 31	<u>-14,854</u> <u>1,376</u>	<u>-16,230</u> <u>- 1,309</u>
Invoiced sales on contracts credited to income during the year, factory operations etc.	13,775	10,395
Production costs for contracts credited to income, factory operations etc. plus the year's administrative expenses	<u>-13,667</u>	<u>-10,132</u>
Operating income before depreciation	108	263
Depreciation (Note 1)	<u>-218</u>	<u>-214</u>
Operating income after depreciation	-110	49
Sale of investment properties	51	-
Financial items		
Dividends on shares and participations		
in subsidiaries	63	31
in other companies	167	137
Interest revenues	590	660
Interest expenses	-294	-295
Exchange difference on loans	- 6	7
Other financial items	-	15
Income after financial items	<u>520</u>	<u>555</u>
	461	604
Extraordinary items		
Shareholder contribution	- 1	-
Gain/loss on sale of shares	136	- 3
Income before allocations and taxes	<u>135</u>	<u>- 3</u>
	596	601
Allocations		
Group contributions	- 60	- 34
Transfer of investment reserve	-	14
Writedown of shares and participations in subsidiaries	- 5	- 14
Writedown of shares and participations in other companies ..	- 1	- 3
Inventory reserve	2	12
Payroll reserve	- 7	- 16
Reserve for uncompleted contracts	- 59	-114
Extra depreciation (Note 1)	-254	-102
Investment reserves (Note 2)	311	82
Development reserve	-	- 39
Income before taxes	<u>- 73</u>	<u>-214</u>
	523	387
Taxes (Note 3)	<u>-125</u>	<u>-176</u>
Net profit for the year	<u>398</u>	<u>211</u>

PARENT COMPANY BALANCE SHEET

(Amounts in SEK M)

Assets	1986	1985
Current assets		
Bank balances	905	1,196
Bonds	114	—
Accounts receivable	1,779	1,718
Prepaid expenses and accrued revenues	40	20
Current assets held by consortia (Note 4)	702	654
Other receivables (Note 5)	2,749	2,121
Inventories	232	237
	<u>6,521</u>	<u>5,946</u>
Restricted accounts in Sveriges Riksbank		
For special investment reserve	2	13
For general investment reserve	70	59
For development reserve	39	—
	<u>111</u>	<u>72</u>
Fixed assets		
Shares and participations in subsidiaries	590	578
Shares and participations in other companies	3,999	4,088
Receivables from subsidiaries	1,694	1,478
Other receivables (Note 6)	305	184
Extraction rights	10	10
Ships (Note 7)	4	8
Machinery and equipment (Note 7)	719	666
Advance payments on fixed assets	16	26
Buildings (Note 7)	142	141
Buildings under construction	1	146
Hydroelectric power plants (Note 7)	229	—
Land and other real estate (Note 7)	85	75
	<u>7,794</u>	<u>7,400</u>
	<u>14,426</u>	<u>13,418</u>
Assets pledged		
Real estate mortgages	98	109
Bank assets (Note 8)	12	20
Contingent liabilities		
Sureties for subsidiaries	761	346
Other sureties (Note 9)	773	1,888
Other guarantees	86	76

Liabilities and shareholders' equity	1986	1985
Current liabilities		
Accounts payable	962	938
Tax liability	62	99
Accrued expenses and prepaid revenues	1,148	932
Current liabilities of consortia	474	482
Other current liabilities (Note 10)	805	502
	<u>3,451</u>	<u>2,953</u>
Uncompleted contracts		
Invoiced sales from beginning of contracts	14,854	16,230
Accumulated expenses from beginning of contracts	-11,709	-13,164
	<u>3,145</u>	<u>3,066</u>
Long-term liabilities		
Liabilities to subsidiaries	1,239	1,114
Mortgage loans	51	72
Other liabilities	335	322
Provision for pensions (Note 11)	720	657
	<u>2,345</u>	<u>2,165</u>
Untaxed reserves		
Inventory reserve	81	83
Payroll reserve	451	444
Reserve for uncompleted contracts	2,607	2,548
Accumulated extra depreciation		
Ships	4	8
Machinery and equipment	398	366
Fixed-asset property	282	56
Special investment reserve	-	97
General investment reserve	68	282
Development reserve	39	39
	<u>3,930</u>	<u>3,923</u>
Shareholders' equity (Note 12)		
<i>Restricted equity</i>		
Capital stock (Note 13)	617	617
Legal reserve	123	123
<i>Unrestricted equity</i>		
Retained earnings	417	360
Net profit for the year	398	211
	<u>1,555</u>	<u>1,311</u>
	<u>14,426</u>	<u>13,418</u>

List of Group companies

Swedish companies

	Par value of shares SEK M	Book value of shares SEK M
Contracting and industrial operations		
Boxholms Säg AB	17.5	21.0
Bröderna Nordins Byggnads AB	0.6	0.1
Combiglas AB	0.8	1.7
O. Engdahls Plåt & Smide AB	1.0	0.1
Industriventilation Svenska AB	0.2	15.0
Lundby System AB	2.4	3.3
Magnusson & Gran Byggnads AB	0.1	0.1
Myresjöfönster AB	15.0	31.5
Myresjöhus AB	20.0	4.2
AB Norrbottens Cementgjuteri	3.0	4.5
Ohlsson & Skarne AB	5.0	5.0
AB Jan Ralling	1.0	1.0
Saxtorps Trading AB	0.1	2.2
AB Schakt & Transport	1.0	1.0
Sektionsbyggarna Oresjö AB	1.2	10.0
Sentab, Svenska Entreprenad AB	12.0	12.0
AB Joh Sjöström	1.0	1.1
Skanska International AB	50.0	50.0
Skånska Makadam AB	1.8	2.2
Stabilator AB	0.1	0.1
Sundsvalls Grus & Betong AB	1.0	2.8
AB Tryckrör	5.4	3.9
Other subsidiaries	6.3	10.6
Elimination of sub-subsidiaries		-12.1
		171.3
Property management		
AB Annexgrävlingen	1.0	5.4
Fastighets AB Apelsinen	0.2	9.3
Fastighets AB Betongblandaren	1.0	1.0
Fastighets AB Sulcus	5.0	5.0
Fastighets AB Vellonia	16.0	16.0
Fastighets AB R Wikstén	3.0	3.0
Fastighets AB Östman & Norell	1.7	1.7
AB Målarhus	1.0	1.0
Other subsidiaries	4.1	7.7
Elimination of sub-subsidiaries		-14.7
		35.4
Other operations		
Förvaltnings AB Albus (Share dealing) ..	50.0	65.0
Bark & Warburgs AB (Forestry)	6.2	46.7
Boxholms Skogar (Forestry)	125.0	150.0
Datatechnology Datech AB (Consulting)	0.5	0.5
AB Drott (Investment)	150.0	95.3
AB Gusums Skogar (Forestry)	4.0	19.5
SCEM AB (Construction management) ..	0.3	2.2
Örmo Skogar AB (Forestry)	2.3	35.2
Other subsidiaries	1.7	2.2
Elimination of sub-subsidiaries		-66.2
		350.4

Foreign companies

	Par value of shares millions of respective currency	Book value of shares SEK M
Contracting business		
C G Jensen A/S, Denmark	DKK 20.0	0.7
Grundstücksgesellschaft PRADO m b H, West Germany	DEM 7.0	24.5
Grundstücksgesellschaft RHEMO m b H, West Germany	DEM 3.0	10.5
Linnéa B V, Netherlands (60%)	NLG 0.8	2.4
Marion S A, France	FRF 7.0	0
Myresjö Hausbau GmbH, West Germany ..	DEM 1.0	2.0
Myresjö Nederland BV, Netherlands	NLG 0.3	0.2
Myresjöhus Norge A/S, Norway	NOK 0.4	0.4
Myresjö UK Ltd, England	GBP 0.1	0.2
A/S Nefa, Norway	NOK 0.1	0
Scanbau G m b H, West Germany	DEM 0.8	2.6
Scanopar S A, France	FRF 2.0	8.8
Sektionsbausystem Oresjö G m b H, West Germany	DEM 0.1	0.1
Sepco S A, France	FRF 5.0	4.7
Skanska A/S, Norway	NOK 0.4	0.4
Skanska Baugesellschaft m b H, West Germany	DEM 10.0	31.4
Skanska Nederland B V, Netherlands	NLG 0.1	0.2
Skanska Saudi Arabia, Saudi Arabia (60%)	SAR 6.0	7.5
Skanska (U.S.A.) Inc., U.S.A.	USD 5.7	26.1
Elimination of sub-subsidiaries		-90.2
		32.5
Total Parent Company holdings		589.6

Notes to the Parent Company financial statements

Accounting principles

The accounting principles of the Parent Company are the same as those applied to the Group (see pp. 26-27).

Notes

Note 1. Depreciation (SEK M)

	Depreciation		Extra depreciation		Book depreciation for year*	
	1986	1985	1986	1985	1986	1985
Ships	4	4	-4	-3	0	1
Machinery and equipment....	204	201	32	105	236	306
Fixed-asset properties incl. hydroelectric power plants ..	10	9	226	0	236	9
Total depreciation	218	214	254	102	472	316

* Including depreciation against investment reserves

Note 2. Investment reserves (SEK M)

	1986	1985
Special investment reserve		
Withdrawal	97	99
General investment reserve		
Allocation	-	-50
Withdrawal	214	33
Change during the year	214	-17
Change according to income statement	311	82

Note 3. Taxes (SEK M)

	1986	1985
Income tax	112	160
Profit sharing tax	9	14
Real estate tax	4	2
	125	176

Note 4. Current assets held by consortia

This represents the Parent Company's share of all assets held by consortia (except for expenses incurred that are included under the heading "Uncompleted contracts"). Liabilities (except for invoicing) are similarly shown under the heading "Current liabilities of consortia."

Note 5. Other receivables (current assets)

This heading refers primarily to short-term investments in the form of promissory notes and commercial paper issued by corporations and finance companies.

Note 6. Other receivables (fixed assets)

On the basis of an exemption in accordance with Chapter 12, Section 8 of the Swedish Companies Act, loans in the amount of SEK 334,000 have been granted to employees who are also members of Boards of Directors of Group companies.

Note 7. Property, plant and equipment (SEK M)

a) Acquisition price and accumulated depreciation

	Acquisition price for remaining assets		Accumulated depreciation	
	1986	1985	1986	1985
Ships (dredgers, barges)	117	117	113	109
Machinery and equipment	2,146	2,000	1,427	1,334
Buildings	261	252	119	111
Hydroelectric power plants	229	-	-	-

b) Assessed values of fixed assets

	1986	1985
Buildings, incl. power plants	226	217
Land and other real estate	67	67

Note 8. Assets pledged

Pledged bank deposits constitute collateral for contracting commitments.

Note 9. Other sureties

The Parent Company's total sureties amounted to SEK 806 M, of which SEK 33 M was covered by first class co-guarantors.

Note 10. Other current liabilities

As of December 31, 1986, other current liabilities consisted of SEK 61 M in the current portion of long-term liabilities, SEK 374 M in other interest-bearing liabilities and SEK 370 M in non-interest-bearing liabilities.

Note 11. Provision for pensions (SEK M)

	The year's provision	Liability as of Dec. 31, 1986
PRI liability	63	700
Other pension commitments	-	20
	63	720

Note 12. Change in shareholders' equity (SEK M)

	Capital stock	Legal reserve	Retained earnings
Opening balance, Jan. 1, 1986	617	123	571
Dividend	-	-	-154
Closing balance, Dec. 31, 1986	617	123	417

Note 13. Capital stock

3,359,930 Series A shares (10 votes apiece) each with a par value of SEK 10
58,333,230 Series B shares (1 vote apiece), each with a par value of SEK 10
61,693,160

STATEMENT OF CHANGES IN FINANCIAL POSITION

(Amounts in SEK M)

	GROUP		PARENT COMPANY	
	1986	1985	1986	1985
Funds supplied				
Funds supplied from operations credited to income (see below)	1,013	925	590	677
Decrease in long-term receivables	—	52	—	—
Increase in long-term liabilities	520	288	180	204
	<u>1,533</u>	<u>1,265</u>	<u>770</u>	<u>881</u>
Funds applied				
Dividend	154	123	154	123
Increase in long-term receivables	126	—	337	208
Net change in investment and development properties	570	661	—	—
Investments in shares and participations	— 84	1,089	— 71	1,127
Investments in fixed-asset properties and machinery	510	544	352	388
	<u>1,276</u>	<u>2,417</u>	<u>772</u>	<u>1,846</u>
Change in working capital	<u>257</u>	<u>-1,152</u>	<u>- 2</u>	<u>-965</u>
Specification of change in working capital				
Change in balance of uncompleted contracts	-131	373	- 79	359
Increase/decrease in inventories	2	- 13	- 5	- 34
Increase/decrease in trading inventory of shares	10	- 103	—	—
Increase/decrease in current receivables	1,017	- 289	871	-446
Increase in current liabilities	-499	- 374	-498	- 78
Decrease in bank balances	-142	- 746	-291	-766
Total change	<u>257</u>	<u>-1,152</u>	<u>- 2</u>	<u>-965</u>
Breakdown of item "Funds supplied from operations credited to income"				
Income before allocations and taxes	1,046	811	596	601
Minority share in income	4	5	—	—
Depreciation	396	386	218	214
Taxes	-384	- 332	-125	-176
Deposit in/withdrawal from restricted account in Sveriges Riksbank	- 49	55	- 39	58
Group contributions	—	—	- 60	- 20
	<u>1,013</u>	<u>925</u>	<u>590</u>	<u>677</u>

Proposed allocation of earnings

The Board of Directors and the President propose that the net profit for 1986, SEK 397,978,421, plus the retained earnings of SEK 416,935,149 carried forward from the preceding year, making a total of SEK 814,913,570, be allocated as follows:

A dividend to the shareholders of SEK 3 per share	SEK 187,504,980
To be carried forward	<u>SEK 627,408,590</u>
	SEK 814,913,570

Danderyd, Sweden, April 27, 1987

Bengt Haak

Sten Lindh

Assar Ericsson

Lena Ekman

Sven Johansson

Lennart Johansson

Carl-Olof Ternryd

Per Lindblad

Stig Herner

Percy Barnevik

Lars-Ove Håkansson
President

Auditors' Report for Skanska AB

We have examined the Annual Report, the consolidated financial statements, the accounts and the management by the Board of Directors and the President during 1986. Our examination has been carried out in accordance with generally accepted auditing practices.

Parent Company

The Annual Report has been prepared in conformity with the Swedish Companies Act.

We recommend that the annual meeting of shareholders adopt the income statement and balance sheet, distribute the earnings in accordance with the proposal in the Report of the Directors and discharge the members of the Board and the President from personal responsibility for their administration during 1986.

The Group

The consolidated financial statements have been prepared in conformity with the Swedish Companies Act.

We recommend that the annual meeting adopt the consolidated income statement and balance sheet.

Danderyd, Sweden, April 29, 1987

Bo Fridman
Authorized Public
Accountant

Erik Hultén
Authorized Public
Accountant

Data on Skanska shares

At year-end 1986 the market price of a Skanska share on the Stockholm Stock Exchange was SEK 247. This was nearly double its price at the close of 1985, when a Skanska share was quoted at SEK 124. During 1986 the price ranged from SEK 134 to SEK 255. As of April 15, 1987, the market price stood at SEK 300 and the Company's market capitalization at about SEK 19 billion.

In 1965 the Company, then called Skånska Cementgjuteriet, was introduced on the "A list" of the Stockholm Stock Exchange. Its capital stock was SEK 32 M. A non-cash issue of shares in 1967 increased its capital stock to SEK 35.4 M when it acquired Byggnadsfirman Ohlsson & Skarne. Since then, Skanska's capital stock has been increased by means of eight stock dividends (bonus issues) and four issues of new shares – the most recent one in March 1987 in connection with the acquisition of 330,000 Series A shares in JM Byggnads- och Fastighets AB. This was a special issue of 808,500 Series A shares to AB Handus, a wholly owned subsidiary of AB Industrivärden. The previous new share issues were on a small scale and were intended for the Group's employees. In April 1987, Skanska's capital stock amounts to SEK 625.0 M.

Of a total of 62,501,660 Skanska shares, 4,168,430 are Series A shares and 58,333,230 are Series B shares. All have a par value of SEK 10 and entitle the holder to equal portions of the Company's assets and earnings. Their voting power differs, however. Series A shares carry 10 votes apiece and Series B shares one vote apiece.

Both A and B shares are issued as restricted and unrestricted (free) shares. Restricted shares may not be acquired by foreign citizens or companies. Only B

shares are listed on the Stockholm Stock Exchange.

There are some variations between the prices quoted for Skanska Series B restricted and Skanska Series B free shares, but the volume of trading in B free shares is substantially lower than trading in B restricted shares.

Changes in capital stock, 1977–March 1987*

Year	Stock dividend	SEK M	New share issue	SEK M	Par value of capital stock	SEK M
1977	1:2	44.8	–	–	–	134.5
1978	–	–	–	–	–	134.5
1979	1:2	67.4	2.4	–	–	204.3
1980	–	–	–	–	–	204.3
1981	2:3	136.2	–	–	–	340.5
1982	1:5	68.1	2.7	–	–	411.3
1983	1:2	205.6	–	–	–	616.9
1984	5:1 split	–	–	–	–	616.9
1985	–	–	–	–	–	616.9
1986	–	–	–	–	–	616.9
1987	March	–	8.1	–	–	625.0

Shares by categories*

	Number of shares	% of voting power	% of capital stock
A restricted	3,503,150	35.0	5.6
A free	665,280	6.7	1.1
B restricted	48,311,505	48.3	77.3
B free	10,021,725	10.0	16.0
Total	62,501,660	100.0	100.0

Shareholdings by size

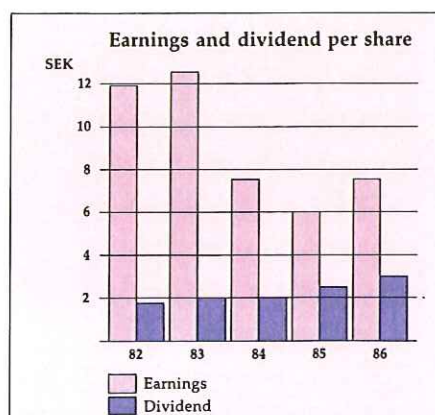
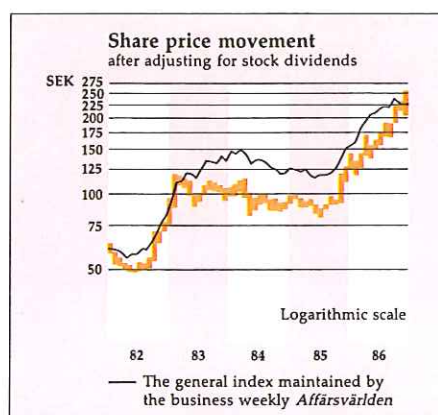
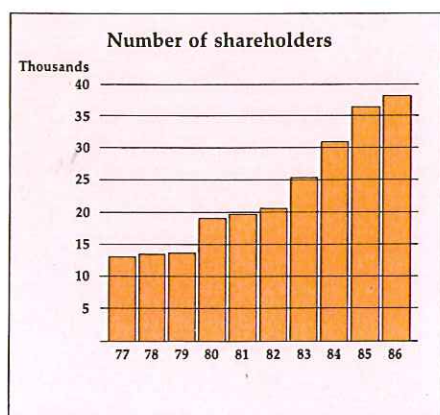
Number of shares held	Number of shareholders	% of capital stock
1– 2,000	36,277	17.3
2,001– 5,000	1,171	6.0
5,001– 10,000	327	3.9
10,001– 20,000	188	4.3
20,001– 50,000	102	5.3
50,001– 100,000	26	3.0
100,001–	67	60.2
	38,158	100.0

In February 1987 the total number of shareholders in Skanska was 38,158. In addition, some tens of thousands of people are indirect shareholders through various mutual funds. During 1986 11,026,414 Skanska shares changed hands – an average of about 44,000 shares per trading day.

Employees' shareholdings

Almost one out of two Group employees is a Skanska shareholder. This is a very large proportion, compared with many other companies listed on the Stockholm Stock Exchange.

The largest increases in the number of shareholders occurred as a result of special issues of new shares to employees in 1975, 1979 and 1982. Today a person who took advantage of all three special issues owns a total of 405 shares, following stock dividends and the 5:1 split carried out in 1984. Their market value was about SEK 114,000 as of April 1, 1987. The costs per employee have consisted of a cash contribution of SEK 2,000 plus taxes on the salary-related benefit, which was about SEK 6,200.



Skanska's 10 largest shareholders*

The 10 shareholders with the largest voting power in Skanska as of March 1987, were:

	% of voting power	% of capital stock
AB Opus (investment company)	14.2	8.8
Protorp Förvaltnings AB (same)	11.8	12.6
AB Handus (same)	8.1	1.3
Skandinaviska Enskilda Banken Pension Fund ..	4.4	1.0
Svenska Handelsbanken Pension Fund	4.1	0.7
Malmogia (subsidiary of Investment AB Öresund)	3.8	0.6
Swedish National Pension Insurance Fund, Fourth Fund Board	2.2	3.1
Sparbankernas Aktiespar- fond (mutual fund)	1.7	2.7
Försäkringsbolaget SPP (white-collar pension fund company)	1.5	2.4
Skandinaviska Enskilda Banken Share Savings Fund	1.5	2.4

* The above tables take into account the special issue of new shares to AB Handus approved at an extra meeting of shareholders on March 4, 1987.

Changes in ownership

Between March 1986 and March 1987, the holdings of some of Skanska's largest shareholders changed. The special issue of new shares to Industrivärden's subsidiary AB Handus in connection with the purchase of JM shares turned Handus into Skanska's third-largest shareholder, with 8.1 percent of the voting power. AB Ellenbogen, owned by white-collar employees of Skanska, was sold on July 1 to Investment AB Öresund. Öresund gave its new subsidiary the name Malmogia. Its shareholding in Skanska is now equivalent to 3.8 percent of the voting power. Otherwise there were only minor changes among Skanska's ten largest shareholders.

At year-end 1986 the employee share investment funds, which are managed by the Swedish government, owned 728,520 Series B shares, which represent 0.8 percent of voting power.

Dividend

Skanska's Board of Directors has proposed a dividend of SEK 3 per share for 1986. This means that SEK 187.5 M will be disbursed to the shareholders. Provided that this proposal is approved by the annual meeting of shareholders, the average annual growth in dividends during the ten-year period 1977-1986 will amount to 25 percent.

Five-year Group financial summary

(Amounts in SEK M)

	1982	1983	1984	1985	1986
Income statements					
Income after depreciation					
Contracting operations etc.	706	762	191	52	- 12
Property management	154	171	224	230	290
Sale of investment properties	136	66	25	54	161
Financial items	549	534	454	478	455
Extraordinary items	5	100	25	- 3	152
Income before allocations and taxes	1,550	1,633	919	811	1,046
Allocations	-834	-932	-366	-226	-181
Minority interest	- 2	- 3	- 8	5	4
Taxes	-375	-330	-247	-332	-384
Net profit for the year	339	368	298	258	485
Balance sheets					
Bank balances	2,854	2,447	2,302	1,556	1,414
Current receivables	6,156	5,930	5,941	5,549	6,576
Inventories	192	547	417	404	406
Investment and development properties	2,728	2,853	3,220	3,781	4,248
Shares and participations (fixed assets)	965	2,480	3,041	4,127	4,040
Long-term receivables	460	369	498	391	566
Ships, machinery, equipment etc.	609	771	812	883	961
Fixed-asset properties	379	380	760	947	1,085
Current liabilities	3,506	3,953	3,847	4,221	4,720
Uncompleted contracts (balance)	3,543	3,186	3,675	3,302	3,433
Long-term liabilities	3,065	3,190	3,484	3,772	4,292
Untaxed reserves	3,015	3,973	4,335	4,558	4,736
Shareholders' equity	1,214	1,475	1,650	1,785	2,115
Total assets	14,343	15,777	16,991	17,638	19,296
Revenues	11,686	12,159	14,765	14,957	16,103
Number of employees	26,838	27,699	29,436	28,234	27,627

Some major Group companies

Skanska Prefab

Revenues: SEK 640 M
Employees (full-time equivalent): 1,003
President: Bertil Kjellin

Skanska Prefab manufactures and sells prefabricated concrete elements for ground installations and buildings. Its market share in Sweden is about 30 percent.

In 1985 Skanska Prefab took over the production of Sentab piping, a kind of high-pressure piping with broad areas of application. It is now manufactured at a new factory building in Staffanstorp, near Malmö, which has operated at full production since the beginning of 1986.

Production capacity has been well utilized at virtually all factories. During 1986 Skanska Prefab in Kalmar was transferred from the building department in Kalmar to the Skanska Prefab group.

The first CAD equipment was installed at the factories in Uppåkra and Strängnäs. Development work on this technology is continuing.

During 1986 the company completed the task of computerizing its cost accounting system for all prefab products.



Piping for a 24 km (15 mi) untreated water pipeline – part of the Lake Bolmen fresh water supply system.

Stabilator

Revenues: SEK 313 M
Employees (full-time equivalent): 467
President: Björn Emt

Stabilator is Skanska's specialist company in foundation and reinforcement engineering as well as maintenance and repair work. It also has in-house manufacturing and sales of machinery in these fields. Its "domestic" market is Scandinavia, but it also has comparatively large operations elsewhere. Nearly 30 percent of its revenues originate outside Scandinavia.

During 1986 China remained Stabilator's largest customer country outside Scandinavia, and a large proportion of its exports there consist of technology transfer. Stabilator also carried out large assignments at Skanska's hydroelectric power plant projects outside Europe, as well as in Hong Kong.

Major jobs in Sweden included repairing roof terraces and balconies for HSB's Kungsklippan cooperative housing association in central Stockholm, repairing and waterproofing such northern Swedish hydroelectric power dams as Suorva and Hällby, pile-driving for the Klarastrand highway and the Södra station redevelopment project in Stockholm and shotcreting work for LKAB's Malmberget iron mine in the Swedish Arctic.

Product development during 1986 focused on renovation and restoration of old piping, including the successful use of water jet cutting. The company also refined its foundation reinforcement method using a micropile with a 240 kN capacity.



Restoration of old piping by the in-situ form method.

Ohlsson & Skarne

Revenues: SEK 634 M
Employees (full-time equivalent): 747
President: Per-Arne Lindqvist

Ohlsson & Skarne has been part of the Skanska Group since 1967. Today it is a subsidiary of the Skanska property management company Fastighets AB Vellonia. Ohlsson & Skarne works mainly in the Stockholm area, where it erects residential, office, commercial and industrial buildings. As a rule, these employ prefabricated concrete elements from the company's own element factory in Märsta. Ohlsson & Skarne also does renovation work.

During 1986 the company began building a large cooperative housing development in the Jarlaberg district of Nacka for HSB. It consists of about 1,200 dwelling units, and the company won the contract to design and construct the first stage – about 500 units – in an open bidding procedure.

In the Agnesberg area of Solna, Ohlsson & Skarne's own proposal won a design-construct contract for about 400 units from Bostadsstiftelsen Signalisten, a housing foundation. The company is also renovating the shopping center in Solna.

Construction of the Minneberg cooperative house area for HSB Stockholm proceeded as planned and is expected to be completed during 1987. The company's large project in the Najaden block of the suburb of Haninge – including an office building, hotel, community center and industrial, crafts and educational premises – will also be finished this year.



A new building in downtown Stockholm with a prefabricated façade blends into its surroundings.

Industriventilation

Revenues: SEK 341 M
Employees (full-time equivalent): 366
President: Per Wickman

The business concept of Industriventilation (IV) is "to develop, manufacture, market and install products and systems in the climate and energy fields and carry out after-sales service with comprehensive expertise." IV has been part of the Skanska Group since 1981. Until the end of 1986 it consisted of three wholly owned subsidiaries of Skanska, but after a reorganization IV Svenska AB is now the parent company of IV Produkt AB and IV International AB.

IV Svenska, with headquarters in Växjö, is responsible for product sales, service and contracting throughout Sweden. The company is divided into five regions with 23 local offices. In 1986 it opened offices in Umeå, Kristianstad, Bankeryd and Stockholm.

IV Produkt also has its headquarters in Växjö. It is a manufacturing company, with production concentrated in Kalmar, Löddeköpinge and Växjö.

IV International is responsible for export sales and operations abroad.

IV gives high priority to after-sales service, research and development, active marketing in Sweden and Norway, a new information center in Växjö and a quality assurance system.



After-sale service — an increasingly important element of IV's operations.

The Myresjö group

1986 revenues: SEK 652 M
Employees (full-time equivalent): 898
President: Ants Suurkuusk

The Myresjö group — a leading manufacturer of ready-to-assemble wooden houses, windows, kitchens and insulating panes — had a successful year in 1986. Revenues advanced nearly 20 percent and income climbed more than 70 percent. The improvement in earnings was primarily due to higher capacity utilization and larger profit margins.

Capital expenditures in 1986 totaled SEK 39 M. The extension of the production hall for large house sections at Myresjöhus was completed during the year, as were the new factory buildings at Myresjöfönster (windows, etc.) and Combiglas (insulating panes) in Vetlanda. The group's 1984-1987 investment plan is being carried out as planned, without any borrowing.

The Myresjö group's total exports amounted to SEK 64.5 M. Myresjöhus accounted for the dominant portion. The group's largest export markets are the Netherlands and Great Britain.

During 1986 one of the group's foreign subsidiaries, Myresjö NL B V, acquired the Dutch element factory Linnéa B V in Schagen, 30 km (18 mi) north of Amsterdam. It produces wooden curtain walls with Myresjö windows.



A Myresjö house at the Bo 86 housing exhibition in Malmö.

SektionsByggarna

Revenues: SEK 121 M
Employees (full-time equivalent): 139
President: Sixten Wallin

SektionsByggarna Oresjö AB, which has been part of the Skanska Group since 1980, manufactures office, hotel, health care, social welfare and school buildings in sections at its factory in Anneberg, Småland province. Some are permanent buildings; others are for temporary use. They are one or two stories high and are either sold or leased to the client.

In recent years the number of permanent buildings has increased. SektionsByggarna has built a number of complete industrial installations on a design-construct basis. It erects office and personnel buildings using its own sections, while employing steel frames or the like for production halls. In some cases, such frames have been supplied by Engdahls, another Skanska company.

Typical of the firm's temporary buildings are that they combine ease of moving with "a permanent appearance." Many of them are leased out for short or long periods. The market for these buildings declined in 1986, partly due to the good supply of capital in Sweden, which increased the demand for permanent buildings.



The dining room at the Volvo Car Corporation's new restaurant building in Gothenburg.

Forestry and sawmill companies

1986 revenues: SEK 175 M
Employees (full-time equivalent): 216
President: Mauritz Bom

Since 1981 Skanska has acquired five forestry and sawmill companies: Boxholms Skogar, Bark & Warburg, Örho Skogar, Gusums Skogar and Boxholms Såg. They continue to operate independently but have a joint management. Together they own 53,000 hectares of land, most of it productive timberland. This makes Skanska one of the largest landowners in southern Sweden.

The forestry companies have 5 million m³ of timber reserves. Annual regrowth is 200,000 m³. Felling, which is highly automated, amounts to 185,000 m³ a year. The companies devote a lot of effort to planting seedlings, thinning, fertilization and drainage to ensure regrowth and a stable volume of logging in the long term.

Boxholms Såg's sawmill capacity is 100,000 m³ of sawn timber per year. About one third of its production is further processed into planed and specially dried wood products. More than a million logs are sawn per year. The timber comes from only two suppliers under long-term contracts. One is Boxholms Skogar, which accounts for one third of this timber. Its deliveries follow market prices, and this helps Boxholms Skogar to show good earnings. These contracts give the sawmill a secure base in an area where timber shortages are a major problem. About 80 percent of production is exported, primarily to Great Britain, West Germany and Egypt.



Every year, 100,000 m³ of sawn timber leaves Boxholms Såg.

Engdahls

Revenues: SEK 92 M
Employees (full-time equivalent): 175
President: Leif Stridh

AB Olle Engdahls Plåt & Smide has been a wholly owned subsidiary of Skanska since 1971. Today it is a technologically advanced steel building company, whose aim is to be the Swedish market leader in steel and sheet metal structural design. The company has recruited highly skilled engineers for this purpose. In the steel building field, Engdahls offers its clients complete design-construct packages.

Engdahls' market is southern and central Sweden, but it also works abroad. Its operations are divided into five sectors: complete superstructures for factories, sports arenas and the like; steel and sheet-metal structures for large industrial buildings; windows, doors and wall sections made of ordinary and stainless steel, manufactured at a factory in Malmö; the interesting new glass superstructure building systems being developed by the company to cover streets and squares; and complete steel frames and cladding for multistory buildings.



Glass superstructure at Skanska's office building in Älvsjö, near Stockholm.

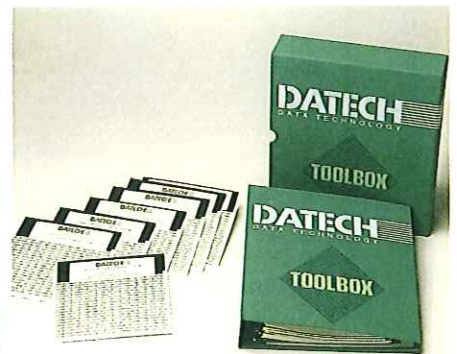
Datech

1986 revenues: SEK 22 M
Employees (full-time equivalent): 30
President: Christer Roman

Datech is an engineering company that was established by the Stockholm regional district in 1984. In 1986 it was placed directly under Group Management. The company develops efficient technical solutions using minicomputers.

At more than 30 locations throughout Sweden, Datech sells user-adapted, self-instructing software in various fields of technology. Its revenues tripled in 1986. This entire expansion occurred in the external market, mainly in CAD technology for the mechanical and construction industries.

Datech has two subsidiaries abroad: Datech Ltd. in Great Britain and Datech GmbH in West Germany. Datech Ltd. in London is the company's headquarters for its computer software library.



The Datech ToolBox is a self-instructing introductory package for personal computers - designed especially for engineers.

Board of Directors



Lars-Ove Håkansson, Bengt Haak



*Standing: Ernst Saalo, Stig Herner, Sven Johansson, Christer Olausson, Assar Ericsson, Per Lindblad
Seated: Lennart Johansson, Percy Barnevik, Sten Lindh, Lena Ekman, Carl-Olof Ternryd*

Bengt Haak, Stockholm, born 1925. Chairman. Elected to the Board in 1971. President of Skanska AB, 1977–81. Group Chief Executive, 1981–83. Chairman of the Board since 1983.

Sten Lindh, London, born 1922. Elected to the Board in 1969. Envoy.

Assar Ericsson, Kyrkhult, born 1932. Elected to the Board in 1973. Concrete worker, employee representative (Swedish Trade Union Confederation, LO).

Lena Ekman, Lidingö, born 1931. Elected to the Board in 1979. Judge, Stockholm District Court.

Sven Johansson, Lund, born 1923. Elected to the Board in 1979. Professor of nuclear physics, Lund Institute of Technology.

Lennart Johansson, Gothenburg, born 1921. Elected to the Board in 1982. Dr. Eng., Chairman of AB SKF.

Carl-Olof Ternryd, Stockholm, born 1928. Elected to the Board in 1982. Dr. Eng., Director General of the Swedish Defense Materiel Administration.

Per Lindblad, Malmö, born 1929. Elected to the Board in 1982. Chairman of Stadshypotek Skåne.

Stig Herner, Gothenburg, born 1932. Elected to the Board in 1985. Engineer, employee representative (Federation of Salaried Employees in Industry and Services, PTK).

Lars-Ove Håkansson, Djursholm, born 1937. Elected to the Board in 1985. President of Skanska AB since 1986.

Percy Barnevik, Västerås, born 1941. Elected to the Board in 1986. President and Group Chief Executive of ASEA.

Deputy Board Members

Christer Olausson, Karlshamn, born 1938. Elected as Deputy Board Member in 1973. Carpenter, employee representative (LO).

Ernst Saalo, Alnö, born 1937. Elected as Deputy Board Member in 1979. Engineer, employee representative (PTK).

Auditors

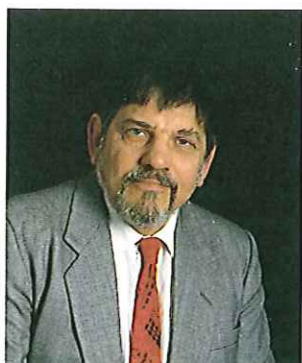
Bo Fridman, Stockholm. Authorized Public Accountant

Erik Hultén, Malmö. Authorized Public Accountant

Deputy Auditors

Bernhard Öhrn, Stockholm. Authorized Public Accountant

Mats Göransson, Malmö. Authorized Public Accountant



Bo Fridman



Erik Hultén



Bernhard Öhrn



Mats Göransson

Group Management

President

Lars-Ove Håkansson

Executive Vice President and

Deputy to the President

Göran Lidström

Senior Vice Presidents

Gunnar Carleson, accounting and finance

Håkan Carlsson, Group legal matters

Curt Hunhammar, technology

Lennart Larsson, industrial companies

Olle Lindberg, personnel

Birger Löwhagen, special international projects



Standing: Gunnar Carleson, Håkan Carlsson, Lennart Larsson, Olle Lindberg
Seated: Curt Hunhammar, Lars-Ove Håkansson, Göran Lidström

Managers of business segments

Bo G Boestad, real estate operations
Mats Dahlbom, international operations
Lennart Daleke, Norrland region
Sven-Eric Hersvall, Southern region
Göran Larsson, Central Sweden region
Bert Lilja, Stockholm region
Tommy Sernelin, Southeastern region
Per Westlund, Gothenburg region

Other members of Group management

Walter Bengtsson, international real estate and Southern region real estate department
Olle Bännmark, Marketing Manager, international operations
Bertil Kjellin, Skanska Prefab
Axel Samuelsson, international division, Stockholm
Per-Gunnar Svensson, Assistant Manager, Stockholm region



*Standing: Mats Dahlbom, Per Westlund, Bert Lilja, Sven-Eric Hersvall, Lennart Daleke
Seated: Bo G Boestad, Göran Larsson, Tommy Sernelin*



Bertil Kjellin, Walter Bengtsson, Birger Löwhagen



Per-Gunnar Svensson, Olle Bännmark, Axel Samuelsson

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