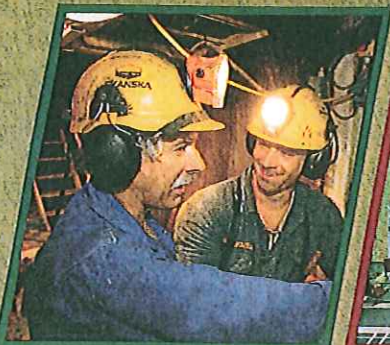


Skanska AB Annual Report 1994



Skanska's international expansion continued in 1994. U.S. operations doubled in volume due to the acquisition of Beers Construction. In Finland, Skanska established a new subsidiary which is also successfully marketing its services in Russia. Operations outside Sweden rose to 34 percent of Skanska Group invoiced sales.

In Sweden, Skanska maintained its position despite continued market deterioration.

The Swedish real estate market showed signs of improvement. During the spring of 1995, the formation of a separate hotel company marks the first genuine restructuring of Skanska's real estate holdings.

The year-end 1994 book value of the Group's entire property holdings was SEK 19,566 M.

The Group strengthened its financial position during 1994. Its adjusted equity/assets ratio rose to 35 percent excluding surplus property values, while net indebtedness fell to SEK 7,530 M.

The year-end market value of the Group's stock portfolio amounted to SEK 13,151 M.



SKANSKA

Highlights

SEK M	1994	1993
Invoiced sales for the year	32,358	28,921
Of which, abroad	10,886	6,766
Operating income before writedowns	2,420	3,913
Writedowns	- 91	- 2,004
Net profit for the year	2,691	517
Dividend per share, SEK	3.75*	3.25
Net profit per share, SEK	21.35	4.10

* Proposed by the Board of Directors

Skanska in brief

Skanska—one of Europe's leading construction and real estate companies and one of the largest industrial corporations in Sweden—began operations more than 100 years ago. Today Skanska is a name known around the world, with experience in heavy civil engineering, construction of buildings and real estate management from more than 80 countries.

The Skanska Group holds a leading position in the Swedish construction market and is a strongly decentralized company. Throughout Sweden, regional construction companies are responsible for its operations. Skanska thus works as a local construction company but is backed up by a broad range of resources.

The Skanska Group is one of Sweden's largest private real estate owners. It also has real estate holdings abroad.

Skanska has gradually built up strong financial stability, including a sizable stock portfolio.

In 1965 Skanska shares were introduced on the A-list at the Stockholm Stock Exchange.

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Annual Meeting of Shareholders: May 23 in Malmö, Sweden.
For an official announcement of the Annual Meeting, see the inside
back cover of this Annual Report.

Comments by the President and Group Chief Executive

Just over two years ago, we initiated a far-reaching reform process at Skanska. We began by leading the Group out of the financial danger zone chiefly created by the expansive real estate policies of the late 1980s and early 1990s. We managed to phase out, discontinue or sell off most of the mega-projects that Skanska had planned or started building in various parts of Europe. By doing so, we also laid the groundwork for the second phase of our operation—to restore Skanska's net indebtedness to a satisfactory level. Net indebtedness now amounts to SEK 7.5 billion while the value of our stock portfolio exceeds SEK 13 billion. This has enabled us to begin the next phase of the reform process—to make Skanska's core operations more efficient and clearly defined.

Today Skanska has two core businesses. One is construction work, which provides jobs for a majority of our 29,000 employees but is not very capital-intensive. The other is property management, which accounts for most of our tangible assets.

Beyond this, our stock portfolio is a liquidity reserve for future ventures in both of these core businesses. To date, we have chosen to invest the Group's liquidity reserve in equities because historically, they have shown better growth than other investments with equivalent risk profiles and availability. It has been essential to concentrate these holdings in a small number of companies, enabling us to exercise active ownership and thereby assume responsibility for their growth in value.

Weak market in Sweden

Skanska is Sweden's leading construction company. During the foreseeable future, Sweden will also remain our largest domestic market. Our position is not as dominant as it was a number of years ago, however. The restructuring of the Swedish construction

industry has led to a situation where there are four large companies in this market today.

The weak trend of Swedish construction activity in recent years has led to stiffer competition and shrinking margins for all market participants.

Expansion abroad

In our judgment, the Swedish market is not sufficiently large and expansive to ensure Skanska's long-term growth. This is why we are venturing outside the borders of Sweden. In doing so, we are pursuing two strategies: a new strategy and a traditional Skanska strategy. The new strategy is to transform Skanska into a transnational company that works in a number of "domestic" markets. The traditional strategy is project exports, primarily utilizing our niche expertise in fields like underground construction and hydropower projects.

Nearly all construction work is local. When we enter new markets today, according to the new Skanska strategy our aim is therefore to acquire and develop local companies that compete with other local builders. Meanwhile, markets are becoming more and more similar, especially in Europe. This means that today we can take advantage of economies of scale in technology, purchasing and working methods. Our strategy is consequently to become strong in a number of countries, both on our own power and through acquisitions. Skanska is already one of Europe's ten largest construction companies. Our goal is to build on that position, provided it can be done profitably and with reasonable risk-taking.

Another one of Skanska's strong "domestic" markets is the United States—especially the Eastern Seaboard, where we are a market leader following a number of acquisitions in recent years. Here, too, the investments are relatively small, but the growth potential is substantial. During 1994 we spent approximately SEK 200 M to buy

U.S. companies. I expect the additional order backlog and invoiced sales from these companies to add up to more than SEK 5 billion during 1995.

Having more than one domestic market also benefits our traditional project exports. For example, Skanska competes for large infrastructure projects in developing countries, with financing often tied to development aid programs or export credits.

Skanska's growing internationalization has also focused the spotlight on an entirely different aspect of our operations: security considerations at various projects around the world. Just before Christmas, two Skanska engineers working at a hydroelectric power project in Colombia were kidnapped. At this writing in April, they are still in captivity. Their case illustrates the difficulties our employees sometimes face when carrying out large, much-needed infrastructure projects. Despite security analyses and independent studies of the conditions surrounding the project, we ended up in an unacceptable situation. Our experience of this dramatic event have led us to make further improvements in our preparedness and raise our level of security.

Restructuring operations

Skanska is one of Sweden's largest real estate owners, with sizable holdings abroad as well.

Our property holdings are not static. We should not be compared to pension funds or insurance companies, which want a safe, inflation-proof long-term yield. We build, develop, improve and sell properties with the goal of earning a high total return on our investment. Having already strengthened our balance sheet, we do not need to sell properties for this purpose. It is the market situation that determines whether and when we will sell.

We also want to be an active property manager, taking initiatives to restruc-

ture the real estate market and implementing changes in cooperation with outside partners. In the spring of 1995 we thus joined Sweden's Securum group in establishing a new company for the purpose of managing and developing hotel properties. We also apply this approach to our subsidiary JM's real estate portfolio when it was combined with that of Apoteksbolaget during the year.

In retrospect, it is clear that the foreign investments of Swedish construction and real estate companies during the "roaring 80s" were not a money-making proposition. There is reason for self-criticism and reflection. Skanska was no exception in this respect.

After restructuring our real estate holdings, today we have a number of well-located, fully leased properties in Europe and the United States. We are also engaged in several attractive future-oriented projects that have major growth potential. However, new real estate projects will be developed only to the extent that we find safe market conditions and stable financial partners.

New corporate culture

Compared to many other industrial sectors, our business is conservative, with few barriers to competition and narrow margins. How does Skanska stand out from the crowd? How can Skanska identify opportunities to continue its expansion and improve profitability, even in a low-growth market?

My answer is simple. In a labor-intensive business, a company's employees are a big and important resource. The main task of management is therefore to create the prerequisites for more efficient and stimulating work. This means putting in place a whole new corporate culture—a common strategy for transforming ourselves from engineering-oriented producers into market-oriented builders. These changes must consequently take place at all levels of our company.



Skanska employs a decentralized working method, with clear profit centers and well-defined goals. In this way, we have been able to flatten the hierarchy and avoid unnecessary bureaucracy. Today's Skanska managers are expected to serve as models and catalysts in creating a corporate culture based on common values. They should be able to convey a holistic view, in which every employee can understand and perform his or her role. This is why leadership development is a central feature of our success concept.

Meanwhile, our working method should be based on careful, thorough analyses. We should know how to plan, implement and follow up assignments with the goal of always making sound business decisions.

In order to implement this new corporate culture, we need instruments and control mechanisms. One important instrument is Think Total Time (3T). What began as a process of improving our efficiency by using time as a control mechanism has now grown into a general, Groupwide reform project. Meanwhile 3T has been reshaped into a working model for our Swedish construction operations. Now that this model is being fine-tuned and introduced at our Swedish regional construction companies, there is every

opportunity to use it also in our construction companies outside Sweden.

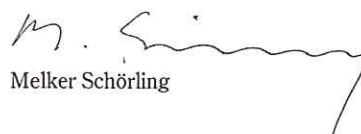
In this connection our IT project plays a major role.

We also continue the integration of environmental aspects into our operations.

Outlook

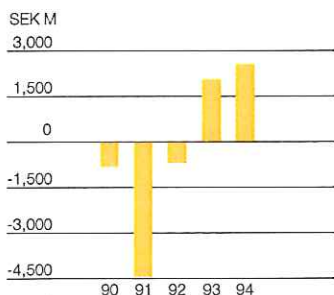
Naturally I assume that all these changes will lead to gradually rising profitability in our contracting and real estate operations over the next few years. One important prerequisite is that we can devote all our energy to these core businesses.

Since joining Skanska, I have thus considered it essential to phase out the anachronistic "cross-ownership" arrangement between Skanska and Volvo, via the investment companies Custos and Protorp. This dismantling process has taken place in several phases. It was with great satisfaction that I presented the final phase a few weeks ago, in which Skanska is selling its shares in Custos at a discount price to our own shareholders.


Melker Schörling

To facilitate a financial analysis of the Skanska Group, here is a review of the economic factors that affect its various operations.

Cash flow after investments



The Skanska Group is engaged in construction and contracting work, real estate operations and the management of financial assets including a stock portfolio. Although these sectors are different in character, they offer the potential for synergies. There is a natural operative link between the Construction and Real Estate sectors, while Finance is an essential resource for the growth of Skanska's contracting business, especially internationally.

The three sectors work under entirely different conditions in terms of their earnings margins, criteria of profitability, capital intensity and capital structure. To facilitate an analysis of Skanska's consolidated accounts, it is therefore necessary to comment in some detail on the financial factors that affect developments in each respective sector.

Construction

In the contracting business, current invoiced sales provide the best indicator of the market situation and level of activity during a given year. In 1994, as in 1993, Skanska's Swedish construction operations showed a downward trend while international con-

struction expanded sharply, both in relative and absolute terms.

The earnings margins reported by Skanska's construction sector are not based on invoiced sales, however. Instead they are based on those contracts that are completed during the year ("invoiced sales on contracts credited to income"). Because project periods vary, a meaningful average is difficult to state. It is clear, however, that many large construction projects run for several years. The reported earnings margin, based on invoiced sales on contracts credited to income, therefore reflects not only what happened during a given year, but to a great extent also the conditions prevailing when the contract was landed and the cost situation over the course of the project.

Generally speaking, this means there is a certain lag in the reporting of income from contracting operations, compared to the general trend of the construction market. This delay is longer in a declining market than in a rising one, since projects obtained during a recession normally have a shorter average length and are thus credited to income faster.

Aside from its construction business in Sweden, Skanska operates through subsidiaries in Denmark, Finland and the United States; it is also engaged in large-scale project operations (i.e. temporary assignments) in numerous other markets outside Sweden.

In 1991 the Swedish market entered a downturn. This decline is still affecting Skanska's construction business in Sweden, causing its earnings margin to continue narrowing. The reported 1994 margin before financial items was 2.5 percent of contracts credited to income, compared to 2.9 percent in 1993. During the most recent business cycle, the margin has ranged from 2 to 4 percent. Financial income in construction operations would have added another 1.3 percentage points to the earnings margin.

In Finland, Denmark and the United States, Skanska's operations have expanded sharply. The Finnish and American economies have shown stronger growth than the Swedish economy.

In other markets outside Sweden, Skanska's construction work mainly assumes the form of project exports. The extreme irregularity with which these assignments are credited to income may lead to dramatic income fluctuations from one year to the next, especially because these construction projects are often both very costly and lengthy.

During 1994 only a few major assignments abroad were completed. The level of invoiced sales credited to income was consequently low, both in Skanska's international project operations and in its newly established and rapidly expanding Finnish subsidiary. In 1994 the earnings margin on operations abroad amounted to 0.6 percent (0.5) before financial items. Positive cash flow and financial items in operations abroad normally add another 1 percentage point to the earnings margin.

Construction provides jobs for the bulk of Group employees, while the capital intensity and thus the financing requirements of these operations are small. Many contracts also stipulate advance payments. Together with invoicing in the course of construction, this results in positive cash flows and interest income.

To assess the profitability of construction operations in a meaningful way, especially compared to other industries, the low earnings margin typical of construction must be viewed in relation to the low level of capital tied up in these operations.

Real estate

Property management exhibits characteristics entirely different from the construction business. It has a limited number of employees, while a large amount of capital is tied up in real estate holdings. Relatively high

indebtedness is a normal element of the real estate business, although the experiences of the past several years give reason for greater caution in this respect.

The key factors determining the profitability of the real estate business are rental revenues and property management expenses. The difference between these two figures is sometimes called "operating net before depreciation." Operating net as a percentage of book value provides a yardstick of return known as "yield." Due to its high capital intensity, the real estate business requires a wider earnings margin than the construction business in order to ensure positive net earnings after capital costs.

Historically, Skanska has chosen to report neither an external nor an internal market valuation of its property holdings. Instead it provides very detailed figures on the composition of these holdings, as well as rents, lease periods, locations, interest subsidies, operating expenses etc. in a separate booklet on the Group's real estate. It does so in order to facilitate analyses of the value of these holdings where analysts can use their own valuation parameters.

In the short term, expectations concerning such outside factors as interest rates, inflation, real interest rates and economic growth naturally affect property values. In the long term, however, the trend of operating net is the most crucial factor.

After a flood of new construction during the 1980s, the recession of 1991—93 led to a sharp decline in occupancy rates and falling rent levels in the Swedish commercial property market. The residential market has been somewhat more stable.

Operating net for the Group's investment properties totaled SEK 2,038 M in 1994, compared to SEK 2,309 M in 1993. The lower level was mainly due to a drop in rental

revenues after the divestment of properties. The yield on Skanska's investment properties amounted to 14.3 percent and that of JM's investment properties was 8.4 percent, largely similar to 1993 yields. The purchase and sale of properties is part of regular business operations in the real estate business. Capital gains or losses on divestments are reported separately from property management income, however, because the volume of such transactions may vary greatly from year to year. The proceeds from property divestments late in 1993 and during 1994 were largely used to repay loans, which in turn lowered the Group's interest expenses by about SEK 400 M on an annual basis.

Stock portfolio

Aside from management of the Skanska Group's liquid assets, the Finance sector manages a stock portfolio. The latter is a long-term financial investment, in which surplus funds mainly generated by construction operations are used to purchase shares in a number of Swedish listed companies. The portfolio should therefore be regarded primarily as an alternative to other forms of financial investment. On the whole, these shareholdings have showed favorable growth in value compared to government bonds and other interest-bearing financial instruments over the decade or so that Skanska has managed a large stock portfolio.

As in the case of Skanska's real estate sector, changes in the market value of its shareholdings must be taken into account when assessing the underlying profitability of the stock portfolio. The yield on the portfolio consists mainly of dividends and is therefore relatively low. Trading takes place on a limited scale, and during 1994 it added SEK 365 M to earnings, thereby helping to improve the reported yield on the portfolio.

Fundamentally, however, the portfolio and its yield should be regarded as an integral element of Skanska, and especially of its construction business. These shareholdings represent a major resource for the Group's construction sector, where financial strength has become an increasingly vital factor in the competition for major assignments. This is especially true in the international market, where Skanska aims at continued expansion.

The future growth of Skanska's construction business may require that some of the funds currently committed to the stock portfolio be used for various purposes. Because such needs are hard to predict, those who manage Skanska's financial assets must think not only in terms of balancing risks and returns, but also of ensuring that the requisite funds are easily accessible.

Balance sheet and capital structure

In the formal sense, Skanska's balance sheet exists only at the Group and Parent Company levels.

Looking at the assets side of the consolidated balance sheet, roughly 46 percent of total assets are attributable to real estate operations including JM and 11 percent to the stock portfolio excluding JM. A large percentage of the remaining items consist of liquid assets, mainly linked to the construction sector. If the market values of Group assets are used instead of book values, real estate holdings and the stock portfolio account for an even larger percentage of total assets.

On the liabilities side of the consolidated balance sheet, most interest-bearing loans consist of various types of property financing. Beyond this, a large percentage of items consist of interest-free liabilities. Aside

from accounts payable, this includes the net value of uncompleted contracts in Skanska's construction operations. On the other hand, there is no direct link between the stock portfolio and liabilities; in principle, the portfolio can thus be described as having been financed using shareholders' equity.

Financial items

In the consolidated income statement, the financial revenues and expenses listed under the heading "Financial items" have clear connections with individual business areas, but they are still reported together.

The Group's interest expenses are mainly connected with real estate financing loans, while its interest revenues are mainly generated by the positive cash flow and high liquidity of the construction business. Earnings from portfolio management, in the form of dividends and capital gains on share divestments, are also reported in their entirety under "Financial items."

During 1994 Skanska reduced its interest expenses, mainly as a consequence of loan repayments, but also because of efficient financial management. Interest revenues fell due to lower interest rates, but also because the Group drew down its liquid assets, partly in order to repay loans. Total interest-bearing net indebtedness, defined as interest-bearing liabilities minus interest-bearing investments and receivables, fell by SEK 2,302 M to SEK 7,530 M. Net interest items improved by about SEK 595 M.

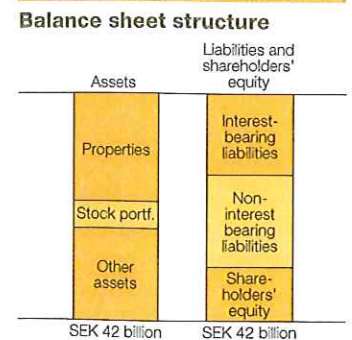
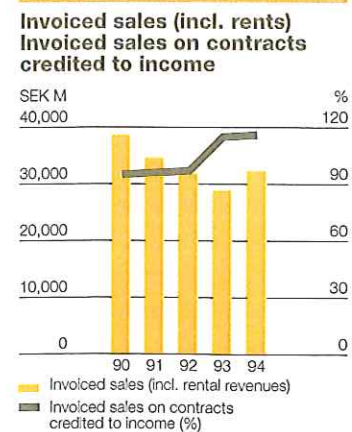
Cash flow

Funds generated from Group operations, before changes in working capital and net investments, have amounted to between SEK 1 and 3 billion annually over the past seven years.

Net investments during the same period exceeded cash flow by SEK

3,014 M. The difference was financed by external borrowing. The main factors here were large real estate investments during the years 1988-92. After a radical cutback in real estate projects for Skanska's own account and the divestment of a number of large properties, since 1993 the Group has again reported a positive cash flow after investments.

The positive cash flow of the past two years has enabled the Group to carry out a gradual, planned reduction in its overall debt burden. This was facilitated by relatively limited capital spending requirements for machinery and other fixed assets. Investment needs will probably increase in coming years, especially in light of Skanska's continued expansion in markets outside Sweden. On the whole, operations over the next few years are not projected to require any increase in the Group's net indebtedness.



Organization



Melker Schörling



Bo Ingemarson



Mats Mared



Per Westlund



Claes Björk



Claes Gustafson



Tommy Sernelin



Lars Wiklander



Mikael Ekdahl



Lennart Hallberg



Rune Kjellman



Göran Larsson

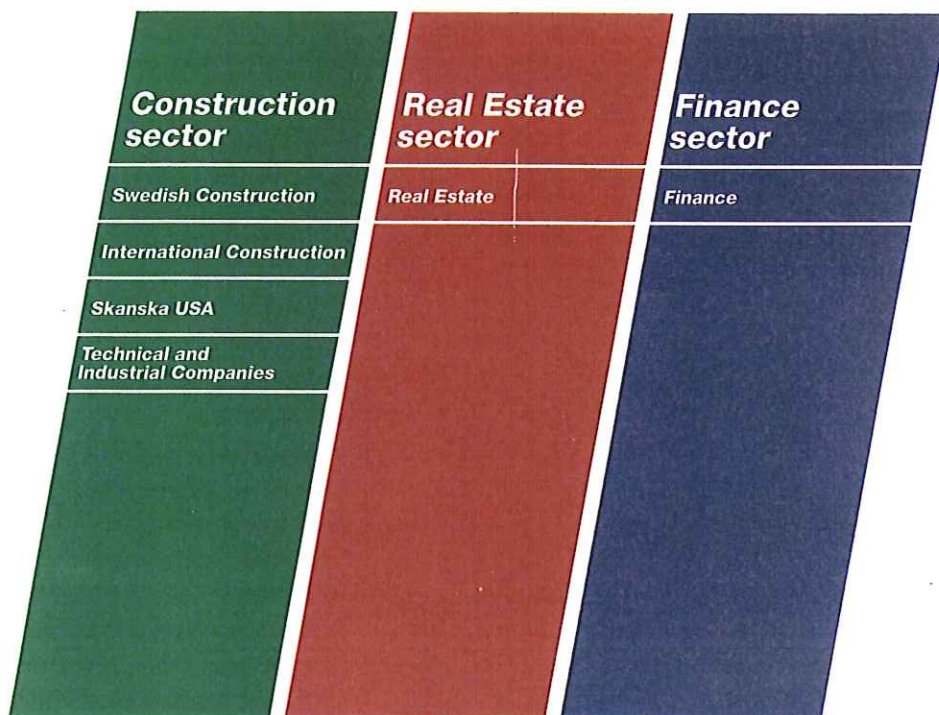


Mats Moberg



Thomas Bley

Skanska



President and Group Chief Executive

Melker Schörling (born 1947). Holdings in Skanska: 29,700 Series A shares.

Other members of Group Management

Bo Ingemarson (born 1950). Executive Vice President, Finance. Holdings: 366 Series A shares, 1,050 Series B shares and 10,000 stock options.

Mats Mared (born 1944). Executive Vice President, Real Estate. Holdings: 10 Series B shares and 3,000 stock options.

Per Westlund (born 1944). Executive Vice President, Group Development. Holdings: 1,100 Series B shares.

Claes Björk (born 1945). Senior Vice President, Skanska USA. Holdings: 160 Series B shares.

Claes Gustafson (born 1943). Senior Vice President, Swedish Construction. Holdings: 210 Series B shares.

Tommy Sernelin (born 1937). Senior Vice President, Technical and Industrial Companies. Holdings: 1,710 Series B shares.

Lars Wiklander (born 1943). Senior Vice President, International Construction. Holdings: 200 Series B shares.

Heads of Group staff units

Mikael Ekdahl (born 1951). Attorney at Law, Secretary to the Board. Legal Affairs.

Lennart Hallberg (born 1946). Senior Vice President, Public Affairs. Holdings: 1,000 Series B shares.

Rune Kjellman (born 1944). Senior Vice President, Personnel.

Göran Larsson (born 1937). Senior Vice President, Purchasing. Holdings: 820 Series B shares.

Mats Moberg (born 1950). Head of Accounting. Holdings: 100 Series B shares.

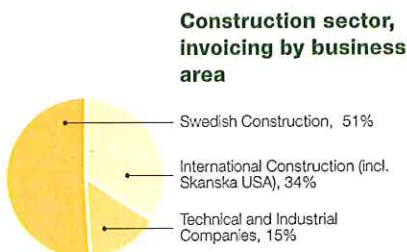
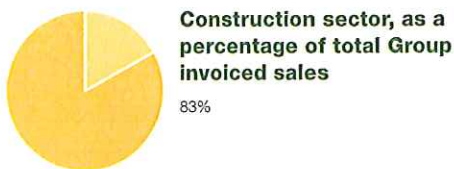
From April 1, 1995

Thomas Bley (born 1951). Head of Information Technology. Holdings: 40 Series B shares.

Assistants to the President:

Monica Wennlo Falk, Danderyd.
Inger Dahlgren, Malmö.

S Skanska's construction sector provides jobs for the bulk of Group employees and accounts for most invoiced sales.



Skanska's Construction sector is divided into four business areas: Swedish Construction, International Construction, Skanska USA and Technical and Industrial Companies. Sweden is its largest single market. Skanska has local construction operations in a number of other countries and engages in project exports.

Transnational vision

Skanska's vision is to expand into a transnational group of companies through cooperation across borders in its integrated network, thereby bringing added value to customers worldwide. Its strategy is to build up a strong position in a number of "domestic" markets, such as Sweden, Denmark, Finland and the United States, which will serve as platforms for joint, competitive projects throughout the world.

During 1994 the Group took several important steps in this direction: the establishment of a subsidiary in Finland and expansion through acquisitions in Denmark and the United States.

The expansion of its international operations is also one element of the Group's ambition to create a better balance between different branches of operations and countries, thereby decreasing its dependence on national business cycles.

Reform work

To increase its competitiveness, streamline its operations and lower its costs, Skanska is pursuing a large-scale reform process known as 3T—Think Total Time.

3T is a time-based management tool. It is designed to give Skanska satisfied clients by ensuring defect-free delivery on the agreed date, assured quality and lower total costs. Skills development and greater employee participation in planning and following up assignments are ways of

strengthening the sense of commitment felt by people in all occupational categories.

As part of the 3T process, Skanska is gradually introducing a flatter organization, based on management by objectives and a large measure of individual responsibility. Clear targets and far-reaching delegation of authority provide incentives for creativity and fresh thinking. 3T also helps create good prerequisites for meeting higher environmental standards.

During 1994, 3,000 employees underwent leadership training. The year before, more than 16,000 were trained in the 3T model. More than 50 full- or part-time project managers are engaged in applying this reform process to Skanska's daily work.

Purchasing strategy

Streamlining the purchasing process is another important element of Skanska's reform efforts. During 1994 the Group laid the foundation for a strategic approach to purchasing and logistics issues.

The purchase of outside goods and services accounts for about 70 percent of costs in a typical contracting job. Major savings are possible through Groupwide coordination and implementation of purchases.

This process is also designed to clarify and streamline the entire material flow process, from product manufacture to installation at the construction site. Quality and environmental issues play a key role.

Skanska's internal purchasing network has been expanded to cover large portions of Europe.

Continued expansion

During 1994 international expansion partly offset the continued weakness of the construction market in Sweden.

The earnings of Skanska's Swedish construction operations

Skanska's operations took place in 44 countries during 1994



reflect the economic downturn of recent years. In international project operations, invoiced sales on contracts credited to income were low during the year. Earnings were also pulled down by the costs of new operations and other development work, which are expected to have a positive impact on earnings in the long term.

Outlook

Sweden's membership in the European Union, effective from January 1995, will have few immediate consequences in Skanska's Swedish construction operations.

In international construction, EU membership will make it easier for Skanska to participate in major infrastructure projects in Europe, as well as in developing-country projects financed by the EU. Starting in 1998, Sweden will pay contributions to the EU development assistance budget equivalent to about 10 percent of total Swedish development aid appropriations. There is a risk that this may lead to cuts in bilateral aid from Sweden, which has been an important generator of Swedish exports to the developing countries—especially construction projects—and a source of numerous jobs in Sweden and Skanska's other domestic markets.

- | | |
|--------------------------------|----------------------|
| Austria | Sweden |
| Belarus | Switzerland |
| Belgium | Tanzania |
| Chile | Ukraine |
| Colombia | United States |
| Denmark incl. Greenland | Zimbabwe |
| Egypt | |
| Estonia | |
| Finland | |
| France | |
| Germany | |
| Great Britain | |
| Hong Kong | |
| Hungary | |
| Iceland | |
| India | |
| Iran | |
| Italy | |
| Japan | |
| Kazakhstan | |
| Kenya | |
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| Latvia | |
| Lesotho | |
| Lithuania | |
| Malaysia | |
| Netherlands | |
| Norway | |
| Pakistan | |
| Panama | |
| Poland | |
| Portugal | |
| Russia | |
| Saudi Arabia | |
| Somalia | |
| South Korea | |
| Spain | |

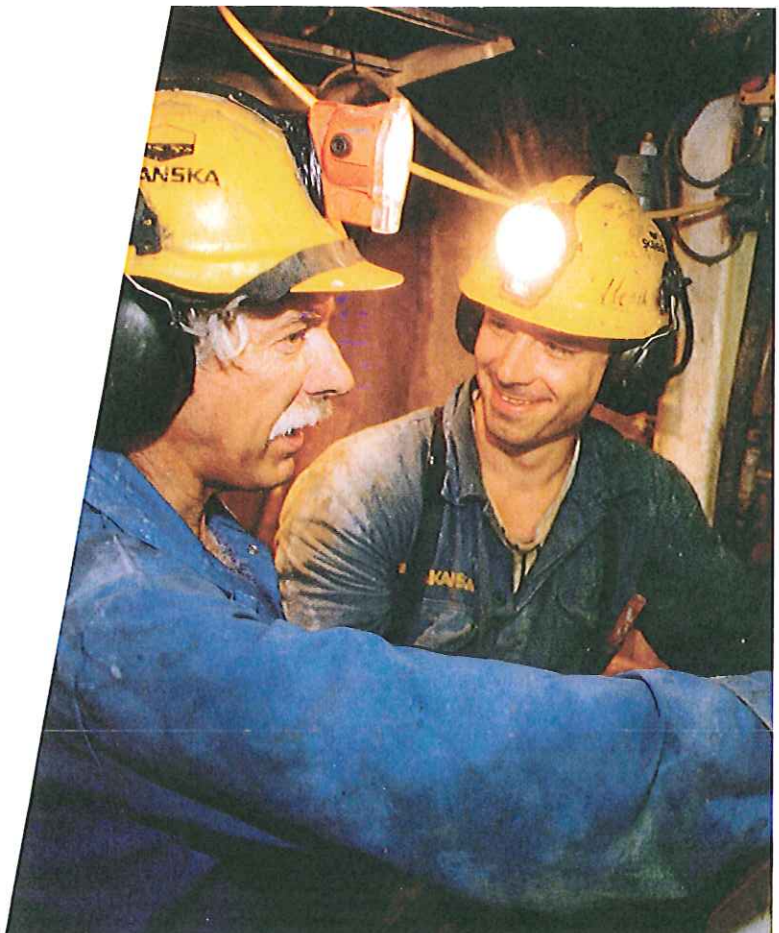
Construction sector

Swedish Construction

International Construction

Skanska USA

Technical and Industrial Companies



Many infrastructure projects in Sweden and abroad require underground construction expertise.

Construction



Skanska is maintaining its position as Sweden's leading construction company in a market that continues to shrink.

Operations by production area

as a percentage of invoiced sales



Operations by type of assignment

as a percentage of accumulated expenses



Client structure

each category as a percentage of accumulated expenses



The IKEA home furnishings group and Skanska are working together to design better Swedish housing, for example at this pilot project in Kopparlunden, Västerås.

The Swedish Construction business area operates through seven regional companies. One of these, Skanska Bostäder Stockholm AB, specializes in residential construction in Stockholm and vicinity.

Operations are strongly decentralized. In a given year, work takes place at about 4,000 sites around Sweden and includes everything from minor repairs to construction projects costing billions of kronor. Types of procurement range from divided contracts to design-construct assignments based on Skanska's own proposals. In 1994 design-construct contracts accounted for about 40 percent of volume.

Financial results

During 1994 order bookings rose by 15 percent. Order backlog was largely unchanged. Invoiced sales fell by 3 percent.

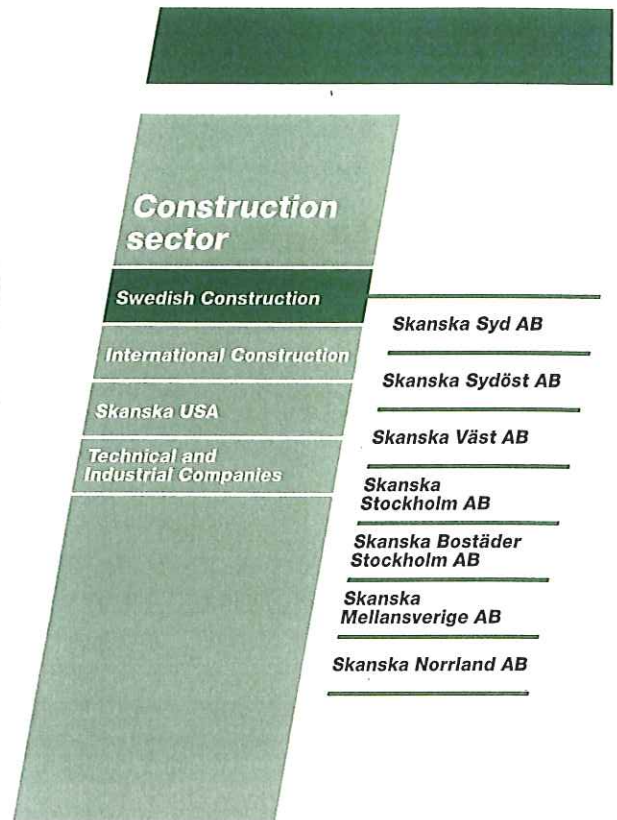
Operating income after depreciation declined by 8 percent. The level of invoicing credited to income rose. The main reason was that a number of major projects were completed and credited to income during the year.

The earnings margin fell slightly.

The Swedish construction industry

In recent years the Swedish construction industry has undergone a major restructuring. A decade ago, there were twelve large construction companies; today four remain. Skanska's regional construction companies each report invoiced sales of SEK 1-3 billion a year, which makes them substantially larger than most of the medium-sized market players. Skanska maintained its leading role in the Swedish construction market.

A growing proportion of construction work is small-scale in nature,



Swedish Construction

SEK M	1994	1993
Invoiced sales	14,499	14,873
Invoiced sales on contracts credited to income	19,775	18,739
Level of invoicing credited to income, %	136	126
Operating income	504	549
Earnings margin, %	2.5	2.9
Order bookings	14,263	12,432
Order backlog, Dec. 31	7,159	7,427
Average number of employees	11,599	12,818

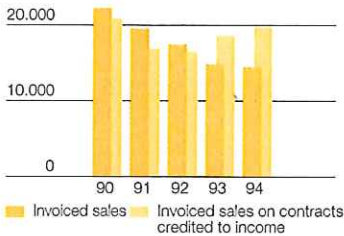
which means that competition for a great majority of projects takes place at the local level, where a large number of smaller companies are major competitors. The current level of demand has led to overcapacity and depressed earnings margins.

The Swedish construction market

In 1994 construction investments declined for the fourth consecutive

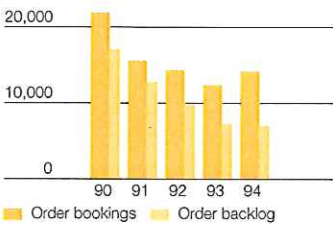
Invoiced sales/Invoiced sales on contracts credited to income

SEK M
30,000



Order bookings/Order backlog

SEK M
30,000



year, falling to a level equivalent to 60 percent of 1990 volume in real terms. There were about 11,600 housing starts, compared to 69,000 units in 1990.

Housing construction has traditionally been the engine of the building industry. Construction has been used by the government as a counter-cyclical instrument and the housing sector has been circumscribed by subsidies and regulation.

In the future, housing construction will be controlled far more by need and demand than by the artificial and politically motivated mechanisms that have predominated until now.

The main factor behind the volume of housing construction is interest rates. Today's interest rates are holding back both construction and renovation. However, a government decision to provide extra support to the housing sector will stimulate renovation work during 1995. According to the National Board of Housing, Building and Planning, one out of ten homes is in need of renovation.

The market for other building construction—offices, public buildings etc.—was surprisingly strong late in

1994, but the upturn began from a low level.

Among major planned infrastructure projects that are expected to be a strong driving factor in the entire market are the construction of the Öresund bridge-tunnel between Sweden and Denmark, a third runway at Stockholm-Arlanda international airport, ring roads and related projects in Stockholm and a similar traffic project in Gothenburg. Delays or cutbacks will affect the growth of the construction industry over the next few years.

Generally speaking, Sweden has an extremely low construction level compared to other countries. Not even during the overheated 1980s did Swedish construction activity reach the average level for other European countries. Whereas 1993 construction investments in countries like France, Great Britain, Germany and Austria stood at 10–15 percent of GDP, Sweden did not even reach 7 percent.

Where does Skanska stand?

In recent years, Skanska's focus has been on housing construction, in which the company has historically enjoyed a strong position. In 1993 housing-related assignments represented about one third of Swedish construction. In 1994 the level was 19 percent, and in 1995 it will decline further. In spite of this, Skanska will invest in the construction of housing in attractive areas with good sales potential.

The decline in housing construction has partly been offset in Skanska's case by increased road and civil engineering work. In 1993 this sector accounted for 29 percent of Skanska's Swedish construction. In 1994 the corresponding figure was

Operating in teams that use management by objectives, skilled workers assume greater personal responsibility for their performance. This teamwork is part of the 3T reform process.





The new E4 free-way past Stavsjö, between Norrköping and Nyköping, was built to follow the contours of the landscape. Project time was shortened from three years to two.

33 percent, and a continued increase in the percentage is predicted.

During 1994 Skanska noted a certain increase in the demand for industrial premises. The paper and pulp industries account for the largest expansion, although it is on a limited scale.

The role of repair, renovation and extension projects continued to grow. During 1994 they accounted for 38 percent of Skanska's Swedish construction. Most of this work is taking place in offices and public buildings, due to greater tenant mobility than previously.

The 3T reform process

The 3T project began in 1991 and is now beginning to show measurable results. One of its targets was to reduce construction time by one third by the close of 1995. Today projects are being completed 20 to 30 percent faster than in 1991, depending on the type of work.

This time target combined with the zero-defect target have generated a stronger sense of employee commitment, resulting in measurably higher quality. This is true of building construction as well as road and civil engineering projects. During 1994 about 400 zero-defect projects were completed. The working environment has also improved, with the number of injuries per full-time-equivalent employee declining by half.

Specialization and skills development

Skanska is taking a number of steps to adapt its operations to changing market conditions.

One is continued specialization by product categories. As one step in this process, at the beginning of 1994 all housing construction in Stockholm was gathered in a separate company, Skanska Bostäder Stockholm AB. Similar specialization has been introduced at the divisional level in the Gothenburg-based regional company.

To increase its competitiveness in the local market, Skanska is prioritizing a continued shift toward self-governing work teams at construction sites. It is a matter of mobilizing the expertise and experience of Skanska's skilled workers to raise efficiency and strengthen business relationships with clients. In this way, Skanska can combine the resources of a large company with the flexibility and local adaptability typical of a small company. Skills development programs are part of the 3T process, and this new way of thinking has already yielded encouraging results.

Operations in 1994

During the year Skanska began a number of major road and civil engineering projects, including the Lundby Tunnel in Gothenburg, a rail-road bridge over the Stocksundet straits in Danderyd near Stockholm, the Marieholm Bridge in Gothen-

SEK M	Skanska Syd		Skanska Sydöst		Skanska Väst		Skanska Stockholm		Skanska Bostäder Stockholm		Skanska Mellansverige		Skanska Norrland	
	1994	1993	1994	1993	1994	1993	1994	1993	1994	1993	1994	1993	1994	1993
Invoiced sales	1,917	2,155	2,181	1,980	2,287	2,344	3,038	3,204	1,111	703	2,471	2,798	1,494	1,689
Order bookings	2,067	1,662	2,250	1,864	2,503	1,895	2,239	2,620	735	866	2,455	2,013	2,014	1,512
Order backlog, Dec. 31	819	645	1,047	990	1,374	1,102	1,289	2,407	517	470	1,051	1,210	1,062	603
Average number of employees	1,908	2,216	1,893	1,869	1,903	2,234	1,869	2,145	627	406	2,060	2,393	1,339	1,555

burg and the Bärbyleden highway north of Uppsala. The company was awarded a four-year contract with the Municipality of Härnösand on maintenance of roads, buildings and other facilities. A number of multi-year maintenance contracts with the National Road Administration were also signed. Another current project is the High Coast Bridge over the Ångermanälven river in northern Sweden. Tenders in connection with the Öresund bridge-tunnel project are under preparation.

Large building construction projects that began during 1994 included a newspaper building in Karlstad for *Nya Wermlands Tidning*, offices for the Hässle pharmaceutical company in Mölndal, expansion of the Mönsterås Bruk pulp mill for Södra Cell and expansion of the SCA paper mill in Ortviken in partnership with the Finnish subsidiary Skanska Oy.

Skanska began an interesting development and marketing venture together with the IKEA home furnishings company. Its purpose is to build better, more cost-effective housing. The cooperation agreement was preceded by a pilot project in Västerås, Uppsala and Stockholm, where a joint marketing program was implemented.

Outlook for 1995

The critical factor in the construction market during 1995 will continue to be interest rates, which in turn are influenced by the national budget situation and by government actions.

However, there is a pent-up demand for housing in many parts of Sweden, and this indicates that construction will have to increase again.

In recent years Skanska has managed to trim costs by improving its productivity and procuring materials and services at lower prices. Today there is a clear trend toward higher material prices, which is being partly offset by Skanska's coordination strategy in purchasing.

In all probability, the Swedish construction market has bottomed out at a low level. There are signs of an upturn during 1995.

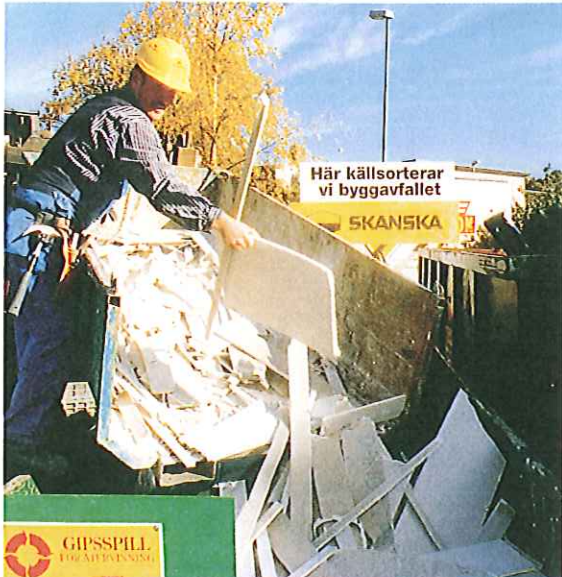
The largest listed construction companies in Sweden

Company	1994 invoiced sales, SEK M
Skanska (incl JM)	32,358
NCC	16,549*
SIAB	8,981
PEAB	8,287
JM	3,382
Lundbergs	2,605
Platzer	863

* Invoiced sales on contracts credited to income



issues are the focus of attention today. Skanska's Executive Management has decided to give environmental issues the highest priority.



At-source waste sorting in offices and building sites, along with environmental dredging, are creating a better environment for everyone.

The environmental aspects of construction, industrial activity and property management are becoming increasingly important and should be integrated into all stages of operations. The resulting products and services must be better from an environmental standpoint. The "ecocycle principle" is playing an increasingly important role in the Group's environmental work.

A systematic analysis of the environmental impact of Skanska's operations has been initiated in cooperation with experts from the International Institute of Industrial Environmental Economics at the University of Lund, among other organizations.

This analysis will provide a stable foundation for long-term, effective, results-oriented environmental work. Skanska's experience of its 3T reform process creates a good foundation for such work.

In order to coordinate, manage and administer Skanska's environmental work, individuals with specialist skills have been recruited both at Group level and at a number of subsidiaries.

Even today, there are many good examples of environmental protection initiatives at Skanska.

To achieve more efficient resource utilization, for example, one development project in cooperation with the appliance manufacturer Electrolux is experimenting with recycling systems to reduce the quantity of packaging.

At-source separation of construction wastes is being introduced at a growing number of projects. Similarly, more and more asphalt is being recycled at Skanska's road construction sites. During 1995 at-source separation of wastes will be implemented at all Swedish construction sites.

An environmentally acceptable demolition method developed by Skanska makes it possible to recycle or recover most material.

Efforts are underway within Skanska's property management operations to accelerate the transition to CFC-free technology, for example by developing environmentally improved air conditioning systems.

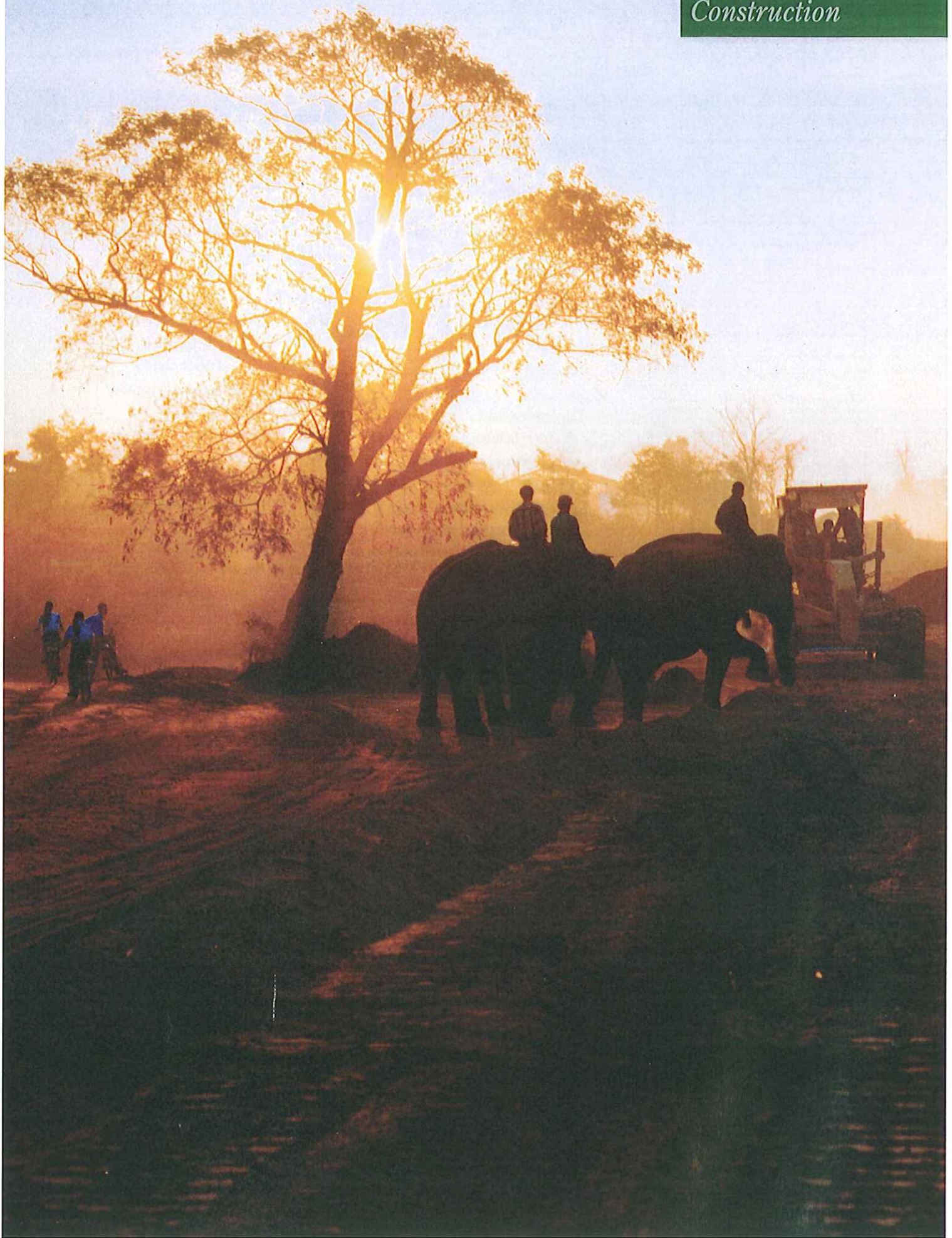
Skanska has developed its own concept for improving the indoor environment for people with allergies, while reducing energy consumption.

Among Skanska's other environmental innovations is a newly developed sewage treatment plant for small communities. A mobile version can be used at sports events.

Skanska is represented on the Ecocycle Council established by the Swedish construction industry. This is a cooperative body to promote resource-efficient construction and property management.

Skanska can also play a major role in developing ecocycle technology and in creating the necessary environmental infrastructure. Higher environmental standards are opening up new business opportunities.

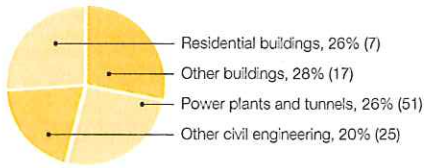
Construction



national expansion is continuing, and a new "domestic" market was established in Finland.

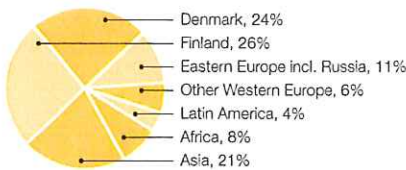
Operations by production area

as a percentage of invoiced sales



Operations by market area

as a percentage of invoiced sales



This business area consists of four construction companies: C.G. Jensen, Copenhagen; Skanska Oy, Helsinki; Skanska International Building (Skanska Building), Malmö; and Skanska International Civil Engineering (Skanska Civil), Stockholm.

C.G. Jensen and Skanska Oy operate in their domestic markets—Denmark and Finland, respectively—but they also work abroad in selected countries. Skanska Building and Skanska Civil only work abroad, with Sweden as a base.

Market responsibility is clearly divided among the four companies. They seek cooperation with other Group companies, both in their own business area and in Skanska's Swedish and American operations.

Financial results

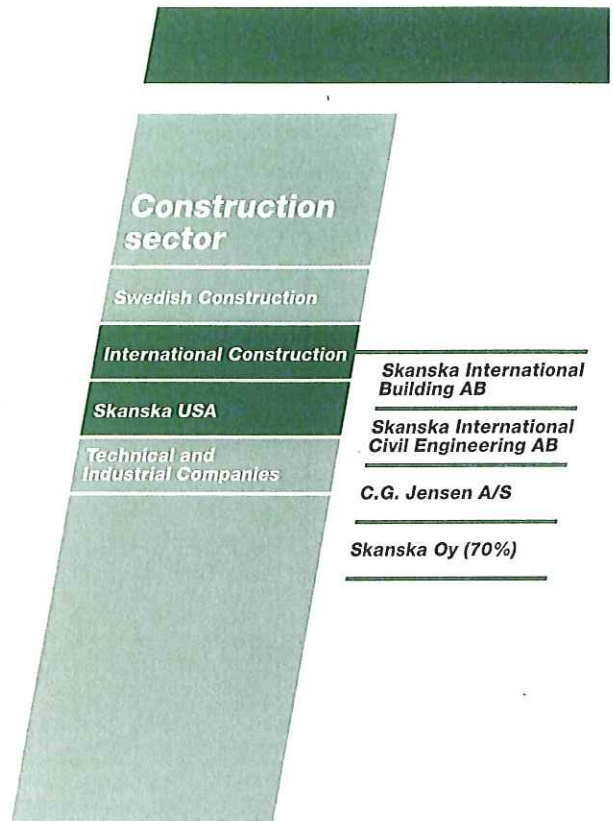
Invoiced sales of the four companies totaled SEK 4,105 M. Order bookings totaled SEK 5,043 M. At year-end 1994 their order backlog was SEK 4,957 M. The number of employees was 7,812 (5,105).

Mission

The mission of the International Construction business area is to pursue building and civil engineering projects in selected markets worldwide, assigning priority to certain products in which Skanska has a competitive edge—either alone or in alliances—in both large and small projects, and with a focus on value-added to the client rather than lowest cost.

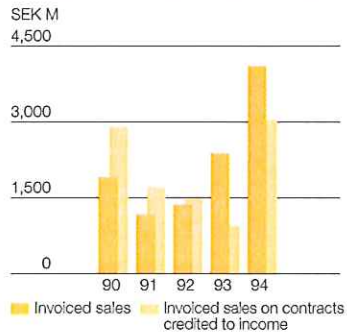
Strategy

A prerequisite for extensive and lasting internationalization is permanent construction operations in a number of countries. More than three fourths of Skanska's international activity is performed by established companies in different countries. Of the Group's 1994 international invoiced sales of about SEK 11 billion only SEK 2 billion consisted of project exports.

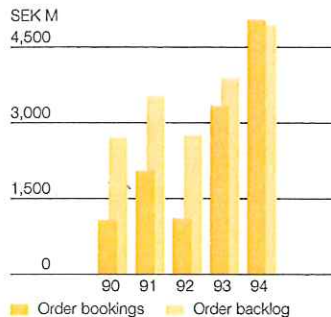


International Construction (excl. Skanska USA)

Invoiced sales/Invoiced sales on contracts credited to income



Order bookings/Order backlog



In Laos, Skanska is building a new national highway that will help open up one of the world's poorest countries to development.

International Construction



The new School of Economics in Riga is located in a handsome old building which was renovated by Skanska.

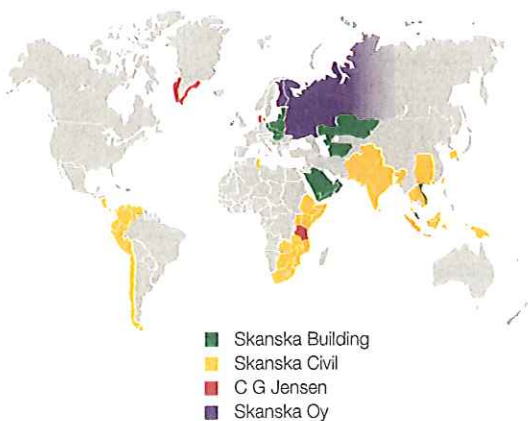
Skanska's *domestic market* strategy entails operating in certain OECD countries through permanently established companies that primarily work in their respective domestic markets, but which also have the capacity to carry out project exports. The Group's domestic markets at present are Sweden, Denmark, Finland and the United States. Skanska intends to increase the number of such markets.

Skanska's *local construction operations* strategy is to work in various other countries at a local market level through established companies. Examples of such countries are Poland, Germany, the three Baltic states, the Czech Republic, Hungary, Russia, Tanzania, Kenya and Hong Kong.

The Group's *project export* strategy is to participate in temporary construction projects in other countries, among other things by mobilizing strategic resources from Skanska's domestic markets, combined with local resources.

Project exports focus on certain countries and products where Skanska possesses state-of-the-art technical expertise. These include power plants and hospitals on a turnkey basis in developing countries. Skanska's experience and capacity in crafting financing packages are other important competitive factors.

Markets International Construction



C.G. Jensen

After acquiring Hans Jørgensen & Søn, C.G. Jensen is the fourth largest construction company in Denmark. It does construction primarily in its domestic market, but has been established for 20 years in Tanzania. C.G. Jensen also carries out project exports to other developing countries.

The construction market in Denmark remains very depressed, but there are signs of a weak recovery. Competition is keen and earnings margins are narrow.

Major new orders include three civil engineering assignments in Copenhagen related to the future Öresund bridge-tunnel.

Skanska Oy

Skanska Oy was established in March 1994. The company's strategy is to create nationwide Finnish operations in the building construction sector as well as in roads and civil engineering, and to establish construction operations in Russia, Belarus and Ukraine.

In Finland, Skanska quickly gained a strong position in residential and industrial construction. Skanska's Finnish and Swedish units have cooperated in several projects, which provides the Group with a competitive edge in both countries.

The Russian construction market shows rapid growth and offers project opportunities in several sectors where Skanska's skills and experience are in demand. However, there are substantial risks, legislation is unclear and the political situation is an uncertainty factor. Financing is a key issue, but today there are both Russian and other customers with payment capacity, and this creates project opportunities.

In 1994 Skanska Oy established local construction activity in Moscow and St. Petersburg (Russia) and Kiev (Ukraine).

Among new orders were numerous housing construction contracts in Finland, concentrated in the Helsinki area. During the autumn,

Skanska Oy signed a contract with the American construction company Ralph M. Parsons and with Skanska (USA) Inc. to assume project management responsibility for the construction of soldiers' housing at 17 locations around Russia.

Skanska Building

Skanska Building focuses on international building construction projects based on two strategies.

Its main strategy is to establish local construction operations in the countries around the Baltic Sea and in selected countries of Central Europe.

Its second strategy is to engage in project exports to selected countries in the Middle East, Central Asia and the Far East. Skanska Building gives priority to turnkey hospital and hotel projects.

During 1994 the company received a contract for a turnkey hospital on the resort island of Langkawi, Malaysia. Projects completed during the year included the School of Economics in Riga, Latvia, and the Swedish Embassy in Tallinn, Estonia.

Skanska Civil

Skanska Civil specializes in civil engineering projects. Its main strategy is to give priority to hydroelectric power projects, dams, tunnels and other types of underground work.

At present, Skanska Civil's main markets are in developing countries, with priority to selected markets in Latin America, Eastern and Southern Africa, India and certain countries in the Far East. The company has local construction operations in Hong Kong, Kenya and Panama.

Skanska Civil also has subsidiaries that specialize in dredging, raising and underground pipe jacking. These companies also work in Sweden.

During 1994 Skanska Civil signed a number of contracts in Hong Kong, among other markets.



The first phase of Warsaw's centrally located Atrium Business Centre will soon be ready for occupancy.

SEK M	Skanska International Building		Skanska International Civil Engineering		C. G. Jensen		Skanska Oy	
	1994	1993	1994	1993	1994	1993	1994	1993
Invoiced sales	369	69	1,354	1,310	1,139	1,000	1,243	—
Order bookings	632	865	942	1,555	953	913	2,516	—
Order backlog, Dec. 31	1,078	821	1,749	2,193	748	884	1,382	—
Average number of employees	286	288	5,085	3,723	1,506	1,094	935	—

Outlook for 1995

During 1995 further expansion of operations is expected. Continued stiff competition is to be expected in all markets. This is especially true in the developing countries, where local contractors are continuously expanding their business. For Skanska, it is therefore necessary to start local operations in those markets where the Company intends to compete for new projects. This is also Skanska's main growth strategy during the next few years.

Jan Sjöstedt, Skanska International Building AB



Niels Otto Andersen, C.G. Jensen A/S



Per Hofvander, Skanska International Civil Engineering AB



Eero Makkonen, Skanska Oy

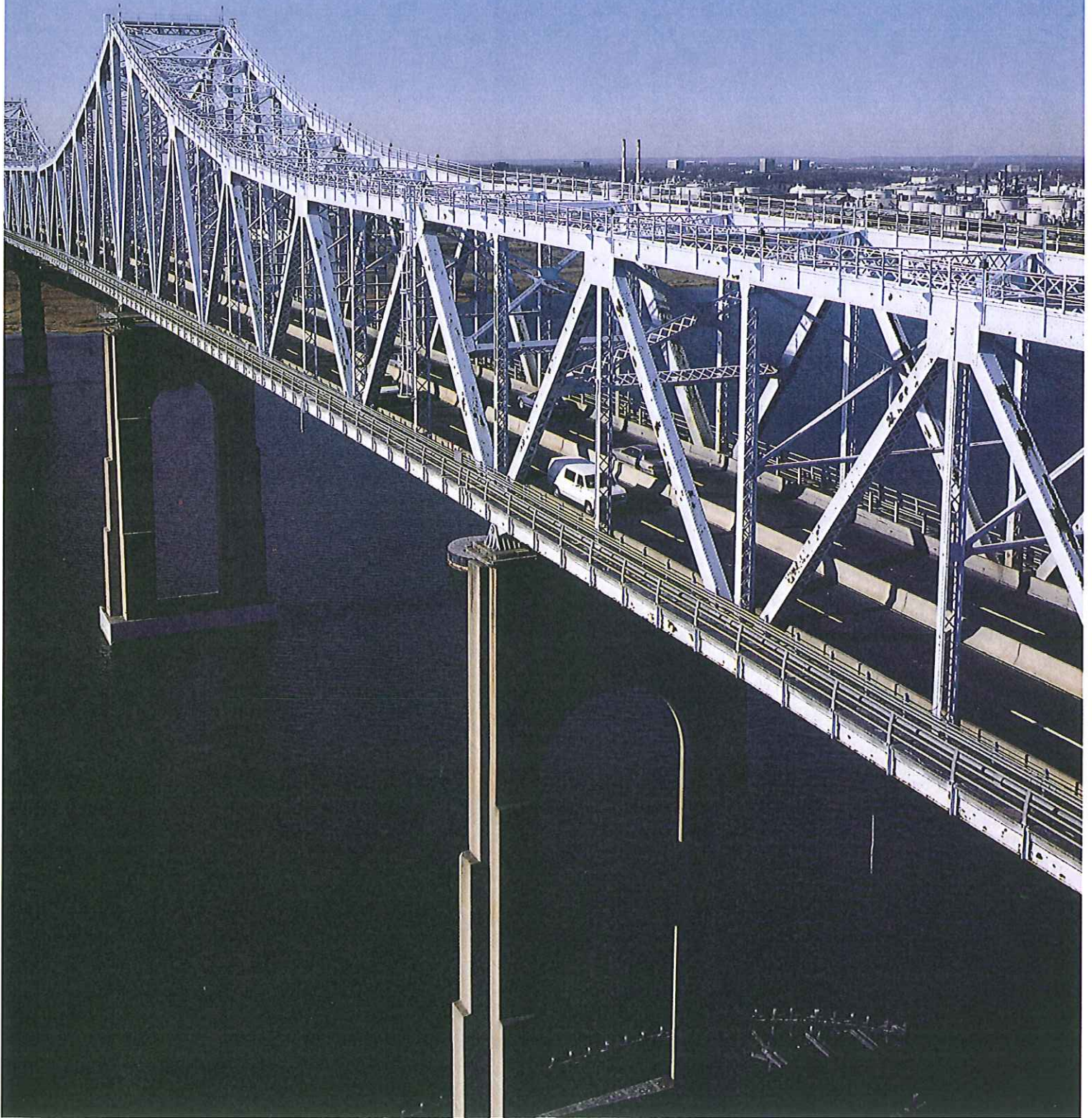
The largest construction/civil engineering companies in Europe

SEK billion		1994 invoiced sales*
Bouygues	France	109
Philipp Holzmann	Germany	63
SGE	France	58**
BICC	Britain	46
Eiffage	France	46
Trafalgar House	Britain	44
GTM-Entrepose	France	43
Hochtief	Germany	38**
Bilfinger + Berger	Germany	37
Skanska	Sweden	32
Tarmac	Britain	30

* Based on each company's own figures.

** 1993 invoiced sales.

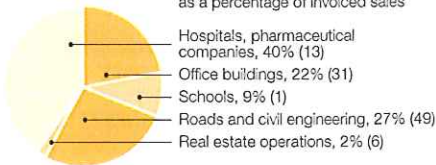
Construction



American construction operations doubled their business volume during 1994 and are now the market leaders in both the New York and Atlanta areas.

Operations by production area

as a percentage of invoiced sales



In recent years, Skanska's American construction business has assumed a larger role in the international operations of the Group. During 1994 Skanska (USA) Inc. accounted for 55 percent of invoiced sales in markets outside Sweden and 19 percent of the Group's total invoiced sales.

Skanska established its U.S. subsidiary in 1971. Ten years later this company began expanding through strategic acquisitions. During 1994 it doubled its sales by acquiring the Atlanta-based Beers Construction Co., Inc.

Operations

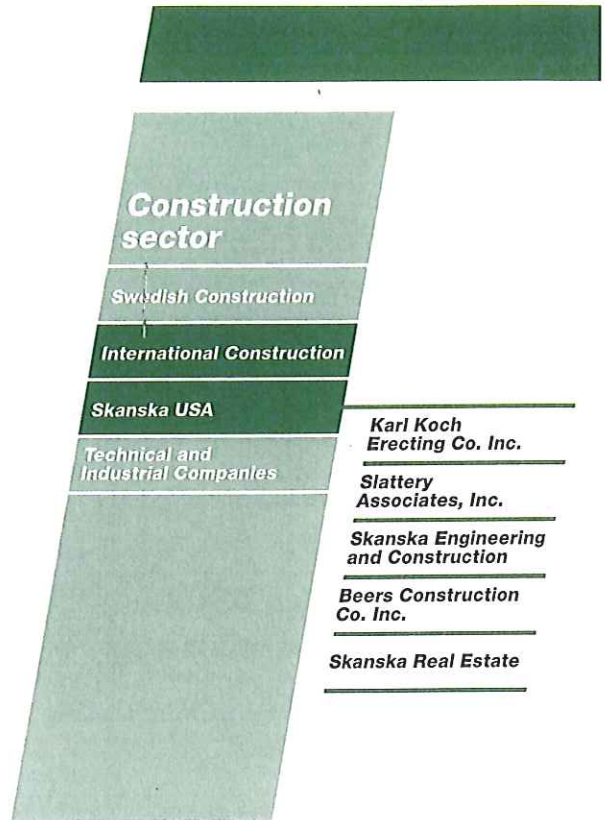
Skanska (USA) Inc. operates through specialized companies that are leaders in their fields and have their own name recognition. Their combined resources make Skanska a full-service company in the American market.

Karl Koch Erecting Co. Inc. of New Jersey and Slattery Associates Inc. of New York both operate in the infrastructure field, with bridge building and bridge repairs accounting for a large share of their combined business. Karl Koch works mainly with steel bridge repairs and Slattery with heavy civil engineering and environmental projects.

A new corporate group, Skanska Engineering and Construction (Skanska E & C) was established during the year. It includes Sordoni Skanska Construction Co., which specializes in project and construction management assignments, and the engineering company CPI Plants, Inc., which was acquired during 1994.

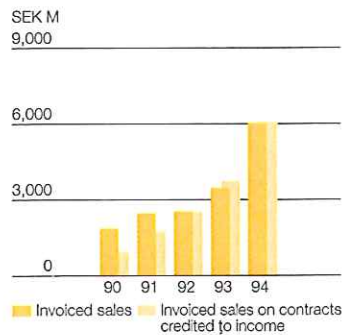
Skanska E & C provides full-service capabilities to customers in pharmaceutical and chemical production as well as other high-tech industries. The group also includes the newly acquired Barney Construction, a construction management company in New York specializing in hospital projects.

Karl Koch Erecting Co. is repairing several of New York's major bridges, including the Outer Bridge Crossing, shown here.

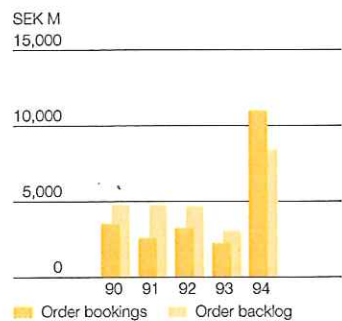


Skanska USA

Invoiced sales/Invoiced sales on contracts credited to income



Order bookings/Order backlog



Slattery Associates built Riverbank State Park on the Hudson in New York City. It houses a large sewage treatment plant, covered by a park whose attractions include a skating rink.

Georgia-based Beers Construction Co., which Skanska acquired during 1994, is not only building Atlanta's Olympic Stadium but recently completed Virginia Memorial Hospital, shown here.



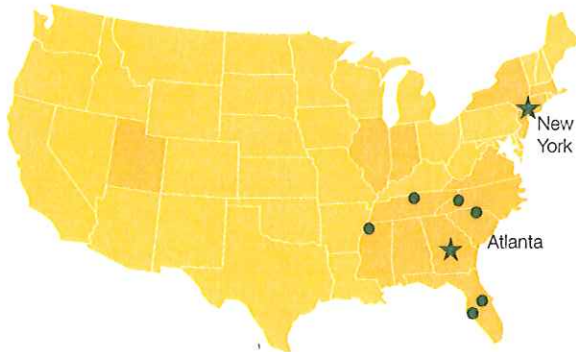
Beers Construction specializes in hospitals, schools, office buildings, industrial buildings and sports facilities. Aside from Georgia, Beers has offices in Florida, North Carolina and Tennessee.

Mission and strategy

Skanska USA's mission is to deliver competitively priced, value added construction management and construction services that respond to the particular needs of customers through superior capability, innovation and teamwork.

Its strategy is geographic concentration in selected regions, mainly the New York area, the Midwest and the southeastern United States, as well as specialization in certain fields of knowledge: infrastructure, the pharmaceutical, health care and educational sectors and other commercial and industrial projects.

Skanska USA's markets



This means that Skanska USA works in two areas with different earnings and risk profiles.

One is major infrastructure projects, where Skanska provides high value added of its own, working on a fixed-price basis where profitability often requires advanced technological solutions.

The second area is construction management related to commercial and public buildings. Skanska USA's strategy is to continue expanding its infrastructure projects while also increasing the role of construction management assignments.

Synergies between its various units increase Skanska USA's competitive position. For example, Sordoni Skanska's broad customer base in the pharmaceutical industry is combined with Beers' presence in North Carolina, which is a major center in the same sector. Synergies are also created between Skanska USA and Skanska's other international companies. The Group offers its services to American companies that are planning to establish operations outside the United States.

The market

During 1994 U.S. construction investments increased, stimulated by historically low interest rates and continued economic growth. The manufacturing sector had an overall

capacity utilization of about 85 percent, which necessitated new short- and medium-term capital spending. The growth rate in infrastructure projects slowed somewhat compared to 1993.

The fastest expansion is now in the Southeastern states. Atlanta and vicinity are expected to need nearly 4 million sq m (40 million sq ft) of new office space during the next ten years, plus public buildings, hospitals and other infrastructure to support this growth.

The American construction industry is highly fragmented and includes many niche companies with local, regional or national coverage.

Skanska USA accounts for less than 1 percent of the total American construction industry, yet is one of the 20 largest construction companies in the United States.

Operations in 1994

Skanska USA's subsidiaries *Karl Koch* and *Slattery* both have a strong position in the infrastructure market in New York and vicinity. *Karl Koch* is currently repairing nine of New York's largest bridges. *Slattery Associates* is active in some 30 heavy infrastructure projects.

SEK M	Karl Koch		Slattery		Skanska E & C		Beers	
	1994	1993	1994	1993	1994	1993	1994	1993
Invoiced sales	397	585	1,179	1,607	1,424	1,123	2,811	—
Order bookings	301	479	1,691	965	1,814	779	3,458	—
Order backlog, Dec. 31	456	546	1,803	1,279	1,653	1,242	4,488	—
Average number of employees	159	243	581	848	285	145	650	—

Sordoni Skanska continued its successful growth during the year. Its assignments involve project and construction management for clients in the pharmaceutical industry, such as Hoffmann-LaRoche and Pfizer, as well as several hospitals in New York City.

Skanska E & C pursues engineering and construction management related to high-tech chemical and pharmaceutical manufacturing facilities for clients including GE Plastics, Wyeth Ayerst, Great Lakes Chemicals and Miles Pharmaceutical.

Beers was very successful during 1994. Its clients include major international companies such as Coca Cola and United Parcel Service. Beers has also been assigned to build Atlanta's new Olympic Stadium for the 1996 Summer Games.

Skanska Real Estate

Since 1989 Skanska USA has been responsible for managing the Group's American properties.

Skanska USA has four office buildings in the central business district of Seattle and one in Atlanta. All were fully leased during the year. These properties have a total book value of SEK 450 M.

Financial results

Total invoiced sales of Skanska USA during 1994 reached SEK 6,020 M. Order bookings amounted to SEK 10,976 M, of which acquired order backlog in Beers accounted for SEK 3,712 M. Year-end order backlog amounted to SEK 8,400 M. The average number of employees was 1,716 (1,269).

Outlook for 1995

The acquisition of Beers has strengthened Skanska USA's position in the expansive Southeast. Beers' strong local roots combined with Skanska's good technical and financial resources create very good prospects for attractive growth in the next few years.

In the road and civil engineering sector, Skanska has increased its competitiveness through extensive cost efficiency and productivity improvement programs. There is potential for further improvement in property management earnings.



International Construction, including Skanska USA

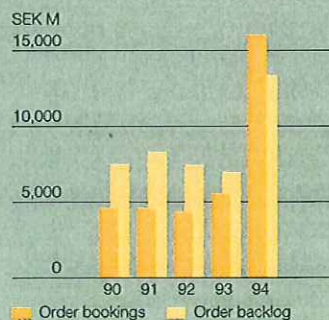
Effective from January 1, 1995, Skanska USA is a separate business area, but for reporting purposes the Group's U.S. operations remained a part of International Construction during 1994.

SEK M	1994	1993
Invoiced sales	10,125	5,838
Invoiced sales on contracts credited to income	9,141	4,699
Level of invoicing credited to income (%)	90	80
Operating income	51	21
Earnings margin (%)	0.6	0.5
Order bookings	16,022	5,547
Order backlog, Dec. 31	13,357	6,965
Average number of employees	9,528	6,374

Invoiced sales/Invoiced sales on contracts credited to income



Order bookings/Order backlog



Construction



Technical and Industrial Companies

The Technical and Industrial Companies business area has undergone a vigorous program of restructuring, and it is again reporting positive earnings.

The business area consists of eight specialist companies connected to the construction sector. The companies have varying degrees of cooperation and synergies with other Skanska companies and varying strategic importance to the Group as a whole. Some of their operations are vital as support functions and competitive tools, while others are financial investments.

The eight companies operate in different submarkets, performing assignments both for non-Group companies and for Skanska companies. Sales to other parts of the Skanska Group vary greatly, accounting on average for 35 percent of sales.

Financial results

Invoiced sales of the business area rose somewhat. Those companies with strong ties to the housing sector reported lower volume, while other units remained at the same level as in 1993 or higher.

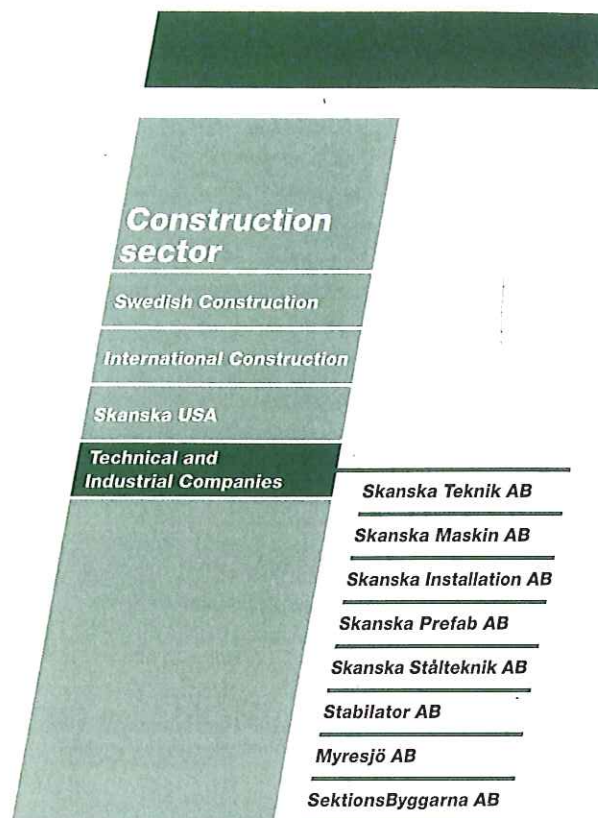
Operating income rose from a loss of SEK 16 M in 1993 to a profit of SEK 97 M after depreciation. Despite this sharp improvement, operating income is still too low compared to the established targets.

Order bookings rose by 20 percent compared to 1993. All companies showed either unchanged or higher order bookings than in 1993. Their overall backlog is equivalent to about four months' production.

Technical and Industrial Companies

SEK M	1994	1993
Invoiced sales	4,250	4,059
Invoiced sales on contracts credited to income	4,396	4,158
Level of invoicing credited to income (%)	103	102
Operating income	97	- 16
Earnings margin (%)	2.2	- 0.4
Order bookings	4,557	3,793
Order backlog, Dec. 31	1,397	1,412
Average number of employees	4,474	4,925

The Hong Kong underground rail network is being upgraded and maintained by Stabilator and Skanska Civil.



During the past three years, all the companies in the business area have undergone major reform programs aimed at adapting their operations to market conditions, while remaining well-prepared to respond to a market recovery. Since 1992 the number of employees in the business area has fallen by 18 percent.

Mission

The mission of Skanska's Technical and Industrial Companies is to develop and maintain specialist knowledge and skills, as well as high-tech methods and business operations that are of strategic importance to the Skanska Group. These companies should take advantage of potential synergies with the Group's other units in order to optimize the construction earnings and profitability of the Group.

Companies

Skanska Teknik, which offers engineering consulting and technological specialist operations, and *Skanska Maskin*, with rentals of construction machinery, cranes, work site sheds etc., are primarily support functions for other units of Skanska and have only about 15 percent of their sales outside the Group.

Skanska Installation, which provides design, manufacturing, installation and servicing operations in the electrical, plumbing and ventilation fields, operates in the open market. Of total invoiced sales, about half are related to the Skanska Group.

Skanska Prefab and *Skanska Stålteknik* are specialists in prefabricated concrete and steel construction products for on-site assembly. *Stabilator* works in foundation and reinforcement engineering and renovation/extension. All three companies have close, well-developed cooperation with other Group companies and are of strategic importance to Skanska. Nearly half their invoiced sales are related to the intra-Group market.

The Myresjö group, which specializes in ready-to-assemble single-family homes, cabinet fittings, windows, insulating panes, forest management and sawmills, is mainly an industrial company. So is *SektionsByggarna*, which manufactures, sells and rents out movable buildings, barracks and work site sheds. These companies have little cooperation with other Skanska units; intra-Group sales account for only 5 percent of the total. Exports account for 25 percent of invoicing; mainly single-family homes, windows and sawn timber.

Target

In market terms, the target is to be among the three largest companies in each respective niche in the overall or local market.

Strategy

The Technical and Industrial Companies business area is monitoring its market positions, with a view toward enlarging its share in those areas where there is potential for stable profitability. Quality and productivity growth are being regarded as increasingly important. Far-reaching 3T reforms enabled the first industrial companies in the business area to receive quality certification under ISO 9000 international standards. Other companies are undergoing the certification procedure.

The development of products and technology that fulfill stringent environmental standards is an increasingly important strategic element of operations. Myresjöhus is developing environmental descriptive labeling of its single-family homes.

Markets

Those submarkets that are of particular importance to Skanska's Technical and Industrial Companies are the housing sector and the road and civil engineering sector, along with the growing industrial construction sector.

The market for new housing construction as well as for repairs, renovations and extensions remained weak during 1994. Overcapacity pushed down prices further, and all market participants had weak profitability.

The Technical and Industrial Companies business area is increasingly marketing its services outside Sweden, for example in Germany, Norway and Russia. Export volume is gradually rising, and in 1994 exports accounted for 15 percent of sales.

The road and civil engineering sector showed a completely different market picture, with higher volume compared to 1993. The business area is taking advantage of the upturn in volume and defending or increasing its market share.

Operations in 1994

During 1994, Technical and Industrial Companies completed or began a number of large, high-profile projects.

Skanska Teknik was responsible for designing the Marieholm Bridge over the Göta älv river in Gothenburg. This new 900 meter bridge will be one of the longest in Sweden. Another attractive assignment is the Atrium Business Centre in Warsaw, Poland, where Skanska Teknik was responsible for the architectural and structural design work.

Skanska Prefab's assignments during the year included supplying frames for the Astra pharmaceutical company's new headquarters building in Södertälje and delivering bleacher sections for the renovation of Gothenburg's Nya Ullevi stadium as part of preparations for the world track and field championships.

Skanska Stålteknik's projects included a new industrial building for Atlas Copco in Tierp and the steel framework for the new Malmö city library.

During 1994 Stabilator began foundation reinforcement work for the Lundby Tunnel in Gothenburg. This contract requires the company to achieve the highest standard of protection against ground water seepage of any assignment to date.

SektionsByggarna delivered movable school buildings to a number of Swedish municipalities, and its German subsidiary Flexator Bausystem was given the task of building a school in Glöwen, between Berlin and Hamburg.

Myresjö's home and window companies increased their export sales, mainly to Germany.

During 1994 the assignments of Myresjö's subsidiary Nordiska Trähus included building space-efficient apartments for young people.



The Myresjö group includes Skanska's timberlands.



Skanska Prefab's Soundtrack noise barrier does not block the view and cuts the noise from high-speed trains by nearly half.

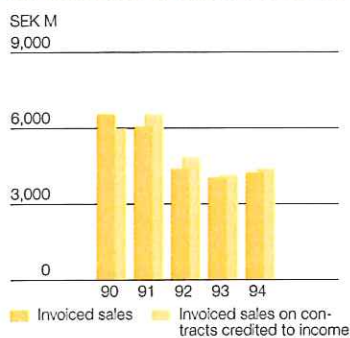
SEK M	Skanska Teknik AB		Skanska Maskin AB		Skanska Installation AB		Skanska Prefab AB		Skanska Stålteknik AB		Stabilator AB		Myresjö AB		Sektions-Byggarna AB	
	1994	1993	1994	1993	1994	1993	1994	1993	1994	1993	1994	1993	1994	1993	1994	1993
Invoiced sales	208	200	281	323	862	828	806	830	226	183	536	507	1,148	1,010	183	178
Order bookings	227	146	281	325	934	847	789	686	224	168	580	519	1,382	1,007	140	95
Order backlog, Dec. 31	40	44	—	—	300	270	85	104	69	70	277	230	587	671	39	23
Average number of employees	310	336	393	397	937	922	947	1,072	144	179	524	623	1,093	1,257	126	139

The capital spending program implemented at Myresjö Trä enabled this Myresjö subsidiary to take full advantage of the upswing in the wood products market. Most production was exported.

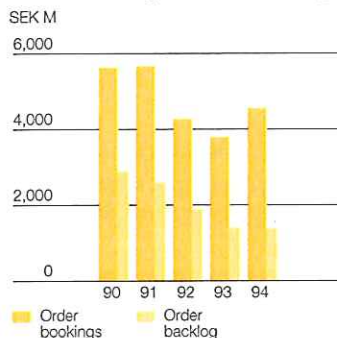
Outlook for 1995

The favorable trend that characterized the operations of the Technical and Industrial Companies business area during 1994 is expected to continue during 1995, with higher invoiced sales and a continued improvement in earnings. Developments in the housing sector will, however, be of decisive importance.

Invoiced sales/Invoiced sales on contracts credited to income



Order bookings/Order backlog



**holdings comprise almost
half the assets in
the consolidated balance
sheet.**

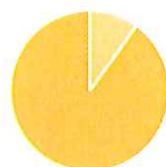
On April 1, 1994 all properties abroad, excluding the U.S. holdings, were transferred to the Real Estate business area.

Skanska's property holdings comprise almost half the assets and account for most of the interest-bearing loan financing in the consolidated balance sheet.

The Group's real estate sector has a natural link with its construction sector, because most of the properties Skanska owns were built under its own auspices. New projects are developed in close cooperation between the Group's real estate and construction sectors.

The focus of these holdings is in Sweden, where the Group's property management operations include both residential buildings and commercial space.

Skanska has reduced the size of its real estate portfolio outside Sweden in recent years. Remaining holdings consist of commercial properties, mainly in Great Britain (London), Germany and Denmark.



Real Estate sector (incl. JM) as a percentage of total Skanska Group invoiced sales
10%

Most of Skanska's properties, both in Sweden and abroad, are included in the Real Estate business area. However, its American property holdings—with a book value of about SEK 450 M—are managed by the Skanska USA business area and reported in the accounts of Skanska (USA) Inc. In addition, the partly owned subsidiary JM has a sizable property portfolio of its own. A few additional properties are reported under other business areas.

**Operating net,
Group investment properties
(incl. JM)**

SEK M	1994	1993
Rental revenues	3,135	3,462
Of which, interest subsidies	199	223
Operating and maintenance expenses	- 931	- 999
Administrative expenses	- 142	- 129
Real estate tax	- 24	- 25
Operating net	2,038	2,309

Operating net figures were equivalent to 12.3% and 12.6%, respectively, of the book value of all investment properties.

Investment properties

SEK M	In Sweden	(of which JM ¹⁾	Other owners)	Outside Sweden	(of which U.S.)	Total
Book value	13,968	5,658	372	2,607	449	16,575
Rental revenues ²⁾	2,859	677	81	276	80	3,135
Operating net ³⁾	1,921	474	91	117	36	2,038
Rentable space (000 sq m)	3,095	691	101	248	74	3,343
<i>Residential</i>	838	97	12	10	0	848
<i>Office space</i>	1,059	271	56	165	74	1,224
<i>Retail space</i>	383	107	0	10	0	393
<i>Other categories</i>	815	216	33	63	0	878

**Real estate operations
(incl. JM)**

SEK M	Investment properties		Development properties, investment and development properties under construction		Total	
	1994	1993	1994	1993	1994	1993
Book value	16,575	18,275	2,991	3,188	19,566	21,463
Rental revenues ²⁾	3,135	3,462	212	205	3,347	3,667
Operating net ³⁾	2,038	2,309	19	34	2,057	2,343

1) Figures adjusted to conform with Skanska's accounting principles.

2) Including interest subsidies.

3) Operating net less administrative expenses.

Total change in book values compared with the preceding year can be distributed as follows:

SEK billion	1994	1993
Construction for Skanska's own account	0.7	0.7
Purchases of buildings and land	0.7	0.8
Depreciation according to the income statement ¹⁾	- 0.5	- 0.5
Writedowns according to the income statement ²⁾	- 0.1	- 1.1
Book value of properties sold	- 2.3	- 1.0
Other items	- 0.4	0.5
Total	- 1.9	- 0.6

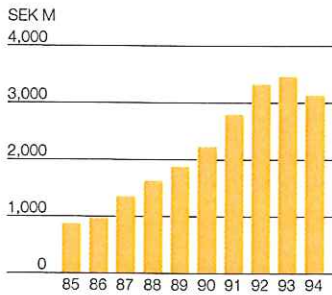
- 1) Investment properties are depreciated at the maximum annual amounts permitted by tax law. In JM, however, they are depreciated by an average of 1.3 percent (1.4) per year.
- 2) Of the year's writedowns in real estate operations, SEK 0.1 billion (2.0), SEK 0.1 billion (1.1) refers to properties which are reported in the consolidated balance sheet. The remaining writedown amount, SEK 0 billion (0.9), refers to contractual commitments and shares and participations in associated companies.

The Swedish real estate and rental market stabilized during 1994, but the picture varies depending on property category, region, location and condition. Given its high concentration of well-located properties in the Stockholm, Gothenburg and Malmö metropolitan regions, Skanska's situation is satisfactory.

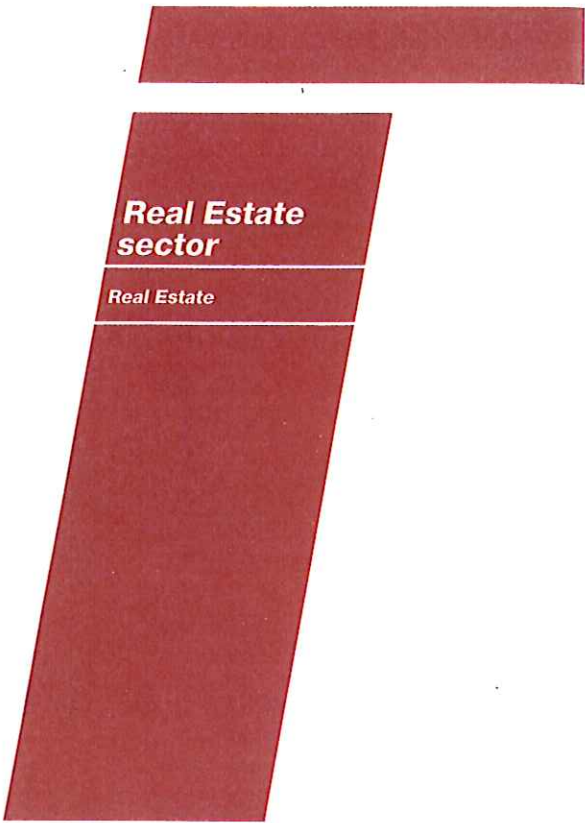
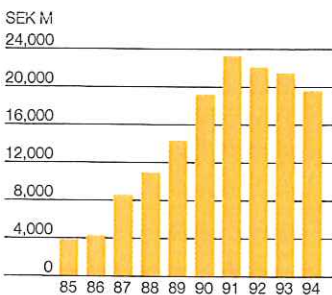
During the next few years, extensive restructuring of the Swedish real estate industry is expected. As a lead-

ing market player, Skanska intends to participate actively in this process. Alone or in partnership with other property owners, the Company can regroup portions of its holdings in order to improve operational efficiency and establish a clearer business structure. This will probably result in a higher property turnover rate than previously. Skanska will make new real estate investments outside Sweden on a limited scale and in carefully selected markets.

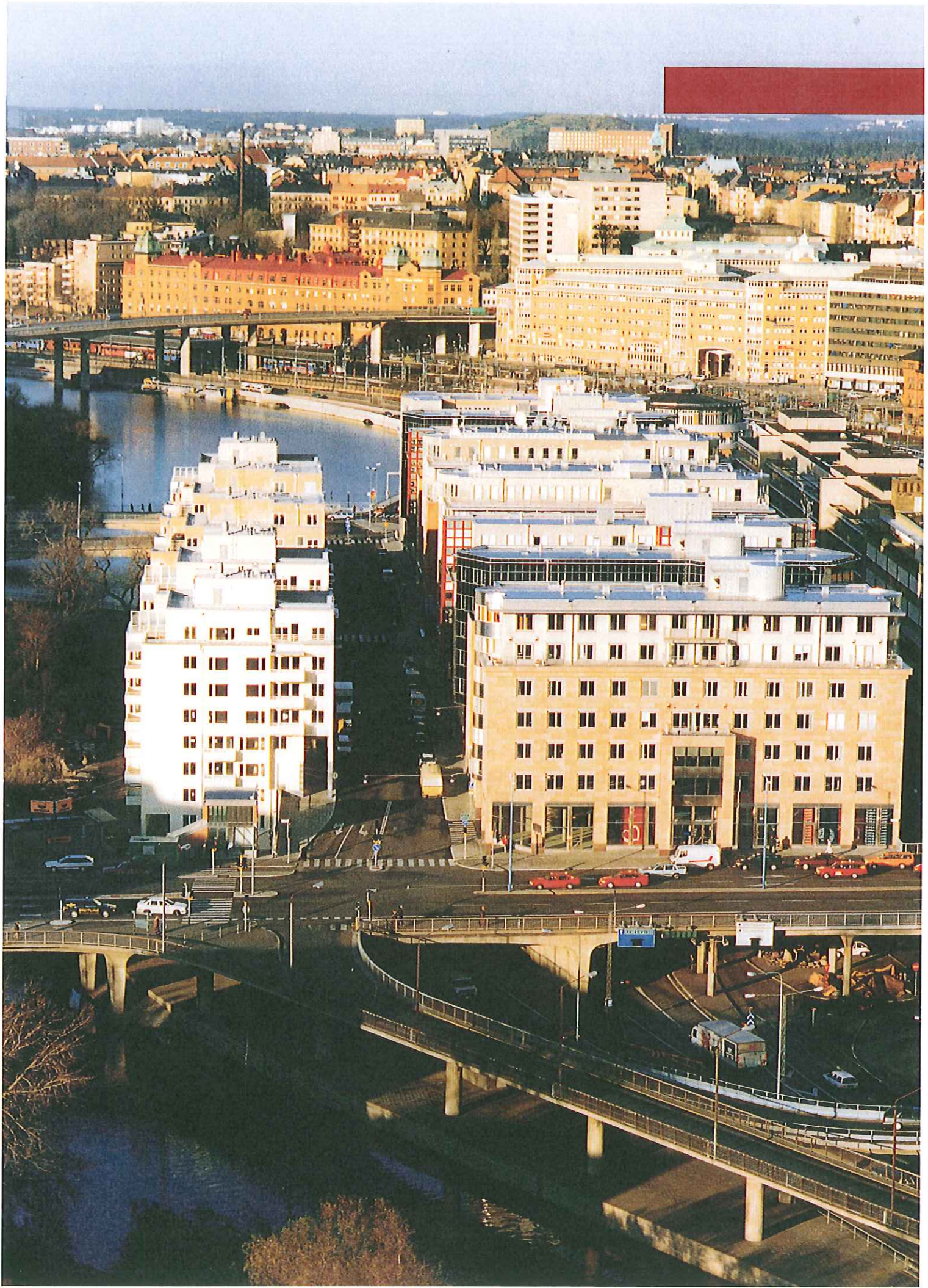
**The Group (incl. JM):
Investment properties, rents**



**The Group (incl. JM):
Investment and development properties, book values**



Thomas More Square, centrally located near the Tower of London, is beginning to fill up with tenants.



Real Estate

Skanska is Sweden's

largest private

real estate owner.

Swedish operations

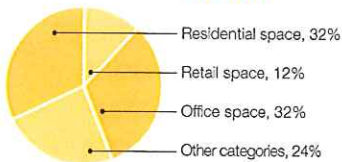
take place in four regional

property management companies

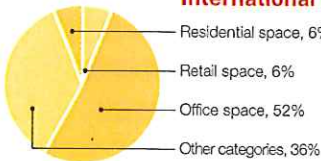
and in the subsidiary Drott.

Real Estate business area

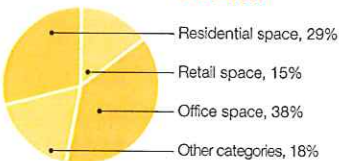
Breakdown of rentable space by type Sweden



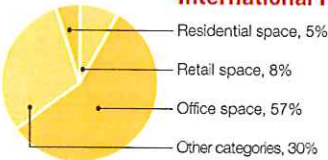
International Real Estate



Breakdown of rental revenues by type of space Sweden



International Real Estate



In the heart of Stockholm, between the Klara Canal and the Stockholm Central Station, is the new Klara Strand office complex.

Mission and financial targets

The mission of the Real Estate business area is to employ Skanska's collective resources to develop its property holdings in such a way as to achieve the best possible return. One important prerequisite is satisfied tenants.

The long-term financial target of the business area is that its invested capital should yield a return that exceeds the long-term bond rate. During the 1980s Skanska's real estate sector surpassed this goal by a broad margin, something which has been more difficult to achieve during the 1990s.

In 1993 Skanska established a number of subtargets for 1994—1996, based on market projections for this period. Operating net and occupancy rates for identical properties should at least remain at their 1993 level.

Financial results

Rental revenues from investment properties totaled SEK 2,297 M (2,679) in 1994. The decline of 14 percent was mainly due to sizable divestments during 1993 and early 1994. These property sales have improved the net financial items of the Group by about SEK 400 M on an annual basis.

Operating net for the entire property portfolio less administrative expenses was SEK 1,437 M (1,741). This represented a decline of 17 percent. The fall in earnings was mainly due to lower volume, which was a consequence of the above-mentioned divestments. In addition, SEK 140 M in operating and maintenance costs of an extraordinary nature were charged to earnings. This included the costs of adapting space to tenant specifications, long-term measures that had a short-term adverse impact on earnings.

Yield—return on book value—on the business area's investment properties was 14.2 percent (14.9); in

Real Estate sector

Real Estate

Skanska Fastigheter Stockholm AB

Skanska Fastigheter Syd AB

Skanska Fastigheter Väst AB

Skanska Fastigheter Nord AB

Drott (83%)

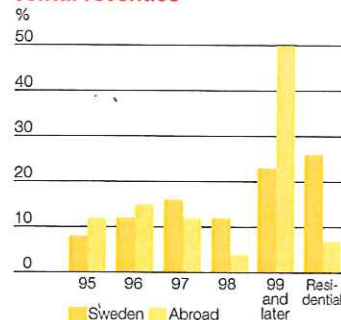
International Real Estate

Sweden alone it was 17.1 percent (18.9). The occupancy rate was 89 percent (89).

As in prior years, each property was individually appraised to determine any writedown requirements. In 1994 writedowns on investment properties totaled SEK 12 M.

During 1994 real estate projects with a book value of SEK 698 M (327) were completed, of which Sweden SEK 423 M (327). Overall rental revenues, including interest subsidies, are projected to reach SEK 123 M during 1995. At year-end there

Expiration year of leases, percentage of total rental revenues



From the Scandinavian Center in Malmö, it is a two-minute walk to the city and a 45-minute ferry ride to Copenhagen, Denmark.



were no investment properties under construction.

Strategy

To achieve its targets, the Real Estate business area is reorganizing its work in the fields of leasing, tenant relations, operational quality and services, using the 3T program as a tool. It is placing greater emphasis on environmental issues. To some extent, it is continuing to move toward greater geographic concentration of properties. One essential development will be various forms of specialization in its property holdings.

Sweden

The real estate market

During 1994 there were a number of mergers and buyouts aimed at restructuring the market. This trend will continue during 1995.

Today the Swedish banks have large real estate assets, usually owned by separate holding companies. The restructuring of these holdings has not yet been completed. In addition,

there are many small real estate companies on the Stockholm Stock Exchange. The formation of larger units would increase the potential for more efficient property management by means of specialization. This would generate greater interest in these properties among institutional investors.

During 1994 Skanska carried out several transactions involving individual properties. The demand for centrally located residential properties was heaviest, leading to price increases in some cities.

In the commercial real estate market, properties with stable tenants and long leases continue to attract the greatest interest.

Market rents

There is still a large supply of available commercial space throughout Sweden. Rent levels on new leases for empty premises stabilized during the year. In central locations, there is a gradual increase in demand for modern premises. In some portions of downtown Stockholm, rents are already rising. The long-term outlook for rent levels will depend primarily

on the overall growth of the Swedish economy, but also on the location and condition of individual properties. Tenants are paying greater attention to space-efficiency and costs per employee when selecting new space.

In the residential market, the number of empty apartments declined during the year. Stockholm, Gothenburg, Malmö and the university towns can expect a housing shortage as a consequence of low construction in recent years. In other population centers, the supply of housing generally remains ample.

Operations in 1994

At year-end 1994, Skanska owned investment properties in Sweden, with total rentable space of 2,303,000 sq m. In terms of rental revenues, two thirds of these properties were located in the Stockholm, Gothenburg and Malmö areas.

In both small and large Swedish cities, Skanska's properties are well-located and have relatively long and stable leases. Competition comes mainly from large real estate companies with institutional owners and local companies of varying sizes.

Among the major projects completed for the Real Estate business area during 1994 was the Klara Strand office complex in downtown Stockholm, which is almost fully leased.

International Real Estate

Skanska's European real estate holdings consist of 16 investment properties with total rentable space of 174,000 sq m. The largest holdings are office and hotel properties in Germany and in London, England. Skanska properties also include a hotel in Vienna, Austria; an office building in Budapest, Hungary; and office and residential properties in Denmark.

Investment properties in Sweden, by company

SEK M	Stockholm	Syd	Väst	Nord	Drott
Rental revenues	795	438	353	303	212
of which, interest subsidies	8	42	37	14	11
Operating net ¹⁾	600	259	224	182	91
Book value	2,881	1,444	1,224	1,543	846
Rentable space (000 sq m)	646	568	435	349	305
Residential space	29	222	224	88	166
Office space	388	138	73	100	33
Retail space	60	61	45	40	70
Other categories	169	147	93	121	36

Investment properties, Real Estate business area

SEK M	Sweden		Abroad		Total	
	1994	1993	1994	1993	1994	1993
Rental revenues	2,101	2,345	196	334	2,297	2,679
of which, interest subsidies	112	146	0	0	112	146
Operating net ¹⁾	1,356	1,565	81	176	1,437	1,741
Book value	7,938	8,297	2,155	3,386	10,093	11,683
Yield (%)	17.1	18.9	3.8	5.2	14.2	14.9
Rentable space (000 sq m)	2,303	2,327	174	236	2,477	2,563
Occupancy rate	90	90	73	78	89	89

1) After subtracting administrative expenses.

During the year, the Midtermolen (Middle Pier) project in Copenhagen harbor was completed. The property consists mainly of offices and is Skanska's largest real estate holding in Denmark.

Great Britain, Germany and Denmark showed good economic growth during 1994, and this had a favorable effect on their real estate markets. The outlook for 1995 remains bright. The construction of the Öresund bridge-tunnel between Sweden and Denmark will help create the prerequisites for an attractive real estate and leasing market in Copenhagen and vicinity.

In Hungary, financial austerity measures together with a slower pace of privatization resulted in a virtually stagnant market during 1994.

Outlook for 1995

During 1995 a number of additional restructuring transactions are very likely in Sweden. One example is the agreement reached by Skanska and the government-owned property and

equities company Securum during the spring. At that time, they established a jointly owned hotel corporation which includes most of the Swedish hotel properties of both companies.

As the economic recovery gathers strength, there will be growing demand for commercial space in good locations. The demand for housing in major cities, especially in central locations, will increase.

Over the next few years, both the nominal and real interest rates will be crucial factors in determining the trend of property values. In a longer perspective, real interest rates and the trend of operating net will determine the value of real estate holdings.

In Skanska's case, vigorous marketing and greater customer orientation have begun to bear fruit.

The largest Swedish-based commercial property owners, by rentable space

Dec. 31, 1994	Rentable space 000 sq m
Vasakronan (government-owned)	4,215
Skanska (incl. JM)	3,343
SPP (retirement insurance)	3,018
Castellum/Securum (government-owned, formerly through Nordbanken)	2,850
Diligentia/ Skandinaviska Enskilda Banken	2,420
Nordisk Renting (sale/leaseback company)	2,212
Skandia (insurance company)	2,150
Fastighets AB Torne/ Sparbanken Sverige	1,616
Lundbergföretagen (construction/real estate)	1,398
National Pension Insurance Fund	1,068

Source: Byggstatistik AB

Gunnar Östenson,
Skanska Fastigheter Syd AB



Olof Johansson,
Skanska Fastigheter Stockholm AB



Kent Jönsson,
Skanska Fastigheter Väst AB



Robert Thorstenson,
Skanska Fastigheter Nord AB



Mats Wäppling,
International Real Estate



Arne Dahl,
AB Drott

The collective

**financial assets of
the Skanska Group are
a vital source of support
for the growth of its construction
and real estate sectors.**

The Finance business area is responsible for managing the Skanska Group's financial assets and handling related risk-management tasks.

It arranges outside borrowing and carries out liquidity and foreign currency management through the subsidiary Skanska Kapitalförvaltning. In addition, the Finance business area is responsible for managing the stock portfolio, participating in project financing, coordinating other Group financial matters and administering Skanska's central accounting system.

The money and foreign exchange markets

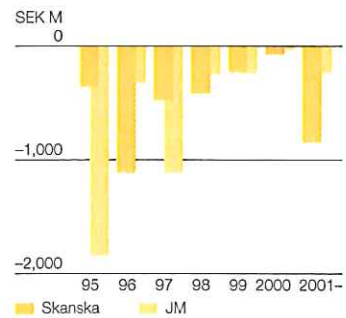
Early in 1994, the money and foreign exchange markets were affected by an upturn in U.S. short-term interest rates, combined with Sweden's growing national debt. During the summer, certain major participants in the Swedish capital market began a boycott against further purchases of government bonds. In addition, the Bank of Sweden raised its repo rate. Both measures contributed to a continued climb in Swedish market rates. The outcome of the EU membership referendum in November had a favorable effect on financial markets, though not as dramatic as expected. Toward year-end, Sweden's

national debt again became the focus of attention as the government prepared its January draft budget.

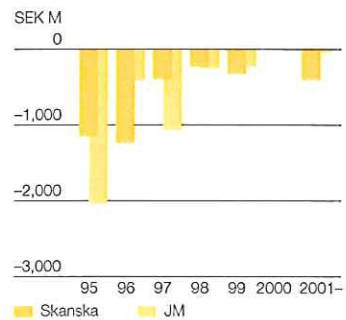
The interest rate on five-year government bonds rose from 6.43 percent at the beginning of 1994 to 9.53 percent at mid-year and 10.42 percent at year-end.

During 1994 there were large fluctuations between the European Currency Unit and the krona. The ECU index stood at 125.6 in January. It

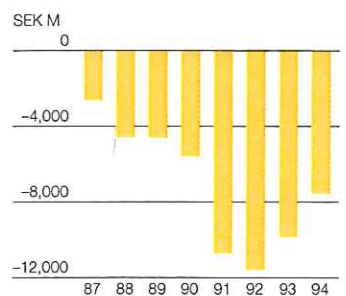
Maturity structure of net interest-bearing indebtedness



Fixed interest period on net interest-bearing indebtedness



Net interest-bearing indebtedness of the Skanska Group



later reached a low of 119 and a high of 130. At year-end the index was at 123.6.

Borrowing and liquid asset management

The daily transactions of the Finance sector are handled by Skanska Kapitalförvaltning, which is also responsible for coordinating the Group's cash flows and borrowing. Among other things, the company operates as an internal bank, providing money market, foreign exchange trading and back-office functions.

The Skanska Group is a net borrower but has liquid assets that enable it to cope with short-term fluctuations in payment flows. During 1994 Skanska Kapitalförvaltning managed liquid assets averaging more than SEK 3 billion. The Group made principal payments of SEK 2.3 billion, leaving net indebtedness of SEK 7.5 billion at year-end. This included paying off loans early when this could be done at low cost.

During 1994 Skanska paid an average interest rate of 9.9 percent on SEK-denominated loans including derivatives, and 7.7 percent on loans in foreign currencies including derivatives. Looking at its borrowing portfolio as a whole, the average interest rate was 9.1 percent.

Skanska Kapitalförvaltning dealt successfully with interest rate fluctuations and currency movements. Its income was SEK 86 M (99).

Financial risks

The Finance business area is responsible for identifying and defining financial risks and choosing strategies to limit the adverse impact of these risks on the Group's earnings.

Skanska's financial risk exposure is primarily related to the management of large liquidity flows in its construction operations and extensive loan

financing in its real estate sector. This exposure is attributable to interest rates, borrowing and credits. In addition, its real estate holdings abroad give rise to some degree of foreign exchange exposure.

Principles for management of financial exposure

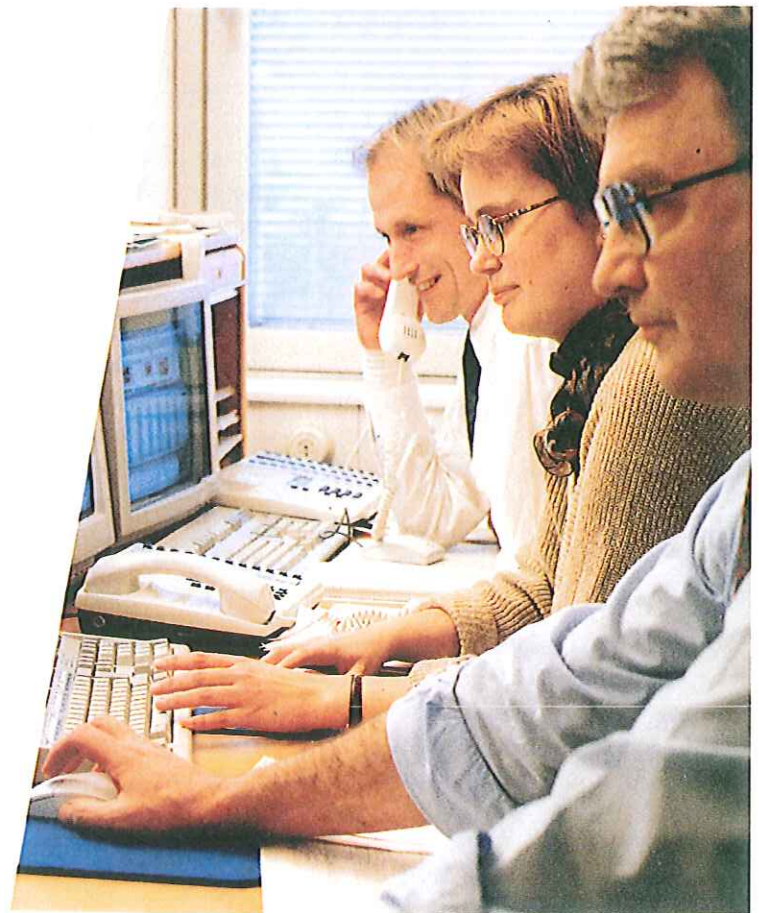
Generally speaking, Skanska seeks to minimize its financial risk exposure and believes that central financial management based on clearly established targets and well-defined limits best meets this need. One fundamental goal is to ensure that risk exposure, especially exposure to interest rates, is structured in such a way that higher costs due to changing interest rates can soon be offset to a reasonable extent by higher revenues.

Finance sector

Finance

**Skanska
Kapitalförvaltning AB**

**SCEM
Reinsurance S.A.**



Interest rates

Interest rate risks also include the risk that rate changes will adversely affect the Group's earnings. Because of its large volume of liquid assets and borrowing, Skanska is directly exposed to changes in interest rates. Revenue streams in Group operations can only be adapted to changing interest rates over time. Interest rate risks must therefore be minimized by means of staggered maturities and the use of various derivative instruments in order to create optimal maturity structure and fixed-interest periods.

The average maturity of loans outstanding was about 2.5 years at year-end 1994, while the average fixed-interest period for the loan portfolio was about 1.5 years.

Borrowing

A borrowing risk refers to the risk that outside financing will become more difficult to obtain. Skanska limits this risk mainly by maintaining a strong equity/assets ratio at all times and maintaining a high credit rating in other respects. The maturity structure of the loan portfolio further reduces such risks. The Group's liquid assets, which amounted to about SEK 6 billion at year-end 1994, plus the sizable financial reserve represented by the stock portfolio, are deemed to satisfy its need for liquid reserves.

Counterparties

Credit risks in the Finance sector refer to possible losses on invested liquid assets and possible risks related to derivative contracts. Most credit risks are related to the investment of Group liquid assets in the money market. Others are related to deriva-

tive contracts employed in the management of the Group's interest rate and currency exposure. The main principle is that the Group may only invest and enter into contracts with credit-worthy counterparties and must limit its maximum exposure to any single counterparty.

Currencies

Currency risks refer to the risk that shifts in exchange rates may adversely affect the value of Group commercial flows and net assets abroad. The Group's currency risk is mostly related to its real estate holdings outside Sweden and to the balance sheet effects of asset and liability valuations denominated in foreign currencies, mainly British pounds, U.S. dollars, German marks and Danish kroner. Short-term risks are offset by the fact that real estate abroad is always financed in local currencies.

Skanska's currency risks from business-related payment flows are relatively limited, however. This is because its construction operations are largely based on local procurement of both labor and materials, and because invoiced sales and expenses are usually denominated in the same currency. The flow of goods and services mainly creates exposure in U.S. dollars, British pounds, German marks and Danish kroner, partly as a consequence of the Group's ambitions to streamline its purchasing operations through greater internationalization.

Other risk management

The Group's strategy for managing risks of damage or loss of assets is based on continuous analysis. The main purpose is to limit these risks as far as possible by means of preventive measures. The remaining risks are covered primarily through outside insurance.

Through its subsidiary SCEM Reinsurance, the Group reinsures portions of its Swedish and foreign insurance program, which helps stabilize premium levels while enabling the Group to broaden its risk coverage.

During 1994 the operations of SCEM were characterized by higher volume and a stable volume of claims, leading to satisfactory financial results.

Stock portfolio

The Group's stock portfolio is dominated by a few large blocks of shares of a long-term, strategic nature. The strategy behind these holdings is that by owning a significant stake in each company, Skanska can actively participate and influence its development and thereby help ensure the growth of its market value.

At the close of 1994, the total market value of the portfolio amounted to SEK 12.9 billion (13.1) (excluding Skanska's shares in the subsidiary JM and in Protorp). Its book value, based on purchase price, was SEK 4.0 billion (4.0). Adjusted for purchases and sales, its value rose by 0.6 percent during the year, compared to an increase of 4.9 percent in the Affärsvärlden General Index during the same period.

Skanska's largest listed shareholdings in terms of market value are presented on the next page. The Group's overall shareholdings are listed in Note 17 under the heading "Shares and Participations."

Ulf Norrman,
Skanska Kapitalförvaltning AB



Thomas Alm,
SCEM Reinsurance S.A.





	Voting power	Equity stake
Sandvik	26%	20%

Sandvik is the world's largest manufacturer of cemented carbide products and a leading producer of specialty steels, saws, tools and conveyor and process systems. It has worldwide operations through 200 companies in 60 countries. More than 90 percent of sales occur outside Sweden. The Sandvik Group has 30,000 employees.

Earnings in 1994

Sandvik's invoiced sales totaled SEK 25,285 M (21,770), an improvement of 15 percent. Income after financial items rose by 92 percent to SEK 3,811 M (1,764). The Board of Directors proposes an increase in the annual dividend to SEK 3.75 per share (2.25).



GRANINGE

	Voting power	Equity stake
Graninge	25%	25%

Graninge is Sweden's sixth largest power company. The Graninge Group also owns and manages sizeable timberlands. Graninge's wholly and partly owned hydroelectric power plants have a total capacity of 504 MW, equivalent to 2,490 million kWh (Gwh) under normal water flow conditions. The Group has 779 employees.

Earnings in 1994

Consolidated invoiced sales amounted to SEK 2,262 M (1,855), an improvement of 22 percent. Income after financial items rose by 42 percent to SEK 623 M (440). The Board of Directors proposes an increase in the dividend to SEK 7.50 per share (5,80) and a 2:1 stock dividend.



	Voting power	Equity stake
Euroc	25%	24%

Euroc manufactures and distributes mineral-based building materials, mainly to markets around the Baltic Sea and North Sea. In the Nordic countries, Euroc is the market leader in mineral-based building materials. There are 8,400 employees.

Earnings in 1994

Consolidated invoiced sales, including acquisitions in Finland, totaled SEK 13,338 M (10,635), an improvement of 25 percent. Income after financial items, including minority interests, rose to SEK 871 M (240). The Board of Directors proposes an increase in the dividend to SEK 3.60 per share (2.25).



	Voting power	Equity stake
Custos	31%	26%

Custos is an investment company with large shareholdings in the Swedish companies Hufvudstaden, SCA, Skandinaviska Enskilda Banken, Skanska and Perstorp.

Earnings in 1994

The parent company's income before capital gains improved to SEK 24 M (-61), mainly because the net interest deficit was halved by sizable divestments of securities during 1993. Net sales of securities amounted to SEK 96 M (1,863) in 1994. Capital gains totaled SEK 134 M (641). Net profit for the year after taxes reached SEK 158 M (380).

The estimated net asset value of Custos at year-end was SEK 124 per share (149) or a total of SEK 5,875 M (7,050), which is equivalent to an adjusted equity/assets ratio of 73 percent (77). The Board of Directors proposes a dividend of SEK 3.50 per share (3.00).



	Voting power	Equity stake
SKF	20%	9%

SKF is the world's leading company in the rolling bearing industry, with 95 percent of its sales outside Sweden. Its share of the world market, excluding China and the former Comecon countries, is approximately 20 percent. There are 42,000 employees.

Earnings in 1994

The invoiced sales of the SKF Group totaled SEK 33,273 M (29,200), an improvement of 14 percent. Income after financial items for 1994 amounted to SEK 1,817 M (-515). The Board of Directors proposes an increase in the dividend to SEK 4.25 per share (0).



JM BYGGNADS OCH FASTIGHETSAB

	Voting power	Equity stake
JM	82%	65%

JM, which is listed on the Stockholm Stock Exchange, is a subsidiary of Skanska and is consolidated in the Group accounts.

JM is a well-established, 50-year-old, nationwide construction and property management company with more than 2,400 employees. Its real estate holdings, with an estimated market value of SEK 6.1 billion, total 710,000 sq m of rentable space. More than two thirds of these holdings are concentrated in Sweden's three largest urban areas. Of JM's total rental revenues, office and retail space accounted for 64 percent.

Earnings in 1994

JM's invoiced sales totaled SEK 3,875 M (3,290), including rental revenues of SEK 695 M (681). Income after financial items for 1994 amounted to SEK 120 M (101). The Board of Directors proposes an increase in the dividend to SEK 1.50 per share (1.25).

The number of shareholders rose to nearly 60,000 during 1994.

The share price fluctuated between SEK 132 and SEK 233, and trading volume continued to climb.

Capital stock

Skanska's shares have been quoted on the Stockholm Stock Exchange's A-list since 1965. At the time of the initial public offering, Skanska's capital stock was SEK 32 M. Since then, the capital stock has been increased by means of nine stock dividends and seven targeted special issues of new shares. In December 1994 Skanska's capital stock amounted to SEK 1,259.2 M, divided into 125,923,860 shares.

Skanska's capital stock is divided into Series A and Series B shares, all with a par value of SEK 10. All shares are unrestricted (may be bought by non-Swedes). Series A shares carry 10 votes apiece, whereas Series B shares carry one vote apiece. Only Series B shares are listed on the Stockholm Stock Exchange. A round lot consists of 200 shares.

Shareholders

At year-end 1994, Skanska had nearly 60,000 shareholders. The 10 largest accounted for 61.4 percent of voting power and 42.3 percent of capital stock. Shares with non-Swedish owners amounted to 7.7 percent (5.0) of voting power and 12.4 percent (8.0) of capital stock.

Many Skanska Group employees own Skanska shares as a result of special issues of new shares to employees in 1975, 1979, 1982 and 1987.

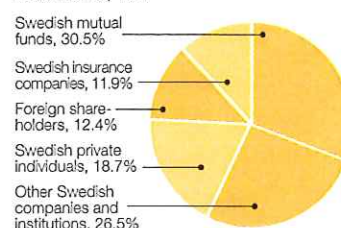
Convertible debenture issue to personnel

The convertible debenture loan offered in 1988 to employees of the Company and its Swedish subsidiaries (except JM) fell due for payment during 1994.

At the end of the conversion period, debentures with a face value of SEK 162,150, equivalent to 690 Series B shares, had been converted. The conversion price was SEK 235 after adjusting for the 1991 stock dividend. At the end of the conversion period, the outstanding loan amount was SEK 844.5 M. Repayment occurred in February 1994.

Shareholders, by category

Percentage of capital stock, December 30, 1994



The ten largest shareholders in Skanska AB

According to the Swedish Securities Register Center (VPC), the largest shareholders and their percentages of total votes and shares on December 30, 1994 were:

Shareholders	% of voting power	% of capital stock
AB Custos (investment company)	23.1	5.5
AB Industrivärlden (investment company)	14.0	3.3
Sparbankerna mutual funds	8.6	14.2
Svenska Handelsbanken pension fund	4.2	0.8
Swedish National Pension Insurance Funds, Fourth Fund Board	3.9	5.7
SPP (retirement insurance)	2.0	3.4
Skandinaviska Enskilda Banken mutual funds	1.5	2.5
Nordbanken mutual funds	1.4	2.4
Svenska Handelsbanken mutual funds	1.4	2.4
Skandia (insurance)	1.3	2.1
Total	61.4	42.3
Other shareholders	38.6	57.7
About 60,000 shareholders	100	100

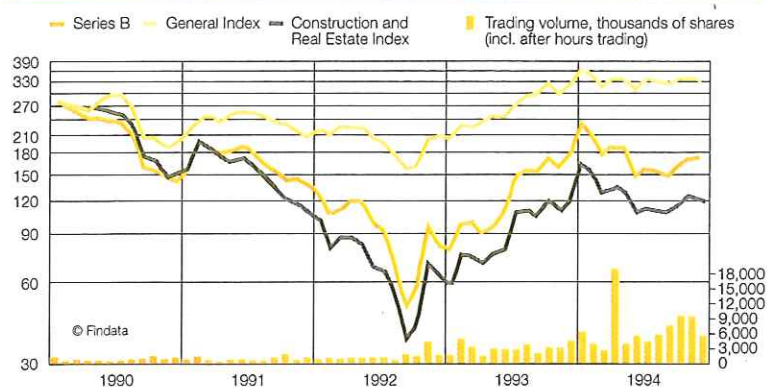
Trading in Skanska shares

Since January, 1993 all Skanska shares have been unrestricted, which has increased trading volume.

In December 1993 the market price of a Series B share was SEK 177. At the end of 1994 the share price was SEK 170. On April 7, 1995 the price of a Series B share was SEK 147. The share price varied from SEK 132 to SEK 233 during 1994.

As the adjacent chart indicates, the number of Skanska shares changing hands each day continued to increase during 1994 compared to 1993. During 1994, 81,898,094 Skanska shares were traded on the Stockholm Stock Exchange, 140 percent more than in the preceding year (34,215,570). This was equivalent to 323,707 shares per trading day in 1994. Trading volume was equivalent to 65 percent (27) of total shares outstanding at the end of each respective year.

Skanska share price movement, 1990-1994



Skanska share price movement, 1994



Changes in capital stock

Year	Stock dividend SEK M	New share issue SEK M	Par value of capital stock SEK M
1965			32.0
1967	—	3.4	35.4
1969	2.5	14.1	49.5
1973	1.3	16.5	66.0
1975	1.3	22.0	89.7
1977	1.2	44.9	134.6
1979	1.2	67.3	204.3
1981	2.3	136.2	340.5
1982	1.5	68.1	411.3
1983	1.2	205.6	616.9
1984	split 5.1	—	616.9
1987	—	8.7	625.6
1988	—	4.0	629.6
1991	1.1	629.6	1,259.2
1994 conv.			1,259.2

Shares by category

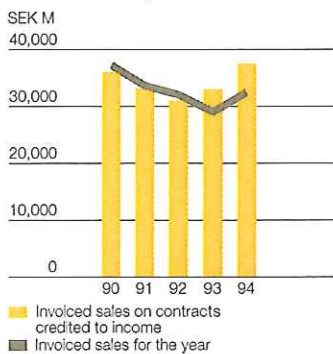
Category	Number of share	% of voting power	% of capital stock
A	9,136,860	43.9	7.3
B	116,787,000	56.1	92.7
Total	125,923,860	100.0	100.0

Shareholdings by size

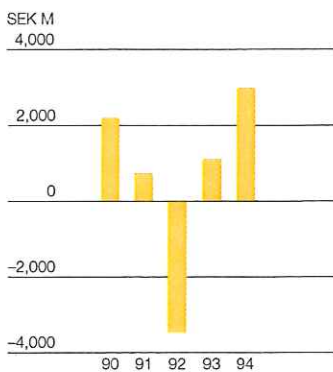
Dec. 30, 1994				
Number of shares held	Number of shareholders	% of all shareholders	Total number of shares held	% of capital stock
1 - 500	47,410	79.7	6,940,121	5.5
501 - 1,000	6,537	11.0	5,237,014	4.2
1,001 - 2,000	2,785	4.7	4,388,723	3.5
2,001 - 5,000	1,602	2.7	5,217,588	4.1
5,001 - 10,000	549	0.9	4,090,911	3.2
10,001 - 20,000	244	0.4	3,491,173	2.8
20,001 - 50,000	172	0.3	5,563,394	4.4
50,001 - 100,000	65	0.1	4,722,374	3.8
100,001 -	130	0.2	86,272,562	68.5
Total	59,494	100	125,923,860	100

Directors and the President of
 Skanska AB herewith
 present their report on the
 Company's operations
 during 1994.

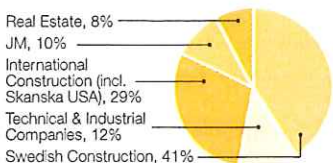
Invoiced sales on contracts credited to income/Invoiced sales for the year



Income after financial items



Invoiced sales
 excl. elimination of intra-Group transactions



The Skanska Group

Consolidated invoiced sales during 1994 amounted to SEK 32,358 M (28,921), an increase of 12 percent. Of invoiced sales, 34 percent (23) occurred in markets outside Sweden. Invoiced sales on contracts credited to income also rose by 12 percent to SEK 37,527 M (33,362). The level of invoicing on contracted credited to income was 116 percent (115). Order bookings rose by 56 percent to SEK 37,745 M (24,136). Operations outside Sweden accounted for 42 percent of this (23). Companies acquired during the year accounted for SEK 9,692 M.

The year-end order backlog totaled SEK 24,391 M (18,261). Of this, SEK 5,870 M was attributable to units acquired during the year.

Excluding units acquired during the year, invoiced sales declined by 2 percent compared to 1993, while order bookings rose—from a low level—by 16 percent. The decline in invoiced sales was mainly due to lower rental revenues as a consequence of property divestments that had taken place. Operating income after depreciation rose by 22 percent to SEK 2,329 M (1,909). The improvement was mainly attributable to

smaller writedowns compared to 1993, while operating income after depreciation—before writedowns and before property divestments—deteriorated by SEK 275 M.

Income after financial items amounted to SEK 3,075 M (1,117).

Net profit after tax was SEK 2,691 M (517). Net profit per share after tax amounted to SEK 21.35 (4.10).

The year's tax cost amounted to 10 percent of income before tax. The tax burden was low because dividend income is tax-exempt, capital gains on the sale of shares are taxed at a low rate and the Group incurred costs during 1993 that did not become tax-deductible until 1994.

Structural changes

During the spring of 1994 Skanska, together with a number of executives from the bankrupt Haka Oy, established the Finnish subsidiary Skanska Oy, which operates in both the Finnish and Russian markets. Skanska Oy reported sales of SEK 1,243 M, and one third of the company's order backlog of SEK 1,382 M was related to Russia.

In June, Skanska acquired Beers Construction Co. Inc. of Atlanta, Georgia, U.S.A. In 1994 this company's invoiced sales in 1994 amounted to SEK 2,811 M.

Skanska's Danish subsidiary C. G. Jensen A/S, acquired the construction company Hans Jørgensen & Søn A/S, the market leader on the island of Fyn. Effective from January 1, 1995 this company belongs to the C.G. Jensen Group, which has thereby gained nationwide coverage in Denmark.

During 1994 C.G. Jensen A/S was restructured; its entire real estate holdings were moved to the Skanska Group's Real Estate business area. As a result, C.G. Jensen will focus on construction work, including the development and construction of properties for immediate sale after completion.

Invoicing and earnings by business area

SEK M Business area	Invoiced sales incl. rents		Invoiced sales on contracts credited to income incl. rents		Operating income	
	1994	1993*	1994	1993*	1994	1993*
Swedish Construction	14,499	14,873	19,775	18,739	504	549
Technical and Industrial Companies	4,250	4,059	4,396	4,158	97	-16
International Construction incl. Skanska USA	10,125	5,838	9,141	4,699	51	21
Real Estate	2,624	3,015	2,682	2,968	1,161	1,437
JM: Construction	2,687	2,772	2,936	3,948	64	147
JM: Real Estate	695	681	695	681	407	409
Other operations, elimination of intra-Group transactions	-2,522	-2,317	-2,098	-1,831	-157	-145
Total invoiced sales/operating income	32,358	28,921	37,527	33,362	2,127	2,402
Gains on sales of investment and development properties					293	1,511
					2,420	3,913
Writedowns					-91	-2,004
Operating income after depreciation					2,329	1,909
Financial items					746	-792
Income after financial items					3,075	1,117

* Comparative figures have been adjusted to conform with the organizational structure in force at the end of 1994.

Skanska's Construction business area in Sweden changed its Swedish name from Entreprenad to Bygg Sverige. The English name remains Swedish Construction.

In Sweden, undeveloped land and development property companies were transferred from the Real Estate business area to the Swedish Construction business area. This enables Skanska's regional construction companies to strengthen their competitive position related to project development and responsiveness to client specifications.

Skanska (USA) Inc., which now accounts for a substantial percentage of the Group's operations, has been organized as a separate business area known as Skanska USA.

During 1994 ownership of the companies in the Swedish Construction, Technical and Industrial Companies, International Operations and Skanska USA business areas was transferred from Skanska AB to its wholly owned construction subsidiary Skanska Entreprenad AB. Similarly, companies that own real estate were transferred to Skanska Fastigheter AB. Holdings of listed shares were transferred from Skanska AB to Skanska Invest AB.

Invoiced sales and order bookings

International expansion during 1994 partly offset continued weak demand in Sweden.

Swedish Construction, which accounted for 41 percent of Group invoiced sales, reported a 15 percent increase in order bookings.

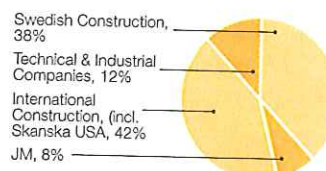
Order backlog, which amounted to SEK 7,159 M (7,427) at year-end 1994, consisted largely of small projects with short throughput times.

The Technical and Industrial Companies business area increased both its invoiced sales and order bookings (5 and 20 percent, respectively). Year-end backlog amounted to SEK 1,397 M (1,412).

The International Construction business area, including Skanska USA, sharply increased its invoiced sales and order bookings (73 and 189 percent, respectively). Excluding acquisitions, invoiced sales rose by 4 percent and order bookings by 14 percent. Year-end order backlog was SEK 13,357 M (6,965).

In the Real Estate business area, rental revenues declined by about SEK 400 M, mainly due to divestments of properties carried out late

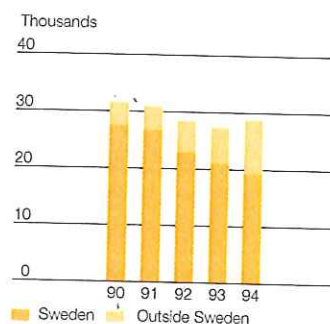
Order bookings



Invoiced sales outside Sweden



Number of employees



in 1993 and early in 1994. Invoiced sales in 1994 amounted to SEK 2,624 M (3,015).

Lower rental revenues were largely offset by lower interest expenses, because the proceeds of property divestments were used to reduce interest-bearing indebtedness.

Earnings

The earnings margin of the Swedish Construction business area fell from 2.9 percent to 2.5 percent. Orders received before the recession have now been credited to income, and orders with narrow margins and comparatively short throughput times which were landed during the recession are having their full impact on earnings.

The operating income of the Technical and Industrial Companies business area rose to SEK 97 M (-16).

In International Construction including Skanska USA, invoiced sales credited to income yielded an income of SEK 51 M (21), and the earnings margin amounted to 0.6 percent (0.5). North American operations provided continued stable earnings, while the earnings of other international units were pulled down by expansion costs related to new operations as well as a low level of invoicing on contracts credited to income in project operations.

The overall construction operations of the Skanska Group had an earnings margin—before writedowns and interest items—of 1.6 percent (1.7).

In the Real Estate business area, invoiced sales declined by 13 percent to SEK 2,624 M (3,015). Operating income before divestments and writedowns amounted to SEK 1,161 M (1,437). The operating net of investment properties amounted to SEK

1,544 M (1,839), a decline of 16 percent. Yield amounted to 14.2 percent (14.9) of book value. The occupancy rate was 89 percent (89).

Overall real estate operations in all of Skanska's business areas showed a 9 percent decline in rental revenues to SEK 3,347 M. Of these rental revenues, 92 percent were attributable to Sweden and 8 percent to other countries. Operating profit before property divestments and writedowns amounted to SEK 1,594 M (1,885). The operating net of the Group's investment properties amounted to SEK 2,180 M (2,417), and yield on book value was 12.3 percent (12.6).

Investment and development properties

Capital gains on the year's sales of investment and development properties amounted to SEK 293 M (1,511). Properties in Sweden with a total book value of SEK 932 M (754) and properties abroad with a book value of SEK 1,327 M (259) were sold. In addition, shares and participations in real estate companies with a book value of SEK 94 M (190) were sold.

Writedowns

The Skanska Group applies the principle of individual appraisal of each property. Writedowns were deemed necessary mainly for properties in the JM group. The year's writedowns totaled SEK 91 M (2,004).

Capital spending

Aside from acquiring companies at a net cost of SEK 328 M (20), the Group invested in fixed-asset properties at a net cost of SEK 3 M (1) and in machinery and equipment at a net cost of SEK 360 M (178).

Capital expenditures on investment and development properties totaled SEK 1,359 M (1,491). This included SEK 759 M (712) worth of construction for Skanska's own account.

Financial position

Stock portfolio

Of the year's divestments from the stock portfolio, the largest items were the sale of 2,570,000 Series A shares in the industrial company SKF, 395,000 shares in the car retailer Catena plus Skanska's entire holding in the Canadian construction company Banister Inc. Skanska's holding in Euroc, a building materials company, increased through the purchase of 500,000 Series A shares and the sale of 200,000 Series B shares.

These divestments yielded a total capital gain of SEK 365 M. At year-end 1994, the portfolio was booked at SEK 4,255 M (4,455) including Protorp, while its market value was SEK 13,151 M (13,965).

Skanska's shareholding in JM was unchanged during 1994. This holding is booked at SEK 88 per share.

Loan structure

Private placements denominated in GBP accounted for a sizable proportion of the Group's long-term borrowing. Most of these loans were paid off at year-end and were replaced by short-term borrowing. The intention is to replace them with long-term borrowing during 1995. The Group's average interest rate period changed only marginally as a consequence of this situation.

Cash flow

Cash flow after investments amounted to SEK 2,571 M (2,080). Non-recurring items affected cash flow by about SEK 1,100 M.

	SEK M
Cash flow from the year's operations	1,494
Net divestments	1,077
Cash flow after investments	2,571

Net indebtedness

Interest-bearing net indebtedness—the difference between interest-bearing liabilities and interest-bearing receivables including liquid assets—

declined for the second consecutive year. The proceeds of property divestments and share transactions implemented during 1994 helped reduce net indebtedness to SEK 7,530 M.

Net financial items

Net financial items during 1994 amounted to SEK 746 M (-792), i.e. an improvement by SEK 1,538 M.

Net interest items

Net interest items improved by SEK 595 M and amounted to SEK -762 M. The improvement was attributable to lower net indebtedness, among other things. In addition, the Group was able to obtain favorable fixed rates on its interest-bearing loans and investments denominated in both Swedish kronor and foreign currencies.

Exchange differences

Exchange differences during 1994 amounted to SEK 32 M (-199).

In the 1994 financial statements, exchange losses of SEK 125 M which arose from consolidation of the financial statements of subsidiaries abroad were offset—taking into account the tax effect—against exchange gains on loans raised to finance these investments.

Dividends

Dividend revenues totaled SEK 1,111 M. The dividend in connection with the liquidation of the investment

company Protorp accounted for SEK 879 M of this figure, and other dividends SEK 232 M (203).

Profitability ratios

Return on shareholders' equity rose from 6.9 percent to 30.2 percent. Return on capital employed rose from 13.9 percent to 16.8 percent.

Equity/assets ratio

Shareholders' equity rose and total assets fell. The equity/assets ratio thus increased to 25.3 percent (19.2).

Including the hidden reserve in the stock portfolio—minus 28 percent tax—the adjusted equity/assets ratio amounted to 35 percent (30).

Debt/equity ratio

The year-end debt/equity ratio was 1.4 (2.2), which was due to lower net interest-bearing indebtedness as well as an increase in shareholders' equity.

Shareholders' equity

The shareholders' equity of the Skanska Group amounted to SEK 10,038 M (7,789), divided into SEK 4,044 M (4,933) in restricted equity and SEK 5,994 M (2,856) in unrestricted equity. Proposed appropriations to restricted equity total SEK 1 M (11).

Personnel

The number of employees in Sweden was largely unchanged during the year, while the number employed

abroad increased, among other things due to new subsidiaries in Finland and the United States. The average number of employees totaled 28,868 (27,398). This included 9,454 (6,323) employees abroad.

To back up the continued 3T process, during 1994 Skanska implemented large-scale leadership training programs and began additional activities in order to introduce working methods based on management by objectives at all levels of the Company.

To further improve prerequisites for greater participation and long-term commitment, Skanska approved the introduction of a profit-sharing system primarily for its permanent employees in Sweden effective from 1995.

Parent Company

Income after financial items rose to SEK 750 M (479). After taxes and allocations, the Parent Company reported a net profit of SEK 2,167 M (1,320). Unappropriated earnings amounted to SEK 5,191 M (3,432).

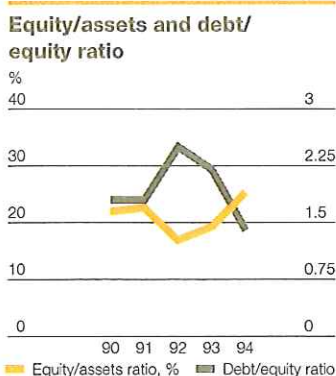
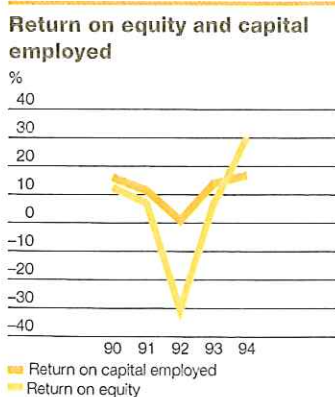
The average number of employees during the year was 80 (56), of whom 28 (17) were women.

Dividend

The Board of Directors proposes a dividend of SEK 3.75 (3.25) per share for the 1994 financial year, equivalent to a total dividend amount of SEK 472 M (409).

Changes in the Parent Company's Board and management

At the 1994 Annual Meeting of Shareholders, Carl-Erik Feinsilber and Anders Sjöberg resigned as regular Board members. Bo Rydin and Per-Olof Eriksson were elected as new regular Board members.



Accounting and valuation principles

Changes

Income statement and balance sheet

To make the income statement and balance sheet easier to understand, their design has been changed. The notes to the consolidated and Parent Company income statements and balance sheets have also been combined.

Statement of changes in financial position

The statement of changes in financial position is now based on net profit/loss for the year. It was previously based on income before taxes and minority interests. The statement has been expanded to clarify how a change in cash flow and net investments affects net indebtedness. Comparative figures have been adjusted accordingly.

New tax reserve option

When Parliament approved the phasing out of the tax equalization reserve, it introduced the option of placing funds in a tax allocation reserve. The maximum amount of such a transaction is 25 percent of the Company's taxable income before withdrawals from transitional reserves and deposits in the tax allocation reserve.

Consolidated financial statements

Principles of consolidation

The consolidated financial statements encompass the accounts of the Parent Company and those companies in which the Parent Company, directly or indirectly, has a decisive influence. This normally requires ownership of more than 50 percent of the voting power of shares or participations. Since subsidiaries are consolidated on a gross basis, minority interests in the shareholders' equity of subsidiaries is reported as a separate item, placed between "Long-term liabilities" and "Shareholders' equity" in the balance sheet. This item includes the minority interest in the shareholders' equity portion of untaxed reserves. The consolidated income statement specifies minority interests in the net profit of the Group. Note 11 states the minority interest in income after financial items and in taxes.

A company that was established to carry out specific contracting projects together with other construction companies is consolidated according to the pro-rata method, regardless of whether or not the company is formally a subsidiary.

Shareholdings in Finnish housing corporations are not consolidated, since this type of shares is intended to be divested upon completion of each construction project. For the same reason, the Group's holding in the Polish company Business Center Wola is not consolidated either.

Recommendation No. 1 on consolidated financial statements

Skanska has applied Recommendation No. 1 of the Swedish Financial Accounting Standards Council in drawing up its consolidated financial statements. In conformity with this, untaxed reserves in individual companies have been apportioned between deferred tax liability and restricted equity in the consolidated balance sheet. The corresponding adjustment has been made in the consolidated income statement, with the change in untaxed reserves being eliminated and the change in deferred tax instead affecting the year's earnings.

Aside from the removal of untaxed reserves, the new accounting rules mean that deferred tax liabilities on consolidated surplus values are reported openly as a long-term liability, instead of on a net basis against the asset item, and that deferred taxes are taken into account when eliminating intra-Group gains.

In adjusting the financial statements according to the transitional rules of the recommendation, no deferred taxes related to intra-Group gains from before 1992 have been booked. In addition, deferred tax liabilities on consolidated surplus values from pre-1992 acquisitions have only been included if such tax liabilities were taken into account in the acquisition analysis.

The purchase accounting method

The consolidated financial statements have been drawn up using the purchase accounting method. In applying this method, the assets and liabilities of subsidiaries are reported in the consolidated balance sheet at market values on the date of acquisition, based on an acquisition analysis. This determines the acquisition cost of the assets and liabilities of subsidiaries. The difference between the acquisition cost of shares in subsidiaries and the shareholders' equity of the subsidiary according to the acquisition analysis comprises the "Goodwill" item in the consolidated accounts.

Foreign subsidiaries

The principles for the translation of the financial statements of foreign subsidiaries comply with the recommendations of the Swedish Institute of Authorized Public Accountants (FAR). In the consolidated financial statements, their income statements have been included at the average exchange rate for the year and their balance sheets at the year-end exchange rate (current method). The change in initial shareholders' equity due to the shift in exchange rate from prior years is reported as

a translation difference in a note under "Shareholders' equity." In cases where a loan corresponding to the investment has been taken out for hedging purposes, the exchange rate adjustment in the loan-taking into account tax effects has been offset against the translation difference.

Associated companies and consortia

The Group's share of the earnings of associated companies—defined as companies in which Skanska's share of voting power is 50 percent or less—which are organized as partnerships or limited partnerships is included in the income statement. However, in the case of Skanska's holding in associated companies which are organized as stock corporations, this form of reporting (equity method) is not used. As stated above, however, the pro-rata method is used in the case of corporations formed for specific contracting projects.

The Group's share of the assets, liabilities, invoiced sales and expenses of consortia (joint ventures) is included in Skanska's financial statements. See also Notes 13 and 20 to the balance sheet.

Invoiced sales

In the income statement, the item "Invoiced sales" now refers only to contracts credited to income. In addition to invoiced sales on such contracts, this item includes rental revenues and sales of goods. As a rule, contracting assignments are credited to income in the year when the final financial settlement with the client is reached. Income on cost-plus contracts is normally reported as and when the related invoicing takes place.

The item "Invoiced sales" also includes incurred expenses for the construction of investment and development properties for Skanska's own account. Other intra-Group invoicing is thus eliminated.

To show the volume of operations more clearly, Note 1 states the invoiced sales for the year. This figure also includes the year's invoicing for contracts that have not yet been credited to income.

Guarantee risks

Expenses attributable to guarantee obligations have been charged to operating income. In addition—also as an operating expense—provision has been made for future guarantee costs at the highest amount that is deductible for tax purposes.

Depreciation

Depreciation has been charged against operating income, which entails annual depreciation by a certain percentage of acquisition cost until residual value is zero. The following annual rates have been used: goodwill 10 percent, ships 10 percent, machinery and equipment 10–20 percent, buildings 1–7 percent and land improvements 3.75–5 percent. In the case of certain machinery, a declining balance method has been used. Gravel pits and stone quarries are depreciated as and when materials are removed. Timberland is depreciated using felling deductions in conformity with the Municipal Tax Act. Depreciation of the consolidated surplus value of assets has also occurred. Since such acquisitions generally involve assets that have already been placed in service, the depreciation rate is often higher than stated above.

Book depreciation on machinery and equipment has been carried out in conformity with tax law. Extra depreciation is reported in the Parent Company financial statements as an allocation. Buildings (except in JM, Drott and Eurostop) have been written off at the highest annual percentage rate permitted by tax law, both for depreciation and accounting purposes.

Interest on pension liability

Interest on Pension Registration Institute (PRI) liability was set at 7.7 percent (6.1) in keeping with a recommendation by FAR and PRI. The rest of the year's PRI provision comprised an operating expense.

Deferred taxes

Deferred tax liabilities on untaxed reserves have been estimated at 28 percent (28) in Swedish-based companies. Deferred tax liabilities attributable to the acquired surplus value of assets has been booked at a rate of 25–28 percent. In cases where there has been a deficit value, deferred tax claims have been offset against deferred tax liabilities. No deferred taxes are calculated on goodwill and negative goodwill.

In the corresponding calculations for subsidiaries outside Sweden, the applicable tax rate in each country has been used.

Current assets

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. Holdings of market-quoted short-term investments by the Parent Company and Skanska Kapitalförvaltning AB are valued at the market value of the entire holding or the corresponding acquisition cost, whichever is lower.

Concerning valuation of investment and development properties, see below under "Real estate" and "Property writedowns."

Liquid assets

Cash and bank balances plus short-term investments in marketable securities such as Treasury bills, commercial paper and bonds are gathered under the balance sheet item "Liquid assets."

Receivables and liabilities in foreign currencies

Receivables and liabilities in foreign currencies have been valued at the exchange rate prevailing on the balance sheet date or the exchange rate according to forward contracts. In certain cases, an exchange rate adjustment in the consolidated accounts connected with this has been offset against a translation difference in shareholders' equity. See above under the heading "Foreign subsidiaries."

Exchange rates in 1994 accounts

In drawing up the 1994 accounts, the following exchange rates have been used. The table shows the value in Swedish kronor (SEK) of one unit of each currency.

Currency code	Currency name	Year-end exchange rate		Average exchange rate	
		1994	1993	1994	1993
ATS	Austrian schilling	0.69	0.69	0.68	0.67
BEC	Belgian commercial franc	0.23	0.23	0.23	0.23
CHF	Swiss francs	5.70	5.69	5.65	5.28
DEM	German marks	4.83	4.83	4.76	4.71
DKK	Danish kroner	1.23	1.24	1.21	1.20
ESP	Spanish pesetas	0.06	0.06	0.06	0.06
FIM	Finnish marks	1.58	1.45	1.48	1.36
FRF	French francs	1.40	1.43	1.39	1.38
GBP	British pounds sterling	11.68	12.37	11.81	11.71
IEP	Irish punts (pounds)	11.55	11.80	11.54	11.40
ISK	Icelandic kronur	0.11	0.12	0.11	0.12
ITL	Italian lire	0.0046	0.0049	0.0048	0.0050
LUF	Luxembourg francs	0.23	0.23	0.23	0.23
NLG	Dutch guilders	4.31	4.32	4.24	4.20
NOK	Norwegian kroner	1.11	1.12	1.09	1.10
PTE	Portugese escudos	0.05	0.05	0.05	0.05
USD	United States dollars	7.48	8.34	7.72	7.80
XEU	European currency units	9.17	9.35	9.13	9.11
CLP	Chilean pesos	0.02	—		
COP	Colombian pesos	0.0094	1.06		
HKD	Hong Kong dollars	0.99	1.09		
HUF	Hungarian forints	0.067	0.084		
INR	Indian rupees	0.24	0.26		
KES	Kenyan shillings	0.18	0.13		
LSL	Lesotho lotis	2.13	2.47		
LTL	Lithuanian litas	1.91	—		
LVL	Latvian lats	13.56	—		
MYR	Malaysian ringgits	2.94	—		
PAB	Panamian balboas	7.48	8.34		
PKR	Pakistani rupees	0.26	0.28		
PLZ	Polish zlotys	0.0005	—		
RUR	Russian rubles	0.0027	—		
SAR	Saudi Arabian riyals	2.00	2.23		
TZS	Tanzanian shillings	0.01	0.02		
ZWD	Zimbabwean dollars	0.92	1.23		

Real estate

The Group's real estate holdings which are used in its own business, for example properties for its own offices, factories, timberland and hydroelectric power plants, are reported as fixed assets. Other real estate is reported under the heading "Investment and development properties." This is divided into "Investment properties," "Investment and development properties under construction" and "Development properties."

The Group's holdings of real estate completed for its own account are booked as "Investment properties." Income from these operations is reported in Note 8 to the income statement. "Investment and development properties under construction" include all construction, both of properties intended for the Group's own account and properties intended to be sold after completion.

The Group's holdings of undeveloped land and redevelopment properties are booked as "Development properties."

To permit as correct a comparison as possible between income from property management and the value of completed investment properties, completed properties are normally not reclassified from "Investment and development properties under construction" to "Investment properties" until January 1 of the year after the year of completion.

Properties constructed by the Group and booked during the year as real estate completed for its own account have been valued in the consolidated accounts at incurred costs plus a fair proportion of indirect costs. Any intra-Group profits resulting from building contracts between construction and property management companies are thus eliminated from the consolidated financial statements.

Interest expenses during the construction period are not capitalized, but are booked as expenses in each respective year. In the case of properties owned by JM, however, such interest expenses are capitalized.

Investments in undeveloped land and redevelopment properties are booked at their acquisition costs 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 been charged against income in each respective year.

Through the subsidiary Skanska Oy, the Group owns shares in housing corporations. The book value of these shares is included in the balance sheet item "Development properties."

Properties located abroad that have been taken over by a Swedish subsidiary by means of an intra-Group transaction have been valued at the year-end exchange rate. The difference between the valuation in the consolidated accounts and those of sub-Group accounts has been added to restricted reserves. A loan taken out in the same amount for hedging purposes is also reported at the year-end exchange rate.

Property writedowns

The Group's investment and development properties as well as shares and participations in property management companies have been written down if actual value is estimated as less than book value (individual appraisal at the lower of cost or market value). As a yardstick in estimating actual value in today's market situation, Skanska has used a yield requirement of 8 percent for properties in Stockholm and in central locations in Gothenburg and Malmö. Elsewhere in Sweden, 10 percent has been used. In certain cases, as well as in the partly owned Group companies JM Byggnads och Fastighets AB and AB Drott, however, the estimate has been based on independent appraisals as well as internal appraisals using other principles. The value of international properties has been estimated on the basis of the prevailing level of return required in each respective market. Special attention has been paid to the occupancy situation.

For contractual commitments to partly owned real estate companies where specific asset values are lacking, provision has been made for a decline in value in the form of an accrued expense among current liabilities.

Shares (fixed assets)

The Group's holdings of listed shares have been treated according to the portfolio method. In those cases where the market price has been below book value, writedowns have been omitted by viewing the entire holding as one unit.

The Parent Company's shares in Protorp Intressenter AB were written down by SEK 231 M. The writedown was reported as a reduction in dividends received.

Work in progress

In the balance sheet, contracts that have not been credited to income are reported under the heading "Work in progress" and have been valued at costs incurred at the work site. Estimated losses which were instead charged to the year's operating income have been subtracted from this.

Definition of financial ratios

Definition of financial ratios

The following definitions conform with a recommendation by the Swedish Society of Financial Analysts.

Earnings margin

Operating income in contracting operations etc. as a percentage of invoiced sales on contracts credited to income, excluding rental revenues.

Net interest-bearing indebtedness

Interest-bearing liabilities including pension liability minus interest-bearing receivables including bank balances and short-term investments.

Net profit/loss per share

Net profit/loss for the year divided by the adjusted number of shares.

Equity per share

Visible shareholders' equity divided by adjusted number of shares.

Return on shareholders' equity

Income excluding extraordinary items, as a percentage of average visible shareholders' equity.

Return on capital employed

Income after financial items plus financial expenses, as a percentage of average capital employed. Capital employed is visible shareholders' equity plus interest-bearing liabilities.

Equity/assets ratio

Visible shareholders' equity including minority interest, as a percentage of total assets.

Debt/equity ratio

Interest-bearing liabilities divided by visible shareholders' equity including minority interest.

Interest cover

Income after financial items plus financial expenses, divided by financial expenses.

Consolidated income statement

SEK M		1994	1993
Invoiced sales	Note 1	37,527	33,362
Operating expenses	Note 2,4	- 34,459	- 29,914
Writedowns	Note 5	- 91	- 2,004
Investment and development properties	Note 6	293	1,511
Operating income before depreciation		3,270	2,955
Depreciation	Note 7	- 941	- 1,046
Operating income after depreciation	Note 8	2,329	1,909
Dividends	Note 9	1,111	203
Interest revenues		505	1,047
Interest expenses		- 1,267	- 2,404
Exchange differences on loans		32	- 199
Gain on sale of shares and participations		365	517
Other financial items		0	44
		746	- 792
Income after financial items		3,075	1,117
Taxes	Note 10	- 312	- 567
Income after taxes		2,763	550
Minority interests	Note 11	- 72	- 33
Net profit for the year		2,691	517

Consolidated balance sheet

SEK M		Dec. 31, 1994	Dec. 31, 1993
Assets			
Liquid assets	Note 12	6,078	6,427
Accounts receivable		5,269	3,791
Other non-interest-bearing current receivables	Note 13	1,666	1,392
Interest-bearing current receivables	Note 14	749	1,263
Inventories	Note 15	355	291
Total current assets		14,117	13,164
Investment and development properties	Note 16	19,566	21,463
Shares and participations	Note 17	4,703	4,922
Non-interest-bearing long-term receivables		779	671
Interest-bearing long-term receivables	Note 18	393	445
Other fixed assets	Note 19	2,576	2,652
Total fixed assets		8,451	8,690
Total assets		42,134	43,317
Liabilities and shareholders' equity			
Accounts payable		3,336	2,355
Other non-interest-bearing current liabilities	Note 20	6,799	6,772
Interest-bearing current liabilities	Note 21	4,234	1,794
Total current liabilities		14,369	10,921
Invoiced sales		22,463	27,632
Accumulated expenses		- 17,702	- 21,860
Balance, work in progress		4,761	5,772
Non-interest-bearing long-term liabilities		362	363
Interest-bearing long-term liabilities	Note 22	8,749	14,517
Pension liabilities	Note 23	1,767	1,655
Deferred tax liabilities	Note 24	1,480	1,751
Total long-term liabilities		12,358	18,286
Minority interests		608	549
Capital stock	Note 25	1,259	1,259
Restricted reserves		2,785	3,674
Unrestricted reserves		3,303	2,339
Net profit for the year		2,691	517
Total shareholders' equity	Note 26	10,038	7,789
Total liabilities and shareholders' equity		42,134	43,317
Assets pledged	Note 27	9,235	10,766
Contingent liabilities	Note 28	2,621	3,312

Consolidated statement of changes in financial position

SEK M	1994	1993	1992	1991	1990	1989	1988	7-yr total
The year's operations								
Net profit	2,691	517	-3,101	728	1,248	1,905	1,224	5,212
Depreciation and writedowns	1,032	3,050	5,482	2,477	1,045	725	634	14,445
Change in value charged to net financial items ¹	247	23	51	116	76	47	10	570
Less gain on sale of investment and development properties, shares and participations	-658	-2,028	-164	-205	-100	-932	-228	-4,315
Minority interests after taxes	72	33	-139	-19	117	105	69	238
Change in working capital:								
Inventories and interest-free current assets	-1,817	640	37	350	-346	-54	-1,229	-2,419
Balance of uncompleted contracts	-1,011	-902	340	-762	2,130	1,341	332	1,468
Interest-free liabilities ²	938	-988	-592	-1,116	2,400	1,617	715	2,974
Cash flow from the year's operations	1,494	345	1,914	1,569	6,570	4,754	1,527	18,173
Investments								
Investments in investment and development properties	-1,359	-1,491	-2,969	-5,622	-5,799	-4,022	-3,266	-24,528
Investment in shares and participations	-242	-703	-338	-636	-580	-1,289	-821	-4,609
Net investments in other fixed assets excluding receivables	-377	-234	-268	-483	-921	-1,178	-419	-3,880
Change in long-term interest-free borrowing and lending	-109	-226	-24	139	-655	530	248	-97
Divestments in investment and development properties	2,646	2,714	295	383	570	474	599	7,681
Divestments in shares and participations	518	1,675	720	239	16	945	133	4,246
Net investments	1,077	1,735	-2,584	-5,980	-7,369	-4,540	-3,526	-21,187
Cash flow after investments	2,571	2,080	-670	-4,411	-799	214	-1,999	-3,014
Dividend paid	-419	-198	-428	-413	-347	-280	-233	-2,318
Withdrawal from restricted account	1	6	5	46	25	35	65	183
Change in minority interests	-3	110	81	-91	54	11	-182	-20
New issue of securities							136	136
Other changes ³	152	-256	130	-242	77	-11	275	125
Change in net indebtedness	2,302	1,742	-882	-5,111	-990	-31	-1,938	-4,908
Change in pension liability	112	-97	92	214	204	123	110	758
Interest-bearing borrowing minus lending	-2,763	-263	-705	1,194	5,130	2,690	1,542	6,825
Change in liquid assets	-349	1,382	-1,495	-3,703	4,344	2,782	-286	2,675
Liquid assets on January 1	6,427	5,045	6,540	10,243	5,899	3,117	3,403	
Liquid assets on December 31	6,078	6,427	5,045	6,540	10,243	5,899	3,117	
Level of self-financing in percent (cash flow from the year's operations divided by total net investments)	n.a	n.a	74	26	89	105	43	86

1 Write down of Protorp holding (1994) and deficit in partly owned limited partnership primarily engaged in leasing of aircraft.

2 Adjusted for provisions and discontinuation of real estate projects included in the "Writedowns" item.

3 Translation differences in equity, shares and investment and development properties, equity earned in former associated companies, equity contributed by minority shareholders, expired bonus shares and capital discount (1988).

Parent Company income statement

SEK M		1994	1993
Invoiced sales		188	255
Operating expenses	Note 2,3	- 615	- 123
Writedowns	Note 5	- 450	- 801
Operating income before depreciation		- 877	- 669
Depreciation	Note 7	- 160	- 189
Operating income after depreciation		- 1,037	- 858
Dividends	Note 9	1,125	2,269
Interest revenues		1,199	1,193
Interest expenses		- 1,148	- 1,733
Exchange differences on loans		- 28	- 201
Gain on sale of shares and participations		639	- 176
Other financial items		0	- 15
		1,787	1,337
Income after financial items		750	479
Allocations	Note 29	1,828	884
Income before taxes		2,578	1,363
Taxes	Note 10	- 411	- 43
Net profit for the year		2,167	1,320

Parent Company balance sheet

SEK M		Dec. 31, 1994	Dec. 31, 1993
Assets			
Liquid assets	Note 12	942	942
Accounts receivables		3	5
Other non-interest-bearing current receivables	Note 13	56	58
Interest-bearing current receivables	Note 14	41	32
Total current assets		1,042	1,037
Shares and participations	Note 17	1,430	8,045
Interest-bearing long-term receivables	Note 18	16,573	12,196
Other fixed assets	Note 19	719	813
Total fixed assets		18,722	21,054
Total assets		19,764	22,091
Liabilities and shareholders' equity			
Accounts payable		12	8
Other non-interest-bearing current liabilities	Note 20	836	621
Interest-bearing current liabilities	Note 21	3,844	1,372
Total current liabilities		4,692	2,001
Non-interest-bearing long-term liabilities		2	3
Interest-bearing long-term liabilities	Note 22	6,466	13,392
Pension liabilities	Note 23	801	1,111
Total long-term liabilities		7,269	14,506
Untaxed reserves	Note 30	865	410
Capital stock	Note 25	1,259	1,259
Restricted reserves		488	483
Unrestricted reserves		3,024	2,112
Net profit for the year		2,167	1,320
Total shareholders' equity	Note 26	6,938	5,174
Total liabilities and shareholders' equity		19,764	22,091
Assets pledged	Note 27	669	673
Contingent liabilities	Note 28	7,614	9,118

Parent Company statement of changes in financial position

SEK M	1994	1993
The year's operations		
Net profit	2,167	1,320
Depreciation and writedowns	610	990
Change in value charged to net financial items ¹	231	0
Less gain on sale of shares and participations	- 639	176
Change in untaxed reserves	455	- 764
Change in working capital:		
Inventories and interest-free current assets	4	2,737
Balance of uncompleted contracts	0	- 4,332
Interest-free liabilities	220	- 3,267
Cash flow from the year's operations	3,048	- 3,140
<i>Investments</i>		
Investments in shares and participations	- 2,329	- 2,120
Net investments in other fixed assets excluding receivables	- 66	- 25
Change in long-term interest-free borrowing and lending	- 1	42
Divestments in shares and participations	8,902	3,753
Net investments	6,506	1,650
Cash flow after investments	9,554	- 1,490
Dividend paid	- 409	- 189
Expired bonus issue shares	5	0
Change in net indebtedness	9,150	- 1,679
Change in pension liability	- 310	- 215
Interest-bearing borrowing minus lending	- 8,840	1,944
Change in liquid assets	0	50
Liquid assets on January 1	942	892
Liquid assets on December 31	942	942

1 Writedown of Protorp holding

Notes to the financial statements

Amounts in SEK M unless otherwise specified

1 Invoiced sales

Group

External rental revenues, including interest subsidies, are part of the item "invoiced sales."

Reported interest revenues in 1994 included a total of SEK 212 M (234) in interest subsidies received, of which SEK 199 M (223) was attributable to investment properties and SEK 13 M (11) to buildings under construction and development properties. Comparative figures for 1993 have been adjusted for changes in organizational structure.

"Invoiced sales" for 1994 also include SEK 759 M (712) in intra-Group invoicing that was capitalized in investment and development properties. See "Invoiced sales" under the accounting and valuation principles, page 44. Invoiced sales by sector of operations are presented in Note 8.

1. Invoiced sales by business area

Business area	Invoiced sales for the year		Invoiced sales on contracts credited to income	
	1994	1993	1994	1993
Swedish Construction	14,499	14,873	19,775	18,739
Technical and Industrial Companies	4,250	4,059	4,396	4,158
International Construction incl. Skanska USA	10,125	5,838	9,141	4,699
Real Estate	2,624	3,015	2,682	2,968
JM	3,382	3,453	3,631	4,629
Other operations, elimination of intra-Group transactions	-2,522	-2,317	-2,098	-1,831
Total invoiced sales	32,358	28,921	37,527	33,362

2. Invoiced sales by geographic area

Group	Invoiced sales	
	1994	1993
Sweden	21,472	22,155
Other Nordic countries	2,278	1,259
Other Europe incl. Russia	1,179	518
North America	5,942	3,484
Other countries	1,487	1,505
	32,358	28,921

Parent Company

Invoiced sales included SEK 152 M (224) worth of sales to subsidiaries. The Parent Company's purchases from subsidiaries amounted to SEK 76 M (25).

2 Personnel

Average number of employees	Group		Parent Company	
	1994	1993	1994	1993
Sweden	19,414	21,075	80	56
Abroad	9,454	6,323		
	28,868	27,398	80	56
Of whom, women	2,270	2,023	28	17

Note 2 continued

Wages, salaries and remuneration	Group		Parent Company	
	1994	1993	1994	1993
<i>Sweden</i>				
Boards of Directors and Presidents	37.5	30.9	7.6	6.2
of which, bonuses	(5.0)	(6.5)	(0)	(0)
Other employees	3,852.2	4,016.6	31.7	19.5
	3,889.7	4,047.5	39.3	25.7
<i>Abroad</i>				
Boards of Directors and Presidents	15.5	15.9		
Other employees	1,348.6	993.2		
	1,364.1	1,009.1	0.0	0.0
	5,253.8	5,056.6	39.3	25.7

Social welfare contributions and pensions

<i>Sweden</i>	1,542.3	1,575.3
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The average number of employees in Sweden was calculated by taking total hours worked and dividing by a standard working year of 1,586 hours (1,540).

The complete legally required specification of personnel is attached to the annual report documents submitted to the Swedish Patent and Registration Office. This specification can be obtained from Group Public Affairs, Skanska AB, S-182 25 Danderyd, Sweden.

A. Chairman of the Board

The Chairman of the Board was granted a director's fee of SEK 500,000 during 1994. This amount was approved by the Board of Directors within the limits of the total amount of directors' fees fixed by the Annual Meeting of Shareholders.

B. President and Group Chief Executive

During 1994 the Company's President and Group Chief Executive received a salary, fees and other remuneration from Group companies in the amount of SEK 3,769,000, plus SEK 2,628,200 in the form of bonus whose amount is fixed each year. (See also paragraph D. on page 54, end of Note 2).

In addition to benefits payable under the public-sector pension system, under the provisions of his employment contract Skanska paid pension premiums on behalf of the Group Chief Executive in an amount equivalent to 20 percent of his salary/bonus within the 20-30 base amount interval and 25 percent of salary/bonus above 30 base amounts.

The employment contract may be terminated on either side by giving six months' notice. If the agreement is terminated by the Company, the Group Chief Executive is entitled to termination payment equivalent to 12 months of his salary/bonus, with the possibility of an additional 12 months of salary/bonus if no other employment has been obtained by the end of the first period. Beyond this, there is no obligation to subtract any other income from these benefits.

Amounts in SEK M unless otherwise specified

Note 2 continued

C. Other members of Group Management

Pension benefits are payable mainly as part of public-sector pension systems.

In case of termination by the Company, notice periods range from six to 24 months and executives are entitled to salaries and benefits that range from 18 to 30 months. When benefits are paid after the notice period, other income must normally be subtracted from the amount payable.

D. Long-term bonus

Group Management and about 200 other senior executives in the Group are entitled to a long-term bonus based on the price level of a Series B Skanska share over the five-year period 1995–1999. This possible bonus would not be paid until the year 2000 and is calculated by multiplying 10 percent of the salary for 1–2 months by the difference between the average market price of a Series B share during June–December 1999 (plus dividends approved during the years 1995–1999) and SEK 185.

3 Operating expenses

Parent company

The Parent Company fulfilled its contractual obligations related to the EuropaHaus project in Frankfurt, Germany, which resulted in an expense of SEK 510 M.

4 Real estate tax

Swedish government real estate tax, which totaled SEK 34 M (45) for investment and development properties, is included among operating expenses. Investment properties accounted for SEK 24 M (25), while buildings under construction and development properties accounted for SEK 10 M (20).

5 Writedowns

	Group		Parent Company	
	1994	1993	1994	1993
Writedown in shares of property management companies			- 450	- 558
shares of operating companies				- 243
Development properties	- 56	- 1,350		
Investment properties	- 35	- 654		
Total writedowns	- 91	- 2,004	- 450	- 801

6 Investment and development properties

Sales of investment and development properties, as well as sales of shares and participations in real estate companies, are reported under the heading "Investment and development properties."

Group	Properties		Shares and participations in real estate companies		Total	
	1994	1993	1994	1993	1994	1993
Sales revenues	2,487	2,661	159	53	2,646	2,714
Book value	- 2,259	- 1,013	- 94	- 190	- 2,353	- 1,203
Capital gain	228	1,648	65	- 137	293	1,511

7 Depreciation

Group	1994	1993
Goodwill	20	16
Extraction rights	1	12
Ships	2	20
Machinery and equipment	373	408
Fixed-asset properties incl. hydroelectric power plants and timberland	57	58
Investment and development properties	488	532
Total depreciation	941	1,046

Parent Company	Depreciation		Extra depreciation	
	1994	1993	1994	1993
Machinery and equipment	141	172	- 26	- 22
Fixed-asset properties incl. hydroelectric power plants	19	17	- 8	- 9
Total depreciation	160	189	- 34	- 31

8 Income after depreciation by sector of operations

Group

Sector of operations	1994	1993
Contracting operations etc.		
Invoiced sales for the year (excl. rental revenues)	29,011	25,258
Invoiced sales on contracts credited to income	34,180	29,695
Income from contracting operations etc.	533	517
Gain on sales of investment and development properties	293	1,511
Real estate operations		
Development properties		
Rental revenues for the year	212	205
Income from development properties	- 14	10
Property management		
Rental revenues for the year	3,135	3,462
Income from property management	1,608	1,875
Writedowns	- 91	- 2,004
Income after depreciation	2,329	1,909

The income of the business areas reported in the Report of the Directors and elsewhere consists of income from different sectors of operations.

For example, real estate operations are mainly reported in the Real Estate business area, but real estate operations (albeit on a smaller scale) also take place in all other business areas.

The operating income of the Swedish Construction business area included a withdrawal of SEK 137 M (-154) from the reserve for indirect expenses.

Amounts in SEK M unless otherwise specified

9 Dividends

	Group		Parent Company	
	1994	1993	1994	1993
Dividends on shares and participations in subsidiaries			18	2,071
Dividends on shares and participations in other companies	1,111	203	1,107	198
Total dividends	1,111	203	1,125	2,269

10 Taxes

	Group		Parent Company	
	1994	1993	1994	1993
Income taxes	603	172	411	43
Deferred taxes	-291	395		
Total taxes	312	567	411	43

The year's tax cost, SEK 312 M, amounted to 10.1 percent (50.8) of consolidated income after financial items. This low tax cost is explained by such items as SEK 1,111 M in tax-exempt dividends, the withdrawal of SEK 650 M in reserves in the consolidated financial statements when the Parent Company fulfilled its contractual obligations during 1994, and the halving of taxation on the sale of shares, which resulted in an adjustment of SEK 160 M in income for tax purposes.

During 1988–1990 the Skanska Group, through partly owned companies, purchased participations in aircraft, including both Swedish-made SAAB 340B turboprops and other passenger aircraft. The tax authorities questioned the depreciation deductions related to most of these transactions. During 1993 the Administrative Court of Appeal ruled on two of these cases. The National Tax Board subsequently petitioned the Supreme Administrative Court to review the cases. The other cases—of a similar nature—are currently being adjudicated in the County Administrative Court. On the basis of a comprehensive analysis following consultations with the other co-owners and with outside tax experts, the risk of higher tax assessments is believed to be small. Thus no provision for higher taxes has been made as a result of the authorities' claim.

After conducting an audit, the local tax authority appealed the 1988 and 1989 tax assessments regarding the Parent Company. Because of this, a provision has been made for possible additional taxes totaling SEK 43 M, based on claims primarily related to periodization issues, which have been deemed to entail some risk of a higher tax assessment. No allocation has been made, however, for tax claims of about SEK 695 M, mainly related to the question of a merger loss and provision for indirect costs of work in progress.

11 Minority interests

Group	1994	1993
Interest in income after financial items	88	26
Interest in taxes	-16	7
Total minority interests	72	33

Minority interests in the shareholders' equity of Group companies are found mainly in JM, Drott and Skanska Oy.

12 Liquid assets

	Group		Parent Company	
	1994	1993	1994	1993
Cash and bank balances	1,624	1,213	126	235
Short-term investments	4,454	5,214	816	707
Total liquid assets	6,078	6,427	942	942

13 Other non-interest-bearing current receivables

	Group		Parent Company	
	1994	1993	1994	1993
Prepaid expenses and accrued revenues	394	389	56	12
Current assets held by consortia	606	483		
Restricted accounts in the Bank of Sweden for special investment reserve		1		
Tax claim	257	27		
Other non-interest-bearing receivables	409	492		46
Total other non-interest-bearing current receivables	1,666	1,392	56	58

"Current assets held by consortia" represents the Group's share of 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 20).

14 Interest-bearing current receivables

	Group		Parent Company	
	1994	1993	1994	1993
Current portion of long-term receivables	15		41	
Other interest-bearing receivables	734	1,263		32
Total interest-bearing current receivables	749	1,263	41	32

15 Inventories

Group	1994	1993
Asphalt, gravel and crushed stone	42	42
Prefabricated building elements etc.	56	54
Heating and plumbing installation materials	23	19
Products under assembly, single-family homes etc.	174	120
Trading operations	16	13
Building supplies	44	43
Total inventories	355	291

Amounts in SEK M unless otherwise specified

16 Investment and development properties

Regarding the definition of "Investment and development properties," see "Real estate" in the accounting and valuation principles, page 45.

Group	1994	1993
Investment properties	16,576	18,275
Investment and development properties under construction	1,086	1,405
Development properties	1,904	1,783
Total investment and development properties	19,566	21,463

17 Shares and participations

Group	1994	1993
Swedish companies		
Listed	4,055	4,023
Others	544	817
Total Swedish companies	4,599	4,840
Foreign companies		
Total foreign companies	104	82
Total shares and participations	4,703	4,922

Specification, holdings as of December 31, 1994

Swedish companies					
Listed shares	Number	% stake	Par value SEK 000	Market value SEK 000	Book value SEK 000
AB Catena, Series A	4,972,263	16	99,445	315,739	229,630
AB Custos, Series A	11,278,458	24	281,961	992,504	1,307,555
AB Custos, Series B	1,161,714	2	29,043	102,231	86,737
Euroc AB	11,369,150	24	284,229	1,710,769	551,749
Fastighets-partner AB	1,016,645	4	10,166	7,726	7,726
FFNS Gruppen AB	8,000	<1	40	388	302
AB Geveko	852,134	20	21,303	66,466	68,910
Graninge AB	5,565,225	25	111,305	1,697,394	559,722
Klövern					
Förvaltnings AB	4,416,432	10	44,164	22,965	44,482
AB Piren	8,663,500	4	8,650	13,854	11,015
Sandvik AB	56,406,575	20	282,033	6,768,789	878,471
AB SKF, Series A	9,870,000	9	123,375	1,214,010	275,460
Stadshypotek AB	374,658	<1	9,366	36,716	32,783
Total listed companies			12,949,551	4,054,542	
Others					
	Number	% stake	Currency (if other than SEK)	Par value SEK 000	Book value SEK 000
AIK AB	5,000	<1		5	50
KB Air Preca	1/3	33		40,141	4,071
Arlandastad KB		50		1,000	1,000
HB Betongrörsteknik	1	50		50	50

KB = Limited partnership HB = Partnership

Note 17 continued

	Number	% stake	Currency (if other than SEK)	Par value SEK 000	Book value SEK 000
BGB i Malmö AB A	81,240	13		812	0
BGB i Malmö AB B	36,228	13		362	0
Bodenfrakt ek förening	5	11		35	450
Byggnads AB Tryckeriet	600	50		60	60
Byggnads AB					
Tryckeriet & Co KB	1	50		45	2,810
Cedersdal Fastigheter AB	250,000	50		25,000	25,000
Cefast Förvaltnings AB	250	20		200	200
Dala Asfalt KB		50		250	250
Edi Bygg Ideell förening	10	20		100	100
Ek förening Giganten	136	40		109	0
FASAB Fastighets-system AB					
Fast bol Södergatan 39, Fast AB Sulcus & Co	1/2	50		700	700
Fastighets AB Luxor	1,000	50		100	100
Fastighets AB					
Skalholt KB	50,000	50		50	50
Fastighetsbolaget					
Glunten KB		50		1,200	2,200
Fastighetsbolaget					
Skavsta KB		50		500	500
Fastighetsbolaget					
Glasberga KB	1	25		101	101
Fastighetsbolaget					
Hälsan KB	10	50		500	500
Fineri Nr 5 KB	75	75		20,186	13,540
Forserumsten, HB	1	50		900	900
Funktionsglas AB	1,000	14		0	100
Företagarnas hus					
i Boden AB	80	2		0	50
Glasberga Fastighets AB	1,000	25		100	100
Gotlands-beläggningar & Co KB					
Grisslingehöjden AB	125	25		100	12
Grisslingehöjden KB		33		915	915
H-Invest AB	500	<1		50	50
Halmstad BGB AB	112	41		56	55
Handelsbolaget					
Energibyggnarna	1	50		250	380
AB Helsingborgs Byggelement	350	50		350	757
Hotellfastigheter i Falköping AB	300	30		300	300
HB Hälsingborgsfastigheter	1/2	50		150	150
Härryda Kross AB	130	50		650	650
Högbo Bruks					
Utbildningscentrum AB	50	9		50	0
Högbo Utbildnings-fastighet HB					
	1	46		920	0
Högmora Exploaterings AB	2,000	50		200	200
Jönköpings Betong AB	1,000	50		100	100

Amounts in SEK M unless otherwise specified

Note 17 continued

	Number	%	Currency (if other than SEK)	Par value SEK 000	Book value SEK 000
Kalmar Familjebad AB	100	50		50	50
Kalmar Familjebad KB	239,000	40		239	239
Karlskoga Köpcentrum, AB	180	45		180	5,821
Kåholmen AB & Co KB	2	50		105	105
Lapillus AB	126	50		126	126
KB Lidingö Nya Centrum	50			19,400	19,400
Masmobergets Exploaterings AB	2,000	50		200	200
Mega-Carrier KB	330	33		54,123	0
Mega-Flight KB	50			82,513	16,208
Metro-Flyg KB	330	33		46,521	0
AB Mälarmark	100	50		100	127
Mölnadalsskatten & Co KB, AB	6	50		50	50
Nohab Industri- fastigheter AB	20,000	50		1,000	1,000
Nohab Industri- fastigheter AB & Co KB	50			4,000	4,000
Novum-Centrum för Livsvetenskaper-KB	50			500	500
Nya Knutpunkten 4-5, KB	1	25		750	0
Närkes Kross & Asfaltproduktion KB	10	50		500	500
Olunda Terminal HB	2	50		500	500
Olundakrossen KB	50			500	500
Parkerings AB Dukaten	1,245	4		0	1,244
Polaris Aircraft Leasing KB	99			142,658	0
Protorp Intressenter AB	8,570	33		857	201,000
Ramlösa Brunns- anläggning, AB	625	50		62	75
KB Rollsböhöjd	1	50		100	100
KB Rollsböhöjden	2	50			200
HB Rydebäcksgård	1/2	50		150	150
Råsjö Torv AB	26,236	22		2,624	7,953
KB Skinnefjäll	10	50		500	500
SMÅA AB	3,500	33		3,500	3,500
HB Solrosen	1	50		3,125	3,125
Stockholms Fondbörs AB	4,301	2		431	516
Storforsen Hotell AB	3,000	10		300	300
STR Garanti AB	87	35		0	1,220
HB Stämpeln 1	52	50			31,528
Svenska Dagbladet Holding AB	20,700	<1		207	18
Swedish Aircraft FOUR KB	100	100		58,641	72,839
Swedish Aircraft TWO KB	50	50		45,587	45,362
Swedish Construction Management AB	250	50		25	25
Swedish Construction Management KB	50	50		50	50

Note 17 continued

	Number	%	Currency (if other than SEK)	Par value SEK 000	Book value SEK 000
AB Sydsten	150,000	50		7,500	19,080
Såbi AB	4,850	6		485	1,344
Södertälje Åkeri AB	1,080	<1		108	112
Sörmlands Asfalt & Krossprodukter KB	10	50		500	500
Trinova AB	500	4		50	50
Ullna Golf AB	3,500	1		350	0
Uppsalagrug KB	10	50		500	500
Vestasfalt KB	19	50		475	475
Vidéum Fastighets AB	2,500	25		2,500	0
Vikans Kross AB & Co KB	10	50		300	300
YBF Service AB	1	<1		1,046	0
Åkerigrug KB	100	40		100	100
ÖS Företagsby KB	725	50		725	725
Brf Borgens, Östersund (coop. housing association)	48			7,121	7,121
Miscellaneous coop. housing assns., participations ¹					32,595
Miscellaneous shares and participations ¹					2,007
Total other Swedish companies					544,743

Foreign companies

	Number	%	Currency (if other than SEK)	Par value 000	Book value SEK 000
Business Center Wola S.P.Z.O.O, Poland	408,592	75	PZL	204,296	68,891
Deyhle Viering, Germany	1	50	DEM	600	2,898
Ejendoms- selskabet A/S, Denmark	753	50	DKK	11,000	3,598
ETC Corp Ltd, United States	9,000	3	USD	9	64
Fisketorvet Industrihuset A.M.B.A, Netherlands	1	<1	NLG	310	1,337
Frankfurt Property Investment BV, Netherlands	13,000	50	NLG	13,000	0
Halden Projektutv, Norway	25	50	NOK	25	28
Mashado Ltd, Denmark	540,000	36	DKK	531	0
Nevsky Investment L.P., United States	495	50	USD		4,087
Oustroi Oy, Finland	17	17	FIM	170	193
Rasmussen & Stisager A/S, Denmark	10	50	DKK	10,000	6,857
Soenderjydsck Erhvervs- investering KS, Denmark	1.1	<1	DKK	193	178
Swedish American Chamber of Commerce, United States	3		USD	50	374
Symbion A/S, Denmark	1	<1	DKK	100	0
Tanruss Inv Ltd, Tanzania	2,015	7	TZS	800,008	15,203
VSL Norge A.S., Norway	180	45	NOK	180	331
Total foreign companies					104,039
The Group's total holdings of shares and participations					4,703,324

Amounts in SEK M unless otherwise specified

Note 17 continued

Parent Company	1994	1993
Swedish companies		
Subsidiaries	1,220	3,573
Other companies	210	4,472
Total Swedish companies	1,430	8,045
Foreign companies		
Total foreign companies	0	0
Total shares and participations	1,430	8,045

Specification, holdings as of December 31, 1994

Subsidiaries ¹	Number	% stake	Currency (if other than SEK)	Par value 000	Book value SEK 000
Albus Förvaltning AB	30,000			3,000	18,742
AB Fakiren	3,000,000			150,000	95,288
AB Gadus	10,000			1,000	1,000
AB Hexabar Grön	1,750			175	182
Hofors Kraft KB				3	3
Kolbäckens Kraft KB				3	3
AB Perukmakaren	250,000			25,000	1,000
SCG Byggnads AB	500			50	50
Skanska Allemansfond Förvaltnings AB	500			250	250
Skanska Entreprenad AB	125,923,860			1,259	1,331
Skanska Export AB	500			50	253
Skanska Fastigheter AB	125,923,860			2,518	2,038
Skanska Fastigheter Norge AB	500			50	73
Skanska Förvaltnings AB	500			50	50
Skanska Holding AB	500			50	50
Skanska Invest AB	700			420	420
Skanska Kapitalförvaltning AB	500,000			50,000	65,000
Skanska Kraft AB	500			50	60
Skanska Service AB	500			50	50
Skanska Turbo AB	500			50	52
Sund Link Contractors AB	500			50	62
AB Svenska Aktier	500			50	50
Devoncourt Holdings Unltd, Ireland	41,000,000		GBP	41,000	442,083
SCEM Reinsurance SA, Luxembourg	499		LUF	49,900	8,214
Skanska Property Investment 4 BV, Netherlands	102		NLG	28,492	0
Skanska Property Investment GmbH, Germany			DEM	10,000	583,810
Parent Company's total holdings in subsidiaries				1,220,113	

Note 17 continued

Other companies	Number	% stake	Currency (if other than SEK)	Par value 000	Book value SEK 000
Protorp Intressenter AB	8,570	33		857	201,000
Råsjö Torv AB	26,236	22		2,624	7,953
Stockholms Fondbörs AB	3,914	<1		391	470
Svenska Dagbladet Holding AB	18,900	<1		189	0
Ullna Golf AB	3,500	1		350	0
Miscellaneous shares and participations ¹				0	518
Parent Company's holdings in other companies					209,940
Parent Company's total holdings of shares and participations					1,430,053

List of certain indirectly owned property management and operating subsidiaries

	Number	% stake	Currency (if other than SEK)	Par value 000	Book value SEK 000
Beers Inc, United States	500		USD	30,510	228,215
C.G. Jensen A/S, Denmark			DKK	50,000	0
AB Drott	957,096	83		9,571	163,468
Eurostop KB	2,925	59		2,925	6,955
JM Byggnads och Fastighets AB	13,750,100	65		55,000	1,210,000
Karl Koch Erecting Co Inc., United States	100		USD	13,160	124,097
Marktune Ltd, Great Britain	55,500,000		GBP	55,500	181,652
Myresjö AB	650,000			65,000	71,500
AB Mälarhus	10,000			1,000	1,000
Reinhold Bygg Stockholm AB	750			75	79
Sektionsbyggarna AB	12,000			1,200	10,000
Skanska Bostäder AB	50,000			5,000	5,048
Skanska E & C, United States	1,000		USD		37,407
Skanska Fastigheter Nord AB	30,000			3,000	3,000
Skanska Fastigheter Stockholm AB	160,000			16,000	16,000
Skanska Fastigheter Syd AB	50,000			5,000	5,000
Skanska Fastigheter Väst AB	10,000			1,000	1,000
Skanska Installation AB	20,000			2,000	2,050
Skanska International Building AB	500,000			50,000	50,000
Skanska International Civil Engineering AB	24,000			12,000	12,000
Skanska Maskin AB	100			120	120
Skanska Mellansverige AB	10,000			1,000	1,000
Skanska Norrland AB	2,000			1,000	1,033

Amounts in SEK M unless otherwise specified

Note 17 continued

	Number	% stake	Currency (if other than SEK)	Par value 000	Book value SEK 000
Skanska Oy, Finland	470	70	FIM		28,730
Skanska Prefab AB	30,000			3,000	4,500
Skanska Stockholm AB	1,000			1,000	990
Skanska Stålteknik AB	10,000			1,000	50
Skanska Syd AB	10,000			1,000	784
Skanska Sydöst AB	10,000			1,000	1,134
Skanska Teknik AB	20,000			2,000	2,000
Skanska (U.S.A.) Inc., United States	22,298		USD	0	220,892
Skanska Väst AB	10,000			1,000	1,008
Slattery Associates Inc., United States	500		USD	5,000	30,950
Stabilator AB	20,000			2,000	42,000
Trinity Tower Property Co Ltd, Great Britain	211,500,000		GBP	211,500	801,629

1 Complete data can be obtained on request from the Company by writing to Group Public Affairs, Skanska AB, S-182 25 Danderyd.

18 Interest-bearing long-term receivables

	Group		Parent Company	
	1994	1993	1994	1993
Receivables from subsidiaries			16,573	12,188
Other interest-bearing receivables	393	445	0	8
Total interest-bearing long-term receivables	393	445	16,573	12,196

19 Other fixed assets

I Goodwill etc.	Group		Parent Company	
	1994	1993	1994	1993
Goodwill, residual value	95	49		
Extraction rights, residual value	12	9	5	5
Total goodwill etc.	107	58	5	5

The increase of SEK 46 M in goodwill was mainly related to acquisitions of companies in the United States.

II Property, plant and equipment under production	Group	
	1994	1993
Proprietary machinery under production	10	3
Advance payments for fixed assets	4	47
Buildings under construction	2	22
Total property, plant and equipment under production	16	72

Note 19 continued

III Property, plant and equipment

Group

a) Acquisition price and accumulated depreciation

	Acquisition price of remaining assets		Accumulated depreciation		Book value under assets in balance sheet	
	1994	1993	1994	1993	1994	1993
Ships (dredgers, barges)	142	142	129	127	13	15
Machinery and equipment	4,317	4,286	3,213	3,169	1,104	1,117
Buildings (fixed- asset properties)	966	960	411	381	555	579
Land and other real estate	233	210	39	37	194	173
Timberland	321	351	50	39	271	312
Hydroelectric power plants	374	390	58	64	316	326
Total property, plant and equipment	6,353	6,339	3,900	3,817	2,453	2,522

b) Assessed values

	1994	1993
Investment and development properties		
Buildings	13,128	8,057
Land and other real estate	2,376	2,342
Fixed-asset properties		
Buildings, incl. power plants	1,048	823
Land and other real estate	318	242
Timberland	619	667

Parent Company

a) Acquisition price and accumulated depreciation

	Acquisition price of remaining assets		Accumulated depreciation		Book value under assets in balance sheet	
	1994	1993	1994	1993	1994	1993
Machinery and equipment	2,011	2,049	1,720	1,682	291	367
Buildings (fixed- asset properties)	353	354	190	180	163	174
Land and other real estate	96	96	19	18	77	78
Hydroelectric power plants	229	230	46	41	183	189
Total property, plant and equipment	2,689	2,729	1,975	1,921	714	808

b) Assessed values

	1994	1993
Fixed-asset properties		
Buildings, incl. power plants	680	527
Land and other real estate	165	129

Amounts in SEK M unless otherwise specified

20 Other non-interest-bearing current liabilities

	Group		Parent Company	
	1994	1993	1994	1993
Accrued expenses and prepaid revenues	3,508	4,301	371	522
Current liabilities of consortia	400	318		
Tax liabilities	544		450	70
Other non-interest bearing current liabilities	2,347	2,153	15	29
Total other non-interest-bearing current liabilities	6,799	6,772	836	621

21 Interest-bearing current liabilities

	Group		Parent Company	
	1994	1993	1994	1993
Short-term portion of long-term liabilities	69	570	24	520
Other interest-bearing current liabilities	4,165	357	3,820	7
Convertible debenture loans		867		845
Total interest-bearing current liabilities	4,234	1,794	3,844	1,372

22 Interest-bearing long-term liabilities

	Group		Parent Company	
	1994	1993	1994	1993
Liabilities to subsidiaries			5,317	8,122
Construction loans	70	54		
Mortgage loans	7,223	7,591	1	
Other liabilities	1,456	6,872	1,148	5,270
Total interest-bearing long-term liabilities	8,749	14,517	6,466	13,392

23 Pension liabilities

	Group		Parent Company	
	1994	1993	1994	1993
PRI liability	1,690	1,636	786	1,094
Other pension commitments	77	19	15	17
Total pension liabilities	1,767	1,655	801	1,111

24 Deferred tax liability

See the accounting and valuation principles on page 44.

25 Capital stock

9,136,860 Series A shares, par value SEK 10 each
 116,787,000 Series B shares, par value SEK 10 each
 125,923,860

Series A shares have 10 votes apiece and Series B shares have 1 vote apiece. The number of Series B shares rose by 690 during 1994 as the result of conversions.

26 Change in shareholders' equity

Group	Capital stock	Re-stricted reserves	Unre-stricted reserves	Net profit for the year	Total shareholders' equity
Opening balance, Jan. 1, 1994	1,259	3,674	2,339	517	7,789
Transfer of net profit for 1993			517	-517	0
Dividend			-409		-409
Translation difference		-248	210		-38
Parent Company: expired shares		5			5
Transfer between restricted and unrestricted equity		-646	646		0
Net profit for 1994				2,691	2,691
Closing balance, Dec. 31, 1994	1,259	2,785	3,303	2,691	10,038

Parent Company	Capital stock	Legal reserve	Retained earnings	Net profit for the year	Total shareholders' equity
Opening balance, Jan. 1, 1994	1,259	483	2,112	1,320	5,174
Transfer of net profit for 1993			1,320	-1,320	0
Dividend			-409		-409
Expired shares		5			5
Net profit for 1994				2,167	2,167
Closing balance, Dec. 31, 1994	1,259	488	3,024	2,167	6,938

27 Assets pledged

	Group		Parent Company	
	1994	1993	1994	1993
Real estate mortgages	7,790	8,991	10	11
Chattel mortgages	123	131		
Short-term investments and other securities	1,322	1,644	659	662
Total assets pledged	9,235	10,766	669	673

Amounts in SEK M unless otherwise specified

28 Contingent liabilities

	Group		Parent Company	
	1994	1993	1994	1993
Sureties for subsidiaries	0	0	7,239	7,550
Other sureties	2,621	3,312	375	1,568
Total contingent liabilities	2,621	3,312	7,614	9,118

In addition to the above amounts there are contingent liabilities of SEK 2,645 M (2,666) which have not been used.

29 Allocations

<i>Parent Company</i>	1994	1993
Group contributions	3,004	343
Stockholders' contributions	- 721	- 223
Extra depreciation (Note 7)	34	31
Deferred amount for inventory reserve etc.		689
Tax allocation reserve	- 489	
Foreign exchange reserve		44
Total allocations	1,828	884

30 Untaxed reserves

<i>Parent Company</i>	Value according to 1993 balance sheet	Allocations in 1994	Value according to 1994 balance sheet
Accumulated extra depreciation			
Machinery and equipment	178	- 26	152
Fixed-asset properties	232	- 8	224
Tax allocation reserve		489	489
Total untaxed reserves	410	455	865

Proposed allocation of earnings

The Board of Directors and the President propose that the net profit for 1994, SEK 2,167,324,304, plus the retained earnings of SEK 3,023,561,489 carried forward from the preceding year, making a total of SEK 5,190,885,793, be allocated as follows:

A dividend to the shareholders of SEK 3.75 per share _____	472,214,475
To be carried forward _____	4,718,671,318
	<u>SEK 5,190,885,793</u>

Danderyd, Sweden, March 17, 1995

Percy Barnevik

Carl-Olof Ternryd	Stig Herner	Gudrun Norberg
Lars Öberg	Ivan Karlsson	Bengt Järrestedt
Sven-Eric Hersvall	Bo Rydin	Per-Olof Eriksson

Melker Schörling
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 1994. Our examination has been carried out in accordance with generally accepted auditing standards.

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 of Directors and the President from personal liability for their administration during 1994.

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, March 31, 1995

Anders Scherman
Authorized Public Accountant

Bernhard Öhrn
Authorized Public Accountant

**Members elected by the
Annual Meeting of Shareholders**

Percy Barnevik 1

Zurich, Switzerland, born 1941. Chairman. Elected in 1986. Chief Executive Officer of ABB Asea Brown Boveri Ltd. Other directorships: Sandvik (Chairman), Investor, E.I. du Pont de Nemours & Co. Holdings in Skanska: 40,000 Series B shares.

Carl-Olof Ternryd 2

Stockholm, born 1928. Elected in 1982. Dr. Eng., professor at Royal Institute of Technology. Other directorships: Association of Swedish Automobile Manufacturers and Wholesalers (Chairman), Institute of Management.

Gudrun Norberg 3

Glanshammar, born 1938. Elected in 1990. Other positions: Telia, Föreningsbanken Örebro (Vice Chairman), Almi Företagspartner Örebro, National Paroles Board.

Sven-Eric Hersvall 9

Malmö, born 1931. Elected in 1991. President of Skanska, 1991-92. Other directorships: Svenska Handelsbanken Southern Region, Chamber of Commerce of Southern Sweden. Holdings: 3,540 Series B shares.

Lars Öberg 4

Bromma, born 1936. Elected in 1992. President of Custos. Other directorships: Fastighetsaktiebolaget Hufvudstaden (Chairman), Sandblom & Stohne (Chairman), Skandinaviska Enskilda Banken, SCA.

Melker Schörling 5

Lidingö, born 1947. Elected in 1993. President and Group Chief Executive of Skanska. Other directorships: Euroc (Chairman), Securitas (Chairman), JM Byggnads och Fastighets AB (Chairman), Assa Abloy (Vice Chairman), Custos, SKF, Federation of Swedish Industries.

Auditors

Anders Scherman

Malmö, Authorized Public Accountant.

Bernhard Öhrn

Stockholm, Authorized Public Accountant.

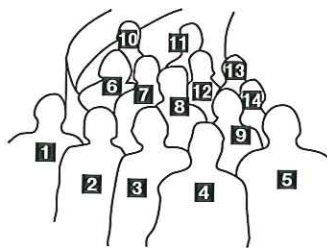
Deputy Auditors:

Christer Ljungsten

Malmö, Authorized Public Accountant.

Bo Ribers

Stockholm, Authorized Public Accountant.



**Members and deputy members
appointed by employee unions**

Stig Herner 13

Gothenburg, born 1932. Swedish Association of Supervisors (Ledarna). Board member since 1985. Engineer. Holdings in Skanska: 5,500 Series B shares.

Bengt Järrestedt 12

Spånga, born 1946. Swedish Building Workers' Union. Board member since 1991. Wood worker. Holdings in Skanska: 10 Series B shares.

Ivan Karlsson 7

Uddevalla, born 1937. Union for Service and Communication (SEKO). Board member since 1992. Rock worker. Holdings in Skanska: 1,000 Series B shares.

Eva Elofsson 6

Vetlanda, born 1950. Swedish Union of Clerical and Technical Employees in Industry (SIF). Deputy member since 1992. Personnel assistant.

Bengt Lundberg 11

Lund, born in 1953. Swedish Factory Workers' Union. Deputy member since 1993. Form worker.

Folmer Knudsen 10

Eslöv, born 1942. Swedish Building Workers' Union. Deputy member since 1992. Wood worker. Holdings in Skanska: 10 Series B shares.

Bo Rydin 2

Stockholm, born 1932. Elected in 1994. Dr.Econ. (Hon.), Dr.Eng. (Hon.) Other directorships: SCA (Chairman), Industrivärden (Chairman), Federation of Swedish Industries (Chairman), Svenska Handelsbanken (Vice Chairman), ABA/SILA, Euroc, IBM World Trade Corp. Holdings in Skanska: 1,500 Series B shares.

Per-Olof Eriksson 14

Sandviken, born 1938. Elected in 1994. Dr.Eng. (Hon.). Other directorships: Swedish National Grid (Chairman), Sandvik, Svenska Handelsbanken, SSAB, SKF, Volvo, Custos, OK Petroleum, N.V. Koninklijke Sphinx, Royal Institute of Technology, Karlskoga Invest, Federation of Swedish Industries. Member of Royal Swedish Academy of Engineering Sciences and Chairman of its Industrial Council.



Anders Scherman



Bernhard Öhrn

Eight-year Group financial summary

SEK M unless otherwise specified	1994	1993	1992	1991	1990	1989	1988	1987
Income statements								
Income after depreciation								
Contracting operations etc.	533	517	772	1,453	1,637	809	820	532
Earnings margin, %	1.6	1.7	2.8	4.8	4.9	3.8	4.4	2.9
Sale of investment and development properties	293	1,511	69	141	95	136	122	374
Development properties excluding writedowns	- 14	10	- 120	82	43	- 13	16	7
Property management excluding writedowns	1,608	1,875	1,816	1,443	997	951	829	725
Writedowns	- 91	- 2,004	- 4,329	- 1,467	- 166	—	—	—
Financial items	746	- 792	- 1,675	- 914	- 405	835	- 10	133
Income after financial items	3,075	1,117	- 3,467	738	2,201	2,718	1,777	1,771
Extraordinary expense	—	—	- 518	—	—	—	—	—
Taxes	- 312	- 567	745	- 29	- 836	- 708	- 484	- 336
Minority interest in income	- 72	- 33	139	19	- 117	- 105	- 69	- 213
Net profit/loss for the year	2,691	517	- 3,101	728	1,248	1,905	1,224	1,222
Balance sheets								
Liquid assets	6,078	6,427	5,045	6,540	10,243	5,899	3,117	3,403
Other non-interest-bearing current receivables	6,935	5,183	5,790	5,738	6,054	5,787	5,807	4,641
Interest-bearing current receivables	749	1,263	2,428	2,185	3,216	1,441	1,070	927
Inventories	355	291	330	424	504	450	411	413
Investment and development properties	19,566	21,463	22,095	23,249	19,173	14,311	10,911	8,533
Shares and participations (fixed assets)	4,703	4,922	5,711	6,269	6,343	5,865	4,804	4,016
Non-interest-bearing long-term receivables	779	671	653	619	590	346	215	366
Interest-bearing long-term receivables	393	445	519	971	1,022	437	521	199
Other fixed assets	2,576	2,652	2,932	3,342	3,484	3,124	2,388	2,354
Other non-interest-bearing current liabilities	10,135	9,127	9,489	8,322	9,391	7,275	5,758	5,392
Interest-bearing current liabilities	4,234	1,794	1,780	5,413	5,995	1,358	793	937
Work in progress	4,761	5,772	6,674	6,334	7,096	4,966	3,625	3,293
Non-interest-bearing long-term liabilities	1,842	2,113	2,076	3,143	2,967	3,094	2,333	1,887
Interest-bearing long-term liabilities	10,516	16,173	17,786	14,975	14,067	11,010	8,475	6,214
Minority interests	608	549	415	492	621	466	363	488
Shareholders' equity	10,038	7,789	7,283	10,658	10,492	9,491	7,897	6,641
Total assets	42,134	43,317	45,503	49,337	50,629	37,660	29,244	24,852
Net interest-bearing indebtedness	7,530	9,832	11,574	10,692	5,581	4,591	4,560	2,622
Invoiced sales incl. rents	32,358	28,921	31,883	34,697	37,291	29,868	23,145	19,683
of which, outside Sweden, %	34	23	14	13	11	8	8	11
Invoiced sales on contracts credited to income, incl. rents	37,527	33,362	31,004	33,432	35,580	23,594	20,411	19,707
Invoicing level, incl. rents, %	116	115	97	96	95	79	88	100
Average number of employees	28,868	27,398	28,646	31,077	31,746	29,494	29,670	29,418
Dividend per share, SEK (1994: proposed)	3.75	3.25	1.50	3.25	3.13	2.63	2.13	1.76
Net profit/loss per share, SEK	21.35	4.10	- 24.65	5.80	9.90	15.15	9.70	9.75
Equity per share, SEK	79.70	61.85	57.85	84.65	83.30	75.35	62.70	53.10
Return on shareholders' equity, %	30.2	6.9	neg	6.9	12.5	21.9	16.8	20.2
Return on capital employed, %	16.8	13.9	0.9	11.4	16.0	19.4	16.1	20.1
Equity/assets ratio, %	25.3	19.2	16.9	22.6	21.9	26.4	28.2	28.7
Debt/equity ratio	1.4	2.2	2.5	1.8	1.8	1.2	1.1	1.0
Interest cover	3.4	1.4	<1	1.3	2.1	3.4	3.3	3.6

Annual Meeting

The Annual Shareholders' Meeting of Skanska AB will be held at 4:00 p.m. on Tuesday, May 23, 1995 at the Congress Hall (Kongressalen) of the Scania Convention Centre, Stora Varvsgatan, Malmö, Sweden.

Entitlement to vote at the Annual Meeting

To be entitled to vote at the Annual Meeting, shareholders must

- be listed in the print-out of the register of shareholders made as of May 12, 1995; thus, shareholders whose shares have been registered in the name of a trustee must have temporarily re-registered their shares no later than May 12, 1995 in their own name to be entitled to attend the Meeting (such registration should be requested a few days in advance

from the bank or brokerage house holding the shares in trust).

- notify Skanska no later than 12 noon, Thursday, May 18, 1995 of their intention to participate in the Meeting.

Notification

Shareholders who wish to participate in the Meeting may send notification either

- by mail to Skanska AB, Group Legal Affairs, S-182 25 Danderyd, Sweden.
- by telephone to +46 8-753 88 00 (Skanska Headquarters, Danderyd) or
- by fax to +46 8-753 38 26.

This notification should state the shareholder's:

- name
- national registration or corporate identity number
- address and telephone number.

If participation is authorized by proxy, this must be sent to the Company before the Annual Meeting.

Shareholders who wish to participate in the Meeting must have notified the Company to this effect no later than 12 noon, Thursday, May 18, 1995, when the notification period expires.

Shareholders who have duly notified the Company of their intention to participate in the Annual Meeting will receive a participant's card which should be brought to the Meeting and shown at the entrance to the Meeting venue.

Dividend

The Board of Directors proposes a dividend to the shareholders of SEK 3.75 per share for 1994. The Board proposes Monday, May 29, 1995 as the date of record to qualify for a dividend. Provided that the Annual Meeting approves this date, the dividend will be mailed by the Swedish Securities Register Center (VPC) on Tuesday, June 6, 1995.

Financial information

During the year, Skanska issues the following financial reports in their official Swedish-language versions and in English:

- Press release on the previous year's results, in March.
- Annual Report, in May.
- Half Year Report, in August
- Nine Month Report, in November

The 1995 Half Year Report will be issued on August 24 and the Nine Month Report on November 24.

As a complement to this Annual Report, a separate presentation of the International Construction business area is being published in English, German, Spanish and Russian.

A separate booklet on the Group's real estate, Skankas Fastigheter 1995, is being published in Swedish

and English as a complement to the Annual Report.

All financial information can be ordered from:

Group Public Affairs
Skanska AB
S-182 25 Danderyd, Sweden
Telephone +46 8-753 88 00
Fax +46 8-755 12 56.

Skanska analyses

In recent years the following stock brokerage houses and banks have produced financial analyses of Skanska.

Alfred Berg Fondkommission*

AROS Fondkommission

Enskilda Corporate*

Hagströmer & Qviberg
Fondkommission

Handelsbanken Markets

James Capel*

Morgan Stanley*

Swedbank Fondkommission

UniBörs

Öhman J:or Fondkommission

* published in English

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Fax: +46 40-11 43 03

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Fax: +46 40-11 82 16

Skanska International Civil Engineering AB

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Fax: +358-0615 22271

Skanska USA

Skanska (USA) Inc

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Fax: +1-203-869 4313

Karl Koch

Erecting Co. Inc.
400 Roosevelt Avenue
Carteret, N J 07008, U.S.A.
Telephone: +1 908 969 17 00
Fax: +1 908 969 01 97

Slattery Associates Inc.

16-16 Whitestone,
Expressway
Whitestone, NY 11357 U.S.A.
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Fax: +1 718 767 26 63

Skanska E & C

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Beers Construction Company

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Fax: +1 404 659 16 65

Technical and Industrial Companies

Skanska Teknik AB

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Telephone: +46 40-14 45 00
Fax: +46 40-23 70 47

Skanska Maskin AB

S-182 25 Danderyd
Telephone: +46 8-753 80 00
Fax: +46 8-755 71 26

Skanska Installation AB

Box 1367
S-172 27 Sundbyberg
Telephone: +46 8-629 52 10
Fax: +46 8-28 47 20

Skanska Prefab AB

S-205 33 Malmö
Telephone: +46 40-14 40 00
Fax: +46 40-97 71 15

Skanska

Stålteknik AB

Box 803
S-391 28 Kalmar
Telephone: +46 480-220 60
Fax: +46 480-241 33

Stabilator AB

S-182 25 Danderyd
Telephone: +46 8-753 02 40
Fax: +46 8-753 47 90

Myresjö AB

S-574 85 Vetlanda
Telephone: +46 383-960 00
Fax: +46 383-914 44

SektionsByggarna AB

Box 1001
S-570 23 Anneberg
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Fax: +46 380-506 07
Fax: +1 404 656 16 65

Real Estate

Skanska

International Real Estate

Vendevägen 89
S-182 25 Danderyd
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Fax: +46 8-753 89 59

Skanska London

23 Thomas More Street
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Fax: +44-71-702 4412/13

Skanska Property GmbH

Asterufer 34
D-20354 Hamburg 36,
Germany
Telephone: +49-40 44 78 74
Fax: +49-40 45 48 53

Skanska Ejendomme A/S

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Fax: +45-44 68 12 01

East West Property Development Share Co.

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Hungary
Telephone: +36 1 266 77 70
Fax: +36 7 266 37 04

Finance

Skanska

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Skanska AB

S-182 25 Danderyd, Sweden · Telephone: +46 8-753 88 00

