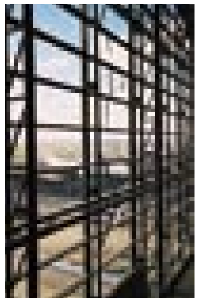
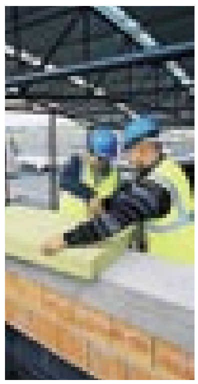
SKANSKA ANNUAL REPORT 2005 | SKANSKA

Contents

This document is in all respects a translation of the Swedish original Annual Report. In the event of any differences between this translation and the Swedish original, the latter shall prevail.

Cover:
The Cooper River Bridge
in South Carolina
is the longest cable-stay
bridge in North America.





Skanska 2005

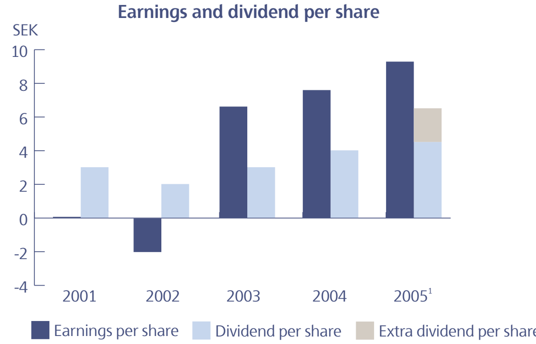
- Revenue in 2005 amounted to SEK 124.7 billion.
- Skanska Group operating income totaled SEK 5.0 billion, and after-tax profit was SEK 3.9 billion. Earnings per share amounted to SEK 9.27. The Board of Directors is proposing a regular dividend of SEK 4.50 and an extra dividend of SEK 2.00 per share for 2005.
- Operating margins rose in most Construction business units. This improvement was a result of greater focus on quality in project implementation and a stricter risk management and selection process. Sweden, Norway, the United Kingdom and Latin American have already achieved their "Outperform" targets for 2007.
- Skanska sold a number of properties in Warsaw, Budapest, Stockholm, Copenhagen and elsewhere. Divestment volume totaled SEK 4.4 billion, with capital gains of SEK 1.6 billion. Sale prices exceeded estimated market values by an average of 11 percent.
- Year-end market appraisals indicate unrealized development gains of SEK 1.9 billion in Commercial Development and SEK 2.7 billion in Infrastructure Development.
- Skanska will develop, build and manage rental apartments in Sweden for its own account. The Group will respond to heavier demand for reasonably priced rental housing by industrializing its construction process and streamlining purchases. A new company, Skanska Hyresbostäder, will enable the Group to build about 1,000 rental apartments per year.
- Skanska's successful development of housing units for sale in Sweden, Norway, Finland and the Czech Republic is now also expanding to Denmark. The main focus will be on the Copenhagen and Århus regions, where the demand and population base are the largest.

HIGHLIGHTS

	SEK M	EUR M
Revenue	124,667	13,434
Operating income	5,000	539
Income after financial items	5,120	552
Earnings per share, SEK/EUR	9.27	1.00
Return on equity, %	22.4	22.4
Return on capital employed, %	23.3	23.3
Order bookings[1]	116,553	12,559
Order backlog[1]	128,572	13,692

1 Refers to Construction operations.

Earnings and dividend per share



1 Proposed by the Board of Directors

Business streams and organization

Construction

Revenue, SEK M	115,955
Share of group	91%

Operating income, SEK M	2,871
Share of group	55%

Construction refers to building construction (both non-residential and residential) and civil construction. It is Skanska's largest business stream in terms of revenue and employees.

The Construction business stream operates through ten business units in selected home markets – Sweden, Norway, Denmark, Finland (and Estonia), the Czech Republic (and Slovakia), the United Kingdom, the United States and Latin America.

Residential Development

Revenue, SEK M	6,113
Share of group	5%

Operating income, SEK M	611
Share of group	12%

The Residential Development business stream (formerly Residential Project Development) develops residential projects for sale. Housing units are tailored for selected customer categories.

Skanska is one of the leading residential developers in the Nordic countries and also has a sizable presence in the Czech Republic and in St. Petersburg, Russia. The business stream operates through a special Nordic business unit and as part of Construction in the Czech Republic.

Commercial Development

Revenue, SEK M	5,075
Share of group	4%

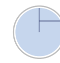
Operating income, SEK M	1,740
Share of group	33%

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

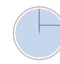
The business stream works through two business units: Skanska Commercial Development Nordic – Stockholm, Gothenburg, Öresund (Malmö and Copenhagen) and Skanska Commercial Development Europe – Warsaw, Wroclaw, Prague and Budapest.

Infrastructure Development

Revenue, SEK M	53
Share of group	0%

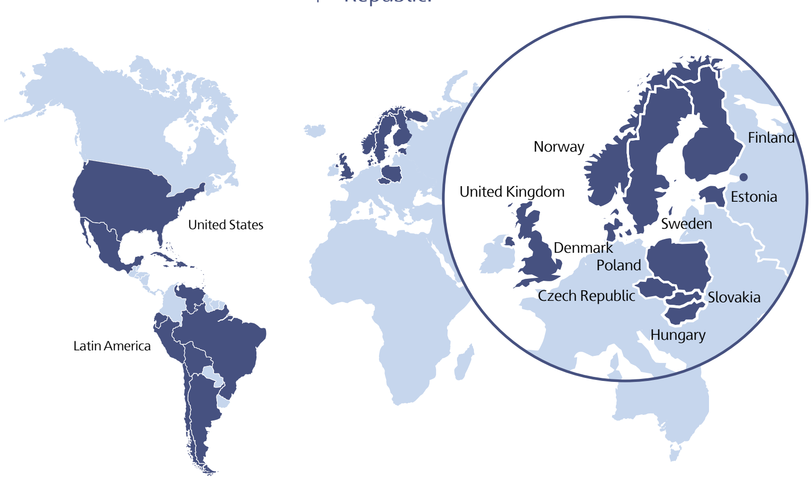


Operating income, SEK M	-9
Share of group	0%



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

The business stream focuses on creating new potential for projects in markets where Skanska has construction business units. It works through the Skanska Infrastructure Development business unit.



REVENUE BY GEOGRAPHIC AREA

	%
Sweden	20
Other Nordic countries	21
Other European countries	23
United States	32
Other markets	4

Group staff units

Senior Executive Team

Skanska Financial Services

Skanska Project Support

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

Residential Development
- Skanska Residential Development Nordic

Commercial Development
- Skanska Commercial Development Nordic
- Skanska Commercial Development Europe

Infrastructure Development
- Skanska Infrastructure Development

Comments by the President and CEO

In 2005 we began to realize the potential envisioned in the "Outperform" strategy. Some, but not all, business units achieved improvement in margins and returns in line with the year 2007 targets. The earnings potential when all of Skanska "Outperforms" is exciting.

The benefit of organizing operations in four distinct business streams – Construction, Residential Development, Commercial Development and Infrastructure Development – is evident. Not only is focus clearly sharper, but we are also able to vary specific strategic levers among the business streams. For example, we continue to focus on reducing risk and increasing margins rather than growth in Construction while pursuing growth in the Residential and Infrastructure Development business streams. But in every business the primary objective is to deliver higher profitability, measured by margin and/or return on capital employed. And in all businesses we target the Skanska 4 zeros (zero loss-making projects, zero work place accidents, zero environmental incidents and zero ethical breaches) aimed at further strengthening our brand among employees, customers and the public. Skanska's Outperform strategy also applies to sustainable development. Through a balance of economic progress, social responsibility and environmental considerations, we are building a robust foundation for continued prosperity. This is a sound approach not only for Skanska as a company, but also for the communities where Skanska is active.

Construction

In Construction the greatest opportunity is still in higher margins, eliminating loss-making projects and maintaining a strong cash flow, more than revenue growth. There are certain home markets where the combination of consistent performance and market conditions make us ready and able to grow. Stable to good conditions in most home markets provide ample opportunity to increase profitability, and increasingly we are finding opportunities for higher margins where customers value our skill and financial strength. Managing contract risk and having the right personnel for the projects are the reasons we will achieve our targets in construction.

Residential Development

The Residential Development business stream showed marked improvement in 2005. We achieved the margin target for 2007 and exceeded the target for return on capital employed. Robust market conditions clearly helped. But emphasis on customer needs and sticking to our strict financial standards for investment despite the hot market will enable us to prosper, even when the inevitable downturn occurs.

At the end of 2005 we established our presence in the Danish residential development business, where we will focus on the market in Copenhagen.

In the next few years we will strengthen our land bank through a combination of options and staged payments in order to position Skanska for future growth. On the operations side we are further developing industrialization and standardization of construction to reduce cost and speed up delivery.

In 2006 we will begin an initiative to invest in the development of rental apartments in Sweden. There is a significant long-term demand for affordable rental units, which can only be met by reducing cost through industrialization and bulk purchasing.

Commercial Development

Commercial Development enjoyed another good year with strong earnings driven by the gain on sale of development properties in line with the strategy for this business stream. We reached a rolling 17 percent return on capital employed over the defined nine-year business cycle, a result that leads the industry in our home markets.

In 2006 we will seek to increase investment in new commercial developments of office, retail and logistics centers. Our management team in this business is second to none as evidenced by the track record over the past 10 years. In today's environment, creating innovative solutions for tenants is more the norm than just developing new buildings. We are confident that capital

Without doubt the Outperform strategy is right for Skanska

employed in this business stream will continue to generate above market returns in the years to come.

Infrastructure Development

The Infrastructure Development business stream is growing. The number of projects is increasing, investor interest is high and Skanska is well positioned to participate as a developer, investor and constructor. The value of our infrastructure assets shows significant appreciation at this early stage. Valuation in this industry is based on a discount rate applied to a very long and quite secure cash flow resulting in a net present value of that cash flow. Increased construction margins earned in arms-length transactions with the Infrastructure Development special purpose companies are compensating us well for the risk undertaken and the management skill employed. As we ramp up the Infrastructure Development business, increased tendering and project start-up costs will result in operating losses. However, the value growth of the project portfolio will outweigh by far the reported results. Over time, as the portfolio matures, earnings will be increasingly positive.

Initiatives

Skanska continues to take initiatives to enhance our three primary assets: our brand, our financial strength and our people. In 2005 we developed a concept for industrialization and standardization of apartment houses. Based on lessons learned in this sector we will transfer the knowledge to other types of construction. The idea is to move construction off-site and into factories and to standardize processes and components resulting in faster completion, better quality and lower cost.

We have also taken further steps in the global procurement initiative. We are sourcing new lower cost markets and consolidating procurement rather than buying on the traditional project-by-project basis. The opportunity and the challenges are significant.

Skanska people

All of our business streams are project-based. Each project is a discreet business unto itself. We have streamlined operations and introduced and implemented controls, but the single most important difference between success and failure is our people. Strategy is important, but execution is more important – and execution depends on thousands of managers spread across Europe and the Americas. This is why the number one priority is to have the right people for the job. In 2005 we strengthened our management development; in 2006 we will redouble the effort.

Without doubt the Outperform strategy is right for Skanska and it is succeeding because of the hard work of my 54,000 colleagues. Thank you all for your enthusiastic commitment to our great company.

Solna, March 2006

STUART E. GRAHAM
President and CEO

The E39 European highway project south of Trondheim, Norway is an example of the growing international market for public-private partnerships. Skanska is responsible for developing, designing, building and operating large infrastructure facilities like this. Skanska also participates as an investor in this type of project.

Strategy for profitability

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

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

Construction and project development – complex businesses

Unlike industrial production at fixed plants, in construction most projects are unique. In principle, each project is implemented in a new location, in a new environment and with a unique design. Many projects are carried out for new customers. Market conditions also vary between both countries and regions. As a rule, construction projects are large. It is not unusual for them to be the customer's largest single investment. Another distinguishing feature of the operations is the large number of local players involved in each project – public agencies, architects and engineers, financiers, consultants, suppliers and subcontractors. This is why Skanska consists of local units in a global network.

Mission

Skanska's mission is to develop, build and maintain the physical environment for living, traveling and working.

Vision

Skanska shall be a leader in its home markets – the customer's first choice – in construction and project development.

Goals

Skanska's overall goal is to generate customer and shareholder value. Projects are the core of Group operations and value is generated in well-implemented and profitable projects.

Skanska will strive to be a leader, in terms of size and profitability, in the home markets of its construction business units, focusing on outperform margins and cash flow.

Skanska shall be the leading project developer in local markets and in selected product areas such as residential, office, retail and selected types of infrastructure development projects.

The Group's financial targets are described on page 7.

Privately financed but toll-free. Skanska is paid by Norway's Public Roads Administration to operate and maintain the E39 highway in a public-private partnership. The construction project was completed ahead of the original schedule, with no work site accidents at all.

Skanska's core businesses

Skanska operates in four business streams.

- **Construction** handles construction of non-residential and residential buildings as well as civil construction projects. It is Skanska's largest business stream, performing construction assignments for external customers as well as Skanska's other business streams and operating in selected home markets: Sweden, Norway, Denmark, Finland (and Estonia), Poland, the Czech Republic (and Slovakia), the United Kingdom, the United States and Latin America.
- **Residential Development** develops residential projects for sale. It tailors homes to fit selected customer categories and focuses on selected markets where Skanska has a permanent presence: Sweden, Norway, Denmark, Finland (and Estonia) and the Czech Republic as well as St. Petersburg, Russia. Skanska is one of the leading residential developers in the Nordic countries. Operations focus primarily on small and medium-sized residential units in attractive locations. Since 2005, Nordic operations have been gathered in a new business unit, Residential Development Nordic. In the Czech Republic, the local business units carry out residential development.
- **Commercial Development** initiates, develops, leases and divests commercial real estate projects, with a focus on office space, shopping malls and logistics properties in Stockholm, Gothenburg, Öresund (Malmö and Copenhagen), Warsaw, Wroclaw, Prague and Budapest. These selected markets are expected to offer a continuous flow of tenants and investors, the latter as buyers of completed projects.
- **Infrastructure Development** develops, invests in, operates and divests privately financed infrastructure projects, for example roads, hospitals, schools and power generation plants. The operations of this business stream focus on selected home markets.

Collaboration creates leverage

The units of the Skanska Group collaborate in their specialized roles – as project developers, investors and builders. In this way, the Group's strategy can be maximized, both in terms of customer focus and the Group's capital, employee resources and synergies. By being active in several roles in the development process, Skanska can minimize risks and improve both quality and financial results. This collaboration leverages both earning potential and the ability of the Group to satisfy the needs of its customers.

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

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

Size provides competitive advantages

Being a market leader positions Skanska well with the most demanding customers. Its position also provides access to the best suppliers, which can live up to Skanska's promises to customers regarding project dates and quality as well as safety and ethics. Skanska's size gives it an advantage in the most complex assignments, where it uses its collective experience and know-how to meet the demands of customers. Only a few companies can compete for the type of project where, aside from price, comprehensive solutions and life-cycle costs are of crucial importance.

Both a local and a global player

The Group's operations are based on local business units, which have good knowledge of their respective markets, customers and suppliers. These local units are backed by Skanska's brand, financial strength and Groupwide experience. Skanska is thereby both a local construction company with global strength and an international builder with strong local roots. The organization works both in a decentralized and integrated way.

Opened in time for the 2005 Christmas rush, Prague's most modern (and the Czech Republic's largest) shopping mall, Chodov Center, is 55,000 sq. m (592,000 sq. ft.) in size and accommodates 210 stores as well as restaurants and 2,600 parking spaces. Skanska built the mall on behalf of Rodamco Europe.

Skanska's strengths

The Group's collective resources and strengths are:

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

Leadership development vital

A good reputation is an important factor in attracting the best employees. To achieve its strategic goals, Skanska must ensure its supply of future managers. Identifying and developing the leaders of tomorrow is a core issue for both local units and the Group. This is why Skanska continuously measures and assesses employees with leadership potential. A substantial proportion of executive time and resources is devoted to employee development. (See "Management development" on page 44.)

Risk management system

Construction work involves various risks of a technical, legal, financial or personnel-related nature. The ability to manage these risks is crucial to the Group's success and an important prerequisite for achieving its strategic goals. Unforeseen risks may have a substantial adverse impact on profits. This is why the Group's risk management system, which is continuously being refined, is of key importance. (See "Risk management" on page 46.)

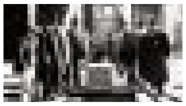
Laying the groundwork for profitability

Skanska's earnings are achieved through well-implemented, profitable projects. The right market, the right projects and the right project teams are fundamental to success. The groundwork is laid by the Group's strategic planning, which identifies selected markets. Skanska continuously builds up knowledge of its customers through a permanent presence in these markets. It ensures a highly skilled project organization by means of local and Groupwide talent management programs.

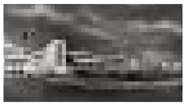
Profitability, safety, ethics and the environment

Skanska must act in ways that are sustainable and responsible in the long term and meet the demands of shareholders, customer and employees, as well as society at large. All Skanska projects must be profitable, as well as being implemented without environmental incidents, work site accidents or ethical breaches. The market- and customer-specific expertise of local units, combined with Skanska's corporate business and control systems, the Group's Code of Conduct and Groupwide risk management procedures, provide support for achieving the highest level of performance.

1887
AB Skånska Cement-gjuteriet established



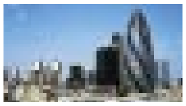
1897
First order from outside Sweden



1930–50
More residential and industrial construction

1965
Skanska gains stock exchange listing

1971
First assignment in the United States



1998-2001
Expansion – new home markets

2002
Four business streams

Ambitious financial and qualitative targets

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

Operating margin

Operating margin is an important yardstick of performance. The optimal margin may vary, depending on the market and what type of business is being carried out. For the Construction business stream, the target is to achieve an overall average operating margin of 3.3 percent, given the allocation of business the Group had at the end of 2004, when the target was set. This target is based on a 4.0 percent average operating margin in contracting operations excluding construction management assignments, and a 1.2 percent operating margin in construction management. During 2005, the operating margin amounted to 2.5 percent, compared to a target of 3.1 percent for the year. However, several business units achieved their individual targets.

In the Residential Development business stream, the target is to achieve an operating margin of 10.0 percent, which was also fulfilled during 2005. The target for the year was to reach an operating margin of 9.4 percent.

Return

In the Residential Development business stream, the target is to achieve an adjusted return on capital employed of 18.0 percent. During 2005, return on capital employed amounted to 23.8 percent.

In Commercial Development, the target is to achieve an adjusted return on capital employed of 15.0 percent over a business cycle for the industry. This return is based on operating net, unrealized development gains and changes in market value. During 2005, return calculated in this way amounted to 16.7 percent, and over a nine-year business cycle it was 16.8 percent.

In the Infrastructure Development business stream, the target is to achieve a return on capital employed of 16.0 percent, including unrealized development gains and changes in market value but excluding exchange rate effects. During 2005, return calculated in this way amounted to 36.0 percent. For the Skanska Group as a whole, the target is to achieve a return on equity of 18.0 percent. During 2005, return on equity amounted to 22.4 percent.

Qualitative targets

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

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

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

Capital structure

The equity requirement varies between Skanska's business streams. In the Construction business stream, the requirement is related to business volume and to the risks inherent in the various types of construction assignments carried out. The model also takes business goodwill into account. In Residential Development, the estimated equity requirement amounts to 50 percent of capital employed. In Commercial Development, the equity requirement is based on the distribution between completed properties, ongoing projects, undeveloped land and development properties. For Infrastructure Development, Skanska allocates equity equivalent to capital employed for projects under construction and 25 percent of capital employed for projects in full operation. It is the Board's judgment that during 2006, equity needs to total about SEK 16 billion. This judgment is based on the operations that Skanska carries out but also takes into account the investments it is expected to make during 2006. This applies, for example, to land for residential development and new projects in Commercial Development and Infrastructure Development.

Financial "Outperform" targets, 2007

	Construction combined	Construction excluding construction management	Construction management	Residential Development	Commercial Development[2]	Infrastructure Development[3]	Group
Operating margin, %,	3.3[1]	4.0	1.2	10.0	–	–	–
Return on capital employed, %	–	–	–	18.0	15.0	16.0	–
Return on equity, %	–	–	–	–	–	–	18.0

1 Given the distribution of operations that the Group had during 2004
2 Including unrealized development profits and change in market value
3 Including unrealized development gains and changes in market value but excluding exchange rate effects

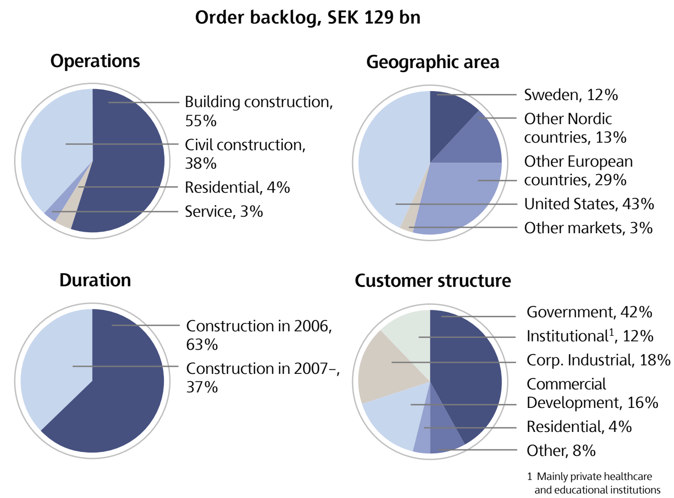
Financial targets

Construction

Skanska undertakes complex, demanding assignments

Construction is Skanska's largest business stream in terms of revenue and number of employees. In addition to projects for external customers, its business units perform contracting assignments for Skanska's other business streams.

SEK M	2005	2004
Revenue	115,955	107,977
Operating income	2,871	1,512
Operating margin, %	2.5	1.4
Capital employed	4,410	3,697
Return on capital employed, %	56.1	25.6
Operating cash flow	3,162	3,952
Order bookings	116,553	116,008
Order backlog	128,572	113,498
Employees	52,533	51,583



Order backlog totals SEK 129 bn

12,000 ongoing projects

Non-residential building and civil construction, as well as residential construction, are the core of Skanska's Construction business stream, which also includes construction-related and maintenance services. Non-residential building construction accounts for 55 percent, civil construction 38 percent, residential construction 4 percent and service 3 percent of order backlog for the business stream.

In its selected markets (see page 10-13), the Group is among the leaders in terms of size and profitability. Skanska also endeavors to be the industry leader in ethics, safety and environment. By virtue of its size and leading position, Skanska can undertake the largest, most complex assignments for the most demanding customers.

Working together with development business streams

To a large extent, Skanska's construction units work together with the Group's development business streams, which generate construction assignments for residential projects, commercial space, and privately financed infrastructure.

Some project opportunities are also created by taking advantage of the Group's financial expertise. Skanska Financial Services can help arrange financing solutions as a value added service. Customers that operate in more than one market, such as the pharmaceutical company Pfizer and the oil and gas company Hydro, can be offered the same service in all of the Group's home markets via the Skanska network. Skanska's Construction business stream also carries out assignments of a service nature: construction-related services, repairs and the like as well as operation and maintenance of industrial and transportation facilities.

Margins vary with the product mix

The construction business is largely about risk management. Practically every project is unique. Size, shape, environment –everything varies for each new assignment. Construction differs in this way from typical manufacturing industry that has permanent facilities (see also "Risk management," page 46). Non-residential and residential building construction is generally characterized by high capital turnover, limited capital employed and low margins. Civil construction usually goes on for a longer period, has a higher risk profile and is more capital-intensive, which requires a somewhat higher margin. Infrastructure Development projects often have a higher margin, since Skanska controls the entire process including operation and maintenance and must receive compensation for the risks this entails.

Local business units have different product mixes. This is one of the main reasons why margins vary between different

About half of Skanska's Czech construction operations consist of large infrastructure projects for public sector customers. These projects often receive grants from European Union infrastructure funds. Skanska Czech Republic has highly specialized units, for example to build railroads like this one in Prague.

Construction

business units. Some specialize in specific market sectors, while others operate in a broader spectrum. The earnings at Skanska's construction units must be evaluated in light of the changing conditions that apply to the operations of each respective unit. Aside from products, these units may work with varying contractual mechanisms, regulations, customer demands or responsibility commitments, for example varying design input.

Specialization within home markets

Construction operations in Sweden, Norway, Denmark, Finland, Poland, the Czech Republic and the United Kingdom comprise both building and civil construction. In the U.S. market, Skanska has two separate, specialized business units. USA Building constructs facilities throughout the United States for the pharmaceutical, biotechnology, high technology and educational sectors as well as for public organizations and agencies. USA Civil builds transportation infrastructure and facilities for energy and water supply as well as wastewater treatment in the most heavily populated regions of the eastern United States as well as in Colorado and California.

In Latin America, Skanska primarily builds energy-related infrastructure and performs construction and related services in the oil & gas sector. Its operations focus on the markets in Argentina, Brazil, Chile, Mexico and Peru.

In several Skanska home markets, the Group's construction units deliver construction services to Commercial Development business units. This is true in Sweden, Denmark, Poland and the Czech Republic. In Sweden, Norway, Denmark, Finland and the Czech Republic, these units also provide construction services to the Residential Development business stream. In Norway, Finland, the United Kingdom, Poland and Latin America, the Group's construction units work together with Skanska Infrastructure Development, which invests in public-private partnership projects.

The top Nordic contractors – Total sales, 2004

Company	Country	SEK bn	EUR bn
Skanska	Sweden	121.3	13.3
NCC	Sweden	46.5	5.1
YIT	Finland	25.4	2.8
PEAB	Sweden	22.0	2.4
Veidekke	Norway	14.0	1.5
Lemminkäinen	Finland	14.0	1.5
MT Højgaard	Denmark	9.0	1.0

Sources: Annual reports of each respective company.

The top global contractors[1] – Total sales,[2] 2004

Company	Country	SEK bn	EUR bn
Bouygues	France	190.8	20.9
VINCI	France	178.2	19.5
Bechtel	United States	127.9	14.0
Skanska	Sweden	121.3	13.3
Hochtief	Germany	109.0	11.9
Grupo ACS	Spain	100.1	11.0
Centex, Dallas	United States	76.2	8.3
Royal BAM Group	The Netherlands	57.9	6.3

1 Excluding Asian construction companies
2 Including non-construction-related operations
Sources: Reuters Company Views, annual reports of each respective company.

In September 2005, Skanska-Vinci began testing a tunnel boring machine (TBM) custom-built for the varied, complex conditions inside southern Sweden's Halland Ridge, where the consortium is building two rail tunnels. The TBM has different operating modes for hard and fractured rock and for coping with high water pressure. As it moves forward, it erects concrete lining elements behind it to form a permanent water-tight bore. Certain geologically complex sections will be frozen in preparation for the TBM.

The pie charts provide a breakdown of order backlog: ■ Building construction ■ Civil construction ■ Service

MARKETS

SWEDEN

SEK M	2005	2004
Revenue	22,141	20,519
Operating income	887	579
Operating margin, %	4.0	2.8
Order bookings	22,087	23,039
Order backlog	16,004	15,485

The Swedish construction market is projected to maintain a good level and will probably grow slightly in 2006. Housing, the largest single market segment, is expected to remain strong, with continued high activity despite somewhat higher interest rates. Demand for commercial space remains weak, and industrial construction is projected to stay at the 2005 level. The civil construction market is strong and is also expected to increase somewhat.

Among major contracts awarded to Skanska in 2005 were expansion of the Forum Nacka shopping mall, worth about SEK 1 billion; construction of the Södertörn District Court and renovation of the former Stockholm Tax Authority skyscraper into student housing, each worth about SEK 400 M.

Skanska is Sweden's largest construction company and competes at the national level with NCC and Peab, among others.

NORWAY

SEK M	2005	2004
Revenue	10,502	8,640
Operating income	422	215
Operating margin, %	4.0	2.5
Order bookings	11,353	10,195
Order backlog	8,631	7,371

During 2006 the Norwegian construction market is projected to remain at the stable high level that characterized 2005. Housing construction, which reached nearly 30,000 units in Norway as a whole for the second straight year, is expected to cool during 2006. This downturn may be offset by an upswing in commercial construction for both private and public sector customers. The good civil construction market is projected to remain strong in 2006.

In the oil and gas sector, Skanska has ongoing assignments worth more than SEK 2 billion.

Skanska is Norway's largest construction company, with Veidekke and NCC as major competitors.

DENMARK

SEK M	2005	2004
Revenue	4,385	3,636
Operating income	50	53
Operating margin, %	1.1	1.5
Order bookings	3,902	3,518
Order backlog	2,172	2,157

The Danish construction market grew rapidly during 2005 and is expected to perform favorably in 2006 as well. The housing market is strong, especially in areas around major cities, and in 2006 this market is expected to show continued good growth. The same is true of the markets for retail and logistics facilities.

In Denmark, Skanska competes with the larger construction companies MT Højgaard and NCC, among others.

Poland has major infrastructure needs. The 600 m (1,968 ft.) long Milówka Bridge is part of an expressway in southern Poland. Skanska is the only construction company in Poland with access to the rolling scaffolding shown here, used in formwork of permanent bridge structures. Skanska is also responsible for building 90 km (56 mi.) of the A1 highway in northern Poland as part of a public-private partnership.

FINLAND AND ESTONIA

SEK M	2005	2004
Revenue	8,366	7,623
Operating income	222	263
Operating margin, %	2.7	3.5
Order bookings	9,082	7,316
Order backlog	5,879	4,854

The Finnish construction market is strong. All sectors have performed well, and activity is expected to remain high in both commercial and residential construction. This applies both to Finland and Estonia, where low interest rates combined with population trends have resulted in heavy demand for housing and retail facilities. In the housing sector, however, some leveling off is expected during 2006.

The civil construction market was vigorous and is projected to remain stable in Finland. In Estonia, strong growth in this segment is expected to continue.

During 2005, Skanska Finland landed its largest-ever contract, worth SEK 1.5 billion, for the Muurla-Lohja portion of the E18 European highway between Turku and Helsinki.

In Finland, Skanska competes with the country's two largest construction companies, YIT and Lemminkäinen. In Estonia, where Skanska is the second largest construction company, its competitors are Merko and YIT.

POLAND

SEK M	2005	2004
Revenue	5,082	3,970
Operating income	146	101
Operating margin, %	2.9	2.5
Order bookings	7,625	4,559
Order backlog	7,143	3,844

During 2005 the Polish economy improved somewhat. Interest rates fell and inflation remained low. The Polish zloty was largely stable against the euro. The construction market recovery that began in 2004 after Poland joined the EU continued and offered good opportunities to build up more order backlog, despite a continued strongly price-focused competitive situation. The civil construction market remains good but is characterized by low margins and stiff competition. A shortage of qualified labor as well as subcontractors is noticeable nationwide.

During the year Skanska Poland, in partnership with Skanska Infrastructure Development, began constructing the A1 highway south of Gdansk. The 90 km (56 mi.) public-private partnership project is one of Skanska's largest-ever assignments in Poland.

The largest construction companies in Poland aside from Skanska are Budimex (with Ferrovial as the main owner) and Hochtief.

CZECH REPUBLIC AND SLOVAKIA

SEK M	2005	2004
Revenue	10,303	7,906
Operating income	466	368
Operating margin, %	4.5	4.7
Order bookings	8,567	12,910
Order backlog	12,493	13,047

Both the Czech and Slovakian construction markets continued to grow in all sectors during 2005. In Slovakia, growth was extremely good. During 2006, the markets in both countries are expected to show continued growth, especially in the civil and residential sectors.

Skanska was awarded a number of major contracts in 2005, among them a railroad project worth SEK 700 M and a residential project worth SEK 620 M.

Skanska is the Czech Republic's largest construction company. Major competitors in the Czech Republic are Metrostav and SSZ (subsidiary of VINCI) and in Slovakia Doprastav and Zipp (subsidiary of Strabag).

In recent years, Skanska has completed some 200 construction projects in the U.S. higher education sector. At Duke University in Durham, North Carolina, it has built a series of new research and teaching facilities since 2002.

The pie charts provide a breakdown of order backlog: Building construction, Civil construction, Service

UNITED KINGDOM

SEK M	2005	2004
Revenue	10,761	11,024
Operating income	346	52
Operating margin, %	3.2	0.5
Order bookings	13,815	10,850
Order backlog	17,412	13,318

The segments in which Skanska operates showed no real growth in 2005. Nevertheless, Skanska UK performed favorably during the year and reported strong earnings. During 2005, Skanska was awarded its first contracts in a new, large-scale school renovation and expansion program, a market that is expected to grow significantly in the next few years. The first contract was for school construction in Bristol worth SEK 1.5 billion.

In the hospital sector, Skanska signed contracts to build three hospitals in Nottinghamshire. The assignment is worth about SEK 4 billion. Skanska is very well positioned in the markets for schools, hospitals, utility networks and other public infrastructure.

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

USA BUILDING

SEK M	2005	2004
Revenue	29,944	27,601
Operating income	239	–413
Operating margin, %	0.8	–1.5
Order bookings	23,158	29,699
Order backlog	36,663	36,577

The prevailing trend toward larger growth in both population and business in the southern parts of the country is providing the company with a stable foundation for the future. USA Building's main markets – construction for customers in the healthcare, higher education and biotechnology sectors – remains strong, with expected satisfactory annual growth.

Major assignments in 2005 included an advanced cancer clinic in North Carolina and a building construction project in central Boston, Massachusetts including both a hotel and high-end housing.

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

USA CIVIL

SEK M	2005	2004
Revenue	9,415	12,406
Operating income	–99	218
Operating margin, %	–1.1	1.8
Order bookings	13,179	8,242
Order backlog	18,381	12,116

Despite relatively weak market growth, in 2005 Skanska was awarded a number of major projects, including several wastewater plants. Two large assignments were related to the reconstruction of Lower Manhattan's infrastructure following the 2001 terrorist attacks: the new World Trade Center Transportation Hub and the underground Dey Street Concourse pedestrian link. These projects are worth about SEK 2.7 billion.

During 2005, the U.S. Congress finally approved new federal funding act for transportation infrastructure, known as SAFE-TEA-LU, retroactive to 2004 and running until 2009. It appropriations total USD 286.5 billion. Of this amount, USD 106.6 billion has been earmarked for states where Skanska has operations. USD 66 billion is reserved for California, New York, Texas, Florida and Georgia, where Skanska has strong market positions in civil construction. In addition, many states and local governments have initiated alternative financing solutions, often using bond loans.

This, together with greater interest in public-private partnership solutions, will mean that opportunities will increase in the civil construction markets where Skanska is active.

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

In Latin America, Skanska focuses on customers in the oil, gas and energy sectors. One of the largest new construction projects completed during 2005 is a 153 km (95 mi.) long gas pipeline in southern Argentina. Miguel Ortíz is Skanska's project manager.

LATIN AMERICA

SEK M	2005	2004
Revenue	3,579	2,785
Operating income	154	118
Operating margin, %	4.3	4.2
Order bookings	3,080	3,924
Order backlog	3,138	2,885

Continued economic growth in the region characterized business during 2005. Skanska secured several strategically important contracts in Brazil, Argentina and elsewhere in tough competition. Earnings, revenue and order backlog improved for the third straight year.

Through a consistent, sustained focus on selected customer and product areas in the energy sector, mainly construction, operation and services related to production and distribution facilities for the oil, gas and power industries, Skanska Latin America has achieved a leading position in these market segments. The outlook for 2006 is expected to remain positive.

Aside from local market players, Skanska competes with such major companies as Brazilian-based Odebrecht and Argentine-based Technint.

INTERNATIONAL PROJECTS[1]

SEK M	2005	2004
Revenue	1,477	1,867
Operating income	38	–42
Operating margin, %	2.6	–2.2
Order bookings	705	1,756
Order backlog	656	1,844

1 International includes operations in Russia, International Projects and UK International.

International includes operations in Russia as well as International Projects and UK International. As one element of Skanska's strategic concentration on its home markets, the project export operations run by International Projects have been discontinued. Operations are now focusing on completing the ongoing projects according to the established program.

By forming Skanska Project Support, Skanska is taking advantage of the unique expertise and experience that exists among the unit's employees to promote Skanska's operations in its home markets

Discontinued operations

In 2005 Skanska completed the process of narrowing its focus by selling or closing down operations that fall outside its core business or home markets.

During the year, the Group sold the last of the units in Skanska Sweden identified for divestment. Skanska Prefab Mark was sold during the second quarter and Skanska Modul with the companies Flexator and Temporent were sold during the fourth quarter. Operating income from discontinued operations included capital gains of SEK 184 M related to these divestments

Skanska's home markets 2004

USD	GDP/ Capita	Construction/ Capita	Construction as % of GDP
Sweden	35,929	2,625	7.3
Norway	58,046	6,151	10.6
Denmark	45,022	5,253	11.7
Finland	35,587	4,329	12.2
Poland	7,397	342	4.6
Czech Republic	11,213	1,608	14.3
United Kingdom	33,140	3,089	9.3
United States	40,935	3,663	8.9
Argentina	15,289	261	1.7

Sources: The Swedish Construction Federation, EcoWin

DESIGN IMPROVEMENTS SHORTENED THE CONSTRUCTION TIME

The longest cable-stay bridge in North America, the Cooper River Bridge was completed in the spring of 2005. Skanska's American bridge building team, backed by Swedish internal experts, finished the project one year ahead of schedule. The Cooper River Bridge was designed as a longer, taller and wider version of the Uddevalla Bridge in western Sweden, which Skanska built in 1997–2000.

With its 174-meter (571 ft.) tall towers, or pylons, the bridge has given the neighboring cities of Charleston and Mount Pleasant, South Carolina a new landmark. The bridge's 464-meter (1,522 ft.) long main span and the approximately 4 km (2.5 mi.) of approaches are an impressive sight. And with eight lanes, it has freed local residents from frequent traffic jams.

Skanska was awarded this USD 530 M contract by presenting an alternative design and by utilizing its collective expertise in building large bridges. Skanska's proposal to build a single wide bridge instead of two narrower ones won the customer's approval, especially because Skanska could also show its documented experience of the latest major Swedish bridge projects – the High Coast Bridge over the Ångermanälven River, the Öresund Bridge to Denmark and the Uddevalla Bridge. With Skanska's American know-how as the base, this Swedish expertise was integrated into the bridge building team.

The bridge's two diamond-shaped pylons are the most visible evidence of its kinship with the Uddevalla Bridge. In the process of creating the final structure, Skanska took advantage of numerous lessons from its Swedish projects, for example when it came to improving construction efficiency by modifying the design.

A number of design improvements helped shorten the construction time while boosting wind stability, which is vital on the hurricane-prone southeastern coast of the United States.

Swedish expertise was also utilized in the actual construction of the cable-stay bridge. Pylon construction using "climbing forms" and phased expansion of the bridge deck including assembly of cables and installation of steel and concrete deck elements were supervised by Swedish employees.

At the same time, it is an American bridge in many respects. Nearly all the elements in the approaches are prefabricated. The steel structure is bolted together, not welded according to the most common technique in Sweden.

Sweden's Uddevalla Bridge served as a model for the longer, taller and wider Cooper River Bridge.

From start to finish, construction took 47 months. The bridge was opened one year earlier than originally agreed, despite the fact that on several occasions, construction had to be halted completely due to the hurricane danger.

Skanska's contributions were publicly commended by the mayors of Charleston and Mount Pleasant as well as by the customer, the South Carolina Department of Transportation. "It is unusual for a project this large to be completed in time," was one of the comments.

The inauguration, which was broadcast on live television in June 2005, had a carnival theme and included fireworks and a marathon race across the bridge.

Construction

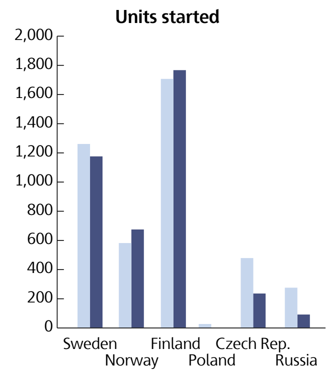
With its 464 m (1,522 ft.) span, the Cooper River Bridge is North America's longest cable-stay bridge. Its approaches are about 4 km (2.5 mi.) long and the 174 m (571 ft.) tall towers, or pylons, have given neighboring Charleston and Mount Pleasant, South Carolina a new landmark.

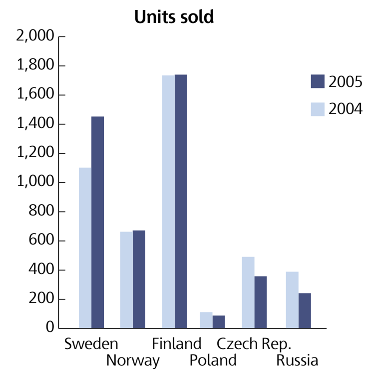
Residential Development
One of the leading Nordic residential developers

Skanska carries out residential project development only in some of the selected markets where it has a permanent presence. In the Nordic countries, it has gathered these operations in a single business unit.

SEK M	2005	2004
Revenue	6,113	5,814
Operating income	611	528
Operating margin, % [1]	10.0	9.1
Investments	–3,195	–3,676
Divestments	4,151	4,085
Operating cash flow	1,090	304
Capital employed	2,528	2,806
Return on capital employed, %	23.8	18.4
Employees	582	739

1 Refers to development gain only. Construction margin is reported in Construction.





5,500 residential units under construction

Skanska is one of the leading residential developers in the Nordic countries. Residential development projects occur only in some markets where Skanska has a permanent presence: Sweden, Norway, Denmark (starting in 2006), Finland and Poland (until 2005) – primarily in the major metropolitan regions – as well as in the Czech Republic and St. Petersburg, Russia. Finnish operations also include residential development in Estonia. The Nordic housing markets have great similarities and are thus combined in one unit – Skanska Residential Development Nordic.

The residential development units are responsible for the entire development chain from concept and design to sales. These units are specialized and do not perform any construction work of their own, but instead buy contracting services from Skanska's construction units or from external suppliers in each market.

The value enhancement process

Development of residential projects is a continuous process – land acquisition, planning, product definition, marketing, construction and sales – in which the developer has full responsibility during all phases. Development operations are capital-intensive, especially during the start-up of new projects. Value enhancement occurs continuously in the subsequent phases. In order to reduce tied-up capital, a rapid pace of sales is sought.

A supply of land suitable for development is a precondition for a continuous flow of projects. Due to lengthy planning and permit processes, ample lead time is required to ensure a supply of building rights (a "land bank") that will meet demand. Market surveys and analysis of population trends and macroeconomic factors provide the basis for land purchasing decisions. Overall factors such as inflation, interest rate trends and demand are crucial to decisions on investments in new projects.

The value of land and building rights varies with demand, i.e. changes in prices and rents. When demand is high, value is also high. Value increases as risks diminish. A major step in value enhancement occurs when a parcel of undeveloped land is transformed into a building right. The process leading to an approved local development plan may take up to five years. Skanska plays a proactive role, working closely with local government bodies in planning processes for land use and neighborhood development.

Value is further enhanced in the next phase, when the building right is turned into a completed project that can be sold at the prevailing market price. Of fundamental importance for successful residential development is Skanska's ability to correctly assess demand and customer preferences in such a way that its development work results in attractive housing of the expected quality in the right place, at the right time and at the right price. Customer surveys provide data on the preferences of potential customers in terms of location, design and price level.

The former Torslanda Airport in Gothenburg, Sweden is being transformed into a modern residential area. Homes in Snäckeberget will be bright and airy, with window designs that blur the boundary between outdoors and indoors.

Risk management

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

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

Ownership mechanisms vary in different markets

In Sweden and Finland, sales occur largely in the form of cooperative housing associations, ownership titles or housing corporations. When Skanska acquires land, it is reported in the balance sheet. The land is then sold to a customer, for example a cooperative housing association that has been formed by Skanska. Construction does not begin until contracts have been signed for about half the units in a project phase. The customer buys the building right and construction services from Skanska, which then invoices the customer – such as a cooperative housing association or housing corporation – regularly as the phases are completed.

In Norway, Denmark, the Czech Republic and St. Petersburg, development occurs mainly for Skanska's own account. The residential units are sold individually as ownership units. Here, too, Skanska aims at a certain percentage of pre-booked sales before making a decision to start construction. In St. Petersburg, most sales traditionally occur only after completion. Unlike other markets, residential units are sold as completed frames, while the customers themselves are responsible for exterior finish and interior fixtures.

Industrialization

In residential construction, as in nearly all construction operations, there is great potential for increasing the degree of industrialization. Each project is still largely unique and builders do not fully take advantage of repetition effects.

Development work is currently underway to create more industrialized and standardized residential construction. The aim is to create a platform that can be used as the basis for most projects. Aesthetic design, adaptation to the environment and specific customer wishes are satisfied through various choices, for example a fixed number of different types of façade elements, windows, parquet floors, wet rooms and kitchen modules.

Standardization and greater industrialization are preconditions for residential construction with lower costs, higher quality and shorter development and construction times.

As part of its sustainability efforts, Skanska can now offer Sweden's first Swan-labeled residential buildings. The Uniqhus concept for sustainable housing has been granted a Swan-labeling license. Using environmentally friendly materials and methods, combined with low energy consumption, Uniqhus has a low life-cycle cost. Generally speaking, the energy requirements of the residential units developed in-house by Skanska average ten percent better than the standards set by the Swedish National Board of Housing, Building and Planning.

Silverdal is a 21st century garden suburb close to natural scenery as well as to the workplaces and services of Kista, Sollentuna and downtown Stockholm. With its easy access to the E4 highway, commuter trains and Stockholm-Arlanda Airport, Silverdal has become one of the most popular neighborhoods in Greater Stockholm. Future expansion plans include single-family homes and various types of attached homes. Twelve single-family homes in the new Silverdal Ekbacke area go on sale during 2006.

Number of unutilized building rights

Market	Master plan	Local plan underway	Local plan approved	Building permit stage	Total building rights[1]	Options
Sweden	4 ,700	2,400	2,700	300	10,100	1,100
Norway	500	200	2,400	200	3,300	1,400
Finland incl. Estonia	200	1,200	2,300	600	4,300	5,400
Poland	100		200	100	400	
Czech Republic		1,100	700		1,800	600
Russia		700			700	
Total	**5,500**	**5,600**	**8,300**	**1,200**	**20,600**	**8,500**

Residential Development, number of units

Market	Units started	Under construction	Pre-sold, %	Total units sold, 2005	Completed unsold
Sweden	1,173	1,608	90	1,450	11
Norway	672	714	88	669	13
Finland incl. Estonia	1,764	1,739	71	1,737	70
Poland				86	26
Czech Republic	233	424	48	355	22
Russia	89	1,040	74	239	6
Total	**3,931**	**5,525**	**78**	**4,536**	**148**

1 Including building rights in associated companies

2,000 smart customers

More than 2,000 satisfied customers have chosen BoKlok homes since the start. The 2,000th was Johanna Håkansson, who received a gift of SEK 10,000 from Skanska and IKEA.

Early in December 2005, she moved into a 76 sq. m (818 sq. ft.) three-bedroom apartment in the Stockholm garden suburb of Silverdal with her family. In Silverdal, Skanska has built 30 apartments in five two-story buildings. The family won a lottery in competition with about 700 people who signed up for BoKlok apartments. “I’m very pleased with the apartment. It has a good floor plan and fits our needs perfectly. It’s also a short ride to downtown, but still close to nature,” Ms Håkansson says.

BoKlok customer number 2,000 was Johanna Håkansson, now a happy resident of the garden suburb of Silverdal, just north of Stockholm.

In Tullinge Trädgårdsstad, Skanska has re-created a Swedish small town with sturdy wooden houses in pleasant neighborhoods, a short commuting distance from both Södertälje and Stockholm.

MARKETS

SWEDEN

SEK M	2005	2004
Revenue	2,394	2,046
Operating income	196	136
Operating margin, %	8.2	6.6
Capital employed	–210	539
Return on capital employed, %	108.1	25.4

During 2005, residential construction in Sweden continued to climb from historically very low levels. The supply of new housing units increased mainly in the country's growth regions. This is projected to continue in 2006 as a number of new areas are established in the market. Underlying strong demand in growth regions, together with increasing disposable household income, are expected to help fuel a continued rise in project starts. However, due to gradual interest rate hikes, somewhat slower price increases are expected in the housing market.

NORWAY

SEK M	2005	2004
Revenue	1,343	1,234
Operating income	132	122
Operating margin, %	9.8	9.9
Capital employed	1,227	1,175
Return on capital employed, %	12.0	9.7

Norwegian residential construction in 2005 was again at a historically high level. The supply of newly built housing units rose. Prices climbed an average of 9-10 percent. The outlook for continued good economic growth and increasing disposable household income is considered good, which will have a positive impact on the housing market in 2006 as well. Competition for building rights stiffened during 2005, and new local players have entered the market. Some increase in construction costs at the subcontractor level was also noticeable during the year.

DENMARK

The demand for newly constructed housing in Copenhagen, Skanska's most recently established Nordic residential development venue, was very high in 2005. Prices climbed sharply, which affected pricing in the vicinity as well. The central bank's much-expected key interest rate hike in December has not yet had any major impact on demand and prices. The volume of project starts is expected to remain steady in 2006, and competition for building rights is expected to intensify.

FINLAND

SEK M	2005	2004
Revenue	1,616	1,609
Operating income	195	151
Operating margin, %	12.1	9.4
Capital employed	908	670
Return on capital employed, %	27.5	24.0

The Finnish housing market has been stable for the past decade. One contributing factor is increasing mobility in the housing market caused by migration to major cities. In 2005 there were about 33,000 housing starts in Finland as a whole, and demand remained strong. According to available data, euro zone interest rates will stay at relatively low levels. This is expected to help keep housing demand in 2006 at the level of the preceding years. Estonia (Tallinn), which is reported as part of Skanska's Finnish residential development, is experiencing rapid economic growth, low interest rates and rising prosperity. This is reflected in a very hot housing market, but price increases are expected to level off during 2006, because housing expenditures are absorbing a higher proportion of Estonians' disposable income.

Kartanonruova in Vanta, near Finland's capital of Helsinki, is a garden suburb with distinctive architecture. Skanska's latest project, shown here, consists of 4-story buildings with 27 owner-occupied apartments.

Residential Development

POLAND

SEK M	2005	2004
Revenue	114	116
Operating income	16	10
Operating margin, %	14.0	8.6
Capital employed	45	105
Return on capital employed, %	21.5	7.7

During 2005, Skanska continued to sell the completed apartments it had previously developed. Skanska is not currently pursuing any new residential development in Poland. At the end of 2005, there were 26 unsold units left, and during 2006 Poland will no longer be reported as a separate Residential Development market.

CZECH REPUBLIC

SEK M	2005	2004
Revenue	416	523
Operating income	86	105
Operating margin, %	20.7	20.1
Capital employed	298	235
Return on capital employed, %	31.8	48.6

In the Czech Republic, vigorous economic growth and low interest rates led to continued strong demand for newly constructed housing units, especially 30–40 km (about 20–25 mi.) outside of Prague. Prices rose 5–10 percent in 2005, depending on location, but are expected to stabilize. Competition has intensified. Due to a large supply of newly constructed housing, customers are investing in projects that are completed or under construction. Prices of building rights are expected to rise during 2006.

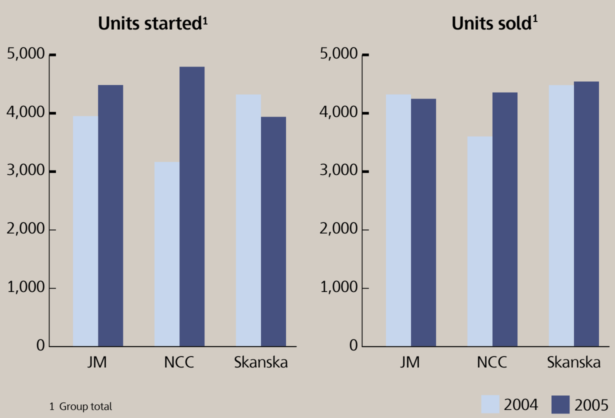
Residential Development 2005
Further information about Skanska's housing construction can be found in "Skanska Residential Development 2005," which can be downloaded from Skanska's website, www.skanska.com (click on "Investors" and "Reports"). The publication can also be ordered from Skanska AB, Investor Relations.

Nordic residential development under one roof

Since January 1, 2005, Skanska has gathered all residential development in Sweden, Finland and Norway into a single business unit, Skanska Residential Development Nordic. Starting in 2006, the unit will also include Denmark. As a consequence, residential development has been decoupled from Skanska's local construction units in the Nordic countries, which thus only perform the actual construction assignment.

The change is one element of Skanska's intensified effort to respond to demand and become the leading residential developer in the Nordic countries. Skanska's residential development has shown a positive profitability trend, due to improved customer focus and increased adaptation to demand. The aim is to further improve efficiency and the potential for organic growth in this business. Bringing together expertise will create greater possible synergies, among other things through integrated procurement, standardization, customer knowledge, segmentation, personnel and business development.

Comparison of Nordic residential developers



1 Group total

SWAN-LABELED HOUSING

Sweden's first Swan-labeled home is now being built in Malmö. Skanska's Uniqhus concept for environmentally sustainable, low energy housing has received a Swan-labeling license.

Uniqhus is Sweden's first environmentally labeled housing. Skanska's concept received a Swan-labeling license in 2005. Uniqhus was examined and environmentally certified by SIS Ecolabelling AB. Using environmentally friendly materials and construction methods combined with low energy consumption, Uniqhus has a low life-cycle cost. The first Swan-labeled Uniqhus homes were built in Malmö, with a February 2006 move-in date. Skanska previously built Uniqhus homes in nearby Lomma and Ystad.

To meet strict environmental standards, a Swan-labeled home must take into account the entire production process, from materials to finished home. Among other things, the home must be capable of energy consumption at least 30 percent lower than a standard home. The labeling standards also specify that the wood must come from certified forests, that all chemicals have been examined and hazardous substances eliminated, and that the home comes with an operation and maintenance plan. Environmental labeling is also a seal of quality, since environment and quality go hand in hand.

Uniqhus is Sweden's first environmentally labeled home. The whole process and all materials were examined from an environmental perspective. A Uniqhus home has at least 30 percent lower energy consumption than a standard home.

Villa BoKlok expands Skanska's and IKEA's BoKlok (LiveSmart) concept for low-cost modern housing to single-family homes. These homes will be the lowest-priced in their market.

VILLA BOKLOK FOR EVERY WALLET

Now more and more people can buy the single-family home of their dreams. Skanska and IKEA's BoKlok (LiveSmart) apartment living concept is now also available as a single family home. The first cluster of 25 such "Villa BoKlok" homes will be completed in spring 2006 in Karlstad, Sweden.

BoKlok (LiveSmart) – Skanska's and IKEA's concept for modern, economical apartment living – has been successful throughout the Nordic region for years. Since 1996, 2,000 such apartments have been sold in Sweden. Now BoKlok is also available as a single-family home. The first 25 "Villa BoKlok" homes are being completed in Karlstad.

Skanska builds Villa BoKlok, and IKEA developed the floor plan and suggestions for interior fittings. This home is delivered in a basic design in which the ground floor, which is 92 sq. m (990 sq. ft.) in area, has three bedrooms. The upper floor is sold bare but is ready for interior fittings since electricity, heating and water systems have been installed throughout the house. Buyers themselves may also choose to paint, lay flooring and install appliances. Villa BoKlok features vertical or horizontal wood panel façades. Villa BoKlok is being sold only in clusters, where Skanska creates a pleasant living environment with eight to 25 homes. The homes are factory-built and are assembled on a foundation at the home site. Factory production means that quality can be assured and prices kept low. The price varies with land prices but is intended to be the lowest in the local market.

Four successful phases of the Badedammen residential project in Stavanger, Norway have been completed. The adjacent sea provides views and recreational opportunities as well as space heating.

MARITIME LIVING IN STAVANGER

The Badedammen residential project in Stavanger, Norway offers both nature and city life. Its seafront location has contributed to its success, now being repeated for the fourth time. The final phase will soon sell out.

The Badedammen residential project in Stavanger got its name from a century-old seaside bathing resort located next to it. Its maritime location is not only attractive and a strong sales argument, but the sea also provides some of the heating, which has both economic and environmental advantages. This is because in partnership with Statoil, Skanska has developed a seawater-based residential heating system.

After three successful sold-out phases, the Badedammen project is now in its final phase. Located on the seafront in Norway's expansive oil metropolis, the final 74-apartment phase will be completed in 2006. The area has been planned to take maximum advantage of its location. The open, bright apartments have been integrated into their maritime setting and are also close to recreation areas and city life. At year-end 2005 only a few apartments were unsold. Badedammen consists of 320 apartments in all.

ALL SOLD OUT IN PRAGUE

Skanska's apartments in the Czech Republic remain in heavy demand, both in the capital of Prague and the country's second-largest city, Brno. Many are reserved even before groundbreaking, and by the end of construction all apartments are sold.

In the Czech Republic, Skanska focuses its residential development on the middle or upper middle price segment. Skillfully executed development and construction that takes advantage of repetitive effects and large-company economies of scale enable Skanska to create housing at competitive prices. Meanwhile the projects generate a good return on investment.

But the Nový Prosek II residential project in Prague did not sell out quickly merely because of its attractive prices. Customers also appreciated the excellent location, close to both nature and the city center. The consistently high quality of Skanska's apartments was another attraction, along with access to a basement level garage.

The project was developed and built entirely by Skanska Czech Republic, which began work late in 2003. It was ready for occupancy and sold out by mid-2005.

In the Czech Republic, customers themselves ordinarily supply the fittings in apartment kitchens. Customers have access to a large selection of optional fittings through Skanska's purchasing channels and well-developed supplier network. Skanska also arranges discounted prices for those who buy such extra fittings.

Most of Skanska's Czech residential development takes place in Prague. But the growth of the Czech economy has also generated heavier demand for housing in a number of other cities. In the country's second-largest city, Brno, the Palouček residential area has been completed. The project, consisting of 200 apartments in eight five-story buildings, is Skanska Czech Republic's largest residential project to date outside Prague. Begun in 2003, it took place in several phases. The final phase was completed in March 2005 and all units have been sold.

Residential units developed, built and sold by Skanska in the Czech Republic are in heavy demand due to their quality and standards. All apartments in the Novy Prosek II project in Prague were quickly sold.

Commercial Development

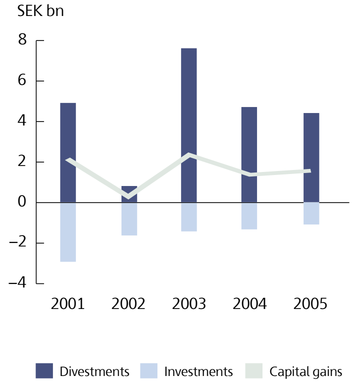
Skanska takes responsibility for the whole process

In Commercial Development, Skanska assumes responsibility for the whole process from land purchase, permit matters and design to the construction, leasing and divestment of completed projects.

SEK M	2005	2004
Revenue	5,075	5,584
Operating income	1,740	1,617
of which gain from divestments of properties[1]	1,551	1,422
of which operating net, completed properties[2]	350	504
of which impairment losses/reversals of same	0	–98
Investments	–1,138	–1,336
Divestments	4,430	4,715
Operating cash flow	3,593	3,345
Capital employed	6,035	7,718
Return on capital employed	25.1	17.7
Return on capital employed, %[3]	16,7	11.0
Employees	125	129
1 Additional gain included in eliminations	75	72

2 After selling and administrative expenses
3 Calculated in accordance with the definition of financial targets

Properties Investments, divestments and capital gains



SEK 1.6 bn in divestment gain

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

In Commercial Development, Skanska assumes overall responsibility for the entire development cycle of a project – land purchase, planning, zoning and permitting, pre-construction design, leasing, construction, management and divestment.

Selected markets

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

Operations take place in two business units: Skanska Commercial Development Nordic and Skanska Commercial Development Europe. About 80 percent of capital employed is attributable to commercial development in Scandinavia and 20 percent in Central Europe.

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

Tenants or investors

Commercial property operations target two different customer categories with the same product. The primary customer is the tenant, which has certain expectations and requirements regarding the premises. The second customer is the investor, which finally buys the property in order to own and manage it for a long period, with a certain targeted return. This dual customer relationship means that the product, as well as the services that go with it, must be adapted to be attractive to both customer categories. In some cases, the tenant and the buyer of the property are the same.

Focus on the value enhancement process

Skanska starts new projects at the pace the market situation allows and when the risk-return ratio is deemed to fulfill the requirements established for these operations.

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

Swedish telecom giant TeliaSonera, which previously had more than a dozen addresses around Gothenburg, has gathered its forces under one roof in the Ceres city block. Skanska developed and constructed the building, with space for 1,500 employees. Completed within a very tight time frame, it received Skanska's internal 2005 Project of the Year award in the "Project Development and Services" category.

Land and building rights are the basis for commercial development operations. A supply of land suitable for development is a precondition for a continuous flow of projects. Due to lengthy planning and permit processes, ample lead-time is required to ensure a supply of building rights (a "land bank") that will meet demand.

The average development cycle – from concept to divestment of the fully developed project – is three years. In order to reduce tied-up capital and enable the development of new projects, a rapid pace of sales is sought.

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

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

Value increases as risks diminish. A major step in value enhancement occurs when a parcel of undeveloped land is transformed into a building right. The process leading to an approved commercial development plan may take up to three years.

Skanska plays a proactive role, working closely with local government bodies in planning processes for land use, zoning and commercial development.

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

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

Carrying out commercial development work successfully on a long-term basis also requires a portfolio of completed projects. Managing these properties provides daily contact with the leasing market. This, in turn, offers insights about changes in customer preferences and also generates new projects. Owning a portfolio of completed properties also lends flexibility to the divestment process, because it enables Skanska to time the divestment of these properties based on market conditions.

Risk management

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

Energy-efficent solutions

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

New projects in 2005

During 2005, Skanska started eight commercial projects, of which two were divested even before completion. During the year, a contract was signed with the Swedish engineering consultant group Ångepanneföreningen (ÅF) concerning the development, construction and leasing of a new company headquarters building in Solna, outside Stockholm. Skanska carried out its first land purchase in Wroclaw, Poland's fourth largest city. In Skanska's judgment, Wroclaw offers good potential for continuous project development.

During 2005, Skanska sold completed properties and projects for a total of SEK 4.4 billion. The operating income of Skanska's two commercial development units totaled SEK 1.7 billion, of which SEK 1.6 billion stemmed from property divestments.

At year-end 2005, Skanska had a portfolio of completed projects with an externally appraised market value of SEK 4.8 billion (including projects completed in 2005), equivalent to a surplus value of SEK 1.5 billion.

When Danish furniture chain ILVA expanded to Malmö, Skanska was its natural choice. Skanska not only developed and built its first store in Sweden, but was also responsible for land purchase and contacts with the City of Malmö. ILVA leases the building from Skanska.

Budejovická alej is Skanska Commercial Development's fourth project in Prague. Completed in 2005, it is fully leased. Shell, the largest tenant, chose Skanska's building because of its environmentally sound solutions.

The market value of identical properties rose by 7 percent during the year. During 2005, Skanska sold properties at prices that averaged 11 percent higher than their appraised market values at the end of 2004.

At the end of 2005, Commercial Development had seven projects underway, six of them in Sweden. Ongoing projects represented leasable space of about 110,000 sq. m (1,184,400 sq. ft.) and were 48 percent pre-leased, measured in rent. In addition to these projects, during 2005 four projects with leasable space totaling 26,000 sq. m (280,000 sq. ft.) were sold before completion, with a pre-leasing level of 100 percent on the divestment date.

Ongoing projects

	Type of project	City	Leasable area, 000 m²	Completion year	Occupancy rate, %
Commercial Development Nordic					
Gångaren 16, building 18	Office	Stockholm	15	2007	29
Stora Frösunda, Hagaporten phase III	Office	Stockholm	46	2008	64
Backa 23:1-2	Retail	Gothenburg	7	2006	41
Scylla II	Office	Malmö	10	2006	46
Burlöv, Sunnanå 12:3	Logistics	Malmö	10	2006	100
Gladsaxe	Office	Copenhagen	8	2006	90
Commercial Development Europe					
Marynarska Point	Office	Warsaw	14	2007	0
Total			**110**		**48**

BUSINESS UNITS

SKANSKA COMMERCIAL DEVELOPMENT NORDIC

SEK M	2005	2004
Revenue	3,980	4,174
Operating income	1,531	1,264
Capital employed	4,933	6,569
Return on capital employed, %[1]	17.0	10.8

1 Calculated In accordance with the definition of financial targets

Operations focus on initiating, developing, leasing and divesting commercial real estate projects, with an emphasis on office space, shopping malls and logistics properties in Stockholm, Gothenburg and the Öresund region.

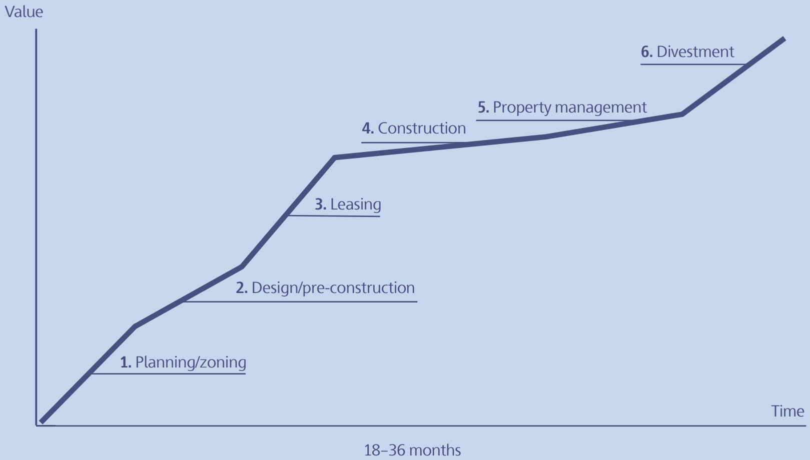
The business unit sold 26 properties in 17 transactions during 2005. Of these, seven were projects completed in 2004–2005 with a total area of 74,000 sq. m (797,000 sq. ft.), 100 percent leased. Total divestment volume during the year was SEK 3.4 billion, with a capital gain of SEK 1.3 billion.

Among the year's transactions, special mention can be made of two property portfolios in Stockholm and Copenhagen, respectively, totaling about SEK 2 billion. In Stockholm, the capital gain amounted to SEK 555 M, while the capital gain from the Danish divestment was SEK 225 M.

The seven completed projects sold for a total of SEK 500 M, with a gain of SEK 168 M.

International investors remain interested in the Swedish market, with Danish and Norwegian investors in particular showing greater interest. The demand for newly constructed properties remains strong, leading to generally higher demand for properties, since newly constructed projects have become scarce in the market. This strong interest is expected to continue during 2006. The rental market stabilized during 2005, and demand is likely to rise somewhat during 2006.

Value creation in Project Development



The development of commercial projects is a continuous process, with several clearly defined phases: planning/permitting, design/pre-construction engineering, leasing, construction, management and divestment. The average investment cycle is 18-36 months.

Generating value, step by step

1. Macroeconomic and market analyses precede a land purchase, which is the foundation for the value-generating process. A major step in value enhancement occurs when undeveloped land is transformed into a building right.
2. Suitable premises are designed, in close collaboration with tenants and potential buyers.
3. Successful leasing work is a precondition for breaking ground. Larger tenants are contracted at an early stage.
4. The project developer orders construction services, as a rule from Skanska's own construction units.
5. A certain portfolio of completed projects is retained, in order to create flexibility in leasing work and broaden the range of choices for customers.
6. New projects are developed with an eye to future divestment. Sometimes a project can be sold while still in the construction phase.

SKANSKA COMMERCIAL DEVELOPMENT EUROPE

SEK M	2005	2004
Revenue	1,095	1,410
Operating income	209	353
Capital employed	1,103	1,211
Return on capital employed, %[1]	15.1	12.1

1 Calculated in accordance with the definition of financial targets

Operations focus on initiating, developing, leasing and divesting commercial real estate projects, with office and retail space as well as logistics propertiesas specialties. The emphasis is on Budapest, Prague and Warsaw. After several years of an office space oversupply in Warsaw, the market turned around in 2005. Office vacancies fell due to heavier demand, while supply of newly completed properties was limited. Budapest also showed a falling vacancy level and a well-balanced rental market. In Prague, vacancies have risen and rents have fallen in recent years. Late in 2005, however, demand rose again.

For several consecutive years, investors' yield requirement has fallen, and interest in acquiring fully developed properties is very strong in all three markets. The buyers of Skanska's projects are primarily institutional real estate investors.

During 2005, property divestments totaled SEK 1,055 M, with capital gains of SEK 232 M. The ongoing Light Corner office building project in Budapest was 87 percent completed at the end of 2005 and was sold during the year. Based on degree of completion, this divestment yielded a gain of SEK 95 M. The largest transaction was the divestment of the Atrium Plaza and Atrium Centrum properties for a price of SEK 799 M and a gain of SEK 137 M.

The Budejovika Alej office building project in Prague was completed in 2005 and had a 99 percent occupancy level by year-end. Another office project, Marynarska Point in Warsaw, started during the year and will be completed in 2007. Investments in land and ongoing projects totaled about SEK 380 M in 2005. This included an initial land purchase in a new market: Wroclaw, Poland.

The Warsaw rental market is projected to show continued falling vacancy levels and strong demand for office space in 2006. In Budapest, the market is expected to remain stable, with good balance between supply and demand. The Prague market is characterized by relatively high vacancies, but market rents have stopped falling and the projection for 2006 is that the market will stabilize somewhat. The very strong demand in the investment market is expected to continue and targeted return will fall further during the year.

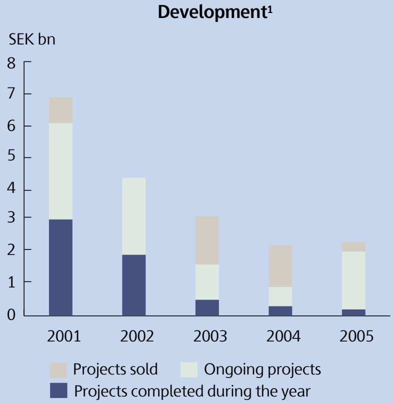
Commercial Development 2005

Further information about Skanska's Commercial Development operations and about the property portfolio can be found in "Skanska Commercial Development 2005," which can be downloaded from the Group's website, www.skanska.com (click "Investors" and "Reports"). The publication can also be ordered from Skanska AB, Investor Relations.

International investors are showing great interest in commercial projects developed by Skanska. The Light Corner project in Budapest was sold before it was completed and the tenants moved in during early 2006. One of the most modern office buildings in the Hungarian capital, it includes 13,600 sq. m (146,000 sq. ft.) of office space on six floors.

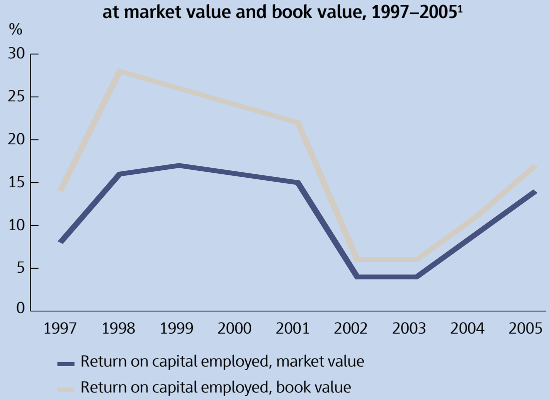
Commercial Development

Volume of Commercial Development[1]



1 Refers to book value of completed projects and projected book value of ongoing real estate projects upon completion

Adjusted return on capital employed at market value and book value, 1997–2005[1]



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

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

Skanska Project Development – Book value and market value

SEK billion	Book value Dec 31, 2005	Book value upon completion	Market value, Dec 31, 2005	Surplus value	Leasable space, 000 sq m	Economic occupancy level,%	Operating net, SEK M	Yield on book value, %	Yield on market value, %	Projected rental value, fullyleased, SEK M	Average lease, years[7]
Completed projects	3.2	3.2	4.6	1.4	425	73%	294[3]	9.3%	6.4%	514[5]	4.5
Projects completed in 2005	0.2	0.2	0.3	0.1	12	99%	20[4]	9.3%	7.6%	20[5]	4.8
Ongoing projects	0.4	1.8	2.2[2]	0.4	110	48%	138[4]	7.9%	6.3%	148[6]	13.2
Total	**3.8**	**5.2**	**7.1**	**1.9**	**547**		**452**				
Development properties[1]	2.0										
TOTAL	**5.8**										

1 "Development properties" refers to land with building rights for commercial use, totaling about 1,010,000 sq m. (10.87 million sq.ft.).
2 Internal appraisal on each respective completion date.
3 Estimated operating net before corporate and business area overhead in 2005 on annual basis assuming current occupancy rate.
4 Estimated operating net before corporate and business area overhead fully leased in year 1 when the properties are completed.
5 Total of contracted rents and estimated rent for unoccupied space.
6 Estimated rental value fully leased in year 1 when the property is completed.
7 Refers to the average duration of leases.

A SHOWCASE FOR SUSTAINABLE DEVELOPMENT

Lindhagensterrassen is an area of Stockholm that has long been a showcase for Skanska's development of commercial projects. Now Skanska's residential developers are also helping to quicken the pulse of western Kungsholmen island.

Around the turn of the millennium, the area was on its way toward becoming Big Business Boulevard, with nothing but major companies lining the street. Then the world's stock markets declined following the bubble and the 2001 terrorist attacks, and development activity temporarily stopped.

But now construction has resumed – with both housing and office space. And the two first buildings, constructed in 1999 and 2001, are simmering with life. Both the mobile media company 3 and Stockholm Transport (Storstockholms Lokaltrafik, SL) have established their new headquarters at Lindhagensterrassen.

Modern design and energy-efficient solutions, together with an attractive location, have helped fill up the buildings. Stockholm still has a certain oversupply of office space, but there is a demand for modern, flexible premises.

"We are pleased with the great interest in Skanska's newly developed office space. We are now continuing the intensive task of leasing so that we can further develop one of Stockholm's best locations," says Håkan Danielsson, President of Skanska Real Estate Stockholm.

Today the construction cranes are again hovering above Lindhagensterrassen. Both the builders and leasing agents are working with the next large office building. SL will be expanding, leasing one third of the approximately 10,000 sq. m (108,000 sq. ft.) now under construction. The foundation and basement level were completed earlier, before the project came to a halt when the market plunged in 2001. So now the building can be completed in a short period.

Since construction resumed, there has been intensive activity. In 2007 this work will result in yet another building that reflects Skanska's sustainability efforts. Like all Skanska projects, it is being developed in a life-cycle perspective, with sustainable solutions and energy consumption at least 30 percent below the average for commercial properties.

"Skanska's buildings are very important because they function as a showcase to demonstrate that this whole new area maintains the highest quality. It is very gratifying that Skanska is starting up construction again. It proves that they, like us, believe in this new neighborhood, which will expand downtown Stockholm. An out-of-the-way part of the city is being transformed into a new public space that will be lively around the clock," says Ingela Lindh, Executive Director of Stockholm's City Planning Administration.

Turning western Kungsholmen into a lively neighborhood will also require housing. Residential construction is an important element of the city's plans, and Skanska is come a long way in this area as well.

An initial 160-apartment project began during 2005. All the apartments have been sold. The two 18-story buildings will be like exclamation points next to the lower, cubic office buildings. Residents on the upper floors will enjoy a view of large portions of Stockholm. The apartments will be ready for occupancy starting in the autumn of 2006.

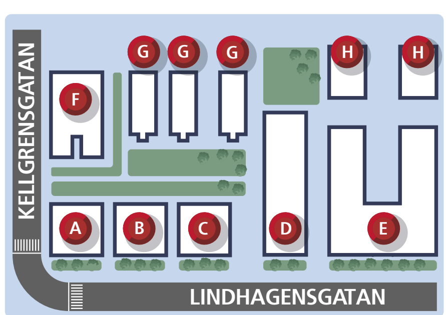
During 2006, work on another 260-apartment phase will begin. Exactly when this can happen will depend on the date when the amended neighborhood plan can be approved by the Stockholm City Council.

Both residents and companies will also have access to the area's underground garage. When fully expanded, it will offer parking for about 1,000 cars.

Skanska's building rights on Lindhagensterrassen total about 95,000 sq. m (1.02 million sq. ft.) of office and other commercial space and some 400 apartments. Skanska has started or completed 33,000 sq. m of office space as well as 160 apartments in the residential buildings.

Among the remaining properties are two older buildings that will be upgraded to harmonize with their surroundings.

Every year, Skanska's showcase is becoming more full. If the planning processes and economic conditions remain favorable, within a few years Lindhagensterrassen can become a vibrant new neighborhood of workplaces, apartments and services for thousands of people.



- **A, B** Office buildings developed and built by Skanska in 1999 and 2001
- **C** Office building planned
- **D, E** Renovation and extension of existing office buildings planned
- **F** Office building under construction, completion in 2007
- **G** Neighborhood planning underway for apartment houses
- **H** Apartment houses under construction, completion in 2006

Skanska is continuing to develop Lindhagensterrassen close to downtown Stockholm, with both housing and office space. Skanska's building rights total about 95,000 sq. m (1.02 million sq. ft.) of office and other commercial space and some 300 apartments. Skanska has started or completed 33,000 sq. m of office space as well as 160 apartments in the residential buildings.

Infrastructure Development

Infrastructure Development

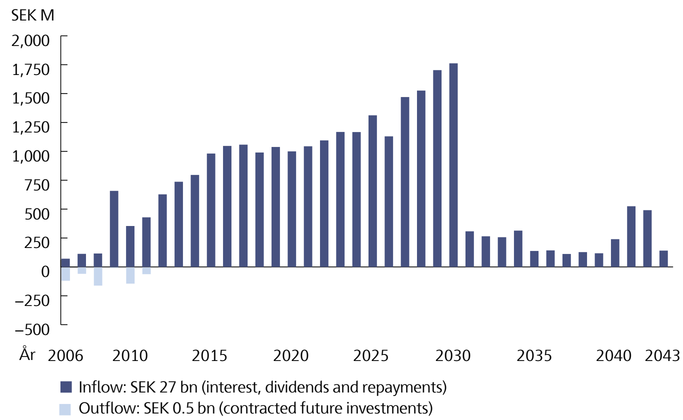
Skanska invests in privately financed infrastructure

Skanska Infrastructure Development invests in infrastructure facilities that are developed, built and operated as public-private partnerships.

SEK M	2005	2004
Revenue	53	33
Operating income	-9	31
Investments	-476	–188
Divestments	35	6
Operating cash flow from business operations[1]	-641	–215
Capital employed	2,532	1,480
Return on capital employed, %	-0.1	3.3
Return on capital employed, %[2]	36	11
Employees	66	40

1 Before taxes, financing operations and dividends
2 Calculated in accordance with the definition of financial targets

Annual cash flow in Skanska ID's project portfolio, December 2005[1]



1 The cash flows have been translated into SEK at year-end 2005 exchange rates

The Infrastructure Development business stream and the Skanska Infrastructure Development (Skanska ID) business unit, formerly Skanska BOT, changed names during 2005 in order to clarify the content of their operations: public-private partnership projects.

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

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

From an investor perspective, Skanska ID creates assets characterized by reliable cash flows over a decades-long service life, once the operation phase begins.

The development process

In public-private partnership projects, Skanska is involved in the entire development chain from design and financing to construction, operation and maintenance. By assuming an overall responsibility, Skanska optimizes both construction and operating costs.

Skanska-led consortia are awarded these projects not only by because of price but, above all, on the basis of how well the Skanska-developed product or service meets the needs of the customer today and in the future.

During the development process, a public-private partnership project mainly goes through the following stages: bidding, selection of the preferred bidder, financial close, construction, the ramp-up phase and the steady state phase.

During the development process, which is led by Skanska ID, the customer, owners (Skanska ID and its partners), builders and suppliers of operating and maintenance services are integrated into the task from the start, which reduces the overall risks to Skanska.

Risk management – generating value-added

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

Thorough selection process

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

There is full activity at the new school buildings in Bexley, southeastern London – developed, built, owned and managed by Skanska as part of the British public-private partnership program. The attractive new Bexleyheath and Welling school premises accommodate some 3,600 students.

bidding period is usually also longer. By means of a very thorough selection process, bidding costs can be kept down and the prospects of being selected can increase.

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

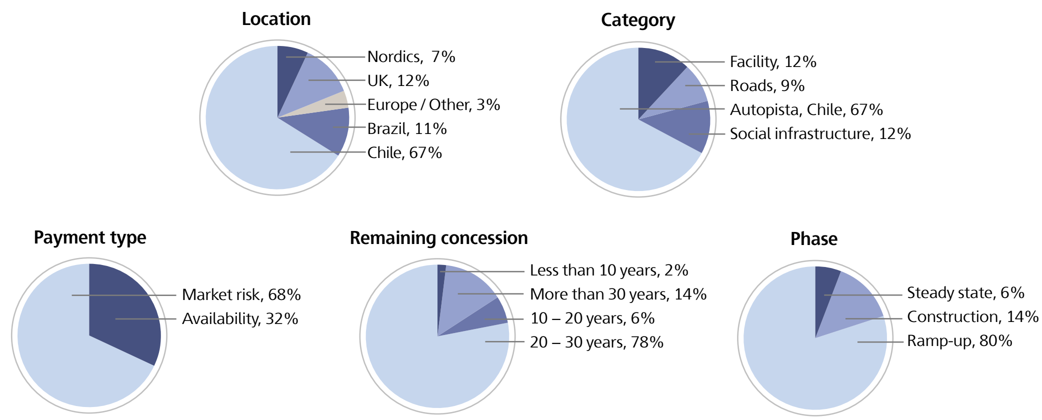
Integrated model

As a rule, Skanska's local construction company carries out most of the construction project as a design-build contract with a fixed price and completion date. The margins are ordinarily higher in these contracts than is the case in traditionally procured projects. The local construction company is often also contracted to operate and maintain the completed facility. The greatest risk from an investor perspective is that the asset cannot go into service and that quality standards are not met. When Skanska itself carries out the construction assignment, this risk is substantially lower. Once the construction phase ends, the ramp-up phase begins. Its length

Phases in development processes, Skanska ID

Terminology	Meaning	Implications for Skanska	Appraisal, Skanska ID
Bidder	Company that actively tries to bet awarded the projec	Costs are recognized continuously in the income statement.	No
Preferred bidder	A consortium is selected and pursues final negotiations to sign a contract with exclusive rights.	The project is highly likely to be implemented. Bidding costs are capitalized in the balance sheet.	No
Financial close	All contracts are signed. Debt funding is raised, often in the form of a syndicated bank loan or bonds. The first disbursement is made to the project company.	Construction and service contracts are reported among order bookings. A certain value is reported as a new project in the Skanska ID accounts. An initial risk premium is added to Skanska's discount rate.	Yes
Completion of construction phase	Construction is completed, entirely or partly (in stages), and the asset is in operation.	The initial operating phase has begun. The initial risk premium has gradually been reduced, but a certain risk premium is retained through the ramp-up phase.	Yes
Ramp-up	The initial operating phase. The duration varies, depending on the type of project and payment.	The ramp-up risk premium is gradually reduced.	Yes
Steady state	The project is in full operation and ha as achieved long-term revenue and cost levels	The long-term discount rate is applied.	Yes

Estimated gross present value by



varies depending on the type of project and the payment model (see below). In projects using the availability model, the ramp-up phase is normally no more than one year. In highway projects using the market risk model, for example, the ramp-up phase is instead connected to the functionality of the toll and invoicing systems and whether traffic revenue is as expected.

Two different compensation models

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

In the *availability model*, compensation is based on providing a given amenity and agreed services at a predetermined price. Compensation is payable regardless of the extent to which the facility is utilized. The project company is exclusively responsible for keeping the services and facilities available, functioning smoothly and up to the agreed standard. Divergences from this standard may result in a limited deduction from payments. The compensation is adjusted for inflation. Because the customer is usually a national or local government, the project company's credit and payment risk is low. Meanwhile the potential for a higher return is more limited in the availability model.

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

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

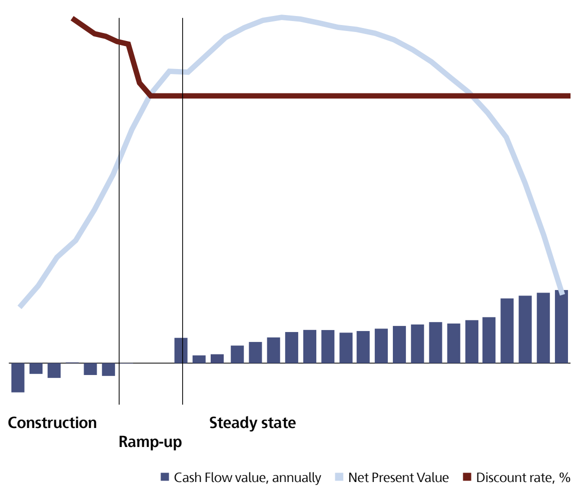
The financing of a project/project company is allocated between Skanska ID and its partner(s), which invest in the form of equity and subordinated loans. Other financing – which in availability projects may total more than 90 percent and in market risk projects 60-70 percent – consists of bank or bond loans. These loans are based entirely on the project company's financial condition and payment capacity. The owners of the project company normally act as guarantors until the facility has gone into service. A project company is not consolidated into the balance sheet of the Skanska Group in cases where Skanska does not exercise control over the company.

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

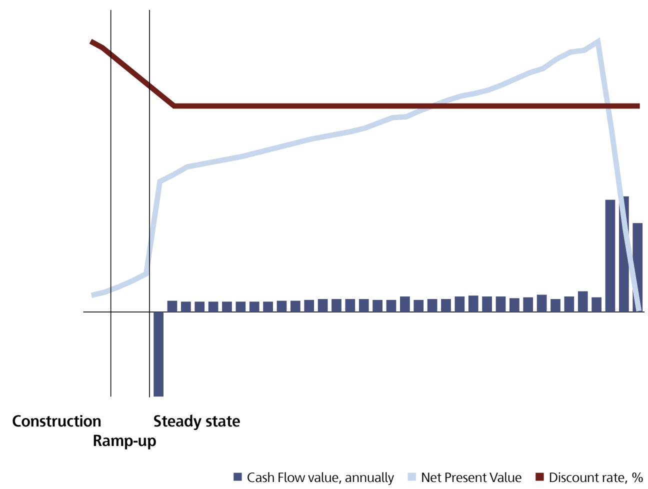
In the availability model, the payment flows to the investors move as follows: Because the largest proportion of Skanska's investment in the project company consists of subordinated loans, revenue consists of interest and principal payments on these loans. Only later, normally in the final years of the contract, are there dividends.

In the market risk model, Skanska's investment consists largely of share capital. Payment flows thus consist mainly of dividends, which in turn are determined by the underlying profitability of the facility. At the end of the steady state period, capital stock is also repaid. During the first few years after completion of a project, when interest and principal payments are large cost items, the project company shows a loss. Later the costs decline and revenue gradually increases along with the use of the facility.

Market risk concession, example



Availability project, example



Appraisal methodology

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

The most recently updated financial model is used as a base. This financial model describes all cash flows in the project and serves as the ultimate basis for financing, which is carried out with full project risk and without guarantees from Skanska. The financial model has been examined and approved by banks and so-called wrappers (companies with very high credit ratings of their own that themselves assume the project risk for the final bond holders) as well as rating companies. Data for the financial model is updated at least once a year.

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

The discount rate selected is based on levels of return where the steady state phase has been reached. Differences in the appraisal over time are due to changes in future cash flow, in time value (the closer the cash flow is in time, the larger its value), in the discount rate used. Today all investments are denominated in currencies other than Swedish kronor. This means there is also an exchange rate risk in market values.

The 2005 appraisal

At year-end 2005, estimated gross present value totaled SEK 5.2 billion (2.2). See the sensitivity analysis on page 35. Estimated unrealized development gains in Skanska ID increased during 2005 by SEK 1.7 billion and thus amounted to SEK 2.4 billion. The increase in value was mainly due to the reduced risk level in the project portfolio but also to greater demand for fully developed projects in the secondary market. Taken together, this led to lower discount rates. The weighted discount rate was 13.7 (16.5) percent on December 31. Another major element of the increase in unrealized development gains was related to exchange rate changes.
In the consolidated accounts, elimination of intra-Group profits totaled SEK 0.3 billion (0.2), which meant that unrealized devel-

Appraisal methodology

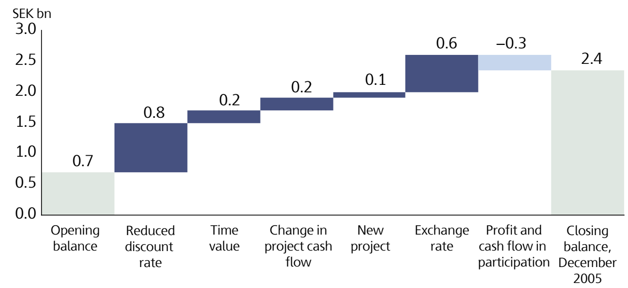
Type	Steady state methodology	Steady state discount rate	Additional risk premium during dev't	ID projects
UK PPP hospitals	Secondary market yields where a deep market exists.	9%	Add 2 percent during construction/ramp-up and reduce this premium from FC on a linear basis until steady state is reached	Kings, Coventry, Derby, Mansfield
UK PPP schools/prison	As above. Slightly less demand than for hospitals	10%	As above	Bexley, Bridgend
Other PPP Roads	As above.	10%	As above	A1, E18, E39 and Nelostie
Concession type roads	Estimate the risk premium over government bonds. Use listed universe and secondary deals.	12%	Add 3-4 percent during construction/ramp-up and reduce this premium from FC on a linear basis until steady state is reached	Autopista Central
Others	Estimate the risk premium over government bonds. Use listed universe and secondary deals.	15–19%	Add 2 percent during construction/ramp-up and reduce this premium from FC on a linear basis until steady state is reached	Ponte de Pedra, Manaus/Breitener, Nordvod, Maputo

Valuation in 2005 by category, SEK M

Category	Net present value (NPV), of cash flow from projects Dec. 2005	Discount rate 2005 %	NPV remaining Inv[1]	Book value, Dec. 2005[2]	Unrealized development gain, 2005
Road	460	10.8	124	192	144
Autopista	3,454	14.0	0	1,473	1,981
Social infrastructure	618	10.2	264	194	160
Utilities	657	17.4	0	579	78
Total[3]	**5,189**	**13.7**	**388**	**2,438**	**2,363**
Accumulated development profit 2004					700
Change 2005					**1,663**

1 Nominal value SEK 535 M.
2 Invested capital plus accrued value of participations in project companies corresponding to Skanska's ownership.
3 Eliminations at Group level reduce the book value and hence increase the accumulated development gain by SEK 300 M to SEK 2,663 M. In the Group's accumulated development gain in 2004 of SEK 900 M, Group eliminations amounted to SEK 200 M. The 2005 change in development gain on Group level therefore totaled SEK 1,763 M.

Changes in unrealized development gain, 2004/2005



Infrastructure Development

opment gains at Group level amounted to SEK 2.7 billion (0.9) at year-end.

The appraisal methodology that was applied as well as projects equivalent to 75 percent of the estimated value of the portfolio were examined and quality-assured by external specialists with long experience from appraisals of this type of assets.

Business unit Skanska Infrastructure Development

Skanska Infrastructure Development has 18 projects in its portfolio, most of them in Europe and Latin America.

During 2005, Skanska reached financial close for

- the A1 highway in Poland.
- the King's Mill Hospital and Mansfield Community Hospital projects in Nottinghamshire, UK.
- the E18 European highway north of Helsinki. A Skanska-led consortium was both awarded the contract and completed the financing during 2005 in a record-quick four months.

Skanska was also selected as preferred bidder for a number of school projects for the Midlothian Council in Scotland and the Bristol City Council in England. Financing agreements are expected to be signed during 2006.

The St. Bartholomew's Hospital (Barts) and Royal London Hospital project in England, for which Skanska was expected to reach financial close before the end of 2005, has been delayed. No contract has been signed yet.

During 2005, the organization was expanded in order to take advantage of the many potential projects. Skanska ID has also devoted extensive effort to ensuring that the risks and opportunities in its project portfolio are handled in the best way.

The degree of maturity in the project portfolio increased during 2005 as the Bexley schools in the U.K., the E39 highway in Norway, the Nordvod wastewater plant in St. Petersburg, Russia and the Ponte de Pedra power plant in Brazil went into full operation. Meanwhile the continued performance of the Coventry and Derby hospitals in the U.K. and especially the Autopista Central highway in Chile had a positive impact on operations.

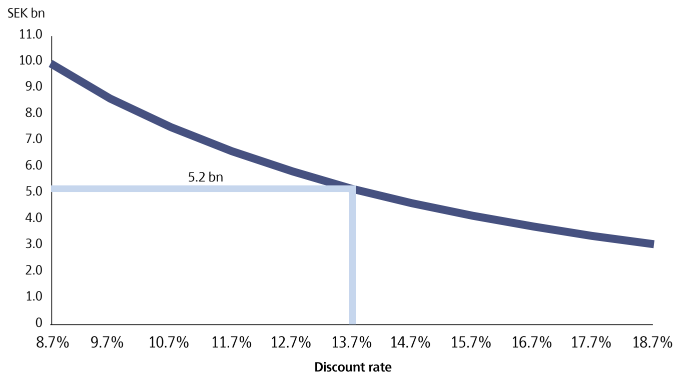
The outlook for Skanska ID is bright, with continued strong demand, while new markets such as the United States and Central and Eastern Europe are expected to provide further potential projects. Skanska ID expects to sell a number of non-strategic investments during 2006.

Definitions, Skanska ID's appraisal model

Present value of cash flow from projects	The discounted present value of all flows from the project to Skanska ID.
Present value of remaining investments	The discounted present value of remaining investment commitments. This is discounted at the same discount rate as the project.
Net present value	The discounted present value of all flows to/from the project. This is the same as the sum of the present value of cash flow from projects and the present value of remaining investments.
Unrealized development gain	Net present value minus book value of projects (this is determined by book value of invested capital and by accumulated recognized income share less dividends paid). Development gain in Skanska ID differs somewhat from that of the Group due to eliminations.
Change in unrealized development gain	Annual change in development gain.

Sensitivity analysis, NPV cash flow from projects – SEK 5.2 billion

SEK bn	Change	
Discount rate (–/+ 1 percentage point)	0.6	–0.5
Autopista cash flow (+/– 10%)	–0.3	0.3
SEK/CLP (–/+ 10%)	–0.3	0.4
SEK/GBP (–/+ 10%)	–0.1	0.1
SEK/EUR (–/+ 10%)	–0.04	0.04



18 projects in the portfolio

Project portfolio

Amounts in SEK million	Type	Category	Payment type	Country	Ownership, %	Invested capital at Dec 31, 2005	Total commit-ment	Year of operation/ full operation	Concession ends
In operations, fully or partially, Dec 2005									
Bridgend	Prison	Social infrastructure	Availability	UK	9	13	13	1997	2022
Nelostie	Highway	Highway	Availability	Finland	50	46	46	1999	2012
Kings College	Hospital	Social infrastructure	Availability	UK	33	23	23	2004/2005	2037
Ponte de Pedra	Power plant	Facility	Availability	Brazil	50	383	383	2005	2036
E39	Highway	Highway	Availability	Norway	50	73	73	2005	2028
Maputo	Harbor	Facility	Market risk	Mozambique	16	30	30	2004	2017
Nordvod	Wastewater	Facility	Availability	Russia	14	19	19	2005	2017
Autopista	Highway	Highway	Market risk	Chile	48	1,325	1,325	2004/2006	2031
Bexley schools	Schools	Social infrastructure	Availability	UK	50	26	26	2005	2031
Coventry & Rugby	Hospital	Social infrastructure	Availability	UK	25	76	124	2005/2007	2035
Under investment									
Manaus/Breitener	Power plant	Facility	Availability	Brazil	35	137	137	2006	2025
Derby	Hospital	Social infrastructure	Availability	UK	25	0	134	2009	2038
E18	Highway	Highway	Availability	Finland	41	16	96	2010	2031
A1, phase 1	Highway	Highway	Availability	Poland	30	18	86	2009/2010	2032
Mansfield	Schools	Social infrastructure	Availability	UK	50	0	204	2010/2011	2040
Total Skanska ID						**2,185**	**2,719**		
Accumulated profit in participations						253			
Book Value Skanska ID						**2,438**			
Awarded projects in the preferred bidder stage									
Barts	Hospital	Social infrastructure	Availability	UK	38		615	2012/2014	2043/2045
Bristol	Schools	Social infrastructure	Availability	UK	50		68	2009	2034
Midlothian	Schools	Social infrastructure	Availability	UK	50		14	2007	2037

In Chile, Skanska has gained 1.2 million new customers – that is how many have registered to use the new Autopista Central in Santiago. The new 61 km (38 mi) toll highway is used by an average of 154,000 motorists per day. It has shortened rush-hour travel time across the city from 90 to 20 minutes. The toll is about SEK 1 per kilometer, the average journey 12 km (7.5 mi.) long.

154,000 SATISFIED CUSTOMERS PER DAY

In Santiago, Skanska has eliminated traffic bottlenecks. Road users in the capital of Chile now have 61 km (38 mi) of new highway and Skanska has gained 1.2 million new customers – that is how many have registered to use the new Autopista Central toll road.

The travel time from the northern to the southern neighborhoods of the city has been trimmed from one and a half hours to 20 minutes. Vehicles move non-stop along the Autopista Central, without traffic jams or slow-downs at tollbooths. Both the payment and traffic monitoring systems are entirely electronic.

The journey costs less than SEK 4 or about half a U.S. dollar per five kilometers (three miles), roughly equivalent to the price of a bus or subway ride in Santiago. Every day 154 ,000 motorists use the road.

Through the project company Autopista Central, Skanska Infrastructure Development – which was responsible for all the development work – is part-owner of the four- and six-lane highway, whose two branches run straight through Santiago in a north-south direction.

The Santiago region has 5.6 million inhabitants divided into 14 municipalities. The Autopista Central construction project, which was performed by Skanska Latin America, thus offered major challenges in terms of coordination.

North-south highway

Approximately 500,000 people live along the Autopista Central, or the Autopista Panamericana as it is often called because it is part of the Pan American Highway, a transcontinental route running through North and South America.

Of the project's 106 bridges, most are pedestrian bridges above the roadway. But there are also large highway bridges. The longest, over the Mapocho River, is 680 m (2,230 ft) in length. Like all the other structures, this bridge has been specially built to withstand earthquakes.

Thanks to various improvements in design and implementation, Skanska was able to open most of the Autopista Central by December 2004. It thus became the first of Santiago's four new toll roads to open for traffic. By the end of 2005, more than 90 percent of the Autopista Central had been completed. Construction started in July 2001 and will end during the first quarter of 2006, when the remaining portions of the route become available to motorists.

The construction contract, of which Skanska's share totaled USD 300 M, is Skanska Latin America's largest-ever project.

One indicator of the project size is average wage costs, which for skilled workers in Chile are 1/20 of those in the United States, while the cost of construction and materials is generally around 1/10 of U.S. levels. A comparable project in the U.S. or Western Europe would thus have involved an investment many times higher.

Sophisticated payment system

In order to collect road user payments, all traffic is recorded with the aid of both sensors and cameras. A very powerful computer system gathers all the information that provides the basis for monthly invoicing. Vehicles not registered to use the road are identified by photos and in the government's motor vehicle registry, enabling the road company to invoice the owners afterward.

Skanska managed the task of developing a common registration and payment system for all four of Santiago's toll roads, which was a requirement from the authorities.

Maintenance ensures highway standard

Ownership responsibilities also include handling highway maintenance. Cleaning, maintenance and repairs occur at night, when kilometer-long sections are completely shut down so that work can be performed safely. Regular maintenance work ensures that the road will retain the promised standard and improve both its safety and its benefits to the community. Furthermore, a well-run road is an attractive choice for motorists, thereby generating revenue for the project company.

A focus on safety

Road safety is also a high priority. Around the clock, seven days a week, there are paramedics, ambulances and tow trucks ready to respond to emergency calls and take care of the injured, direct traffic and remove vehicles that are blocking traffic. Along the road are emergency telephones, linked to a dispatch center that has direct lines to police, firefighters and medical care facilities. The police also have a person on duty at all times in the central control room of the road company, where all 61 km of the road are monitored via more than 120 cameras stationed along the route. Another element of safety work has been to train more than 100,000 children in traffic safety awareness.

Macroeconomic benefits

The Autopista Central has not only given the Chileans a new toll road of the highest standard. It has also freed up public funds for other urgent investments, such as improving drinking water supply systems and educational programs.

Public-private partnership projects bring macroeconomic benefits. Their private element often means that they are completed earlier than if financed through a public budget, giving users access to a highway earlier. A long-term private commitment is also a strong incentive to design and implement the project with a life-cycle perspective. This lowers life-cycle costs compared to public facilities procured by traditional tender procedures based on lowest price.

Sustainable development

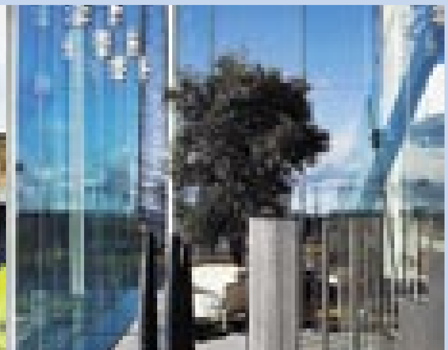
Skanska regards sustainable development as an important business aspect that influences both risks and opportunities. 'The four zero visions'– zero loss-making projects, zero work place accidents, zero environmental incidents and zero ethical breaches – are fundamental driving forces.

"By balancing economic progress, social responsibility and environmental considerations, we are building a robust foundation for continued prosperity."

Stuart Graham

Economic progress

Social responsibility



Environmental considerations

Skanska defines its approach to sustainable development as integrating social and environmental dimensions into its day-to-day business process. The challenge is to build a robust and sustainable way of working in a decentralized and integrated organization – Skanska has 54,000 employees and an even larger number of subcontractors in 12,000 projects. Its business units engage employees in corporate strategies for sustainable development through training, targets and follow-ups.

Skanska has a Code of Conduct and, among other commitments, has signed the UN Global Compact and the World Economic Forum's Partnership Against Corruption Initiative. Dialogues that are conducted with employees, customers and local residents help assure that local needs are met.

During 2005, the task of integrating certified/registered management systems continued. Skanska is among the few international construction companies to have implemented environmental, quality and occupational health and safety management systems in most of its operations. Other activities in 2005 included a successfully Groupwide Safety Week, the first Social Accountability 8000 certification and increased attention to management development.

During 2006, the focus will continue to be on day-to-day operational issues such as health and safety and business ethics as well as on strategic, long-term questions regarding climate change and biodiversity. Engaging in these priorities will help create a more sustainable market.

Order value of projects with higher environmental standards

USD M	2005	2004	2003	2002	2001
Total	8,377	7,627	8,335	6,250	7,163

The Global Reporting Initiative 2002 Sustainability Reporting Guidelines have served as an inspiration for Skanska's sustainability reporting. More information regarding work with sustainable development is available at: www.skanska.com/sustainability.

Driving forces for sustainability

A number of internal and external driving forces influence Skanska's approach and plans for the future:

Customers – In the same way as the product's location, quality and price, sustainable development provides value-added that strengthens Skanska's capacity to build long-term customer relationships. In 2005, there were again numerous projects with environmental criteria exceeding compliance levels (see table to the left).

Shareholders – The market for ethical investments is increasing. Skanska is among the most frequently invested construction sector companies in Europe, according to 2005 research. Four percent of Skanska's total shares are held by ethical funds.

Internally-driven – A sense of pride in, and trust for, Skanska values are preconditions for recruiting and low employee turnover. Employees and subcontractors need to feel confident that Skanska is doing its utmost to ensure their health and safety.

Cost-consciousness – Financial benefits include reduced operating costs, especially in risk management and improved productivity. Lower project expenditures are achieved through improved resource management and by sharing best practices.

Legal and other requirements – Skanska actively engages in the development of a range of tools geared towards continual improvements. Both EU directives on energy efficiency and management of hazardous substances as well as tools for environmental design, such as LEED in the U.S., contribute to the development of Skanska strategies.

Some recognition during 2005

- For the seventh consecutive year, Skanska qualified for the **Dow Jones Sustainability Index**.
- **FTSE4Good** and **Storebrand SR** are among the leading ethical funds and analysts that include Skanska in their indexes.
- The **Global 100 Most Sustainable Corporations**, launched at the World Economic Forum in 2005, listed Skanska as its sole construction sector representative.
- The **Czech Top 100 Association** ranked Skanska Czech Republic among the five most admired companies in the country.
- Skanska UK received three Gold Awards from the **Considerate Constructor's Scheme**, for keeping public disruption to a minimum at specific projects in the UK.
- The Goathill North Rock Pile Mitigation project, operated by Nielson Skanska, received the **Excellence in Reclamation Award** in 2005 from the New Mexico Energy, Minerals and Natural Resources Department and the Mining and Minerals Division.
- The Danish organization **Key2Green** awarded Skanska Denmark with a prize for its forward-thinking approach to caring for the local environment.

FTSE4Good

BEST IN CLASS
environmental and
social performance
STOREBRAND SRI

Sustainable development

Organized responsibility

A number of corporate units support Skanska's line organization. Group Staff Unit Sustainability directs the Group's sustainable development efforts and conducts dialogues with relevant stakeholder groups. This unit has special responsibility in the fields of the environment, work-related health and safety issues as well as business ethics.

Skanska's business units have operational responsibility and combine their competencies with corporate-level development projects such as Best Practice Groups. In 2005, Best Practice projects evaluated issues regarding health, safety and environmental strategies as well as energy performance in buildings.

Code of Conduct

The Skanska Group's Code of Conduct is an important policy document governing how all employees are expected to conduct their activities and approach issues relating to sustainability. The Skanska Code of Conduct outlines responsibilities toward employees and business partners, the environment as well as society in general. It helps develop and maintain an economically viable and prosperous business.

The Code of Conduct contains three sections: employee relations, business ethics and concern for the environment. It is also accompanied by a compliance guideline for implementation.

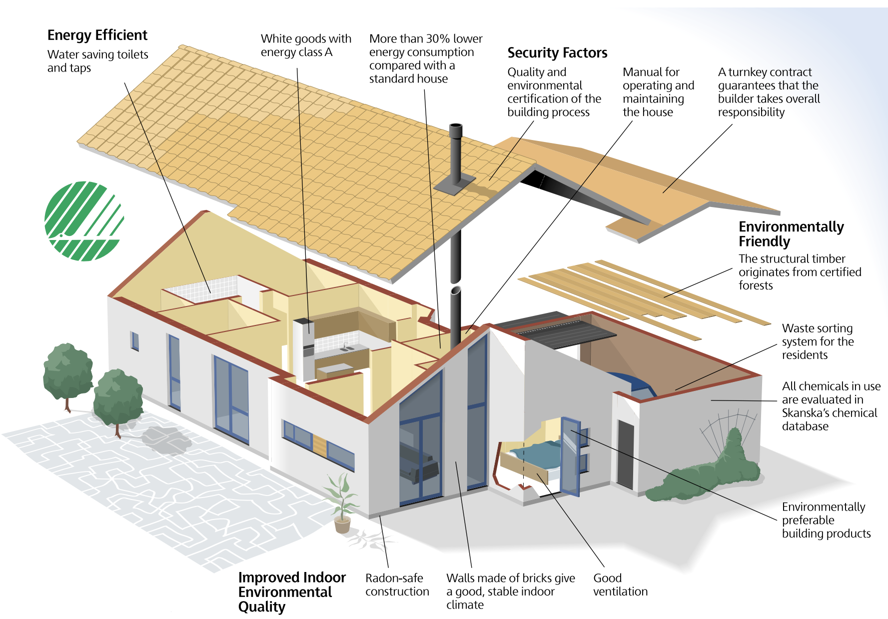
Through the Code of Conduct, Skanska adopts a proactive stand in regard to human rights, fundamental ILO conventions and business ethics. One aspect of the Code of Conduct is its emphasis on good working environment. It also underlines the importance of preventive action in environmental work, conserving resources and avoiding projects that present unacceptable risks.

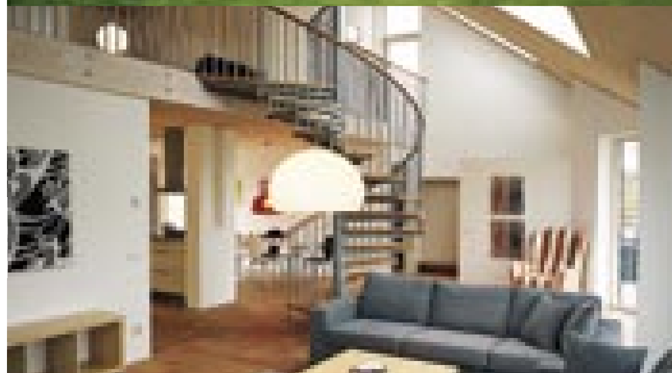
The importance of communicating this approach to suppliers and subcontractors is of great importance. During 2005 approximately 9,100 suppliers and subcontractors were informed of the content of the Code of Conduct, compared to approximately 6,200 in 2004. Skanska has engaged more than 31,000 subcontractor and supplier employees in its environmental and health and safety training during 2005. At present, a small share of Skanska's purchasing is coordinated on a global level. The volume is, however, expected to grow, thereby heightening the need for supplier evaluations.

A 2005 internal follow-up of the Code of Conduct indicates high levels of acceptance and compliance with the Code throughout the organization. This conclusion is supported by internal auditors who specialize in quality, environmental and health and safety issues. Meanwhile these auditors emphasize that it is a major challenge to benchmark results in a project-based business, where many factors are unique to a specific project.

Skanska's key stakeholders

Skanska Sweden's Göran Karlsson uses proper personal protection equipment in his work. The Skanska Code of Conduct emphasizes the importance of good job-related health and safety standards in all projects.





Uniqhus, a housing concept developed by Skanska, was the first residential project to obtain Nordic Swan certification. In addition to environmentally sound materials and production methods, the building has a lower life-cycle cost thanks to reduced energy consumption.

Environmental management

Most of Skanska's environmental direct impact occurs at the local level and all operations are controlled by environmental management systems. Through a life-cycle perspective, the environmental impact of a building can be improved during its entire life span.

Operational planning and targets for continual improvement are defined through management systems. Skanska monitors progress at both unit and project levels. Internal and external audits identify possible non-conformities that are then addressed. Skanska has certified/registered all units according to the ISO 14001 international standard for environmental management.

In recent years, customer interest in eco-design has increased and Skanska has therefore developed specialized expertise to meet this demand. Skanska USA Building currently employs 30 LEED-accredited professionals for environmentally sound design. This provides new project opportunities and attracts potential clients.

Training

By the end of 2005, approximately 80 percent of Skanska's 54,000 employees had undergone basic environmental training conducted at unit level. In addition, 31,000 supplier and subcontractor employees were either informed or trained in environmental issues. Meanwhile, Skanska has provided advanced in-service training for environmental specialists and other key personnel.

From design to finished product

In cases where a product is designed from a life-cycle perspective, its entire environmental impact can be controlled – from design to completion and its subsequent use. In the U.S. and U.K., LEED and BREEAM are tools used to evaluate environmental criteria, primarily to assess water consumption, energy efficiency, choice of material and indoor climate. During 2005, they were applied to approximately 115 Skanska projects, primarily in the U.S., the U.K. and Finland, where customers have seen the value-added provided by this investment.

Energy efficiency in buildings

Climate change is probably the greatest global environmental challenge. The construction industry has an important contribution to make in addressing this since a considerable share of the world's total energy use is related to buildings. Skanska can help reduce emissions of greenhouse gases mainly by persuading customers to improve the efficiency of energy use in buildings. The priorities are heating, air conditioning and electricity use. The user phase is responsible for approximately 85 percent of a building's total energy consumption during its life cycle. The remaining share is connected to materials and building construction.

Focus on construction materials

Reducing the use of hazardous substances is necessary for both environmental reasons and to ensure work site safety and health. It also has a positive influence on the final product and avoids the generation of hazardous waste. The handling of chemicals is often

Skanska's FDR Drive Rehabilitation Project, which extends along the East River in the New York City borough of Manhattan, must adhere to the rule "no noise at night, no taking out lanes during the daytime." As is the case for many large or sensitive projects within Skanska, a special community liaison officer has been linked to the FDR Drive project to manage contacts and encourage dialogue with local constituents and residents.

regulated in detail through national legislation. Many Skanska business units go beyond these regulation and other demands by developing their own programs for phasing out hazardous substances, despite the fact that they are still permitted in the market.

There are more than 3,900 chemical products with accompanying safety data sheets listed on one of Skanska's databases. To date, more than 10,900 chemical products and 2,900 construction materials have been assessed at Skanska for their environnmental and health impacts. This can be compared to approximately 10,300 products and 1,500 construction material evaluations up to the end of 2004.

Noise, dust and other local impacts

Construction activities can cause local environmental impacts, such as noise and dust from transporting materials to and from the site. Carefully designed measures reduce local impacts, especially with regard to residents near the site.

Biodiversity

Most projects are carried out in already exploited urban areas. This is why Skanska focuses on indirect impacts on biodiversity that occur through its supply chain. Responsible procurement of wood products contributes to the protection of biodiversity. Avoiding wood products from illegally harvested timber and actively seeking FSC-certified products are shared priorities in this strategy.

Monitoring and reporting

Skanska's global operations are certified/registered according to ISO 14001. Each business unit is responsible for ensuring that on-site work in their projects is monitored. Follow-ups are further supported by a reporting system at the corporate level. A large number of internal environmental audits are conducted and their results are addressed through management reviews. These internal audits are also supported by external audits. During 2005 one major non-conformity was reported. The incident involved an under-sized, temporary sewage treatment system that was immediately remedied once identified.

Environmental training at Skanska, number of employees

	2005	2004	2003	2002	2001
Specialist training	6,748	2,936	2,689	2,730	1,254
Auditor training	255	122	261	318	393

Number of materials evaluated

	2005	2004	2003	2002	2001
Chemical products	10,909	10,299	8,693	7,588	4,749
Construction materials	2,938	1,543	1,783	1,402	-

Environmental audits

	2005	2004	2003	2002	2001
Internal	1,146	1,282	1,568	1,753	1,431
External	191	241	143	204	185

Energy use in Skanska Commercial Development Nordic's properties

	2005	2004	2003	2002	2001
kWh/m^2	100	100	118	131	143
Kg CO_2/m^2	8.6	10.4	11.8	12.9	14.6

Female employees[1]

% by job category	2005	2004
Skilled workers	3	4
White collar employees	23	22
Skanska AB Board[2]	22	22
Managerial positions	7	6
Total employees	**11**	**11**

1 These employee figures are based on annual averages and may differ somewhat from the figures from the end of 2004 presented in last year's Sustainability Report.
2 Refers to members elected by the Annual Meeting. If employee representatives are included, women account for 27 (20) percent.

More women are needed at all levels in the Company, especially in line positions.

Social responsibility

As an international company with a number of home markets, Skanska has a key role in promoting local and global improvements in such areas as working environment, quality and business ethics.

In order to credibly assume social responsibility, Skanska has introduced a number of policies and rules to guide employees in their day-to-day work. This creates clarity and trust in both internal and external relations. Attaining and maintaining a leading market position is entirely dependent on the Group's employees: on making sure that they know what they should do, possess the proper skills for their work and feel a sense of participation and dedication. Skanska is an international company and its work force reflects this. Diversity is an asset, ensuring a richer variety of talents, backgrounds and perspectives.

Employees

As the needs of customers increase and change, greater demands are being placed on Skanska. The organization must be adaptable to every situation. This requires a great deal from employees, who must be knowledgeable as well as flexible in order to live up to new demands. The Company must become better at hiring both high-level managers and knowledgeable skilled workers. Such measures as job rotation, employee surveys and leadership training at all levels are key elements in the Company's strategic talent management. Increased customer satisfaction, improved productivity and cost-effectiveness will also be important factors when Skanska crafts future leadership programs. At the same time, Skanska is putting large resources into the in-service training of our largest knowledge bank – the skilled workers who account for 62 percent of all employees.

The construction industry is traditionally male-dominated. Today eleven percent of Skanska employees are women, most of them in white collar positions. Female representation in management positions remains low, although it rose from six to seven percent between 2004 and 2005. This increase is a positive sign that efforts to heighten the focus on equal opportunity programs in Skanska's business units are paying off. However, Skanska needs to recruit more diversity at all levels, especially in line positions. The key to this is to generate more interest among individuals in the target groups for activities such as project operations, which lay the groundwork for career advancement.

Absence due to illness

Reducing absences due to illness (sick leave) is an important goal if the Company is to be sustainable in the long term. There are large differences between geographic regions in the reasons for sick leave. These problems must consequently be dealt with in somewhat different ways within the Group. In Skanska's Swedish units, overall sick leave fell from 4.9 percent in 2004 to 4.5 percent in 2005. The decline between 2003 and 2004 was 0.2 percentage points. This favorable trend is partly an effect of various steps that Skanska has taken. The most important is increased involvement during the period of illness through regular contact, personal dialogue and positive rehabilitative efforts. Skanska also encourages employees to work proactively with their health through various forms of exercise.

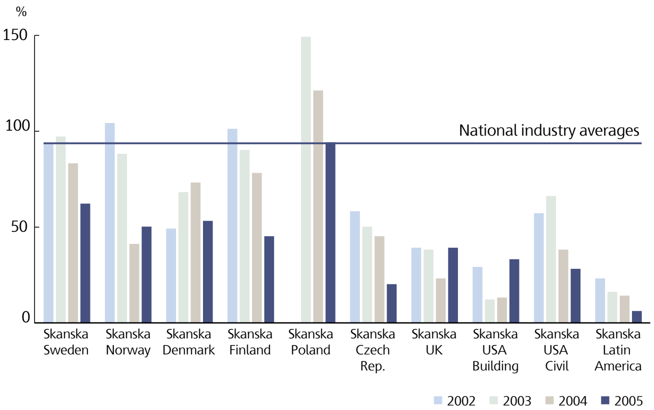
Health and safety

Accidents do not happen, they are caused – Skanska's vision is to create a working environment without work site accidents. By adopting this approach, occupational safety and health issues become a clear priority.

Skanska's health and safety strategy is based on the Code of Conduct and OHSAS 18001 international management guidelines. Close to 70 percent of Skanska's 54,000 employees underwent basic job health and safety training and some 20,500 employees underwent some type of further training in this field during 2005.

Fifty-seven percent of Skanska's employees are currently included in third party certified/registered occupational health and safety management programs as in accordance with OHSAS 18001. Projects emphasize the importance of identifying site-spe-

Skanska accident rate, 2002–2005, compared to national industry averages
Industry averages from 2004 have been used where information from 2005 is not available



cific risks. A list of mandatory personal protection equipment and safety routines is posted at all construction sites, and occupational safety instructions are distributed to all personnel.

Monitoring and internal audits are priority areas. Targets and their implementation are evaluated by the business units and their boards of directors. The Group's incentive systems are tied, among other things, to reducing the number of work site accidents. Unfortunately, eight Skanska employees and five subcontractor employees lost their lives during 2005 due to work site-related accidents. This underscores the importance of further improvements in the fields of safety and working environment.

Business ethics

Skanska manages its work with business ethics through the Code of Conduct and the principles of the World Economic Forum's Partnership Against Corruption Initiative and the UN Global Compact. Employees gain insights into the principles of business ethics by undergoing training programs based on various dilemmas that individuals may encounter in everyday job-related situations. Working against corruption is a key imperative for construction industry members and stakeholders alike. In 2005, Skanska continued to be active in promoting the anti-corruption principles it launched together with 19 other companies at the World Economic Forum.

Skanska in the community

Through engagement in various local and global community activities, Skanska gains insight into various stakeholders' work with general and specific sustainability-related issues. In these forums, Skanska also has the opportunity to both communicate its own way of working and strengthen relationships with various cultures, traditions and stakeholders. This also increases constituents' understanding of Skanska's operations. Corporate citizenship programs are primarily conducted at the local level, where the need for Skanska's expertise is most in demand.
Local social issues are particularly relevant in Latin America. Skanska Latin America has therefore attained certification/registration according to Social Accountability 8000, a voluntary standard for managing social issues.

By providing financial, human and other resources, Skanska participated in 2005 in a range of activities including:

- ISO 26000 Guidance on Social Responsibility
- Establishment of the Swedish chapter of Transparency International
- The UN Global Compact Nordic Network
- The World Business Council for Sustainable Development

Quality and research

Quality is ensured among other means through the international quality standard ISO 9001: 72 percent of Skanska's operations are certified and registered, an increase from 65 percent in 2004. Focus areas include design, moisture and mold, as well as project management. Research and development comprise about 0.4 percent of Skanska's sales. In addition to approximately 50 employees who have already earned doctorates, Skanska has access to six employees with the rank of professor and some 15 doctoral students. Their efforts are channeled into projects both via external networks and internal Best Practice Groups.

Economic progress

Skanska's operations have a positive economic impact and provide tangible assets to society.

Skanska has many roles in society – for example as a taxpayer, an employer and a creator of infrastructure and buildings.

Skanska also contributes to society by serving as an economic engine. For example, new types of public-private partnership projects are becoming increasingly common in a number of Skanska's markets. Skanska Infrastructure Development is the Group's business unit that invests in and develops social and physical infrastructure such as hospitals, schools and highways.

Skanska donated a total of USD 1,000,000 for emergency relief efforts following the December 2004 tsunami in South East Asia, Hurricane Katrina in September, and the Pakistan/India earthquake in October, 2005. Half of these donations were channeled through SOS Barnbyar, the Swedish chapter of SOS-Kinderdorf International.

7,000,000 = 6

work hours accidents

Skanska's 2005 Safety Week

Following up its successful Safety Day in 2004, Skanska carried out a Safety Week in October 2005 on a Groupwide basis. Training and communication increased awareness of how important it is to prioritize safety.

Management development

Development of future managers is a high priority throughout Skanska. Pursued at Group level and in each business unit, this task is adapted to the specific needs of both individuals and units, with a special focus on compensation and gender equality issues.

During 2005, Group-level evaluation of senior managers at Skanska encompassed 720 people, an 8 percent increase on the previous year. However, the main thing is not the number of managers assessed at Group level. Of greater importance is spending more time and effort on each individual, both to see where he or she fits best into Skanska and to clarify how Skanska can best contribute to the person's professional development.

Meanwhile Skanska's business units have established their own leadership reviews, based on corresponding criteria and administered through an IT-based system. During 2005, these reviews encompassed about 4,800 people. The various business units are continuously including additional people in the evaluation system. Taken together, this provides a better overview of the supply of future leadership talent.

During 2005, all Presidents and Executive Vice Presidents of business units and approximately 100 other senior managers underwent a "360 degree" evaluation based on interviews with the individual's supervisors, management colleagues and subordinates. The aim is to provide an all-round basis for an accurate evaluation. This tool has shown itself to provide valuable feedback, while serving as a basis for discussion between managers and other employees. The evaluation, combined with various kinds of tests, is also used as one element of Skanska's talent management program. It contributes to greater self-knowledge and helps participants focus on the portions of the program that are especially important for their development. The 360-degree evaluation will also be used as a way to assess the effects of the talent management program on learning and development.

Skanska has continued to work with the IMD executive development program in Switzerland. During 2005, about 50 managers completed their training and more than 70 new ones began an eleven day long program aimed at improving their ability to manage a company in a changing world. Another increasingly important method of executive development at Skanska is job rotation and giving managers responsibility for special assignments. To highlight good examples and stimulate increased exchanges of experience, Skanska runs a yearly internal competition for Project of the Year awards in various categories. In order to draw attention to outstanding management performance as well, in keeping with its "Outperform" strategy, during 2005 Skanska introduced its own Golden Hard Hat Awards. The awards will be given yearly to three project and construction managers who have carried out a multiple projects with well-documented good results according to both financial and qualitative parameters.

Skanska's new Golden Hard Hat Award will be given yearly to successful project managers and builders. Kari Nuora of Skanska Finland, Dave Murawski of Koch Skanska and Lars Henriksson of Residential Development Nordic were the first to win the award for their long track records of well-executed projects.

Human resource development at business units

To meet the need for qualified employees, every Skanska business unit has its own human resource development programs adapted to its specific needs. Each unit provides a choice of programs aimed at broadening knowledge at all levels. There are also large-scale exchanges of experience between business units in order to learn and benefit from each others' ideas and programs.

In Poland, a Skanska University has been established to bring together 40 different Skanska companies with varying cultures and disciplines. The aim is to create a common knowledge and skills base, as well as a uniform organizational culture consistent with Skanska's philosophy.

Skanska USA Civil, with its geographically far-flung operations, has created programs that focus on increased basic knowledge for new employees. Other programs are adapted to employees who have leadership potential and two to seven years of experience. They are trained in leadership, communications, financing and customer relations. The programs at the highest level are for managers with seven to 15 years of experience, who are trained in such areas as strategy, business development, tender negotiation, scheduling work and cost control.

During 2005, Skanska Norway built up a mentor program aimed at motivating participants for future leadership tasks while helping to develop a strong, positive Skanska culture.

Skanska Sweden started a new Skanska Strategic Program (SSP). This program is based on strategic leadership work and how to control operations through a management team. It is mainly intended for district and staff managers.

During 2005, Skanska Finland focused on building up a trainee program. Its goal is to identify suitable new project managers and enhance Skanska's reputation and attractiveness as an employer.

Skanska UK offers training programs that encompass all categories from newly hired employees to top managers. The results are reported with the help of a balanced scorecard system, where different units report their training progress monthly.

Since 2003, Skanska Latin America has run an annual management program for "young talents" from the whole region,

In Hammarby Sjöstad, a waterfront redevelopment area near central Stockholm, Skanska is building 216 apartments for the SKB residential cooperative organization and Sjöstadsskolan for the City of Stockholm's school building company. Both projects will be completed during 2006.

focusing on leadership, strategic analysis, project management and deeper understanding of Skanska's values and culture.

More women at all levels

To meet the Company's gender equality targets and achieve a better gender balance, Skanska needs more women at all levels, especially in line positions. A company that better reflects the population structure of the surrounding community gains a broader perspective and is thus more competitive. A number of highly capable women are working at project manager level. However, the proportion of women in management is still very low, though it rose from six to seven percent between 2004 and 2005.

Performance-based compensation

Skanska has designed an incentive structure that supports the Company's project-focused working method and its explicit ambition to operate in a socially responsible way, as well as its desire to develop, challenge and retain highly skilled managers and employees. Their performance is measured on the basis of these factors, and the result is used to finally establish the variable portion of Skanska manager salaries.

As one element in the compensation system, Skanska's 2005 Annual Meeting approved a proposal from the Skanska Board of Directors to create a new Share Award Plan for the Company's 300 most senior executives. The program has a clear share-ownership focus and strong incentives for social responsibility, with an emphasis on environmental considerations, sound business ethics and a safe working environment. Management development targets are also incorporated into the program. Allocation of shares in this program only occurs if Skanska's Outperform targets were achieved in the previous year.

Pension issues have become a greater focus of attention both at Skanska and elsewhere. For this reason, the Board has chosen to create a formal structure surrounding the management of the Group's pension plans. During 2005 Skanska thus introduced a global pension policy and established a Group pension committee.

Risk management

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

Projects are Skanska's primary source of revenue. The Company's profitability is dependent on the earnings of individual projects. Unforeseen risks can cause losses. One characteristic of the construction business is that risks and opportunities are not always symmetrical. A well-executed project can mean that the gross margin in the project may increase by a couple of percentage points. A large loss-making project, however, may result in a considerably larger downturn in earnings.

A loss-making project not only results in the absence of profit; it also consumes disproportionately much executive time, while the project is unable to cover its own administrative expenses. Given the traditionally low margins in the business, several profitable projects are thus needed in order to offset a single loss-making project.

In the construction business, operational risks are substantially higher than financial risks. The Company's ability to foresee and manage business risks is crucial in achieving good earnings.

Uniform risk management model

To ensure a systematic and uniform assessment of construction projects, Skanska uses its Operational Risk Assessment (ORA) system for identifying and managing potential risks throughout the Group.

With the help of ORA, Skanska evaluates larger, more risk-exposed construction projects continuously, from tender preparation to completion of the assignment, with regard to technical, legal and financial risks. It also analyzes a number of general "public exposure" issues – among them ethical, social and environmental aspects – in conjunction with planned projects.

Analyses of earlier loss-making projects indicate that such factors as improper choices related to project management and geographic location are often behind poor outcomes. Experience also shows that initial profitability problems tend to worsen rather than to ease over time. The ORA process means that the preparation of tenders is systematized. Possible new projects are analyzed in light of the core strengths of business operationss in terms of expertise, geographic market, contract types and contract size, as well as available project capacity. A survey of this core competence has been made for each unit. Potential projects must match the established expertise profile of a unit.

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

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

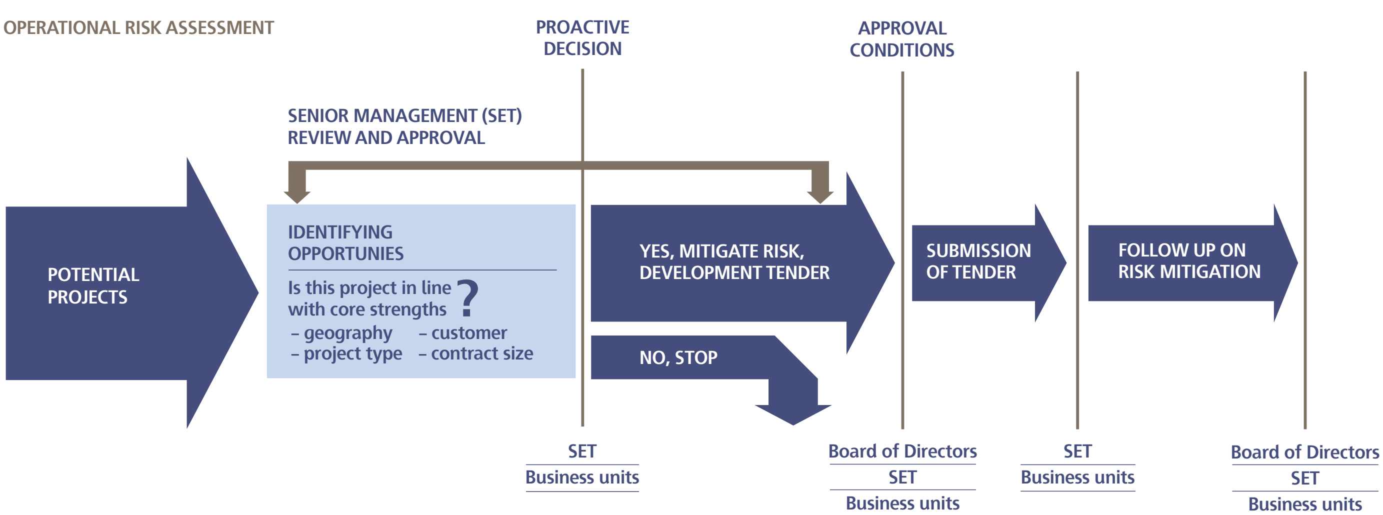
Fewer loss-making projects

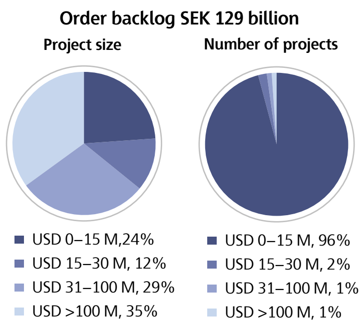
In all types of major projects that continue over a long period, Skanska conducts regular follow-up of its risk assessment. In addition, the Senior Executive Team carries out quarterly reviews of a number of projects, equivalent to about one third of total construction volume. Since systematic risk management work was introduced in 2002, the number of new loss-making projects has declined.

Material price and similar risks

In Skanska's operations there are many different types of contractual mechanisms. The degree of risk associated with the prices of goods and services varies greatly, depending on the contract type. In cases where Skanska works on a cost-plus basis, any price increases are passed directly to the customer. However, in assign-

OPERATIONAL RISK ASSESSMENT





ments for public sector customers, Skanska often has fixed-price contracts. Because projects often continue over long periods, conditions may change. Even if there are sharp price increases on materials or wages, for example, a fixed tender price applies in principle. Certain contracts contain indexing clauses that allow an upward revision of the contract value, equivalent to price increases. But in some geographic markets, there is no such tradition; instead the contractor is bound by the quoted price even if costs increase. To protect itself against such risks, to the greatest possible extent Skanska endeavors to procure materials and approved subcontractors as soon as this is feasible after signing a contract. In most cases, finished agreements are in place as early as the tendering phase and are conditional on Skanska signing a contract with its customer in turn. For some materials such as reinforcement steel, possible savings are limited because Skanska cannot take one-time physical delivery of the quantity required for a project. In such cases, Skanska must expect certain price increases and factor these assumptions into its tender price.

Foreign exchange risks

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

Impact on the Group of a change in SEK against all currencies and a change in USD against SEK, based on 2005 accounts.

	+/– 10%	Of which USD+/– 10%
Revenue	+/–9,633	+/– 4,294
Operating income	+/– 235	+/–28
Equity	+/– 963	+/– 379

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

Interest rate risks

Interest rate risk is the impact on earnings arising from a change in interest rate. Interest-bearing assets exceed interest-bearing liabilities. This means that net financial items are favorably affected by in increase in interest rate. At year-end 2005, the average interest refixing period for interest-bearing assets, SEK 17.0 billion, was 0.1 (0.2) years and on interest-bearing liabilities, SEK 4.2 billion, it was 1.0 (1.3) years. The size of Skanska's interest-bearing pension liability, SEK 2.4 billion (1.0) is largely connected to the interest rate on long-term central government debt. An increase or decrease in long-term interest rates leads to an increase or decrease in pension liability. Such changes are recognized directly in the equity of the Group (see Note 29).

Interest-bearing liabilities and assets

SEK bn	Dec. 31, 2005	Dec. 31, 2004
Interest-bearing gross liabilities	–5.9	–5.2
Liquid assets and interest-bearing receivables	17.0	12.4
Interest-bearing net receivable/debt	11.1	7.2

Refinancing risks and liquidity

Refinancing risk is the risk caused by lack of liquidity or by difficulty in obtaining or rolling over external loans. At year-end 2005, the Group's unutilized credit facilities totaled SEK 6.1 billion (5.6) and the average maturity of the borrowing portfolio was 2.7 (3.0) years.

A group of Skanska Norway residential builders planning a new project in Oslo. From the left: Kristian Andresen, Lise Bergflødt, Tor Aksel Bjørnsen and Svein Nilsebakken

Share data

- Skanska's market capitalization totaled SEK 33.4 billion at the end of 2005.
- Skanska's share price rose by 52 percent to SEK 121.00 during the year.
- Average volume per trading day rose by 14 percent to 1,917,123 shares.
- The proposed dividend for 2005 is SEK 4.50 plus an extra dividend of SEK 2.00 per share.

Skanska's Series B shares are quoted on the A list of Stockholmsbörsen (the Stockholm Stock Exchange) under the SKAb symbol in round lots of 200 shares. Current price information is available on Skanska's website, www.skanska.com (click on "Investors"), in the Reuter system under the SKAb.ST symbol and in the Bloomberg system under the SKAB SS symbol. At the end of 2005, there were a total of 418,553,072 shares outstanding, with a par value of SEK 3 per share. Of the shares outstanding, 22,554,063 were Series A shares with 10 votes apiece and 395,999,009 were Series B shares with one vote apiece. Of the shares in circulation, Series B shares accounted for 94.6 percent of capital stock and 63.7 percent of voting power. The number of Skanska shares traded on Stockholmsbörsen in 2005 totaled 485,032,158 (426,843,443), at a value of SEK 46.2 billion (28.8). The average volume per trading day amounted to 1,917, 123, an increase of 14 percent from the average volume of 1,687,128 shares during 2004. Trading volume during 2005 was equivalent to 122 (109) percent of all Series B shares outstanding at the end of the year.

Skanska share history

	2005	2004	2003	2002	2001
Year-end market price, SEK	121.00	79.75	63.50	51.00	68.50
Year-end market capitalization, SEK bn	50.6	33.4	26.6	21.3	28.7
Average shares for the year, million	418.6	418.6	418.6	418.6	420.0
Shares outstanding at year-end, million	418.6	418.6	418.6	418.6	418.6
Highest share price during the year, SEK	125.5	83.75	65.00	83.50	106.40
Lowest share price during the year, SEK	79.0	57.50	38.10	41.20	57.00
Yield, percent[1]	5.4[2]	5.0[2]	4.7	3.9	4.4

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

Changes in shares outstanding (millions) and capital stock

Year and event	Reduction	Stock dividend	New share issue	Shares-outstanding	Par value of capital stock SEK M
1991 1:1	–	63.0	–	125.9	1,259.2
1994 conv.	–	–	–	125.9	1,259.2
1997 redemption 1:10	–12.0	–	–	113.9	1,366.3
2001 cancellation of repurchased shares	–9.2	–	–	104.7	1,255.7
2001 split 4:1	–	314.0	–	418.6	1,255.7

The largest shareholders in Skanska AB, holdings on December 31, 2005

Shareholders	Series A shares	Series B shares	% of capital stock	% of votes
AMF Pension and AMF Pension Funds	0	32,775 500	7.8	5.3
Industrivärden (investment company)	15,000,000	17,300,000	7.7	26.9
Robur mutual funds	0	14,571,016	3.5	2.3
SHB/SPP mutual funds	0	11,279,724	2.7	1.8
Alecta (retirement insurance)	0	7,850,000	1.9	1.3
State of New Jersey Pension Fund	0	6,800,000	1.6	1.1
Nordea mutual funds	0	6,524,489	1.6	1.0
SEB mutual funds	0	6,471,910	1.5	1.0
Second Swedish National Pension Fund	0	5,721,265	1.4	0.9
Svenska Handelsbanken (SHB)	2,000,000	3,453,288	1.3	3.8
10 largest shareholders	**17,000,000**	**112,747,192**	**31.0**	**45.5**
Other shareholders in Sweden	5,467,515	177,418,780	43.7	37.3
Other shareholders abroad	86,548	105,833 037	25.3	17.2
Total	**22,554,063**	**395,999,009**	**100.0**	**100.0**

Source: SIS Ägarservice.

Share performance

During 2005 the market price climbed by 52 percent to SEK 121.00 per share as the final price paid for the year. The overall market capitalization of Skanska thus rose during the year to SEK 50.6 billion. The highest price paid for a Skanska share was SEK 125.50 on November 23. The lowest price paid was SEK 79.00 on January 25, February 18 and February 21. The all share index – formerly called SAX, now OMX Stockholm_PI (OMXSPI) – rose by 32.6 percent. The Dow Jones Titans Construction Index, which includes Skanska, rose by 15.0 percent. Skanska's Series B shares are also included in the Dow Jones Sustainability Index and the Dow Jones Stoxx 600.

Ownership changes

At the close of 2005, the number of shareholders totaled 85,438 (80,685). The proportion of capital stock owned by Swedish share-

Transfers of capital to Skanska's shareholders

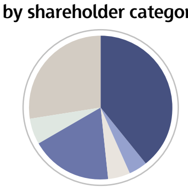
	Total	2006	2005	2004	2003	2002
Regular dividend per share, SEK		4.50[1]	4.00	3.00	2.00	3.00
Extra dividend, SEK		2.00[1]	-	-	-	-
Total dividend, SEK		**6.50**	**4.00**	**3.00**	**2.00**	**3.00**
Total, SEK billion	**7.8**	**2.7**	**1.7**	**1.3**	**0.8**	**1.3**

1 Proposed by the Board of Directors

Shares by category on December 31, 2005

Category	No. of shares	% of capital	% of votes
A	22,554,063	5.4	36.3
B	395,999,009	94.6	63.7
Total	**418,553,072**	**100**	**100**

Percentage of capital stock by shareholder category



- Swedish companies and institutions, 39%
- Relief and interest organizations, 4%
- Public sector, 5%
- Private individuals in Sweden, 18%
- Other shareholders in Sweden, 6%
- Shareholders abroad, 27%

Source: VPC

holders declined during the year from 73.5 percent to 73.1 percent, and their share of voting power from 83.5 percent to 81.7 percent. Of foreign shareholders, U.S. residents made up the largest group, with about 58 million shares representing some 14 percent of capital stock.

Of Swedish shareholders, institutional owners accounted for 53 percent, while 25 percent was owned directly by individuals. As the table on page 48 indicates, AMF Pension together with AMF Pension Funds hold the largest proportion of capital stock, 7.8 percent. AB Industrivärden has the most votes, with 26.9 percent of total voting power. The "free float" in Skanska's shares is regarded as making up 100 percent of the number of Series B shares outstanding.

Dividend policy

Future earnings are expected to support growth in operations as well as growth in the regular dividend. It is expected that the payout ratio can be at least 50 percent.

Dividend

The Board of Directors proposes a dividend of SEK 4.50 (4.00) per share plus an extra dividend of SEK 2.00 per share, for a total payout of SEK 2,721 M (1,674).

Total return

The total return on a share is calculated as the change in share price, together with the value of dividends. During 2005, the total return on a Skanska share amounted to 59 percent. Stockholmsbörsen's SIX Return Index rose by 36 percent during the year. During the five-year period January 1, 2001 to December 31, 2005, the total return on a Skanska share amounted to 54 percent. During the same period, the SIX Return Index rose by 21 percent.

New share issue and repurchase

The 2005 Annual Shareholders' Meeting approved a Share Award Plan covering the 300 highest executives in the Group. In December 2005, Skanska's Board of Directors approved an issue and a repurchase offer for 4,500,000 new Series D shares for the purpose of ensuring delivery of Series B shares to the above share incentive program. All Series D shares were issued in January 2005 to Nordinvest AB, a wholly owned subsidiary of AB Industrivärden. Later the same month, Skanska carried out a repurchase of the same shares.

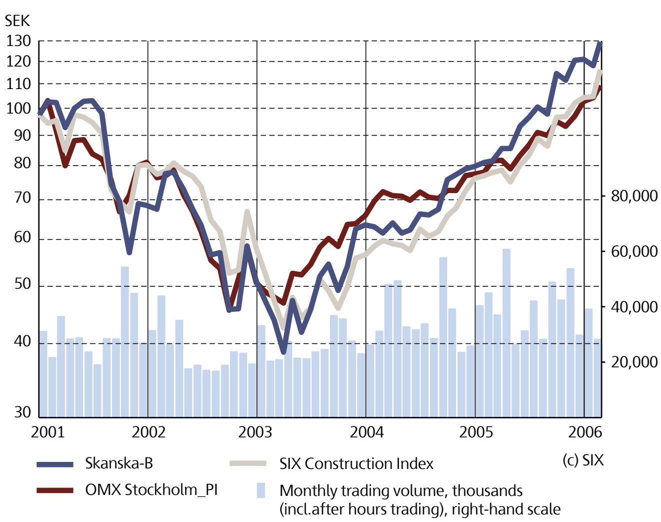
The purpose of the repurchase is to convert Series D shares to Series B shares as needed for delivery in accordance with the Share Award Plan and to cover administrative expenses, social insurance contributions and corresponding taxes that may arise due to the Plan. After the repurchase, Skanska holds 4,500,000 of its own Series D shares.

Major listed construction companies

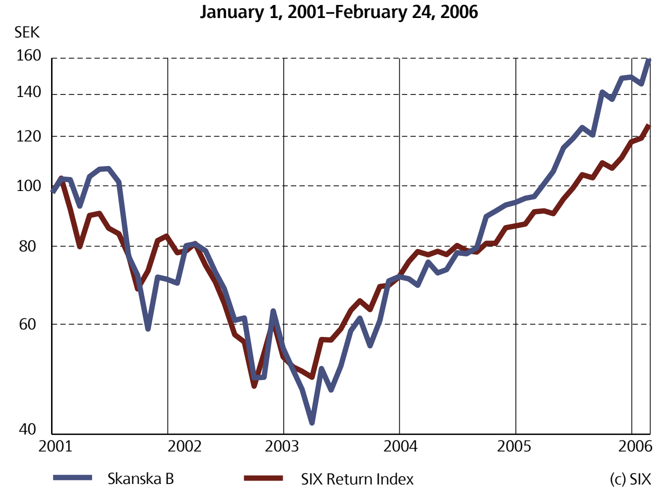
	Absolute return 2005, %	Total return 2005, %	Total return 2001-2005, %	Market capitalization, SEK bn	Net sales, SEK bn[1]	Income after financial items, SEK bn[1]	Return on equity, %[1]	Return on capital employed, %[1]
AMEC (United Kingdom)	16	21	18	15.6	62.6	1.2	8.2	10.8
ACS (Spain)	62	65	252	90.2	100.1	6.1	21.9	13.7
Balfour Beatty Plc (United Kingdom)	13	16	205	21.9	47.1	2.0	49.2	10.7
Bilfinger & Berger (Germany)	33	38	221	13.9	49.6	0.8	4.6	4.1
FCC (Spain)	35	40	167	58.7	57.4	4.9	19.0	15.7
Ferrovial (Spain)	49	51	368	77.1	66.3	6.4	24.7	6.8
Fluor Corp. (United States)	42	47	153	53.2	68.9	1.9	14.0	16.7
Hochtief (Germany)	58	62	113	24.9	109.0	1.7	2.7	4.1
NCC (Sweden)	64	87	187	15.5	45.4	0.8	12.7	9.0
Royal BAM Group (Netherlands)	92	98	159	16.3	57.9	1.0	13.0	13.8
Skanska (Sweden)	**52**	**59**	**54**	**50.6**	**121.3**	**4.3**	**20.6**	**19.9**
VINCI (France)	47	51	157	134.0	178.2	11.2	23.2	9.8

1 All figures are from 2004.
According to Reuters Company Views

Skanska share price movement, January 1, 2001–February 24, 2005



Total return of Skanska shares compared to the SIX Return Index, January 1, 2001–February 24, 2006



Report of the Directors

The Board of Directors and the President of Skanska AB hereby submit their report on the operations of both the Company and the Group in 2005.

The Group's operations continued to perform favorably during the year. Construction operations showed improved margins. Residential Project Development operations showed improved margins on higher sales volume and showed a return on capital employed of nearly 24 percent. The Group also made good capital gains on divestments of fully developed properties in Commercial Project Development.

The process of creating a more focused structure continued during the year. Residential Project Development in the Nordic countries was gathered into a common organization. The new unit, Residential Development Nordic, embraces all residential project development in Sweden, Finland, Denmark and Norway. This new organization will enable the Group to make better use of its collective expertise for coordinated development of these operations.

Privately financed infrastructure is an important and growing part of Skanska's core business. There is a continued growth of interest in public-private partnership solutions in the Group's home markets.

The task of streamlining Groupwide processes is continuing. One important part of this task is to streamline purchasing operations. About 70 percent of costs in Construction operations consist of purchases of goods and services, which implies that more efficient purchasing operations offer significant savings potential.

Market

The market situation was stable in most of the Group's home markets.

In commercial and industrial construction, the market stabilized. The market for construction of commercial buildings in the United States was good in the healthcare and educational sectors. In the United Kingdom, the volume of public-private partnership (PPP) projects remains large. In other segments of importance to Skanska, British construction volume was low. Construction investments in the Czech Republic rose after a first half without growth. The trend of commercial building construction in the Nordic countries was cautiously positive, which was also true of the Polish market.

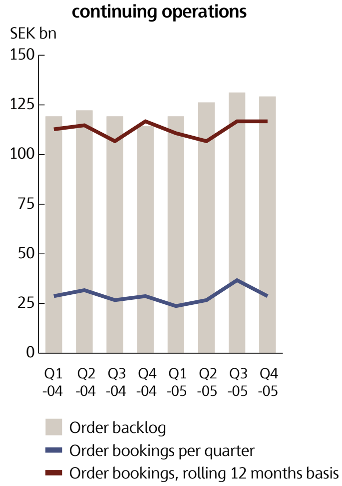
The trend of the Norwegian civil construction market remained positive, driven by projects for the oil industry as well as infrastructure investments in highways. In Finland, civil construction increased. The Czech Republic and Poland showed continued growth, among other things due to EU membership. In Sweden, the civil construction market was cautiously awaiting the government's promised infrastructure investments. Civil construction in the U.S. remained at a low level. There was keen competition for projects. In Latin America, the market for electrical power projects and projects in the oil and gas industries was good. Residential construction remained at a high level in Finland and Norway. In the Czech Republic, the housing market began to show signs of oversupply. In Sweden, residential construction rose. The often lengthy planning process remained a constraining factor in a number of markets.

Vacancy rates in the Scandinavian and Central European office markets declined somewhat during the year. Leasing activity rose, and both in Scandinavia and in Central Europe there is continued good demand from the investment market for properties with efficient space in the right locations.

Order bookings

The Group's order bookings declined by 4 percent to SEK 117,097 M (121,903). Excluding currency rate effects of SEK 3,285 M, the decline amounted to 7 percent. During the comparative year, order bookings were included until the respective divestment date of the businesses that were sold. The currency rate effect was attributable to the weakening of the Swedish krona against virtually all other currencies during the year.

Order bookings and backlog, continuing operations



Order bookings in continuing operations amounted to SEK 116,562 M (116,615), including positive currency rate effects of SEK 3,285 M. Excluding currency rate effects, the decline was 3 percent. Order bookings rose in Norwegian, Danish, Finnish, Polish and British construction operations and in Skanska USA Civil, while other construction operations declined or showed largely unchanged order bookings compared to the previous year.

Among major orders received was an assignment to plan, design and extend the M1 motorway in the United Kingdom, with Skanska's share amounting to SEK 1.3 billion. Skanska also signed an eight-year partnering agreement related to replacement of the network of gas distribution mains in north London. Skanska's total commitment over an eight-year period is valued at SEK 2.6 billion. In Scotland, Skanska received a contract to modernize two prisons, an assignment worth SEK 740 M.

Skanska Czech Republic received two large railroad contracts worth a total of about SEK 1 billion. In Norway, Skanska was awarded an order worth SEK 600 M to construct, modernize and operate Norway's first two schools built in a public-private partnership, as well as a SEK 660 M contract for a sunken tunnel in Oslo.

In Sweden, Skanska received an assignment valued at nearly SEK 1 billion for an expansion of the Forum Nacka shopping mall outside Stockholm.

In Brazil, Skanska signed a contract related to the construction of a coking unit at an oil refinery worth about SEK 1 billion.

During the year, Skanska received a number of large assignments in its American civil construction business, Skanska USA Civil. These included a contract to design and build twin high-level bridges over Escambia Bay in Pensacola, Florida. Skanska's portion of the contract totals about SEK 1 billion. The same unit also landed major contracts in the New York City area.

Skanska USA Building was named construction manager for the expansion and renovation of a medical center in San Jose, California, with a contract value of SEK 540 M. Other large construction management assignments included a new headquarters for Verizon Communications, with a contract value of more than SEK 700 M.

An increasingly attractive form of procurement is public-private partnerships, for which a number of large contracts were signed during 2005. Together with a consortium partner, Skanska signed a contract to finance, design, construct and manage the facilities at three hospitals in Nottinghamshire, United Kingdom in that country's Private Finance Initiative sector. These contracts mean that Skanska is committed to investing about SEK 200 M in the consortium that owns the project. The concession period is 32 years. The agreement includes a construction contract worth about SEK 4 billion plus maintenance contracts worth about SEK 40 M per year covering the construction and concession periods.

The A1 highway in Poland is another project being carried out in a public-private partnership. Skanska is leading the consortium that has signed the concession agreement, which runs until 2039, with full responsibility for financing, constructing and operating a 90 km (56 mi.) long stretch of highway. Skanska's share in the ownership consortium is 30 percent, and Skanska's investment in the project totals about SEK 94 M. Skanska Poland is leading the joint venture that will perform the construction assignment, in which Skanska's share of the contract is some SEK 3.7 billion.

Skanska is also part of a consortium that has been chosen to build a portion of the E18 highway in Finland. The project consists of about 51 km (32 mi.) of the final construction phase of the highway between Turku and Helsinki. This project, too, is being implemented as a public-private partnership. The total project amount is estimated at SEK 6.5 billion, of which the construction cost will be about SEK 2.8 billion. Payment to the consortium will be based on availability and road safety. The highway will open for service in November 2008. The contract period is 21 years from the opening of the road.

Order backlog

At year-end 2005, the Group had an order backlog of SEK 128,743 M (113,740), equivalent to an increase of 13 percent. The increase included positive currency rate effects of SEK 13,624 M, equivalent to 12 percent. In continuing operations, order backlog rose by 13 percent to SEK 128,572 M (113,498). The currency rate effect totaled 12 percent, equivalent to SEK 13,624 M. U.S., Nordic and other European operations accounted for 43, 25 and 29 percent of order backlog, respectively. The other 3 percent was attributable to Skanska Latin America and Skanska International Units.

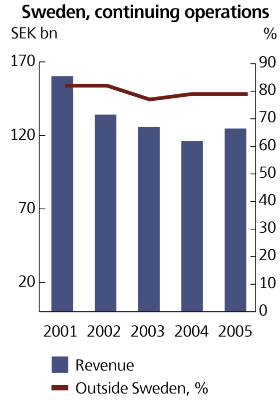
Order bookings and backlog

	Order bookings		Order backlog	
SEK M	**2005**	**2004**	**2005**	**2004**
Sweden	22,087	23,039	16,004	15,485
Norway	11,353	10,195	8,631	7,371
Denmark	3,902	3,518	2,172	2,157
Finland	9,082	7,316	5,879	4,854
Poland	7,625	4,559	7,143	3,844
Czech Republic	8,567	12,910	12,493	13,047
United Kingdom	13,815	10,850	17,412	13,318
USA Building	23,158	29,699	36,663	36,577
USA Civil	13,179	8,242	18,381	12,116
Latin America	3,080	3,924	3,138	2,885
Skanska International Units	705	1,756	656	1,844
Other	9	607	0	0
Total continuing operations	**116,562**	**116,615**	**128,572**	**113,498**
Discontinued operations	535	5,288	171	242
Skanska Group	**117, 097**	**121,903**	**128,743**	**113,740**

Revenue

Revenue rose to SEK 124,667 M (121,263), up 3 percent. The increase consisted of positive currency rate effects. In continuing operations, revenue rose by 7 percent to SEK 124,106 M (116,257). Excluding currency rate effects, it rose 4 percent to SEK 120,854 M.

Revenue and percentage outside Sweden, continuing operations



Revenue

SEK M	Jan-Dec 2005	Jan-Dec 2004
Revenue		
Construction	115,955	107,977
Residential Project Development	6,113	5,814
Commercial Project Development	5,075	5,584
Infrastructure Development	53	33
Central and eliminations	–3,090	–3,151
Continuing operations	**124,106**	**116,257**
Discontinued operations	561	5,006
Skanska Group	**124,667**	**121,263**

Income

Gross income

Gross income, SEK 11,265 M (9,557) included income from operating activities as well as capital gains from divestments of commercial and residential project development properties. It also included impairment losses in project development operations and loss provisions in ongoing projects as well as certain restructuring expenses.

Selling and administrative expenses fell to SEK 6,686 M (6,951). The action programs that were initiated earlier in order to reduce overhead, as well as divestments of businesses, were factors contributing to the decrease.

The gain from divestments of businesses amounted to SEK 184 M (1,587).

Skanska's income from its holdings in joint ventures and associated companies mainly included its share of income from Infrastructure Development operations.

Operating income

SEK M	Jan-dec 2005	Jan-dec 2004
Operating income		
Construction	2,871	1,512
Residential Project Development	611	528
Commercial Project Development	1,740	1,617
Infrastructure Development	–9	31
Central	–342	–360
Eliminations	–73	46
Continuing operations	**4,798**	**3,374**
Discontinued operations		
- operating income	18	–600
- income from divestments	184	1,587
Operating income	**5,000**	**4,361**
Net interest items	171	–48
Change in market value	19	–
Other financial items	–70	14
Net financial items	**120**	**–34**
Income after financial items	**5,120**	**4,327**
Taxes	–1,230	–1,141
Profit for the year	**3,890**	**3,186**
Profit for the year attributable to		
Equity holders (shareholders)	3,879	3,173
Minority interest	11	13
Earnings per share for the year	9.27	7.58

Operating income

Operating income amounted to SEK 5,000 M (4,361), of which continuing operations accounted for SEK 4,798 M (3,374).

Operating income in **Construction** rose to SEK 2,871 M (1,512). The trend of earnings in Construction was positive in most of the Group's markets, and the overall operating margin reached 2.5 percent for the full year. Sweden, Norway, Latin America and the United Kingdom enjoyed good margins. USA Building showed a strong recovery, with a positive operating margin. Skanska USA Civil is unfortunately weighed down by its California operations, Yeager Skanska, where nonrecurring expenses plus operating losses totaling SEK 474 M were charged to earnings. Other construction operations showed a stable operating margin, except Denmark and Finland, which reported somewhat lower margins.

Residential Project Development reported an increase in operating income to SEK 611 M (528). The operating margin in the business stream rose to 10.0 (9.1) percent. The housing market remained strong, and all units except the one in the Czech Republic showed improved operating income. The toughening market situation resulted in somewhat lower operating income in Czech residential operations.

Commercial Project Development reported higher operating income, SEK 1,740 M (1,617) as a consequence of larger divestments of commercial projects. However, rental income declined as a consequence of the reduction in the property portfolio compared to previously. A number of major fully developed properties were sold. Property divestments totaled a sale price of about SEK 4 billion, with capital gains of SEK 1.6 billion. Property divestments occurred at prices averaging 11 percent above the appraised market values at the end of 2004. These transactions followed Skanska's strategy of maintaining high turnover in its real estate portfolio by divesting fully developed properties as well as investing in new development projects.

The two properties Atrium Plaza and Atrium Centrum in central Warsaw were sold during 2005. Purchase price amounted to SEK 799 M; the gain was SEK 178 M.

In the Copenhagen region, Skanska sold the Kalvebod Brygge and Peblingehus properties in Copenhagen as well as Baltorpsvej in Ballerup for a total of SEK 870 M. The capital gain amounted to SEK 225 M. Four properties were sold in the Stockholm region. The purchase price was about SEK 1,100 M, with a capital gain of SEK 555 M.

Infrastructure Development
The Infrastructure Development business stream develops and invests in privately financed projects in cooperation with Skanska's construction units. Infrastructure Development is part owner of 18 projects, of which 10 are in operation.

At year-end 2005, the book value of shares, participations and subordinated receivables in the business stream totaled about SEK 1.9 billion, plus an investment related to the highway concession in Santiago, Chile amounting to SEK 0.5 billion. The remaining investment obligations were related to ongoing projects amounted to about SEK 0.5 billion (0.7).

Operating income in Infrastructure Development totaled SEK -9 M (31). The lower income was an effect of such factors as increased selling and administrative expenses, since these operations are growing.

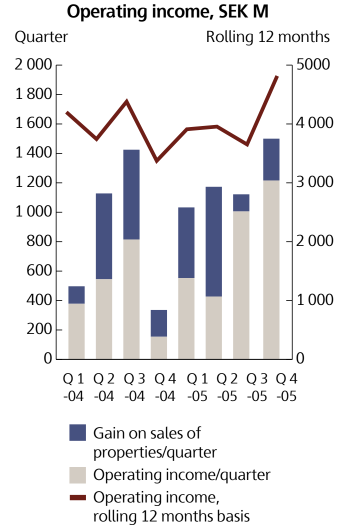
Corporate overhead totaled SEK -342 M (-360). **Eliminations of intra-Group** profits amounted to SEK -73 M (46). This item included a reversal of previously carried out eliminations of real estate projects totaling SEK 75 M, eliminations of intra-Group profits related to Infrastructure Development projects in a net amount of SEK -147 M, plus other eliminations of SEK -1 M.

The item **discontinued operations**, SEK 202 M (987) included both capital gains from divestments of businesses and operating income from discontinued operations.

Income after financial items

Net interest items improved as a consequence of Skanska's strengthened financial position and amounted to SEK 171 M (-48). Capitalized interest expenses in ongoing projects for Skanska's own account amounted to SEK 28 M (39). The net amount of changes in the market value of financial instruments totaled SEK 19 M (-). Other financial items amounted to SEK -70 M (14) and mainly consisted of currency rate effects plus various financial fees, especially related to Skanska Latin America.

Operating income, SEK M



Profit for the year

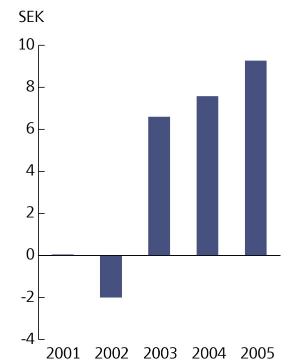
After subtracting the year's tax expenses of SEK -1,230 M (-1,141), profit for the year attributable to equity holders amounted to SEK 3,879 M (3,173). The effective tax rate was 24 (26) percent. This comparatively low tax rate is mainly explained by certain divestments of businesses with low or no taxes and by a positive tax effect from the discontinuation of foreign subsidiaries.

Residential Project Development, Commercial Project Development and other commercial properties

Residential Project Development

At year-end, there were about 5,500 (6,400) residential units under construction, of which 78 (73) percent were pre-sold. The number of unsold completed residential units was 148 (299). During the year, construction started on 3,931 (4,314) units. The number of residential units sold was 4,536 (4,474).

Earnings per share



The book value of current-asset properties in Residential Project Development totaled SEK 3.3 billion (3.3). Of this amount, undeveloped land and development properties mainly for housing construction totaled SEK 2.4 billion (2.0). This represented building rights for about 17,500 residential units. There were also 3,100 building rights in associated companies. In addition, Skanska has options for 8,500 more building rights.

Commercial Project Development

At year-end 2005, Commercial Project Development had seven projects underway and one completed project, with a total book value of SEK 0.6 billion (0.4).The seven ongoing projects, six of them in Sweden, represented leasable space of about 110,000 sq. m (1,184,400 sq. ft.) and were 48 percent pre-leased, measured in rent. In addition to these projects, during 2005 four projects were sold before completion, with a pre-leasing level of 100 percent on the date of sale.

At the end of the year, the book value of the seven ongoing projects amounted to SEK 0.4 billion (0.2). Their book value upon completion is expected to total SEK 1.8 billion, with an estimated market value of SEK 2.2 billion.

Expected yield, based on book value, was estimated at about 8 percent.

Operating net for completed commercial space amounted to SEK 350 M (504), which was equivalent to an operating net margin of about 59 (62) percent.

Skanska's estimate of the market value of finished properties on December 31, 2005, which was partially carried out in collaboration with external appraisers, indicated a market value of about SEK 4.6 billion (6.6). The corresponding book value in the consolidated financial statements was SEK 3.2 billion (4.4).

The occupancy rate in terms of rent was 73 (81) percent.

Including properties that were recognized as completed on January 1, 2006, estimated total market value amounted to some SEK 4.8 billion (6.9), with a corresponding book value of SEK 3.4 billion (4.6). The market value of completed properties rose by about SEK 300 M during 2005, equivalent to 7 percent.

The book value of Skanska's undeveloped land and development properties (building rights) for commercial construction totaled about SEK 2.0 billion (2.4).

Other commercial properties

"Other commercial properties" are part of the Construction business stream. Here the gain on property divestments amounted to SEK 246 M (150). Book value at year-end was SEK 1,396 M (1,272).

Investments

The Group's investments totaled SEK -6,986 M (-6,765). Divestments totaled SEK 10,631 M (12,534), and the net amount of the Group's investments (-) and divestments (+) was SEK 3,645 M (+5,769).

Investments/Divestments

SEK M	2005	2004
Operations – investments		
Intangible non-current assets	–46	–38
Property, plant and equipment	–1,455	–1,131
Assets in Infrastructure Development	–476	–188
Shares	–3	–6
Current-asset properties	–4,956	–5,266
of which Residential Project Development	–3,181	–3,665
of which Commercial Project Development	–1,135	–1,331
of which other commercial properties	–640	–270
Investments	**–6,936**	**–6,629**

SEK M	2005	2004
Operations - Divestments		
Intangible non-current assets	4	2
Property, plant and equipment	613	635
Assets in Infrastructure Development	35	7
Shares	1	12
Current-asset properties	9,400	9,321
of which Residential Project Development	4,150	4,143
of which Commercial Project Development	4,430	4,645
of which other commercial properties	820	533
Divestments	**10,053**	**9,977**
Net divestments in operations	**3,117**	**3,348**
Strategic Investments		
Acquisitions of businesses	–50	–135
Shares	0	–1
Strategic investments	**–50**	**–136**
Strategic divestments		
Divestments of businesses	537	2,078
Shares	41	479
Strategic divestments	**578**	**2,557**
Net strategic divestments	528	2,421
TOTAL DIVESTMENTS	**3,645**	**5,769**
Depreciation/amortization, non-current assets	–1,073	–1,249

Investments in property, plant and equipment rose to SEK -1,455 M (-1,131). Net investments amounted to SEK -842 M (-496). This item was mainly related to investments in the Construction business stream.

Investments in the form of shares and equity as well as subordinated loans in the Infrastructure Development business stream amounted to SEK -476 M (-188).

In Residential Project Development, net divestments totaled SEK 969 M (478). During the year, fully developed residential projects were sold for SEK 4,150 M (4,143), while investments amounted to SEK -3,181 M (-3,665). Divestment volume was largely unchanged compared to the previous year, while investment volume decreased.

Commercial Project Development carried out net divestments of SEK 3,295 M (3,314). Investments amounted to SEK -1,135 M (-1,331) and divestments were SEK 4,430 M (4,645). Both divestment and investment volume decreased during the year. Net divestments in the business amounted to SEK 3,117 M (3,348).

Net strategic investments/divestments for the year consisted of a divestment of SEK 528 M (2,421).

Companies were acquired at a cost of SEK -50 M (-135), and companies and shares were divested in the amount of SEK 537 M (2,078).

The Group's operating cash flow

Cash flow for the year amounted to SEK 3,638 M (1,921)

Cash flow from business operations decreased somewhat, from SEK 5,786 M to SEK 5,354 M. The decrease was partly explained by negative cash flow effects related to project impairment losses in the United Kingdom and the United States during the fourth quarter of 2004, which adversely affected the change in working capital during 2005. The decrease is also partly explained by about SEK 600 M in taxes paid during the year related to the tax allocation reserves withdrawn during 2004.

In order to achieve uniform accounting for cash and cash equivalents, beginning with 2005 checks issued are being recognized as a reduction in the item "Cash and cash equivalents" only when cashed. This affects operations in the U.S. and the U.K. This reclassification implies an increase of SEK 764 M in interest-bearing net receivables. The effect was included in 2005 cash flow in the amount of SEK 15 M.

The positive cash flow from net strategic investments, SEK 527 M (2,392), was mainly related to divestments of companies and shares.

In addition to cash flow of SEK 3,638 M during the year, liquid assets including reclassifications and exchange rate differences at the beginning of the year amounted to SEK 10,040 M, resulting in liquid assets of SEK 13,678 M at year-end.

Allocation of book value, current-asset properties, December 31, 2005

SEK M	Residential Project Development	Commercial Project Development	Other commercial properties	Total
Completed projects	261	3,157	44	3,462
Ongoing projects	601	599	444	1,644
Development properties and undeveloped land	2,420	2,048	908	5,376
Totalt	**3,282**	**5,804**	**1,396**	**10,482**

Commercial Project Development

SEK M	Book value December 31	Book value upon completion	Market value Dec 31, 2005	Occupancy rate, %
Completed properties	3,157	3,157	4,577	73
Projects completed in 2005	217	217	262	99
Ongoing projects	382	1,756	2,185	48
Total	**3,756**	**5,130**	**7,024**	
Development properties and undeveloped land	2,048			
TOTAL	**5,804**			

The Group's operating cash flow

SEK M	2005	2004
Cash flow from operating activities before change in working capital	3,313	1,983
Change in working capital	456	1,519
Net investments in operating activities	3,117	3,348
Adjustments in payment dates of net investments	–57	–53
Taxes paid in operating activities	–1,475	–1,011
Cash flow from business operations	**5,354**	**5,786**
Net interest items and other financial items	–120	–34
Taxes paid in financing activities	36	10
Cash flow from financing activities	**–84**	**–24**
Cash flow from operations	**5,270**	**5,762**
Net strategic investments	528	2,421
Taxes paid on strategic investments	–1	–29
Cash flow from strategic investments	**527**	**2,392**
Dividend etc	–1,675	–1,288
Cash flow before change in Interest-bearing receivables And liabilltles	**4,122**	**6,866**
Change in interest-bearing receivables and liabilities	–484	–4,945
CASH FLOW FOR THE YEAR	**3,638**	**1,921**
Liquid assets, January 1	8,868	7,037
Reclassifications in liquid assets	751	0
Exchange rate differences in liquid assets	421	–90
Liquid assets, December 31	**13,678**	**8,868**

Financing and liquidity

At year-end 2005, the Group had interest-bearing net receivables amounting to SEK 11,111 M (7,229). Net interest items, before taking into account capitalized interest, amounted to SEK 107 M (-87). The change is mainly attributable to the sharp increase in interest-bearing receivables.

Interest-bearing assets rose to SEK 16,975 M (12,421). Of these, receivables in foreign currencies accounted for 61 (48) percent. The average interest refixing period for all of the Group's interest-bearing assets was 0.1 (0.2) year, and the interest rate averaged 2.42 (2.62) percent.

Change in interest-bearing assets and liabilities

SEK M	Jan–Dec 2005	Jan–Dec 2004
Net receivables (+) /Net debt (-), opening balance	**7,229**	**150**
Adjustment to IFRS		287
Net receivables (+) /Net debt (-), opening balance in compliance with IFRS	**7,229**	**437**
Cash flow from operating activities	5,354	5,786
Cash flow from financing activities excluding changes in interest-bearing liabilities and receivables	–84	–24
Cash flow from strategic investments	527	2,392
Dividend etc.	–1,675	–1,288
Acquired/divested interest-bearing liabilities	219	123
Exchange rate difference	120	304
Change in pensions in compliance with IAS 19	–1,471	–590
Other reclassifications	992	131
Other changes	–100	–42
Net receivables (+) /Net debt (-), closing balance	**11,111**	**7,229**

The Group's interest-bearing liabilities rose to SEK 5,864 M (5,192). The average interest refixing period for all interest-bearing liabilities excluding pension liability was 1.0 (1.3) years, and the average maturity amounted to 2.7 (3.0) years.

The average interest rate for all Group interest-bearing liabilities excluding pension liability amounted to 4.38 (4.11) percent at year-end. The proportion of loans in foreign currencies, after taking derivatives into account, increased to 31 (28) percent.

At year-end, the Group's unutilized credit facilities amounted to SEK 6,071 M (5,610).

For a description of financial policies and risks, see Note 6.

Return on capital employed

At the end of 2005, the Group's capital employed was SEK 24,451 M (21,560).

Return on capital employed increased from 19.9 to 23.3 percent.

Return on equity

At the end of 2005, the Group's equity amounted to SEK 18,587 M (16,368). Return on equity rose to 22.4 (20.6) percent.

Aside from profit for the year, the change in equity is explained in part by disbursement of a dividend to the shareholders of SEK 1,674 M and in part by positive currency translation differences of SEK 1,135 M as well as the impact of applying an alternative accounting method in compliance with IAS 19, "Employee Benefits" for pensions, totaling SEK -1,190 M.

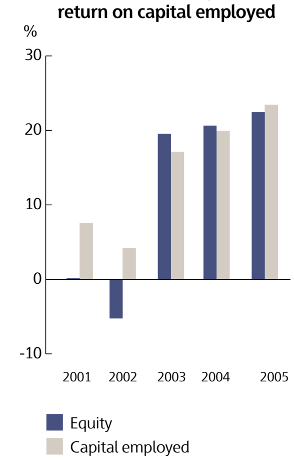
Discontinued operations

Revenue in discontinued operations amounted to SEK 561 M (5,006) during the year, with an operating income of SEK 202 M (987).

The structured divestment process related to a number of specialized companies, primarily in Skanska Sweden, was essentially completed during 2005.

Skanska Prefab Mark, which manufactures and sells prefabricated concrete products for paving and water/wastewater systems, was sold during the second quarter. The purchase price was about SEK 340 M. The divestment resulted

Return on equity and return on capital employed



in a capital gain of about SEK 180 M. The company has some 260 employees and reported 2004 sales in the range of SEK 400 M.

The part of Skanska Prefab that manufactures and sells frame systems for construction of buildings is not part of the divestment but will continue its operations under the name Region Frame Systems within Skanska Sweden.

A binding agreement on the divestment of Skanska Modul AB and its subsidiaries was signed during the fourth quarter. The Skanska Modul Group manufactures, leases and sells mobile modular buildings that are used as temporary offices, day care centers, schools and construction sheds. The purchase price for the debt-free company amounted to about SEK 360 M and resulted in a small gain. The company, with about 200 employees, has sales in the range of SEK 480 M.

Amount included in 2005 accounts:

SEK M	Revenue	Operating income	Capital gain	Total
Skanska Prefab Mark	59	–3	180	177
Skanska Modul	373	77	4	81
	432	**74**	**184**	**258**

Accounting principles and changes in accounting practices

As a listed company operating in a European Union member country, beginning with 2005 the Group must fully comply with the International Financial Reporting Standards (IFRS) that have been adopted by the European Commission. The comparative year 2004 is also reported in compliance with IFRS. Accounting practices, differences from earlier Swedish generally accepted accounting practices (GAAP) and a detailed presentation of their financial effects as well as recalculated comparative figures are provided in Note 3.
In conjunction with the transition to IFRS, acquired goodwill amounting to SEK 428 M

was reallocated from the Construction business stream to the Residential Project Development business stream.

Effective from January 1, 2005, Skanska has also changed its principle for reporting of contingent liabilities.

Effective from January 1, 2005, changes in fair values of financial instruments are recognized at fair value through profit or loss. The total effect on income of currency derivatives, attributable to financial operations, is recognized either as financial income or as a financial expense. The same is true of the effect on income of change in the value of interest rate swaps. The fair value of the instruments is recognized in the balance sheet as a non-interest-bearing asset or as a non-interest-bearing liability.

The International Accounting Standards Board (IASB) has amended International Accounting Standard (IAS) 19, "Employee Benefits," which has made possible an alternative treatment of actuarial gains and losses in defined-benefit pension plans (see separate section below).

Pension obligations

The International Accounting Standards Board (IASB) has amended IAS 19, "Employee Benefits," which has also been adopted by the EU, thereby making possible an alternative treatment of surpluses and deficits in defined-benefit pension plans. This alternative rule implies that actuarial gains and losses are recognized directly in the balance sheet and thus do not give rise to any effect on earnings. The consequence of the alternative method will be that future changes in actuarial assumptions, both positive and negative, will have an immediate effect on reported equity and interest-bearing net receivables/liabilities. Skanska has decided to apply this alternative method. The adjustment means that interest-bearing pension liabilities rose by SEK 2.1 billion and Group equity was reduced by about SEK 1.6 billion, taking deferred taxes and social insurance contributions into account.

The increase in pension liabilities was allocated between actuarial gains and losses amounting to SEK 1.5 billion in 2005 and SEK 0.6 billion in 2004, respectively. The increase was mainly due to lower long-term interest rates and changed benchmark interest rates and was partly offset by actuarial gains on plan assets.

Changed assumptions, primarily a lower discount rate, imply that the pension obligation, calculated in terms of present value, will be higher. The current service cost is allocated on a straight-line basis during employees' periods of service, resulting in an increased future annual charge to earnings of about SEK 100 M, given an unchanged discount rate.

Alleged cartel activities

As a result of the Swedish Competition Authority's investigation of a number of companies, among them Skanska, concerning alleged collusive anti-competitive practices related to contract tenders for asphalt and paving contracts, in March 2003 the Competition Authority filed suit against 11 companies with asphalt operations, among them Skanska. The suit originally requested total fines of SEK 1.6 billion for alleged infringements of the Swedish Competition Act, of which Skanska's share was SEK 664 M. In conjunction with oral preparations for the case at Stockholm City Court, the Competition Authority adjusted its request downward to SEK 1.2 billion, of which SEK 557 M is related to Skanska. Skanska has denied the Authority's allegations. The case is unusually extensive. In the opinion of the City Court, the main hearings can begin during autumn 2006.

In Norway and Finland as well, investigations by competition authorities are underway concerning Skanska's possible involvement in anti-competitive activities in the asphalt and civil construction sector. In Norway, no requested amount has been presented yet. The amount of infringement fines requested totals about SEK 100 M in Finland. Skanska denies the alleged infringements. Great uncertainty characterizes the outcome of these legal actions.

Skanska and another company suspected of having participated in cartel activities in Sweden have been sued by a number of Swedish municipalities that maintain that they have suffered damage in procurements alleged to have been the object of collusion of cartels between contractors. Skanska has been sued for a total of SEK 57 M. Skanska denies the allegations.

In December 2005, Slovakia's competition authority announced a decision concerned alleged pricing collusion in tendering for a road project. The fine in Skanska's case is SEK 58 M. Skanska denies the allegations and has appealed the decision.

Research and development

The purpose of the research and development pursued by Skanska is to develop knowledge platforms and disseminate know-how in order to satisfy all the needs of Skanska's business.

This task includes a number of disciplines, with a focus on:

- Building up strategic knowledge networks, both internal and external, to back up projects.
- Generating knowledge as a basis for new products, systems and business operations.
- Creating a better understanding of materials, products or processes in order to increase industrialization and/or cost savings.
- Identifying future needs and trends, internally and externally.
- Disseminating interesting findings and developed knowledge to Skanska's projects and personnel.

Research is primarily headed by the development manager of each respective business unit, with back-up from adjunct professors and doctoral students who divide their working time between Skanska and a university. This methodology yields benefits in the form of a broad external network where colleagues at universities can disseminate their knowledge and, above all, recommend external experts for specific issues, such as:

- improving the indoor environment in buildings with respect to acoustics, air quality, radiation etc.
- energy performance in buildings
- developing quiet road surfaces
- moisture-proof construction
- industrializing the construction process

As a result of cooperation with universities, projects of a research nature are co-financed by the European Union's Framework Programs, national funds, public agencies, industry organizations and private companies, among others.

Development efforts usually occur in Skanska's major projects. Development in smaller projects is administered centrally by each respective business unit or, in the case of more general problems, in Groupwide development efforts, where the affected business units often participate with backing from external networks. Patenting and development of "Skanska Standard" products increased significantly during 2005, benefiting Skanska customers in the form of unique products and improved functionality.

The total cost of Skanska's research and development work is difficult to estimate, since a large proportion of it is integrated into ongoing projects.

Sustainable development

Follow-ups and the results of more than 1,000 internal audits of the introduction of the Skanska Code of Conduct (ethical guidelines) show a high degree of acceptance and compliance in the Group. These results were supported by external auditors, who reported no serious non-conformities. In 2005, the focus was on streamlining the ISO 14001 certified environmental management systems, revision of the employee health and safety strategy and continued attention to business ethics.

A significant share of Skanska's major projects are implemented with higher environmental standards than required by law in each respective country. A few Group facilities are required to obtain permits and submit registration documents; their environmental impact is relatively limited.

Through exchanges of experience in the Group, employee health and safety strategy was evaluated. A Safety Week was implemented on a Groupwide basis in October and resulted in an 80 percent reduction in accidents compared to an average week during the year. More and more projects are achieving the vision of zero work site accidents. The overall frequency of accidents that lead to absences from work fell by about 10 percent compared to 2004.

Skanska remains involved in Transparency International and other initiatives to promote ethics and develop tools and information concerning ethics-related issues. One high-priority commitment has been participation in efforts to develop a new international standard for social responsibility, ISO 26000. In 2005, Skanska contributed financially to reconstruction efforts following the Indian Ocean tsunami disaster and the earthquake in Pakistan, among other initiatives.

Personnel

The average number of employees during 2005 was 53,806 (53,803), including 10,706 (11,653) in Sweden.

During the year, corporate-level evaluations of senior managers covered 720 people, an increase of 7.5 percent from the previous year. Meanwhile Skanska's business units have established their own leadership evaluation systems, based wholly or partially on the same criteria.

To meet the need for "good employees," each Skanska business unit has a talent management program tailored to its specific requirements. The program content varies greatly, depending on the needs of each respective unit. The purpose is to create broad know-how at all levels and ensure a supply of highly qualified employees in the Group.

Achieving a more even balance between men and women at all levels in the Group has been and remains a high-priority task. However, the proportion of women in management positions remains very low, although it rose from 6 percent to 7 percent between 2004 and 2005.

As more and more attention has been focused on pension issues both inside and outside of Skanska, the Board of Directors has chosen to create a formal structure related to the management of the Group's pension plans. During 2005, Skanska thus established a global pension policy and a corporate-level pension committee.

Stock options

Twenty-nine senior executives held a total of 3,220,000 employee stock options divided into two programs at the beginning of 2005. The 2000-2005 employee stock option program ended on March 31, 2005. Since the market price of a Skanska share on that date was below the exercise price, holders did not utilize the opportunity to exercise them.

At year-end 2005, the 2001-2006 option program included 1,844,000 options, with an exercise price of SEK 128, held by 24 senior executives. The options are synthetic and settlement occurs in cash.

The options were provided free of cost and may only be exercised on the condition that the person is still employed by Skanska on the exercise date or has retired with a pension. Those who received stock options may not transfer them to others.

Because the market price of a Skanska share on December 31 was below the exercise price of the options, the program had no impact on 2005 earnings. Nor did the option program have any dilution effect.

Most obligations that the synthetic option program may cause, if the market price of a Skanska Series B share exceeds the exercise price on the balance sheet date, have been hedged using equity swaps related to shares in Skanska AB. The difference between the market price on the balance sheet date and the initial prices of the swap agreement is accounted for and recognized as a financial item. The positive effect on equity on January 1 amounted to SEK 12 M. In the income statement for the full year 2005, income after financial items was positively affected in the amount of SEK 85 M.

Long-term share incentive program

In April 2005, the Annual Shareholders' Meeting of Skanska approved a long-term share incentive program (the Skanska Share Award Plan, or "the Plan"), adapted to the Company's higher financial targets. The Plan applies during 2005 – 2007, with disbursements in 2009 – 2011, and covers about 300 managers. Today this is Skanska's only Groupwide long-term incentive program and it replaces an earlier program.

Aside from financial targets, it includes targets for health and safety, environmental impact, business ethics, fewer loss-making projects and management development. The Plan may provide a maximum 30 percent addition to fixed annual salary. The maximum cost for Plan distributions is about SEK 120 M per year. The Plan will lead to a maximum dilution of capital stock by about 1.1 percent over three years. In all, share awards equivalent to a maximum of 3,900,000 Series B shares may be granted to employees under the Plan. To ensure the delivery of Series B shares to employees under the Share Award Plan, in January 2006, 4,500,000 Series D shares were issued (3,900,000 shares for awards and another 600,000 shares to cover social insurance contributions etc.) and were then immediately bought back by the Company. During the respective vesting period, these Series D shares will be converted into Series B shares and be delivered free of charge to employees.

A preliminary reconciliation of how financial and qualitative targets were met in 2005 indicates an average outcome of approximately a 16 percent addition to fixed salary for those managers included in the Plan. The cost of the distribution will amount to about SEK 50 M allocated over four years. The distribution will be determined and finally approved in April 2006. To receive shares, a person is required to be employed for three years after the end of the measurement period.

The dilution effect during 2005 is estimated at 8,851 shares or 0.002 percent of the number of shares outstanding. For further information, see Note 27, Equity/Earnings per share.

Annual Shareholders' Meeting

The Annual Meeting will be held at 5:00 p.m. on March 30, 2006 at the Rival Hotel, Mariatorget, Stockholm, Sweden.

Nomination Committee and proposal for Board of Directors

In accordance with a decision by the Annual Shareholders' Meeting in 2005, the Chairman of the Board asked five of the largest shareholders to appoint one representative each, who together with the Chairman will constitute a Nomination Committee. Among the Committee's tasks is to work out a proposal for a Board of Directors and remuneration to the Board for a decision by the 2006 Annual Meeting. The Nomination Committee during the period leading up to the 2006 Annual Meeting of Skanska AB has the following composition: Carl-Olof By, Chairman of the Nomination Committee, and representing AB Industrivärden, Robert Wikström, representing the Svenska Handelsbanken pension funds and Svenska Handelsbanken AB; Magnus Wärn, representing AMF Pension; Per Ludvigsson, representing Inter-IKEA Investments AB; KG Lindvall, representing Robur mutual funds; and Sverker Martin-Löf, Chairman of the Board, Skanska AB.

The Nomination Committee has announced that it proposes the re-election of Roger Flanagan, Ulrika Francke, Jane Garvey, Stuart Graham, Finn Johnsson, Sverker Martin-Löf and Anders Nyrén and the election of Curt Källströmer and Lars Pettersson. Sören Gyll and Arne Mårtensson have declined re-election. Curt Källströmer is Senior Vice President of Svenska Handelsbanken AB and Lars Pettersson is President and CEO of Sandvik AB. The Committee further proposes that Sverker Martin-Löf be re-elected Chairman of the Board. The proposals of the Nomination Committee are supported by shareholders representing about 45 percent of the total number of votes in Skanska.

Proposed dividend

The Board of Directors proposes a regular dividend of SEK 4.50 (4.00) per share and an extra dividend of SEK 2.00 per share for the 2005 financial year, totaling SEK 6.50 (4.00) per share, equivalent to a total dividend payout of SEK 2,721 M (1,674).

The Board's reasons for the dividend proposal

The nature and scale of Skanska's operations can be seen in the Articles of Association and this Annual Report. The operations carried out in the Group do not pose risks beyond those that occur or can be assumed to occur in its industry or the risks that are otherwise associated with carrying out business operations. The Group's dependence on the business cycle does not deviate from what otherwise occurs in its industry. Concerning important events, the reader is referred to what is presented in the Report of the Directors.

The equity/assets ratio of the Group amounts to 26.1 (25.9) percent. The proposed dividend does not jeopardize the investments that have been deemed necessary. The financial position of the Group does not give rise to any judgment except that the Group can continue its operations and that the Group can be expected to meet its short- and long-term obligations.

With reference to the above and what has otherwise come to the Board's attention, it is the judgment of the Board that the dividend is justified with reference to the demands that the nature, scale and risks of its operations place on the size of the Company's and the Group's equity and the Company's and the Group's consolidation requirements, liquidity and position otherwise. Future profits are expected to cover growth in operations as well as growth in the regular dividend. The Board expects that the dividend payout ratio can amount to about 50 percent.

On the balance sheet date, the equity of the Parent Company included SEK 73 M comprising the effect of financial assets and liabilities being recognized at fair value in compliance with the Annual Accounts Act, Chapter 4, Section 14a.

Parent Company

The Parent Company carries out administrative work and includes the Senior Executive Team and management units.

Profit for the year amounted to SEK 1,024 M (1,781). The average number of employees was 59 (59).

Market outlook

The outlook for commercial building construction in the Nordic countries remains cautiously positive, with retailing among the stronger sectors. The Polish market, too, continues to have a positive outlook, although lead times are long between the tendering process and the start of a project. Construction investments in the Czech Republic are increasing again after a first half without growth. In the United Kingdom, the volume of public-private partnership (PPP) projects remains large. In other segments of importance to Skanska, the construction volume in the U.K. is low. In the American commercial building market, the healthcare and educational sectors remain strong.

The market for civil construction in the U.S. has improved. The new federal program for infrastructure as well as a general improvement in the economy will have a positive impact during 2006. Rising costs of fuel as well as for certain types of materials add a degree of volatility to the market, since they affect the ability of customers to finance projects as well as the project risk to contractors. In Sweden, civil construction is expected to increase during 2006, among other things due to a number of railroad projects that are coming into the market. The trend of the Norwegian civil construction market remains positive, partly driven by public-private partnership projects as well as road and railroad projects. In Finland, civil construction is expected to slow somewhat. The Czech Republic and Poland are showing continued growth, among other things due to EU membership. In Latin America, there is a continued good outlook for projects in the oil and gas industries, which are important sectors for Skanska's operations in this region.

Residential construction remains at a high level in Finland, Norway and Denmark. In Sweden, residential construction is increasing. In the Czech Republic, which will increase the value-added tax on residential units at the beginning of 2008, the housing market remains strong but is showing certain early signs of oversupply. The local planning process continues to be a restraining factor in a number of markets.

Skanska has experienced a continued increase in leasing activity. Vacancy rates, especially in modern properties in the Scandinavian and Central European office markets, have declined. In Scandinavia as well as in Central Europe, there is continued good demand from the investment market for properties with efficient space in the right locations and high occupancy rates.

Events after the end of the financial year

In order to ensure the deliveries of Series B shares to employees in accordance with Skanska's Share Award Plan, in January 2006 the capital stock of the Company was increased by SEK 13,500,000 through the issue of 4,500,000 new Series D shares at a subscription price equivalent to their par value, SEK 3 per share. The shares were subscribed by Nordinvest AB, one of the wholly owned subsidiaries of AB Industrivärden (publ), early in January 2006. Skanska also presented a repurchase offer to Nordinvest AB covering all 4,500,000 Series D shares. The repurchase was carried out late in January 2006 at a price of SEK 3.002 per share, totaling SEK 13,509,000. The purpose of the repurchase was to convert Series D shares to Series B shares as needed for delivery in accordance with the Share Award Plan and to cover related social insurance contributions that may arise because of the Plan.

Consolidated income statement

SEK M	Note	Continuing operations 2005	Continuing operations 2004	Discontinued operations 2005	Discontinued operations 2004	Group total 2005	Group total 2004
Revenue	8,9	124,106	116,257	561	5,006	124,667	121,263
Cost of sales	9	–112,952	–106,696	–450	–5,010	–113,402	–111,706
Gross income		**11,154**	**9,561**	**111**	**–4**	**11,265**	**9,557**
Selling and administrative expenses	11	–6,593	–6,343	–93	–608	–6,686	–6,951
Income from divestments of discontinued operations	5	0	0	184	1,587	184	1,587
Income from joint ventures and associated companies	20	237	156	0	12	237	168
Operating income	10, 12, 13, 22, 37, 39, 41	**4,798**	**3,374**	**202**	**987**	**5,000**	**4,361**
Financial income		323	291	7	10	330	301
Financial expenses		–178	–362	-32	–30	–210	–392
Income from associated companies		0	57	0	0	0	57
Net financial items	14	**145**	**–14**	**–25**	**–20**	**120**	**–34**
Income after financial items	15	**4,943**	**3,360**	**177**	**967**	**5,120**	**4,327**
Taxes	16	–1,240	–1,095	10	–46	–1,230	–1,141
Profit for the year		**3,703**	**2,265**	**187**	**921**	**3,890**	**3,186**
Profit for the year attributable to							
Equity holders		3,692	2,253	187	920	3,879	3,173
Minority interest		11	12	0	1	11	13
Earnings per share, SEK	27, 45						
before dilution		**8.82**	**5.38**	**0.45**	**2.20**	**9.27**	**7.58**
after dilution		8.82	5.38	0.45	2.20	9.27	7.58
Average number of shares	58, 45						
before dilution						418,553,072	418,553,072
after dilution						418,561,923	418,553,072
Proposed regular dividend per share, SEK						4.50	4.00
Proposed extra dividend per share, SEK						2.00	

See notes 1, 2, 3, 4, 5, 6, 7, 35, 40, 42, 43, 44, 45.

Consolidated balance sheet

SEK M	Note	2005	2004
ASSETS			
Non-current assets			
Property, plant and equipment	17, 41	5,243	5,507
Goodwill	18	4,154	3,899
Other intangible assets	19	644	535
Investments in joint ventures and associated companies	20	1,834	862
Financial non-current assets	21	1,236	1,137
Deferred tax assets	16	2,282	1,633
Total non-current assets		**15,393**	**13,573**
Current assets			
Current-asset properties	22	10,482	11,948
Inventories	23	501	610
Financial current assets	21	2,260	2,490
Tax receivables	16	330	269
Gross amount due from customers for contract work	9	5,610	3,579
Trade and other receivables	24	22,985	21,744
Short-term investments	25	3,095	3,053
Cash and cash equivalents	26	10,583	5,815
Assets classified as held for sale	5	72	
Total current assets		**55,918**	**49,508**
TOTAL ASSETS	33	**71,311**	**63,081**
of which interest-bearing non-current assets	32	1,070	1,063
of which interest-bearing assets held for sale	32	2	
of which other interest-bearing current assets	32	15,903	11,358
		16,975	**12,421**

SEK M	Note	2005	2004
EQUITY	27		
Capital stock		1,256	1,256
Contributed capital		316	316
Reserves		1,442	214
Retained earnings		15,440	14,465
Equity attributable to equity holders		**18,454**	**16,251**
Minority interest		133	117
TOTAL EQUITY		**18,587**	**16,368**
LIABILITIES			
Non-current liabilities			
Financial non-current liabilities	28	2,424	3,046
Pensions	29	2,407	1,112
Deferred tax liabilities	16	2,831	2,744
Non-current provisions	30	143	135
Total non-current liabilities		**7,805**	**7,037**
Current liabilities			
Financial current liabilities	28	1,080	1,006
Tax liabilities	16	595	998
Current provisions	30	3,200	2,740
Gross amount due to customers for contract work	9	11,782	10,428
Trade and other payables	31	28,220	24,504
Liabilities classified as held for sale	5	42	
Total current liabilities		**44,919**	**39,676**
TOTAL LIABILITIES		**52,724**	**46,713**
TOTAL EQUITY AND LIABILITIES	33	**71,311**	**63,081**
of which interest-bearing financial liabilities	32	3,286	4,052
of which interest-bearing pensions and provisions	32	2,570	1,140
of which interest-bearing liabilities held for sale	32	8	
		5,864	**5,192**

For information about the Group's assets pledged and contingent liabilities, see note 34.

See notes 1, 2, 3, 4, 5, 6, 7, 35, 40, 42, 43, 44, 45.

Consolidated statement of recognized income and expenses

SEK M	2005	2004
Translation differences during the year	1,642	1
Hedging of exchange rate risk in operations outside Sweden	–498	218
Cash flow hedges		
Recognized directly in equity	115	
Transfer to income statement	–50	
Change in pension liability		
Changed assumptions	–2,098	–766
Difference between expected and actual return on plan assets	627	176
Social insurance contributions	–214	–13
Share Award Plan	12	
Equity swaps	0	44
Other transfers of assets recognized directly in equity	–3	–95
Taxes attributable to items recognized directly in equity	482	178
Net income recognized directly in equity, excluding transactions with the Company's owners	**15**	**–257**
Profit for the year	**3,890**	**3,186**
Total recognized income and expense, excluding transactions with the Company's owners	**3,905**	**2,929**
Attributable to:		
Equity holders	3,888	3,006
Minority interest	17	–77

See note 27.

Consolidated cash flow statement

SEK M	2005	2004
Operating activities		
Operating income	5,000	4,361
Adjustments for items not included in cash flow	–1,687	–2,378
Income tax paid	–1,449	–986
Cash flow from operating activities before change in working capital	**1,864**	**997**
Cash flow from change in working capital		
Acquisitions of current-asset properties	–5,047	–4,973
Divestments of current-asset properties	9,434	8,976
Change in inventories and operating receivables	–1,177	316
Change in operating liabilities	1,633	1,203
Cash flow from change in working capital	**4,843**	**5,522**
Cash flow from operating activities	**6,707**	**6,519**
Investing activities		
Acquisitions of businesses	–50	–135
Acquisitions of intangible non-current assets	–46	–38
Acquisitions of property, plant and equipment	–1,455	–1,131
Acquisitions of assets in Infrastructure Development	–476	–188
Acquisitions of shares	–3	–7
Increase in interest-bearing receivables, loans provided	–1,385	–1,167
Divestments of businesses	537	2,078
Divestments of tangible non-current assets	4	2
Divestments of property, plant and equipment	613	634
Divestments of assets in Infrastructure Development	35	7
Divestments of shares	42	491
Decrease in interest-bearing receivables, repayments of loans provided	1,888	714
Income tax paid	–27	–54
Cash flow from investing activities	**–323**	**1,206**
Financing activities		
Net interest items	135	–48
Other financial items	–255	14
Borrowings	410	694
Repayment of debt	–1,397	–5,186
Dividend paid	–1,674	–1,256
Dividend to minority interest	–1	–32
Income tax paid	36	10
Cash flow from financing activities	**–2,746**	**–5,804**
Cash flow for the year	**3,638**	**1,921**
Liquid assets, January 1	8,868	7,037
Reclassifications [1]	751	
Translation differences in liquid assets	421	–90
Liquid assets, December 31	**13,678**	**8,868**

Change in interest-bearing net receivables

SEK M	2005	2004
Interest-bearing net receivables, January 1	**7,229**	**437**
Cash flow from operating activities	6,707	6,519
Cash flow from investing activities excluding change in interest-bearing receivables	–826	1,659
Cash flow from financing activities excluding change in interest-bearing liabilities	–1,759	–1,312
Change in accounting principle for pensions in compliance with IAS 19	–1,471	–590
Reclassifications [2]	992	131
Net receivable/liability acquired/divested	219	123
Exchange rate differences	120	304
Other items	–100	–42
Interest-bearing net receivables, December 31	**11,111**	**7,229**

Consolidated operating cash flow statement

SEK M	2005	2004
Cash flow from operating activities before change in working capital and taxes paid	3,313	1,983
Change in working capital excluding current-asset properties	456	1,519
Net investments in operating activities	3,117	3,348
Cash flow effect, adjustment in payment dates of net investments [3]	–57	–53
Taxes paid in operating activities	–1,475	–1,011
Cash flow from business operations	**5,354**	**5,786**
Net interest items and other net financial items	–120	–34
Taxes paid in financing activities	36	10
Cash flow from financing activities	**–84**	**–24**
Cash flow from operations	**5,270**	**5,762**
Strategic net investments	528	2,421
Taxes paid on strategic net investments	–1	–29
Cash flow from strategic investments	**527**	**2,392**
Dividend etc.	–1,675	–1,288
Cash flow before change in interest bearing receivables and liabilities	**4,122**	**6,866**
Change in interest-bearing receivables and liabilities	–484	–4,945
Cash flow for the year	**3,638**	**1,921**

1 Of this amount, SEK 764 M is related to checks issued but not cashed. See also Note 3, "Effects of changes in accounting principles," point D.

2 This amount includes SEK +764 in reclassification of uncashed checks, SEK –194 M in reclassification of subordinated loans in Skanska Infrastructure Development and SEK +446 in reclassification of receivables from property buyers.

3 "Adjustment in payment dates of net investments" refers to payments made during the year related to investments/divestments in prior years, or unpaid investments related to the current year.

See note 36.

Parent Company income statement

SEK M	Note	2005	2004
Net sales	48	50	55
Cost of sales		–2	–3
Gross income		**48**	**52**
Selling and administrative expenses		–330	–140
Operating income	52, 53, 65	**–282**	**–88**
Income from holdings in Group companies	49	1,200	1,200
Income from other financial non-current assets	49	216	116
Income from financial current assets	49	0	5
Interest expenses and similar items	49	–209	–135
Income after financial items		**925**	**1,098**
Allocations	50	0	926
Taxes on profit for the year	51	99	–243
Profit for the year		**1,024**	**1,781**

See note 1, 46, 67.

Parent Company balance sheet

SEK M	Note	2005	2004
ASSETS			
Intangible non-current assets	52	**16**	**17**
Property, plant and equipment	53		
Buildings and land		0	6
Machinery and equipment		3	3
Total property, plant and equipment		**3**	**9**
Financial non-current assets	54		
Holdings in Group companies	55	10,575	10,565
Holdings in joint ventures	56	0	0
Receivables from Group companies	66	7,332	4,163
Deferred tax assets	51	51	57
Other non-current receivables		73	47
Total financial non-current assets		**18,031**	**14,832**
Total non-current receivables		**18,050**	**14,858**
Current receivables			
Current receivables from Group companies	66	19	15
Tax receivables	51	1	0
Other current receivables		49	35
Prepaid expenses and accrued income	57	97	4
Current assets		**166**	**54**
Total current assets		**166**	**54**
TOTAL ASSETS	62	**18,216**	**14,912**

See note, 1, 46, 47, 67.

SEK M	Note	2005	2004
EQUITY AND LIABILITIES			
Equity	58		
Capital stock		1,256	1,256
Restricted reserves		598	598
Restricted equity		**1,854**	**1,854**
Retained earnings		5,697	5,068
Profit for the year		1,024	1,781
Unrestricted equity		**6,721**	**6,849**
Total equity		**8,575**	**8,703**
Provisions	59		
Provisions for pensions and similar obligations	60	160	181
Other provisions		22	25
Total provisions		**182**	**206**
Non-current interest-bearing liabilities	61		
Liabilities to credit institutions		188	222
Liabilities to Group companies	66	9,202	5,705
Total non-current interest-bearing liabilities		**9,390**	**5,927**
Current liabilities	61		
Trade accounts payable		15	27
Liabilities to Group companies	66	7	6
Tax liabilities		0	6
Other liabilities		6	12
Accrued expenses and prepaid income		41	25
Total current liabilities		**69**	**76**
EQUITY AND LIABILITIES	62	**18,216**	**14,912**
Assets pledged	63	73	46
Contingent liabilities	63	70,414	50,127

Parent Company statement of changes in equity

SEK M	Capital stock	Restricted reserves	Un-restricted equity	Total equity
Equity, January 1, 2004	1,256	598	6,614	8,468
Equity swaps for employee stock options			44	44
Group contributions			–334	–334
Dividend			–1,256	–1,256
Profit for 2004			1,781	1,781
Equity, December 31, 2004	**1,256**	**598**	**6,849**	**8,703**
Adjustment to change in accounting principle				
Equity swaps for employee stock option			12	12
Adjusted opening balance, 2005	**1,256**	**598**	**6,861**	**8,715**
Group contributions			498	498
Dividend			–1,674	–1,674
Share Award Plan			12	12
Profit for 2005			1,024	1,024
of which effects of derivative instruments carried at fair value			61	61
Equity, December 31, 2005	**1,256**	**598**	**6,721**	**8,575**

of which effects of financial assets and liabilities carried at fair value, SEK 73 M.

See note 58.

Parent Company cash flow statement

SEK M	2005	2004
Operating activities		
Operating income	–282	–88
Adjustments for items not included in cash flow	4	6
Income tax paid	–102	–102
Cash flow from operating activities before change in working capital	**–380**	**–184**
Cash flow from change in working capital		
Change in inventories and operating receivables	–113	–6
Change in operating liabilities	–4	–83
Cash flow from change in working capital	**–117**	**–89**
Cash flow from operating activities	**–497**	**–273**
Investing activities		
Acquisitions of property, plant and equipment	–1	–3
Increase in interest-bearing receivables, loans provided	–26	–2
Divestments of property, plant and equipment	4	0
Cash flow from investing activities	**–23**	**–5**
Financing activities		
Net interest items	–89	–14
Other financial items	1,296	1,200
Borrowings	1,021	373
Repayment of debt	–34	–29
Dividend paid	–1,674	–1,256
Income tax paid	0	4
Cash flow from financing activities	**520**	**278**
Cash flow for the year	**0**	**0**
Liquid assets, January 1	0	0
Liquid assets, December 31	**0**	**0**

See note 64.

Notes including accounting and valuation principles

Amounts in million Swedish crowns (SEK M) unless otherwise specified.
Income is reported in positive figures and expenses in negative figures.
Both assets and liabilities are reported in positive figures.
Interest-bearing net receivables/liabilities are reported in positive figures if they are receivables and negative figures if they are liabilities.
Accumulated depreciation/amortization and accumulated impairment losses are reported in negative figures.
Generally speaking, in this Annual Report, the 2004 and 2005 financial statements have been prepared in compliance with International Financial Reporting Standards (IFRS) and the financial statements for 2001-2003 comply with the previous Swedish Generally Accepted Accounting Standards (SWGAAP). The standards of the Swedish Financial Accounting Standards Council (Redovisningsrådet) are abbreviated RR.

Table of contents, notes

Note 1 Accounting and valuation principles

Consolidated accounting and valuation principles

Conformity with laws and standards

In compliance with the ordinance approved by the European Union (EU) on the application of international accounting standards, the consolidated financial statements have been prepared in compliance with International Financial Reporting Standards (IFRS) and International Accounting Standards (IAS), issued by the International Accounting Standards Board (IASB), to the extent these have been adopted by the EU, as well as the interpretations by the International Financial Reporting Interpretations Committee (IFRIC) and its predecessor the Standing Interpretations Committee (SIC). This financial report is the first complete financial report prepared in compliance with IFRS. In conjunction with the transition from the accounting principles that were previously applied to reporting in compliance with IFRS, the Skanska Group has applied IFRS 1, which is the standard that describes how the transition to IFRS shall be reported. In addition, the Swedish Financial Accounting Standards Council's standard RR 30, "Supplementary Accounting Regulations for Groups" has been applied, as have the statements issued by the Council's Emerging Issues Task Force. According to Skanska's listing contract with Stockholmsbörsen (the Stockholm Stock Exchange), additional information must be provided about incentive programs outstanding and benefits provided to executive officers. Statement 2002:1 of the Swedish Securities Council stipulates that a description of ongoing incentive programs should be provided.

Conditions when preparing the Group's financial reports

The functional currency of the Parent Company is Swedish crowns or kronor (SEK), which is also the presentation currency of the Parent Company and of the Group. This implies that the financial reports are presented in Swedish kronor. All amounts are rounded off to the nearest million, unless otherwise stated.

Preparing the financial reports in compliance with IFRS requires management to make judgments and estimates as well as make assumptions that affect the application of accounting principles and the recognized amounts of assets, liabilities, revenue and expenses. These estimates and assumptions are based on historical experience and a number of other factors that seem reasonable under the prevailing circumstances. The results of these estimates and assumptions are then used to judge the recognized values of assets and liabilities that are otherwise not clearly established from other sources. Actual outcomes may diverge from these estimates and judgments.

Estimates and assumptions are reviewed regularly. Changes in estimates are recognized in the period the change is made if the change only affects this period, or in the period the change is made and future periods if the change affects both the period in question and future periods.

Judgments made by management when applying IFRS that have a substantial impact on the financial reports and estimated that may lead to significant adjustments in the financial reports of subsequent years are described in more detail in Note 2.

The consolidated accounting principles stated below have been applied consistently for all periods that are presented in the consolidated financial reports, unless otherwise indicated below, and in the preparation of the consolidated opening balance sheet in compliance with IFRS as of January 1, 2004, which explains the transition from previously applied accounting principles to IFRS accounting principles. The consolidated accounting principles have been applied consistently in reporting and consolidation of the Parent Company and its subsidiaries, associated companies and joint ventures.

The Annual Report and the consolidated financial statement were approved for issuance by the Board of Directors on February 15, 2006. The Parent Company income statement and balance sheet and the consolidated income statement and balance sheet will be subject to adoption by the Annual Shareholders' Meeting on March 30, 2006.

IFRS 1 "First-time Adoption of International Financial Reporting Standards"

The transition to reporting in compliance with IFRS has occurred in compliance with IFRS. The effect on comparative figures is described in Note 3.

In accordance with a voluntary option, IAS 39, "Financial Instruments: Recognition and Measurement" and IFRS 5, "Non-Current Assets Held for Sale and Discontinued Operations" are not being applied to the comparative figures for 2004, but instead prospectively starting on January 1, 2005.

The Group has chosen to apply the transitional rule in IFRS 1 when accounting for employee benefits in compliance with IAS 19, "Employee Benefits." This implies that unrecognized actuarial gains and losses are re-set to zero in equity as of January 1, 2004. In addition, in the 2005 financial statements, actuarial gains and losses have been recognized directly in equity in accordance with the amendment to IAS 19 adopted by the EU in November 2005.

The Group has chosen to apply the transitional rule in IFRS 1 when transitioning to IFRS 3, "Business Combinations," which means that application will occur prospectively from January 1, 2004.

Effective from January 1, 2005, Skanska has also changed its principle for recognition of contingent liabilities, as explained in the section on IAS 37, "Provisions, Contingent Liabilities and Contingent Assets."

Application in advance of IFRSs and interpretations newly published or revised during 2005

Pension obligations

The International Accounting Standards Board (IASB) has amended IAS 19, "Employee Benefits," which has also been adopted by the EU. This allowed an alternative treatment of surpluses and deficits in defined-benefit pension plans. The alternative rule implies that actuarial gains and losses are recognized directly in the balance sheet and thus do not give rise to any effect on income. The consequence of the alternative method is that future changes in actuarial assumptions, positive and negative, will have an immediate impact on recognized equity and interest-bearing net receivables/net debt. Skanska has decided to apply this alternative method. The adjustment implies that interest-bearing pension liability increases by SEK 2.1 billion and the equity of the Group is reduced by about SEK 1.6 billion, taking into account taxes and social insurance contributions.

The increase in pension liability is divided into actuarial gains and losses amounting to SEK 1.5 billion in 2005 and SEK 0.6 billion in 2004, respectively.

Otherwise, newly issued IFRSs or interpretations have not been applied in advance.

With the exception of the effect of applying the amended rules in IAS 19, no important effect is deemed to occur in income and financial position when applying newly issued or revised IFRSs and interpretations.

IAS 1, "Presentation of Financial Statements."

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

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

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

Income statement

Reported as revenue are project revenue, divestment of current-asset properties, deliveries of materials and merchandise, rental income and other operating revenue.

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

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

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

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

Note 1 continued

nized among financial items.

Financial income and expenses are recognized divided into three lines: "Financial income," "Financial expenses" and "Income from associated companies." Recognized under financial income are interest income and dividends, and recognized among financial expenses are interest expenses and other net financial items, which refer among other things to expenses related to bank transactions. By applying IAS 39, "Financial instruments: Recognition and Measurement," starting on January 1, 2005 changes in the fair value of financial instruments that are accounted for at fair value are recognized as a separate sub-item among financial income and expenses. The change affects currency derivatives, which are connected to financial activities, and interest rate swaps. If the net amount per type of instrument when reappraising financial assets and liabilities is positive, it is recognized as financial income. If it instead is negative, it is included among financial expenses. The net amount of exchange rate differences is treated in the same way.

Assets

Assets are divided into current assets and non-current assets. An asset is regarded as a current asset if it is expected to be realized within twelve months from the balance sheet date or within the Company's operating cycle. Operating cycle refers to the period from the signing of a contract until the Company receives cash payment on the basis of a final inspection or deliveries of goods (including properties). Since the Group performs large contracting projects and project development, which as a rule are underway for more than twelve months, the operating cycle criterion means that many more assets are labeled as current assets than if the only criterion were "within twelve months."

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

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

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

Note 32 shows the allocation between interest-bearing and non-interest-bearing assets.

In Note 33, assets are divided into amounts for assets expected to be recovered within twelve months from the balance sheet date and assets expected to be recovered after twelve months from the balance sheet date. The division for non-financial non-current assets is based on expected annual depreciation. The division for current-asset properties is mainly based on outcomes during the past three years. This division is even more uncertain than for other assets, since the outcome during the coming year is strongly influenced by the dates when binding contracts for large individual properties are signed.

Equity

The Group's equity is now divided into "Capital stock" (share capital), "Contributed capital," "Reserves," "Retained earnings" and "Minority interest." Minority interest includes surplus values from acquisitions of businesses that were made starting in 2004. The new Swedish Companies Act, which went into effect on January 1, 2006, eliminates the requirement that Group equity be divided into restricted and unrestricted reserves.

Holdings of the Company's own shares and other equity instruments are recognized as a reduction in equity. Acquisitions of such instruments are reported as a deduction from equity. Proceeds from the divestment of equity instruments are recognized as an increase in equity. Any transaction costs are recognized directly in equity.

Dividends are recognized as a liability, once the Annual Shareholders' Meeting has approved the dividend.

A description of equity and the year's changes is provided in Note 27.

Liabilities

Liabilities are allocated between current liabilities and non-current liabilities. Recognized as current liabilities are liabilities that are either supposed to be paid within twelve months from the balance sheet date or, although only in the case of business-related liabilities, are expected to be paid within the operating cycle. Since the operating cycle is thus taken into account, no non-interest-bearing liabilities, for example trade accounts payable and accrued employee expenses, are reported as non-current. Interest-bearing liabilities can be reported as non-current even if they fall due for payment within twelve months from the balance sheet date, if the original maturity was longer than twelve months and the company has reached an agreement to refinance the obligation long-term before the annual accounts are submitted. Information on liabilities is provided in Notes 28 and 31.

In Note 33, liabilities are allocated between amounts for liabilities to be paid within twelve months of the balance sheet date and liabilities to be paid after twelve months from the balance sheet date. Note 32 also provides information about the allocation between interest-bearing and non-interest-bearing liabilities.

IAS 27, "Consolidated and Separate Financial Statements"

The consolidated financial statements encompass the accounts of the Parent Company and those companies in which the Parent Company, directly or indirectly, has a controlling influence. "Controlling influence" directly or indirectly implies a right to shape a company's financial and operating strategies for the purpose of obtaining financial benefits. This normally requires ownership of more than 50 percent of the voting power of all participations. When judging whether a controlling influence exists, potential voting rights that can be utilized or converted without delay is taken into account. If, on the acquisition date, a subsidiary meets the conditions to be classified as held for sale in compliance with IFRS 5, "Non-current Assets Held for Sale and Discontinued Operations," it is reported according to that accounting standard.

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

In preparing the consolidated financial statements, intra-Group receivables, revenue and expenses are eliminated in their entirety.

Gains that arise from intra-Group transactions and that are unrealized from the standpoint of the Group on the balance sheet date are eliminated in their entirety. Unrealized losses on intra-Group transactions are also eliminated in the same way as unrealized gains, to the extent that the loss does not correspond to an impairment loss.

Goodwill attributable to operations abroad is expressed in local currency. Translation to SEK complies with IAS 21, "The Effects of Changes in Foreign Exchange Rates."

IFRS 3, "Business Combinations"

This accounting standard deals with business combinations, which refers when seperate companies or busineses are brought together to form a reporting entity. If an acquisition does not relate to a business, which is normal when acquiring properties, regardless of whether the properties are acquired directly or indirectly through acquisition of holdings in real estate companies, the rules below are not applicable. In such cases, the acquisition cost is allocated among the individual identifiable assets and liabilities based on their relative fair values on the acquisition date. Unlike acquisitions for which IFRS 3 is applicable, acquisitions in these cases will not give rise to goodwill, a deferred tax asset or a deferred tax liability.

Acquisitions of businesses, regardless of whether the acquisition concerns holdings in another company or a direct acquisition of assets and liabilities, are reported according to the purchase method of accounting. If the acquisition concerns holdings in a company, the method implies that the acquisition is regarded as a transaction through which the Group indirectly acquires the assets of a subsidiary and assumes its liabilities and contingent liabilities. Cost in the consolidated accounts is determined by means of an acquisition analysis in conjunction with the business combination. The analyses establishes both the cost of holdings or the business and the fair value of acquired identifiable assets plus the liabilities and contingent liabilities assumed. The difference between the cost of holdings in a subsidiary and the fair value of acquired assets and liabilities and contingent liabilities assumed is goodwill on consolidation. Due to the introduction of IFRS 3, it is no longer permitted to recognize restructuring reserves in connection with the acquisition.

Note 1 continued

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

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

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

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

Foreign currency transactions

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

Functional currency is the currency of the primary economic environment where the companies in the Group conduct their business. The companies in the Group are the Parent Company, subsidiaries, associated companies and joint ventures.

Financial reports of foreign operations

Assets and liabilities in foreign operations, including goodwill and other consolidated surpluses and deficits, are translated to Swedish kronor at the exchange rate prevailing on the balance sheet date. Revenue and expenses in a foreign operation are translated to Swedish kronor at the average exchange rate. Revenue and expenses attributable to foreign operations located in countries with hyperinflation are translated to the functional currency at the exchange rate on the balance sheet date.

Translation differences that arise from currency translation of foreign operations are recognized directly in equity as a translation reserve.

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

Net investment in a foreign operation

Translation differences that arise in connection with translation of a foreign net investments and accompanying effects of hedging of net investments are recognized directly in the translation reserve in equity. When divesting a foreign operation, the accumulated translation differences attributable to the operation are realized in the consolidated income statement after subtracting any currency hedging. As for accumulated translation differences attributable to the period before January 1, 2004, these are stated at zero upon transition to IFRS.

IFRS 5, Non-current Assets Held for Sale and Discontinued Operations

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

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

A discontinued operation is a portion of a company's operations that represents a separate line of business or a major operation in a geographic area and is part of a single coordinated plan to dispose of a separate line of business carried out in a geographic area, or is a subsidiary acquired exclusively with a view to resale. Classification as a discontinued operation occurs upon divestment, or at an earlier date when the operation meets the criteria to be classified as held for sale. A disposal group that is to be shut down can also qualify as a discontinued operation if it meets the above size criteria.

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

Depreciation or amortization of a non-current asset is not made as long as it is classified as held for sale.

Non-current assets classified as held for sale as well as disposal groups and liabilities attributable to them must be presented separately in the balance sheet. Further information is provided in Note 5.

IAS 28, "Investments in Associates"

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

The equity method

From the date when Skanska obtains a significant influence, holdings in associated companies are included in the consolidated financial statements according to the equity method. Any difference upon acquisition between the cost of the holding and Skanska´s share of net fair value of the associated company's identifiable assets, liabilities and contingent liabilities is recognized in compliance with IFRS 3, "Business Combinations." The equity method implies that the carrying amount of the Group's shares in associated companies is equivalent to the Group's share of their capital stock as well as goodwill in the consolidated accounts and any other remaining consolidated surplus or deficit amounts. The consolidated income statement includes the Group's share of the associated company's income after financial items, adjusted for any depreciation/amortization, impairment losses or dissolvement of acquired surpluses or deficits as well as internal profits, among "Income from joint ventures and associated companies." For certain associated companies of a financial nature, Skanska's share of income is recognized among financial items. The Group's share of the tax expense of an associated company is included in "Taxes." Dividends received from an associated company reduce the book value of the investment.

When the Group's share of recognized losses in an associated company exceeds the recognized value of the holdings in the consolidated financial statements, the value of the holding is reduced to zero. Settlement of losses also occurs against long-term unsecured financial assets which, in substance, form part of Skanska´s net investment in the associated company. Continued losses are not recognized unless the Group has provided guarantees to cover losses arising in the associated company.

Internal profits

When profits arise from transactions between the Group and an associated company, the portion equivalent to the Group's share of ownership is eliminated. The elimination of the internal profit is adjusted in later financial statements based on how the asset is used or when it is divested. If a loss instead arises from a transaction between the Group and an associated company, elimination occurs only if the loss does not correspond to an impairment loss on the asset.

The equity method is applied until the date when significant influence ceases.

Note 20 provides information about associated companies.

IAS 31, "Interests in Joint Ventures"

Companies operated jointly with other companies, and in which control is exercised jointly according to agreement, are reported as joint ventures.

The equity method, which is described in the section on associated companies, is applied when preparing the consolidated financial statements. The consolidated

Note 1 continued

income statement recognizes the Group's share of the income in joint ventures before taxes, adjusted for any depreciation/amortization, impairment losses or dissolvements of acquired surplus or deficit amounts as well as internal profits, among "Income from joint ventures and associated companies." The Group's share of the tax expense of a joint venture is included in "Taxes."

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

Internal profits

Internal profits that have arisen from transactions between the Group and a joint venture are eliminated based on the Group's share of ownership. The elimination of the internal profit is adjusted in later financial statements based on how the asset is used or when it is divested. If a loss instead arises from a transaction between the Group and a joint venture, elimination occurs only if the loss does not correspond to an impairment loss on the asset.

Note 20 provides information about joint ventures.

IAS 11, "Construction Contracts"

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

Recognized as project revenue are the originally agreed contract amount as well as additional work, claims for special compensation and incentive payments, but normally only to the extent that these have been approved by the customer.

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

The difference between accrued project revenue and a not yet invoiced amount is reported as an asset according to the percentage of completion method. Correspondingly, the difference between an invoiced amount and not yet accrued project revenue is reported as a liability. Major machinery purchases that are intended only for an individual project and significant investments are included to the extent they can be attributed to future activities as claims on the customer and are included in the asset or liability amount stated in this paragraph, however without affecting accrued project revenue.

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

Unrealized gains and losses on forward contracts related to hedging of operating transaction exposure are included, to the stage of completion, in the reporting of the respective project.

A construction consortium that has been organized to perform a single construction assignment is not an independent legal entity, since the participating co-owners are also directly liable for its obligations. Skanska's share of the construction assignment is thus recognized as an independent operation.

Most contracting agreements contain regulations concerning warranty obligations on the part of the contractor, with the contractor being obliged to remedy errors and omissions discovered within a certain time after the property has been handed over to the customer. Such obligations may also be required by law. Provisions are made for these warranty obligations on a continuous basis, since their estimated cost must be included in the estimated final cost of the project and thus be accounted for by the percentage of completion method. The main principle is that a provision for warranty obligations must be calculated for each individual project. The provision is calculated for units with similar projects, with the help of ratios that have historically provided a satisfactory provision for these expenses.

IAS 18, "Revenue"

Revenue other than project revenue is recognized in compliance with IAS 18, "Revenue." For lease income, this means that the revenue is divided evenly over the period of the lease. The total cost of benefits provided is recognized as a reduction in lease income on a straight-line basis over the lease period. Compensation for services performed that does not comprise project revenue is recognized as revenue based on the stage of completion on the balance sheet date, which is normally determined as services performed on the balance sheet date as a proportion of the total to be performed. Deliveries of merchandise are reported as revenues when the risks and rewards associated with ownership of the merchandise has been transferred to the buyer. Divestment of completed current-asset properties that belong to Commercial Project Development is normally reported as a revenue item during the reporting period when a binding agreement on the sale is reached. However, if the property being divested is not yet completed and the buyer will occupy it only after completion, the gain is reported at the pace that the property is completed. Income on the sale of land in conjunction with residential projects is included in the reporting of the entire project.

A dividend is recognized as revenue when the right to receive payment is judged to be certain.

Interest is recognized using an interest rate that provides a uniform return on the asset in question, which is achieved by applying the effective interest method. Effective interest is the interest rate at which the present value of all future payments is equal to the carrying amount of the receivable.

Revenue is carried at the fair value of what is received or will be received. This means that receivables arising at the time of divestments are regarded as having been acquired at fair value (discounted present value of future incoming payments) if the interest rate on the date of the purchase is below the market interest rate and the difference is significant. For example, discounting of a receivable may occur in connection with a property divestment if the purchase price receivable is not settled immediately. This takes into account that any operating net until the property is transferred is recognized as interest.

Revenue is not recognized if it is probable that the economic benefits will not flow to the Group. If uncertainty later arises with regard to the possibility of receiving payment for an amount that has already been recognized as revenue, the amount for which payment is no longer probable is instead recognized as an expense, instead of as an adjustment of the revenue amount that was originally recognized.

IAS 17, "Leases"

The accounting standard distinguishes between finance and operating leases. A finance lease is characterized by the fact that the economic risks and rewards incidental to ownership of the asset have substantially been transferred to the lessee. If this is not the case, the agreement is regarded as an operating lease.

Finance leases

Finance lease assets have been recognized as an asset in the consolidated balance sheet. The obligation to make future lease payments has been recognized as a non-current or current liability. Leased assets are depreciated during their respective useful life. When making payments on a financial lease, the minimum lease payment is allocated between interest expense and retirement of the outstanding liability. Interest expense is allocated over the lease period in such a way that each reporting period is charged an amount equivalent to a fixed interest rate for the liability recognized during each respective period. Variable payments are recognized among expenses in the periods when they arise.

Assets leased according to finance leases are not recognized as property, plant and equipment, since the risks incidental to ownership have been transferred to the lessee. Instead a financial receivable is recognized, related to future minimum lease payments.

Operating leases

As for operating leases, the lease payment is recognized as an expense over the

Note 1 continued

lease term on the basis of utilization, and taking into account the benefits that have been provided or received when signing the lease.

The amount stated in Note 41 for operating leases includes only rents from current-asset properties that contain commercial space, since other current-asset properties are intended to be divested when contracting projects are completed.

Note 41 provides information about leases.

IAS 16, "Property, Plant and Equipment"

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

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

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

What is decisive in determining when a further expenditure is added to cost is whether the expenditure is related to replacement of identified components, or their parts, at which time such expenditures are capitalized. In cases where a new component is created, this expenditure is also added to cost. Any undepreciated carrying amounts for replaced components, or their parts, are disposed of and recognized as an expense at the time of replacement. If the cost of the removed component cannot be determined directly, its cost is estimated as the cost of the new component adjusted by a suitable price index to take into account inflation. Repairs are recognized as expenses continuously. For reporting of components, in the opening balance on January 1, 2004 an allocation has been made of book values on December 31, 2003 of the various types of components specified in the next paragraph.

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

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

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

IAS 38, "Intangible Assets"

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

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

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

Amortization is recognized in the income statement on a straight-line basis over the period of service of intangible assets, to the extent such a period can be determined. Consideration is given to any residual value at the end of the period. Concession fees are amortized on a straight-line basis over the part of the concession period that occurs after the building or facility has gone into service for its intended purpose. Purchased software (major computer systems) is amortized over a maximum of five years. Intangible assets with undetermined periods of service are impairment tested annually or as soon as there are indications that the asset in question has declined in value.

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

As for research and development, Skanska only capitalizes development expenses that have a future commercial value.

IAS 36, "Impairment of Assets"

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

For goodwill and other intangible assets with an indefinite useful life and intangible assets that are not yet ready for use, the recoverable amount is estimated yearly.

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

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

Goodwill impairment is not reversed.

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

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

Goodwill was impairment tested as of January 1, 2004 (transition date to IFRS) even if there was no indication of impairment at that time.

The term "impairments" is also used in conjunction with reappraisals of the value of properties that have been reported as current assets. However, appraisal of these properties occurs according to the lower value principle and complies with IAS 2, "Inventories."

IAS 23, "Borrowing Costs"

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

In accordance with the transitional rules in IFRS 1, "First-time Adoption of International Financial Reporting Standards," capitalization of borrowing costs has been applied with full retroactivity.

IAS 12, "Income Taxes"

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

Deferred tax is calculated according to the balance sheet method, on the basis of temporary differences between carrying amounts of assets and liabilities and their values for tax purposes. The amounts are calculated based on how the temporary differences are expected to be settled and by applying the tax rates and tax rules that have been decided or announced as of the balance sheet date. The following temporary differences are not taken into account: for a temporary difference that has arisen when goodwill is first recognized, the first recognition of assets and liabilities that are not business combinations and on the transaction date affect neither accounting profit nor taxable profit. Also not taken into account are temporary differences attributable to shares in subsidiaries and associated companies that are not expected to reverse in the foreseeable future. Deferred tax assets related to deductible temporary differences and loss carry-forwards are recognized only to the extent that they will probably be utilized. The value of deferred tax assets is reduced when it is no longer considered probable that they can be utilized.

IAS 2, "Inventories" (current-asset properties)

Both current-asset properties and inventories of goods are measured item by item at the lower of cost and net realizable value. Net realizable value is the estimated selling price in the ordinary course of business less the estimated costs for completion and the estimated costs necessary to make the sale.

The cost of inventories is assigned by using the first-in, first-out (FIFO) formula and includes expenditures that have arisen from acquisition of inventory assets and from bringing them to their present location and condition. For manufactured goods, cost includes a reasonable share of indirect costs based on normal capacity utilization.

Except for properties that are used in Skanska's own business, the Group's property holdings are reported as current assets, since these holdings are included in the Group's operating cycle strategy, which implies acquisition of undeveloped land or redevelopment property, planning, pre-construction engineering, leasing, construction and divestment, all during a period averaging about 3 to 5 years.

Current-asset properties are divided among Commercial Project Development, Other commercial properties and Residential Project Development. Note 22 provides information about these properties.

Before impairment loss, properties both completed and under construction are carried at directly accumulated costs, a reasonable proportion of indirect costs and interest expenses during the construction period.

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

Information on customary inventories of goods is found in Note 23.

IAS 37, "Provisions, Contingent Liabilities and Contingent Assets

Provisions

A provision is recognized in the balance sheet when the Group has a present legal or constructive obligation as a result of a past event, it is probably that an outflow of economic resources will be required to settle the obligation and a reliable estimate of the amount can be made. When the timing of the payment will have a material effect, provisions are estimated through discounting of expected future cash flow to a pre-tax interest rate that reflects current market assessments of the time value of money and, if appropriate, the risks specific to the liability.

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

A provision is made for disputes related to completed projects if it is probable that a dispute will result in an outflow of resources from the Group. Disputes related to ongoing projects are taken into consideration in the valuation of the project and are thus not included in the balance sheet item "Reserve for legal disputes," which is reported in Note 30, "Provisions."

Provisions for restructuring expenses are recognized when a detailed restructuring plan has been adopted and the restructuring has either begun or been publicly announced.

Contingent liabilities

Contingent liabilities are possible obligations arising from past events and whose existence will be confirmed only by the occurrence or non-occurrence of one or more future events not wholly within the control of the Company. Also reported as contingent liabilities are obligations arising from past events but that have not been recognized as a liability because it is not likely that an outflow of resources will be required to settle the obligation or the size of the obligation cannot be estimated with sufficient reliability.

The amounts of contract fulfillment guarantees are included until the contracted property has been transferred to the customer, which normally occurs upon its approved in a final inspection. If the guarantee covers all or most of the contract sum, the amount of the contingent liability is calculated as the contract sum minus the value of the portion performed. In cases where the guarantee only covers a small portion of the contract sum, the guarantee amount remains unchanged until the property is handed over to the customer. According to accounting principles applied through 2004, the guarantee amount remained unchanged until the guarantee formally ceased. The guarantee amount is not reduced by being offset against payments not yet received from the customer. Guarantees that have been received from subcontractors and suppliers of materials are not taken into account, either. For the Skanska Group, the change affects recognition of the Group's liability for the portion of construction consortium obligations incumbent upon consortium members outside the Group. If the Group receives reciprocal guarantees related to outside consortium members' share of joint and several liability, these are not taken into account. Tax cases, court proceedings and arbitration are not longer included in contingent liability amounts. Instead a separate description is provided.

In connection with contracting assignments, security is often provided in the form of a completion guarantee from a bank or insurance institution. The issuer of the guarantee, in turn, normally receives an indemnity from the contracting company or other Group company. In compliance with industry custom, such indemnities related to the Group's own contracting assignments are not reported as contingent liabilities, since they do not involve any increased liability compared to the contracting assignment.

It is not practicable to estimate the financial effect of contingent liabilities, to provide an indication about uncertainties concerning the amounts or dates of these outflows or to assess the possibility that compensation will be received. Note 34 presents information about the Group's contingent liabilities.

Contingent assets

Contingent assets are possible assets arising from past events and whose existence will be confirmed only by the occurrence or non-occurrence of one or more uncertain future events not wholly within the control of the Company.

In the Group's construction operations, it is not unusual that claims for additional compensation from the customer arise. If the right to additional compensation is confirmed, this affects the valuation of the project when reporting in compliance with IAS 11, "Construction Contracts." As for claims that have not yet been confirmed, it is not practicable to provide information about these, unless there is an individual claim of substantial importance to the Group.

IAS 19, "Employee Benefits"

This accounting standard makes a distinction between defined-contribution and defined-benefit pension plans. Defined-contribution pension plans are defined as

Note 1 continued

plans in which the company pays fixed contributions into a separate legal entity and has no obligation to pay further contributions even if the legal entity does not have sufficient assets to pay all employee benefits relating to their service until the balance sheet date. Other pension plans are defined-benefit. The calculation of defined-benefit pension plans uses a method that often differs from local rules in each respective country, for example from the method applied in Sweden when calculating the Company's liability for PRI occupational pensions. Obligations and costs are calculated according to the "projected unit credit method." The purpose is to recognize expected future pension disbursements as expenses in a way that yields more uniform expenses over the employee's period of employment. Expected future wage or salary increases and expected inflation are taken into account in the calculation. The present value of the obligations is to be discounted primarily on the basis of the market return on high quality corporate bonds, with maturities matching the pension obligations, on the balance sheet date. The fair value of plan assets, for example in pension funds, is to be subtracted from the estimated value of the obligations. The pension expense and the return on plan assets recognized in the income statement refer to the pension expense and return estimated on January 1. Divergences from actual pension expense and return comprise actuarial gains and losses. Because Skanska has chosen to apply the amendment to IAS 19 that was adopted by the EU in November 2005, all actuarial gains and losses since January 1, 2004 have been recognized directly in equity. In addition, the opening balance as of January 1, 2004 recognized all actuarial gains and losses through 2003 directly in equity.

When there is a difference between how pension expense is determined in a legal entity and the Group, a provision or receivable is recognized concerning the difference for taxes and social insurance contributions based on the Company's pension expenses. The provision or receivable is not calculated at present value, since it is based on present-value figures. Social insurance contributions on actuarial gains and losses are recognized directly in equity.

Obligations related to contributions to defined-contribution plans are recognized as expenses in the income statement as they arise.

The Group's net obligation related to other long-term employee benefits, aside from pensions, amounts to the value of future benefits that employees have earned as compensation for the services they have performed during the current and prior periods. The obligation is calculated using the projected unit credit method and is discounted at present value, and the fair value of any plan assets is subtracted. The discount rate is the interest rate on the balance sheet date for high quality corporate bonds with a maturity matching the maturity of the obligations.

A provision is recognized in connection with termination of employees only if the Company is obligated to end employment before the normal retirement date or when benefits are offered in order to encourage voluntary termination. In cases where the Company terminates employees, the provision is calculated on the basis of a detailed plan that at least includes the location, function and approximate number of employees affected as well as the benefits for each job classification or function and the time at which the plan will be implemented.

Only an insignificant percentage of the Group's defined-benefit pension obligations were financed by premiums to the retirement insurance company Alecta. Since the required figures cannot be obtained from Alecta, these pension obligations are reported as a defined-contribution plan.

IFRS 2, "Share-based Payment"

In accordance with the transitional rules in IFRS 1, Skanska's past employee stock option programs are not reported in compliance with IFRS 2. For these, recognition of expenses occurs when the share price exceeds the exercise price of the option.

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

Social insurance contributions

Social insurance contributions that are payable because of share-based payments are reported in compliance with Statement 46 of the Emerging Issues Task Force, Swedish Financial Accounting Standards Council, "IFRS 2 and Social Insurance Contributions." The cost of social insurance contributions is allocated over the period when services are performed. The provision that arises is re-appraised on each financial reporting date to correspond to the estimated contributions that are due at the end of the vesting period.

IAS 7, "Cash Flow Statements"

In preparing its cash flow statement, Skanska applies the indirect method in compliance with the accounting standard. Aside from cash and cash equivalent flows, liquid assets are to include short-term investments whose transformation into bank balances may occur in an amount that is mainly known in advance. Short-term investments with maturities of less than three months are regarded as liquid assets. Liquid assets that are subject to restrictions are reported either as current receivables or as non-current receivables.

In addition to the cash flow statement prepared in compliance with the standard, this Annual Report presents an operating cash flow statement that does not conform to the structure specified in the standard. The operating cash flow statement was prepared on the basis of the operations that the various business streams carry out.

IAS 33, "Earnings per Share"

Earnings per share are reported directly below the consolidated income statement and are calculated by dividing the portion of profit for the year that is attributable to the Parent Company's equity holders (shareholders) by the average number of shares outstanding during the period.

For the Share Award Plan that was introduced during 2005, the number of potential ordinary shares during the measurement period is calculated, considering the dilution effect, on the basis of the number of shares that will be issued as a consequence of fulfillment of the established targets. After the end of the measurement period, Skanska establishes the number of shares that may be issued, provided that the condition of continued employment is met. The number of potential ordinary shares thus calculated is then reduced by the ratio between the payment that Skanska is expected to receive and the average market price of a share during the period.

IAS 24, "Related Party Disclosure"

According to this accounting standard, information must be provided about transactions and agreements with related companies and physical persons. In the consolidated financial statements, intra-Group transactions fall outside this reporting requirement. Note 40 provides disclosures in compliance with the accounting standard.

IAS 40, "Investment Property"

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

IAS 14, "Segment Reporting"

A segment is a distinguishable component of the Group that is either engaged in providing products or services (business streams) or goods and services within a particular economic environment (geographic area) that is subject to risks and rewards that are different from other segments.

The division into business streams and markets reflects the internal organization of the Company and its reporting system.

Skanska's business streams are its primary segment reporting format. Skanska carries out its operations in four business streams: Construction, Commercial Project Development, Residential Project Development and Infrastructure Development.

Skanska's geographic markets are its secondary segment reporting format. The division into markets that has been carried out is attributable to the natural delimitations between markets in the Group. The markets are Sweden, the Nordic countries excluding Sweden, Europe excluding the Nordic countries, the United States and other markets. Discontinued operations are reported together with central

Note 1 continued

(corporate) items and eliminations.

The geographic division in the secondary segment reflects the division of Skanska's business into different home markets.

In transactions between business streams, pricing occurs on market terms.

IAS 10, "Events After the Balance Sheet Date"

Events after the balance sheet date may, in certain cases, confirm a situation that existed on the balance sheet date. According to the standard, such events shall be taken into account when financial reports are prepared. Information is provided about other events after the balance sheet date that occur before the signing of the financial report if its omission would affect the ability of a reader to make a correct assessment and a sound decision.

As stated earlier, divestment of a property is normally reported as income during the period when a binding agreement is signed, even if necessary regulatory approvals have not yet been received. Contractual terms that in some way are at the disposition of the counterparty may cause the reporting of income to be postponed while waiting for the terms to be fulfilled.

Information about events after the balance sheet date is provided in Note 42.

IAS 32, "Financial Instruments: Disclosure and Presentation"

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

Offsetting of financial assets and financial liabilities occurs when the legal right to offset items against each other exists and there is an intention to settle the items in a net amount or simultaneously divest the asset and settle the liability.

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

Information in compliance with the accounting standard is provided mainly in Notes 6 and 35.

IAS 39, "Financial Instruments: Recognition and Measurement"

Skanska has applied IAS 39 since January 1, 2005. Comparative figures for 2004 has not been adjusted.

The accounting standard deals with measurement and recognition of financial instruments. Excepted from application of are, among others, holdings in subsidiaries, associated companies and joint ventures, leases, the rights under employment contracts, the Company's own shares and financial instruments to which IFRS 2, "Share-based Payments" applies.

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

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

A financial asset or financial liability is recognized in the balance sheet when the Group becomes a party to the contractual provisions of the instrument. Trade accounts receivable are recognized in the balance sheet when an invoice has been sent. A liability is recognized when the counterparty has performed and there is a contractual obligation to pay, even if the invoice has not yet been received. Trade accounts payable are recognized when an invoice has been received.

A financial asset is derecognized from the balance sheet when the contractual rights are realized, expire or the Group loses control of them. The same applies to a portion of a financial asset. A financial liability is derecognized from the balance sheet when the contractual obligation is fulfilled or otherwise extinguished. The same applies to a portion of a financial liability.

Acquisitions and divestments of financial assets are recognized on the transaction date, which is the date that the Company undertakes to acquire or divest the asset.

Financial instruments are initially recognized at cost, equivalent to the instrument's fair value plus transaction costs, except instruments in the category "assets at fair value through profit or loss," which are recognized exclusive of transaction costs. Recognition then occurs depending on how they are classified as described below.

Financial assets, including derivatives, are classified as "assets at fair value through profit or loss," "held-to-maturity investments," "loans and receivables" and "available-for-sale assets."

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

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

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

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

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

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

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

Skanska uses interest rate derivatives to hedge against fluctuations in interest rates. Hedge accounting in compliance with IAS 39 is not applied, however.

Unrealized gains and losses on interest rate derivatives are recognized at fair value in the balance sheet. Changes in fair value excluding the current interest coupon portion, which is recognized as interest income or an interest expense, are recognized as financial income or expenses in the income statement under the heading "Net change of value due to revaluation of financial assets/liabilities."

Skanska has entered into swap agreements related to shares in Skanska AB. An unrealized gain or loss consists of the difference between the market value of a share on the balance sheet date and the initial price of swap agreements. The unrealized gain or loss is recognized in the balance sheet. Changes of fair value are recognized as financial income or expenses in the income statement under the heading "Net change of value due to revaluation of financial assets/liabilities."

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

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

Note 1 continued

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

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

The standard specifies what further disclosures must be provided in order for the annual accounts to conform with Sweden's Annual Accounts Act. The additional information mainly concerns personnel-related disclosures.

The disclosure on the number of employees, allocated between men and women as well as among countries, is provided in Note 37, "Personnel." The number of employees during the year was calculated as an average of the number at four measurement dates during the year. Operations divested during the year are not included.

The disclosure on gender breakdown specifies the situation on the balance sheet date. "Senior executives" in the various subsidiaries refers to the members of the management team of the respective business units. The information is provided in Note 37 and in Note 38.

Disclosures on wages, salaries, other remuneration and pension expenses are provided concerning current and former members of Boards of Directors and Presidents (Note 37).

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

Information is provided in Note 37 about loans, assets pledged and contingent liabilities on behalf of members of Boards of Directors and Presidents in the Skanska Group.

Information is also provided on remuneration to auditors and the audit firms where the auditors work (Note 39).

Beyond what the standard specifies, information is provided about absence from work due to illness regarding the Group's Swedish companies (Note 37).

Order bookings and order backlog

Order backlog refers to the value of the remaining non-accrued project income from contracted assignments.

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

Exchange rates

		Year-end exchange rate		Average exchange rate	
Currency	**Country/zone**	**2005**	**2004**	**2005**	**2004**
ARS	Argentina	2.62	2.22	2.56	2.50
CZK	Tjeckien	0.32	0.30	0.31	0.29
DKK	Danmark	1.26	1.21	1.25	1.23
EUR	EU	9.39	9.00	9.28	9.13
GBP	England	13.67	12.70	13.57	13.45
NOK	Norge	1.17	1.09	1.16	1.09
PLN	Polen	2.43	2.21	2.31	2.02
USD	USA	7.94	6.62	7.46	7.35

Swedish kronor (SEK) per unit of each currency.

Parent Company accounting and valuation principles

The Parent Company has prepared its annual accounts in compliance with the Annual Accounts Act and the Swedish Financial Reporting Standards Council's standard RR 32, "Accounting for Legal Entities." RR 32 implies that in the annual accounts of the legal entity, the Parent Company must apply the International Financial Reporting Standards (IFRS) and International Accounting Standards (IAS), issued by the International Accounting Standards Board (IASB), to the extent these have been adopted by the EU, as well as the interpretations by the International Financial Reporting Interpretations Committee (IFRIC) and its predecessor the Standing Interpretations Committee (SIC), as far as this is possible within the framework of the Annual Accounts Act and with respect to the connection between accounting and taxation. A presentation of the various accounting standards can be found in the Group's accounting and valuation principles. The statements of the Swedish Financial Accounting Standards Council's Emerging Issues Task Force must also be applied.

Change in accounting principles

According to RR 32, IFRS 1, "First-time Adoption of International Financial Reporting Standards," may not be used in the accounts of a legal entity, except for certain relief mechanisms. This means that in case of changes in accounting principles, the transitional rules in each accounting standard shall instead be applied. If transitional rules do not exist, the transition shall be reported in compliance with IAS 8, "Accounting Policies, Changes in Accounting Estimates and Errors."

In the case of the Parent Company, changes in accounting principles have occurred with regard to derivative instruments and contingent liabilities.

Derivative instruments are carried at fair value. The change in accounting principle is recognized in the statement of changes in equity as an adjustment in the 2005 opening balance. Comparative figures have not been changed.

Effective from January 1, 2005, Skanska has changed its principle for recognition of contingent liabilities. The amounts of contract fulfillment guarantees are included until the contracted property has been transferred to the customer, which normally occurs upon its approved in a final inspection. If the guarantee covers all or most of the contract sum, the amount of the contingent liability is calculated as the contract sum minus the value of the portion performed. In cases where the guarantee only covers a small portion of the contract sum, the guarantee amount remain unchanged until the property is handed over to the customer. According to the accounting principles applied through 2004, the guarantee amount remained unchanged until the guarantee formally ceased. As earlier, the guarantee amount is not reduced by being offset against payments not yet received from the customer. Likewise, guarantees that have been received from subcontractors and suppliers of materials are not taken into account, either. Counter-guarantees related to outside consortium members' share of joint and several liability are not taken into account. Tax cases, court proceedings and arbitration are not longer included in contingent liability amounts. Instead a separate description is provided. The amounts for 2004 have been recalculated.

Important differences compared to consolidated accounting principles

The balance sheet and income statement comply with the presentation formats in the Annual Accounts Act.

Allocations and untaxed reserves are presented on a gross basis without being allocated between equity and deferred tax.

Defined-benefit pension plans are reported according to the regulations in the Security of Income Act. Pension obligations secured by assets in pension funds are not recognized in the balance sheet.

Holdings in associated companies and joint ventures, like holdings in subsidiaries, are carried before any impairment loss at cost.

Group contributions

Group contributions received and provided are recognized directly in retained earnings. Shareholder contributions provided when Group contributions are received are also recognized directly in equity.

Note 2 Key estimates and judgments

Important estimates and judgments

The Senior Executive Team has discussed with the Board of Directors and the Audit Committee the choices and disclosures related to the Group's important accounting principles and estimates, as well as the application of these principles and estimates.

Certain important accounting-related estimates that have been made when applying the Group's accounting principles are described below.

Goodwill impairment testing

In calculating the recoverable amount in cash-generating units for assessing any goodwill impairment, a number of assumptions about future conditions and estimates of parameters have been made. A presentation of these can be found in Note 18, "Goodwill." As understood from the description in Note 18, major changes during 2006 in the prerequisites for these assumptions and estimates might have a substantial effect on the value of goodwill.

Exposure to foreign currencies

Changes in exchange rates can have a relatively large impact on the Company as a whole. Note 35, "Effects of changes in exchange rates" provides a detailed analysis of exposure to foreign currencies as well as risks associated with changes in exchange rates, including a sensitivity analysis.

Pension assumptions

Skanska recognizes defined-benefit pension obligations according to the alternative method in IAS 19, "Employee Benefits." In this method, actuarial gains and losses are recognized directly in equity and thus give rise to no effect on income. The consequence is that future changes in actuarial assumptions, both positive and negative, will have an immediate effect on recognized equity and on interest-bearing pension liability.

Note 29, "Pensions," describes the assumptions and prerequisites that provide the basis for recognition of pension liability, including a sensitivity analysis.

Percentage of completion

Skanska applies the percentage of completion method, i.e. using a forecast of final project results, income is recognized successively during the course of the project based on the stage of completion. This requires that the size of project revenue and project costs can be reliably determined. The prerequisite for this is that the Group has efficient, coordinated systems for cost accounting, forecasting and revenue/cost reporting. The system also requires a consistent judgment (forecast) of the final outcome of the project, including analysis of divergences compared to earlier assessment dates. This critical judgment is performed at least once per quarter according to the "grandfather principle," i.e. the immediate superior examines the project in a number of reviews at successively higher levels of the organization.

Disputes

Management's best judgment has been taken into account in reporting disputed amounts, but the actual future outcome may diverge from this judgment. See Note 34, "Assets pledged, contingent liabilities and contingent assets" and Note 30 "Provisions".

Investments in Infrastructure Development

Estimated market values are based on discounting of expected cash flows for each respective investment. Estimated targeted returns on investments of this type have been used as discount rates. Changes in expected cash flows, which in a number of cases extend 20-30 years ahead in time, and/or changes in targeted returns, may materially affect both estimated market values and carrying amounts for each investment.

Current-asset properties

The stated total market value is estimated on the basis of prevailing price levels in the respective location of each property. Changes in the supply of similar properties as well as changes in demand due to changes in targeted return may materially affect both estimated market values and carrying amounts for each property.

Note 3 Effects of changes in accounting principles

The accounting principles presented in Note 1 have been applied to the preparation of the Group's financial reports for the 2005 financial year and for the comparative year 2004 as well as to the Group's opening balance on January 1, except with regard to IAS 39, "Financial Instruments: Recognition and Measurement, and IFRS 5, "Non-current Assets Held for Sale," which in accordance with an exception in IFRS 1, "First-time Adoption of International Financial Reporting Standards," is being applied only in 2005. Point A below describes the effects on reporting during 2004 and point B describes the effects of IAS 39 and IFRS 5 on January 1, 2005.

During 2005, Skanska changed its accounting principle for dealing with contingent liabilities. This is described in point C. During the year, the Group adjusted its application of certain accounting principles. Point D describes the change in dealing with checks issued but not yet cashed. Point E describes accounting for joint ventures in Infrastructure Development. Point F describes accounting for receivables from property buyers in Commercial Project Development.

A. Effects on reporting of 2004 upon transition to IFRS

In preparing the IFRS consolidated balance sheet for 2004, amounts that had been recognized according to previously applied accounting principles were adjusted according to IFRS. Explanations of how the transition from previous accounting principles to IFRS affected the Group's financial position, financial results and cash flows can be found in the following tables and explanations of these.

Standards that affected the January 1, 2004 opening balance and 2004 comparative figures

IAS 19, "Employee Benefits"

Since 2003, the Group has applied the Swedish Financial Accounting Standards Council's standard RR 29, "Employee Benefits. "Skanska has chosen to apply the transitional rule in IFRS 1 when reporting employee benefits in accordance with IAS 19. This means that unrecognized actuarial gains and losses are re-set to zero in equity as of January 1, 2004. In the financial statements as of December 31, 2003, unrecognized actuarial gains amounted to SEK 287 M. As a result, provisions for pensions were reduced by SEK 287 M and equity rose by SEK 203 M after taking into account deferred tax.

The Group is using the alternative method for dealing with surpluses and deficits, respectively, in defined-benefit pension plans, which means that actuarial gains and losses are recognized directly in the balance sheet and thus do not give rise to any effect on earnings. During 2004, actuarial losses amounted to SEK 590 M, which meant that provisions for pensions rose by SEK 590 M and equity decreased by SEK 425 M after taking into account a deferred tax asset of SEK 178 M and special payroll tax of SEK 13 M.

IAS 23, "Borrowing Costs"

Capitalization of borrowing costs during the design and construction phase for non-current assets and current-asset properties was applied with full retroactivity according to the transitional rules (IFRS 1). Since 2002, Skanska has applied the alternative rule in standard RR 21, "Borrowing Costs." Capitalization of borrowing costs according to IAS 23, "Borrowing Costs," mainly related to current-asset properties (SEK 172 M) and a concession for a highway project in Chile (SEK 47 M). After taking the tax effect into account, equity increased by SEK 157 M.
During 2004, gain on sale of current-asset properties was affected in the amount of SEK –20 M by higher book values on transition to IFRS.

IAS 38, "Intangible Assets"

The application of IAS 38, "Intangible Assets," resulted in the capitalization of SEK 36 M in assets, mainly computer software. After taking the tax effect into account, this adjustment affected equity in the amount of SEK 26 M. During 2004, higher amortization changed operating income by SEK –16 M. The capitalization rules in IAS 38, "Intangible Assets," also resulted in a minor reclassification from goodwill to "Other intangible non-current assets" concerning acquisitions early in 2004 belonging to the then-business unit Skanska Services. This effect applied only to the balance sheets for the first and second quarters of 2004, because the business unit that made the acquisitions was divested during the third quarter of 2004.

IAS 16, "Property, Plant and Equipment"

The requirement to apply component depreciation set out in IAS 16, "Property, Plant and Equipment," led to an adjustment in equity of SEK –22 M during the transition to IFRS. The balance sheet item "Property, plant and equipment" decreased by SEK -30 M.

Note 3 continued

Effects on the balance sheet, Jan. 1, 2004

SEK M	SWGAAP Dec 31 2003	Changes according to standards: IAS 19	IAS 23	IAS 38	IAS 16	IAS 11	IAS 1	Total changes	IFRS Jan 1 2004
Non-current assets									
Property, plant and equipment	6,730				–30			–30	6,700
Goodwill	4,259								4,259
Other intangible assets	459		47	36				83	542
Investments in joint ventures and associated companies	1,374								1,374
Financial non-current assets	2,032								2,032
Deferred tax assets	1,539	–94				14		–80	1,459
Total non-current assets	**16,393**	**–94**	**47**	**36**	**–30**	**14**	**0**	**–27**	**16,366**
Current assets									
Current-asset properties [1]	13,694		172					172	13,866
Inventories	828								828
Financial current assets	1,248								1,248
Tax assets	415								415
Gross amount due from customers for contract work	4,814					–46		–46	4,768
Trade and other receivables	22,309								22,309
Short-term investments	218								218
Cash and cash equivalents	6,819								6,819
Total current assets	**50,345**	**0**	**172**	**0**	**0**	**–46**	**0**	**126**	**50,471**
TOTAL ASSETS	**66,738**	**–94**	**219**	**36**	**–30**	**–32**	**0**	**99**	**66,837**
EQUITY									
Equity attributable to equity holders	14,169	203	157	26	–22	–32		332	14,501
Minority interest	200								200
Total equity	**14,369**	**203**	**157**	**26**	**–22**	**–32**	**0**	**332**	**14,701**
LIABILITIES									
Non-current liabilities									
Financial non-current liabilities	7,182						–1,468	–1,468	5,714
Pensions	2,058	–287						–287	1,771
Deferred tax liabilities	3,104	–4	62	10	–8			60	3,164
Non-current provisions	174								174
Total non-current liabilities	**12,518**	**–291**	**62**	**10**	**–8**	**0**	**–1,468**	**–1,695**	**10,823**
Current liabilities									
Financial current liabilities	809						1,468	1,468	2,277
Tax liabilities	571							0	571
Current provisions	3,056	–6						–6	3,050
Gross amount due to customers for contract work	9,311							0	9,311
Trade and other payables	26,104							0	26,104
Total current liabilities	**39,851**	**–6**	**0**	**0**	**0**	**0**	**1,468**	**1,462**	**41,313**
TOTAL EQUITY AND LIABILITIES	**66,738**	**–94**	**219**	**36**	**–30**	**–32**	**0**	**99**	**66,837**

[1] Current-asset properties	SWGAAP Dec 31 2003	IAS 19	IAS 23	IAS 38	IAS 16	IAS 11	IAS 1	Total changes	IFRS Jan 1 2004
Commercial Project Development	9,249		172					172	9,421
Other commercial properties	1,051							0	1,051
Residential Project Development	3,394							0	3,394
	13,694	**0**	**172**	**0**	**0**	**0**	**0**	**172**	**13,866**
Interest-bearing assets	10,241							0	10,241
Interest-bearing liabilities	10,091							–287	9,804
Interest-bearing net receivables	**150**							**287**	**437**
Capital employed	24,460							45	24,505
Equity/assets ratio, %	21.5							0.5	22.0

Note 3 continued

IAS 11, "Construction Contracts"

The accrual of certain capitalized tendering expenses according to IAS 11, "Construction Contracts," affected equity on transition to IFRS in the amount of SEK –32 M after taking the tax effect into account. The balance sheet item "Gross amount due from customers for contract work was affected in the amount of SEK –46 M. During 2004, operating income was affected negatively in the amount of SEK –18 M.

IAS 1, "Presentation of Financial Statements"

The Group's presentation formats for the income statement and the balance sheet were affected by the transition. A new item was added under operating income, "Income from divestments of discontinued operations." This amount includes gains/losses on the sale of Group companies and joint ventures. In 2004, the gain/loss on the sale of Group companies was recognized on two lines. The gain/loss on the sale of Group companies was recognized under "Income from Group companies" and the loss on the sale of Gammon Skanska was recognized as part of "Income from joint ventures." The effect of gains and losses on these divestments in the full-year 2004 income statement was as follows:

SEK M	According to, SWGAAP	IFRS related change	According to IFRS
Income from Group companies	1,413	–1,413	0
Income from divestments of discontinued operations	0	1,587	1,587
Income from joint ventures	–35	35	0
	1,378	**209**	**1,587**

Income from divestments of discontinued operations can be seen in the following table:

SEK M	According to SWGAAP	IFRS related change	According to IFRS
Skanska Cementation	–5	9	4
Skanska Services	1,165	–25	1,140
Skanska India	–45	56	11
Myresjöhus	298		298
Gammon Skanska	–35	169	134
Total	**1,378**	**209**	**1,587**

The minority interest in income is recognized in a line below profit, where the allocation of profit between equity holders is shown. In the balance sheet, minority interest is recognized as a component of equity. "Provisions" has disappeared as a separate heading. Provisions are instead recognized among liabilities, divided into non-current and current. The number of headings in the balance sheet has been reduced, compared to the earlier presentation. Differences in the definition of non-current liabilities between IAS 1 and RR 22 led to reclassifications between non-current and current financial liabilities.

The new presentation formats can be seen in the attached income statements, in which the "bridge" or transition from Swedish GAAP to IFRS is reported in amounts per IAS and income statement and balance sheet item.

Standards affecting Skanska during 2004

In addition to the effects of the changes in opening balance, Skanska's 2004 results were also affected by the following international reporting standards.

IFRS 3, "Business Combinations"

The Group chose to apply the transitional rule in IFRS when transitioning to IFRS 3, "Business Combinations," which meant that it would be applying this standard prospectively as of January 1, 2004. During 2004, the consolidated financial statements were affected by reversed goodwill amortizations totaling SEK 405 M. In some cases, the reversal of the goodwill amortization caused the carrying amount to exceed the net realizable value, leading to the recognition of a goodwill impairment loss according to IAS, "Impairment of Assets," of SEK –45 M. The net effect of these items in the income statement was SEK 360 M. The effect on the balance sheet is SEK 334 M, after the effects of exchange rate differences.

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

The transition to IFRS affected divestment gains/losses on the sale of Group companies and joint ventures during 2004. According to RR 8, "The Effect of Changes in Foreign Exchange Rates," accumulated translation differences of SEK –197 M in equity related to divestment gains/losses were transferred to the income statement using Swedish GAAP. As a consequence of the IFRS 1 transition rules, accumulated translation differences were re-set to zero as of January 1, 2004, resulting in an adjustment of SEK 234 M in accumulated translation differences related to Group companies and joint ventures divested in 2004. According to IFRS, income from discontinued operations thus increased by SEK 234 M related to the reversal of negative translation differences in the income statement. (This had no effect on equity, however.)

The gain/loss from divestments of discontinued operations was also affected negatively in the amount of SEK –25 M on transition to IFRS because the net assets of Skanska Services were affected by the transition to IFRS. This, in turn, resulted in an adjustment of the gain on the divestment from SEK 1,165 M to SEK 1,140 M.

B. Effects on reporting as of January 1, 2005 of the introduction of IAS 39 and IFRS 5

Transition to IAS 39 in reporting of financial instruments as of January 1, 2005

The application of IAS 39, "Financial Instruments," chosen by Skanska implied that the opening balance on January 1, 2005 changed prospectively. The comparative figures for 2004 were not affected. According to IAS 39, financial derivatives such as interest rate swaps, forward rate agreements, embedded derivatives etc. shall be carried at fair value in the balance sheet. Skanska uses financial derivatives to adapt the interest refixing period on its net debt and to minimize its transaction exposure and reduce translation exposure. The fair value of financial derivatives undergoes changes as market interest rates and currency exchange rates fluctuate. Carrying such items at fair value results in both positive figures and negative figures, depending on current market interest rates and exchange rates on the balance sheet date. The effect on January 1, 2005 implied a change in equity of about SEK –11 M, after taking into account deferred tax.

Transition to IFRS 5, "Non-current Assets Held for Sale etc." as of January 1, 2005

Assets and liabilities held for sale

Skanska recognizes assets and disposal groups held for sale on a separate line in the balance sheet. These assets and the collective assets and liabilities (not internal) of the divestment categories are recognized on the lines "Assets classified as held for sale" and "Liabilities classified as held for sale."

As of January 1, the Group reported a number of units as divestment categories. Businesses reported as held for sale are Skanska Prefab Mark, Skanska Modul, Glasbyggarna and Honkavaaran Maastorakennus. For further descriptions of these businesses and information about their divestment, see Note 5, "Non-current assets held for sale and discontinued operations."

The following table shows what balance sheet items were transferred to the respective amounts as of January 1, 2005. See Note 5, "Non-current assets held for sale and discontinued operations" for corresponding figures as of December 31, 2005.

Discontinued operations

Skanska presents the income statement divided into continuing operations and discontinued operations.

The transition to IFRS 5 did not lead to any change in the reporting of discontinued operations in the income statement compared to the rules applied in 2004 according to RR 19, "Discontinuing operations." During 2005, no further operations were added to the category "Discontinued operations" and thus no comparative figures were recalculated.

See also Note 5, "Non-current assets held for sale and discontinued operations."

C. Change in accounting principle for contingent liabilities

The principle for recognizing contingent liabilities changed during 2005. This change of principle is described in Note 1, "Accounting and valuation principles."

The change in "Other contingent liabilities" is related to ongoing legal proceedings on alleged collusive anti-competitive activities.

Note 3 continued

Effect on the income statement, Jan-Dec 2004

SEK M	SWGAAP 2004	Changes in compliance with standards: IAS 19	IAS 23	IAS 38	IAS 11	IFRS 3 IAS 36	IAS 21	Divestment of Services	Total changes	IFRS 2004
Revenue	121,263								0	121,263
Cost of sales	–111,667	–7	–20	–12					–39	–111,706
Gross income	9,596	–7	–20	–12	0	0	0	0	–39	9,557
Selling and administrative expenses[1]	–7,289			–4	–18	360			338	–6,951
Income from divestment of discontinued operations	1,413						199	–25	174	1,587
Income from joint ventures and associated companies	133						35		35	168
Operating income	**3,853**	**–7**	**–20**	**–16**	**–18**	**360**	**234**	**–25**	**508**	**4,361**
Financial income and expenses	–34								0	–34
Income after financial items	**3,819**	**–7**	**–20**	**–16**	**–18**	**360**	**234**	**–25**	**508**	**4,327**
Taxes	–1,158	3	5	4	5				17	–1,141
Profit for the year	**2,661**	**–4**	**–15**	**–12**	**–13**	**360**	**234**	**–25**	**525**	**3,186**
Profit for the year attributable to										
Equity holders	2,648								525	3,173
Minority interest	13								0	13
[1] of which goodwill amortization						405				
of which goodwill impairment loss						–45				
Earnings per share	6.33								1.25	7.58
Return on capital employed	17.9								2.0	19.9
Return on equity	17.5								3.1	20.6

Total changes, allocated between continuing and discontinued operations

	Continuing operations			Discontinued operations		
SEK M	SWGAAP 2004	Total changes	IFRS 2004	SWGAAP 2004	Total changes	IFRS 2004
Revenue	116,257		116,257	5,006		5,006
Cost of sales	–106,657	–39	–106,696	–5,010		–5,010
Gross income	**9,600**	**–39**	**9,561**	**–4**	**0**	**–4**
Selling and administrative expenses	–6,671	328	–6,343	–618	10	–608
Income from divestments of discontinued operations	0		0	1,413	174	1,587
Income from joint ventures and associated companies	156		156	–23	35	12
Operating income	**3,085**	**289**	**3,374**	**768**	**219**	**987**
Financial income and expenses	–14		–14	–20		–20
Income after financial items	**3,071**	**289**	**3,360**	**748**	**219**	**967**
Taxes	–1,111	16	–1,095	–47	1	–46
Profit for the year	**1,960**	**305**	**2,265**	**701**	**220**	**921**

Note 3 continued

Effects on the balance sheet, Dec. 31, 2004

SEK M	SWGAAP Dec 31 2004	Changes in compliance with standards IAS 19	IAS 23	IAS 38	IAS 16	IAS 11	IFRS 3 IAS 36	IAS 1	Total changes	IFRS Dec 31 2004
Non-current assets										
Property, plant and equipment	5,537				–30				–30	5,507
Goodwill	3,565						334		334	3,899
Other intangible assets	464		47	24					71	535
Investments in joint ventures and associated companies	862									862
Financial non-current assets	1,137									1,137
Deferred tax assets	1,526	88				19			107	1,633
Total non-current assets	**13,091**	**88**	**47**	**24**	**–30**	**19**	**334**	**0**	**482**	**13,573**
Current assets										
Current-asset properties [1]	11,796		152						152	11,948
Inventories	610									610
Financial current assets	2,490									2,490
Tax assets	269									269
Gross amount due from customers for contract work	3,641					–62			–62	3,579
Trade and other receivables	21,744									21,744
Short-term investments	3,053									3,053
Cash and cash equivalents	5,815									5,815
Total current assets	**49,418**	**0**	**152**	**0**	**0**	**–62**	**0**	**0**	**90**	**49,508**
TOTAL ASSETS	**62,509**	**88**	**199**	**24**	**–30**	**–43**	**334**	**0**	**572**	**63,081**
EQUITY										
Equity attributable to equity holders	16,066	–244	143	17	–22	–43	334		185	16,251
Minority interest	117									117
Total equity	**16,183**	**–244**	**143**	**17**	**–22**	**–43**	**334**	**0**	**185**	**16,368**
LIABILITIES										
Non-current liabilities										
Financial non-current liabilities	3,094							–48	–48	3,046
Pensions	831	281							281	1,112
Deferred tax liabilities	2,698	–9	56	7	–8				46	2,744
Non-current provisions	135									135
Total non-current liabilities	**6,758**	**272**	**56**	**7**	**–8**	**0**	**0**	**–48**	**279**	**7,037**
Current liabilities										
Financial current liabilities	958							48	48	1,006
Tax liabilities	998									998
Current provisions	2,680	60							60	2,740
Gross amount due to customers for contract work	10,428									10,428
Trade and other payables	24,504									24,504
Total current liabilities	**39,568**	**60**	**0**	**0**	**0**	**0**	**0**	**48**	**108**	**39,676**
TOTAL EQUITY AND LIABILITIES	**62,509**	**88**	**199**	**24**	**–30**	**–43**	**334**	**0**	**572**	**63,081**
[1] Current-asset properties										
Commercial Project Development	7,256		152						152	7,408
Other commercial properties	1,272								0	1,272
Residential Project Development	3,268								0	3,268
	11,796	**0**	**152**	**0**	**0**	**0**	**0**	**0**	**152**	**11,948**
Interest-bearing assets	12,421								0	12,421
Interest-bearing liabilities	4,922								270	5,192
Net interest-bearing receivables	**7,499**								**–270**	**7,229**
Capital employed	21,105								455	21,560
Equity/assets ratio	25.9								0.0	25.9

The above amounts were affected by differences between both average exchange rates for the year and by opening and closing balance sheet date exchange rates.

Note 3 continued

Effect on the balance sheet, January 1, 2005

SEK M	IFRS Dec 31 2004	Changes in compliance with standards: IAS 39	IFRS 5	Total changes	IFRS Jan 1 2005
Non-current assets					
Property, plant and equipment	5,507		–529	–529	4,978
Goodwill	3,899				3,899
Other intangible assets	535				535
Investments in joint ventures and associated companies	862				862
Financial non-current assets	1,137	116		116	1,253
Deferred tax assets	1,633	36	–49	–13	1,620
Total non-current assets	**13,573**	**152**	**–578**	**–426**	**13,147**
Current assets					
Current-asset properties[1]	11,948	–13		–13	11,935
Inventories	610		–127	–127	483
Financial current assets	2,490	281		281	2,771
Tax receivables	269				269
Gross amount due from customers for contract work	3,579	95	–21	74	3,653
Trade and other receivables	21,744	–43	–122	–165	21,579
Short-term investments	3,053				3,053
Cash and cash equivalents	5,815		–21	–21	5,794
Assets classified as held for sale			869	869	869
Total current assets	**49,508**	**320**	**578**	**898**	**50,406**
TOTAL ASSETS	**63,081**	**472**	**0**	**472**	**63,553**
EQUITY					
Equity attributable to equity holders	16,251	–11		–11	16,240
Minority interest	117				117
Total equity	**16,368**	**–11**	**0**	**–11**	**16,357**
LIABILITIES					
Non-current liabilities					
Financial non-current liabilities	3,046	254		254	3,300
Pensions	1,112		–4	–4	1,108
Deferred tax liabilities	2,744	22	–58	–36	2,708
Non-current provisions	135				135
Total non-current liabilities	**7,037**	**276**	**–62**	**214**	**7,251**
Current liabilities					
Financial non-current liabilities	1,006	193	–2	191	1,197
Tax liabilities	998		–4	–4	994
Current provisions	2,740		–5	–5	2,735
Gross amount due to customers for contract work	10,428	44	–1	43	10,471
Trade and other payables	24,504	–30	–250	–280	24,224
Liabilities classified as held for sale			324	324	324
Total current liabilities	**39,676**	**207**	**62**	**269**	**39,945**
TOTAL EQUITY AND LIABILITIES	**63,081**	**472**	**0**	**472**	**63,553**
[1] Current-asset properties					
Commercial Project Development	7,408	–13		–13	7,395
Other commercial properties	1,272				1,272
Residential Project Development	3,268				3,268
	11,948	–13	0	–13	11,935
Interest-bearing assets	12,421				12,421
Interest-bearing liabilities	5,192				5,192
Net interest-bearing receivables	7,229	0	0	0	7,229
Capital employed	21,560	–11	0	–11	21,549
Equity/assets ratio	25.9			–0.2	25.7

Note 3 continued

Contingent liabilities according to the 2004 financial statements		20,437
Change in accounting principle:		
Contingent liabilities related to construction consortia	–12,204	
Other contingent liabilities	–808	–13,012
Contingent liabilities in 2004 according to changed accounting principle		**7,425**

D. Change in accounting practice for checks issued but not yet cashed

To achieve uniform accounting for cash and cash equivalents, starting in 2005, checks issued are recognized as a reduction in the item "Cash and cash equivalents" only when they are cashed. Consequently the corresponding amount remains as an operating liability until the checks are cashed. This affects operations in the U.S. and the U.K.

This reclassification implies an increase of SEK 764 M in interest-bearing net receivables as of July 1 and is recognized in cash flow as a reclassification of liquid assets.

See "Accounting and valuation principles," Note 1

E. Change in accounting practice for holdings in Infrastructure Development

As of January 1, Infrastructure Development changed its accounting for subordinated loans to joint ventures. Previously recognized receivables, both interest-bearing and non-interest-bearing, have been reclassified as investments in joint ventures. This reclassification affected the Group's interest-bearing net receivables in the amount of SEK –194 M and is accounted for as a reclassification of interest-bearing net debt.

The effect on the balance sheet of this reclassification on January 1, 2005 is shown in the following table:

Investments in joint ventures and associated companies	250
Financial non-current assets	–194
Operating receivables	–56
Total	**0**

See "Accounting and valuation principles," Note 1.

F. Change in accounting practice for receivables from buyers of properties in Commercial Project Development

As of January 1, 2005, the accounting practice for recognition of receivables from buyers of properties in Commercial Project Development changed. Receivables from buyers are treated as interest-bearing.

This change in accounting practice affected interest-bearing net receivables on January 1, 2005 in the amount of SEK +446 M.

See "Accounting and valuation principles," Note 1.

G. Reallocation of acquisition goodwill between the Construction and Residential Project Development business streams

As of January 1, 2005, acquisition goodwill of SEK 428 M was reallocated from the Construction business stream to Residential Project Development. See also Note 4, "Segment reporting."

Note 4 Segment reporting

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

Skanska's business streams are reported as primary segments. Skanska carries out its operations in four business streams:
Construction, Commercial Project Development, Residential Project Development and Infrastructure Development. Geographic markets are reported as secondary segments. The market division that is used is based on the natural delimitations between markets in the Group. Discontinued operations are reported together with central items and eliminations. For information concernng discontinued operations, see Note 5, "Non-current assets held for sale and discontinued operations.

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

A. Primary segment: Business streams

Construction is the Group's largest business stream. Construction includes both building and civil construction, but not residential construction for Skanska's own account.

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

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

Infrastructure Development (formerly BOT) specializes in identifying, developing and investing in privately financed infrastructure projects, such as highways, hospitals and power generating plants. The business stream focuses on creating new potential projects in the markets where the Group has operations.

Assets and liabilities by business stream

Each business stream has operating responsibility for its capital employed. The capital employed by each business stream consists of its total assets minus tax assets and intra-Group receivables invested in Skanska's treasury unit ("internal bank") minus non-interest-bearing liabilities excluding tax liabilities. Acquisition goodwill has been reported in the business stream to which it belongs.

Revenue and expenses by business stream

Each business stream has operating responsibility for its income statement down to and including operating income. If its assets include interest-bearing receivables and liquid assets other than funds invested in the Group's treasury unit, the company is also responsible for the interest income that these assets earn. No interest expenses or taxes are found in the income statements of the respective business streams.

Note 4 continued

	Construction		Resident. Project Development		Commercial Project Development		Infrastructure Development		Discontinued operations, central and eliminations		Group total	
	2005	2004	2005	2004	2005	2004	2005	2004	2005	2004	2005	2004
Income statement												
External revenue	112,700	104,495	6,113	5,814	5,073	5,520	51	33	730	5,401	124,667	121,263
Intra-Group revenue	3,255	3,482	0	0	2	64	2	0	–3,259	–3,546	0	0
Total revenue	**115,955**	**107,977**	**6,113**	**5,814**	**5,075**	**5,584**	**53**	**33**	**–2,529**	**1,855**	**124,667**	**121,263**
Cost of sales	–107,684	–101,297	–5,185	–4,993	–3,112	–3,711	–100	–45	2,679	–1,660	–113,402	–111,706
Gross income	**8,271**	**6,680**	**928**	**821**	**1,963**	**1,873**	**–47**	**–12**	**150**	**195**	**11,265**	**9,557**
Selling and administrative expenses	–5,447	–5,207	–334	–305	–228	–215	–123	–70	–554	–1,154	–6,686	–6,951
Income from divestments of discontinued operations									184	1,587	184	1,587
Income from joint ventures and associated companies	47	39	17	12	5	–41	161	113	7	45	237	168
Operating income[1]	**2,871**	**1,512**	**611**	**528**	**1,740**	**1,617**	**–9**	**31**	**–213**	**673**	**5,000**	**4,361**
Interest income	121	162	3	9	28	22	0	14	156	77	308	284
Interest expenses									–137	–332	–137	–332
Change in market value									19	0	19	0
Other financial items									–70	14	–70	14
Income after financial items	**2,992**	**1,674**	**614**	**537**	**1,768**	**1,639**	**–9**	**45**	**–245**	**432**	**5,120**	**4,327**
Taxes									–1,230	–1,141	–1,230	–1,141
Profit for the year	**2,992**	**1,674**	**614**	**537**	**1,768**	**1,639**	**–9**	**45**	**–1,475**	**–709**	**3,890**	**3,186**
Profit for the year attributable to												
Equity holders											3,879	3,173
Minority interest											11	13
Assets												
Property, plant and equipment	5,243	4,972	7	5	7	6	3	1	–17	523	5,243	5,507
Intangible assets[2]	3,757	3,525	481	447			541	440	19	22	4,798	4,434
Investments in associated companies and joint ventures	134	137	106	91	16	13	1,896	766	–318	–145	1,834	862
Other shares and participations	47	58	14	18					–2	–2	59	74
Interest-bearing assets[3]	5,372	3,733	75	59	591	104	3	208	10,932	8,317	16,973	12,421
Current-asset properties	1,396	1,288	3,289	3,259	5,903	7,577			–106	–176	10,482	11,948
Tax assets									2,612	1,902	2,612	1,902
Non-interest-bearing assets	27,514	22,178	1,663	1,989	198	1,056	165	105	–302	605	29,238	25,933
Assets classified as held for sale									72		72	
Total assets	**43,463**	**35,891**	**5,635**	**5,868**	**6,715**	**8,756**	**2,608**	**1,520**	**12,890**	**11,046**	**71,311**	**63,081**
Liabilities												
Tax liabilities									3,426	3,742	3,426	3,742
Trade and other payables and non interest-bearing provisions	39,053	32,194	3,107	3,062	680	1,038	76	40	484	1,445	43,400	37,779
Liabilities classified as held for sale									34		34	
	39,053	**32,194**	**3,107**	**3,062**	**680**	**1,038**	**76**	**40**	**3,944**	**5,187**	**46,860**	**41,521**
Capital employed	4,410	3,697	2,528	2,806	6,035	7,718	2,532	1,480	8,946	5,859	24,451	21,560
[1] of which depreciation/amortization	–1,044	–1,039	–3	–2	–1	–1	–13	0	–12	–207	–1,073	–1,249
of which goodwill impairment losses/reversals of impairment losses	–108	–23								–146	–108	–169
of which impairment of other assets	–58	–13	–20	–14		–98				–67	–78	–192
of which gains from divestments of residential units	0	0	801	607						31	801	638
of which gains from commercial property divestments	253	150			1,626	1,495			–7	0	1,872	1,645

[2] On January 1, 2004, SEK 428 M in acquisition goodwill was transferred from Construction to Residential Project Development.

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

Note 4 continued

	Construction		Resident. Project Development		Commercial Project Development		Infrastructure Development		Discontinued operations, central and eliminations		Group total	
	2005	2004	2005	2004	2005	2004	2005	2004	2005	2004	2005	2004
Operating cash flow [1]												
Cash flow from operations before investments	3,836	4,140	106	–192	361	186	–200	–34	–334	–598	3,769	3,502
Net investments in operations	–650	–266	957	408	3,292	3,378	–441	–181	–41	9	3,117	3,348
Cash flow effect, adjustment of dates, net investments	–24	78	27	88	–60	–219	0	0	0	0	–57	–53
Taxes paid in operating activities									–1,475	–1,011	–1,475	–1,011
Cash flow from operating activities	**3,162**	**3,952**	**1,090**	**304**	**3,593**	**3,345**	**–641**	**–215**	**–1,850**	**–1,600**	**5,354**	**5,786**
Net strategic investments	–37	14	–2	0	0	1	0	0	567	2,406	528	2,421
Taxes paid on strategic divestments									–1	–29	–1	–29
Cash flow from strategic investments	**–37**	**14**	**–2**	**0**	**0**	**1**	**0**	**0**	**566**	**2,377**	**527**	**2,392**
Cash flow before financing activities and dividends	3,125	3,966	1,088	304	3,593	3,346	–641	–215	–1,284	777	5,881	8,178
Net investments												
Investments	–2,129	–1,330	–3,195	–3,676	–1,138	–1,336	–476	–188	–48	–235	–6,986	–6,765
Divestments	1,442	1,078	4,151	4,084	4,430	4,715	35	7	573	2,650	10,631	12,534
Net investments	**–687**	**–252**	**956**	**408**	**3,292**	**3,379**	**–441**	**–181**	**525**	**2,415**	**3,645**	**5,769**
Order bookings	116,553	116,008							544	5,895	117,097	121,903
Order backlog	128,572	113,498							171	242	128,743	113,740
Employees	52,533	51,583	582	739	125	129	66	40	500	1,312	53,806	53,803

B. Secondary segment: Geographic markets

	Sweden	Other Nordic countries	Other Europe	United States	Other markets	Discontinued operations, central and eliminations	Total
2005							
External revenue	25,377	26,095	28,488	39,359	4,618	730	124,667
Intra-Group revenue	52	77			1	–130	0
Total revenue	**25,429**	**26,172**	**28,488**	**39,359**	**4,619**	**600**	**124,667**
Total assets	**18,865**	**14,663**	**22,045**	**15,411**	**5,723**	**–5,396**	**71,311**
Investments in non-current assets and businesses	–273	–249	–591	–318	–546	–53	–2,030
Investments in current-asset properties	–976	–3,117	–868			5	–4,956
Total investments	**–1,249**	**–3,366**	**–1,459**	**–318**	**–546**	**–48**	**–6,986**
Investments in non-current assets and businesses	93	85	281	128	64	581	1,232
Divestments of current-asset properties	3,318	4,130	1,954	0	8	–10	9,400
Total divestments	**3,411**	**4,215**	**2,235**	**128**	**72**	**571**	**10,632**
2004							
External revenue	24,866	21,076	25,983	40,007	3,932	5,399	121,263
Intra-Group revenue	785	96	0	0	5	–886	0
Total revenue	**25,651**	**21,172**	**25,983**	**40,007**	**3,937**	**4,513**	**121,263**
Total assets	**17,171**	**13,003**	**16,980**	**12,121**	**4,289**	**–483**	**63,081**
Investments in non-current assets and businesses	–248	–183	–421	–128	–269	–114	–1,363
Investments in current-asset properties	–1,509	–2,813	–941	0	0	–3	–5,266
Total investments	**–1,757**	**–2,996**	**–1,362**	**–128**	**–269**	**–117**	**–6,629**
Divestments of non-current assets and businesses	164	107	217	50	26	92	656
Divestments of current-asset properties	4,031	2,956	2,293	0	7	34	9,321
Total divestments	**4,195**	**3,063**	**2,510**	**50**	**33**	**126**	**9,977**

Note 4 continued

C. Other information by business stream/reporting unit

	Revenue		Operating income		Return on capital employed, %		Orderbacklog		Order bookings	
	2005	2004	2005	2004	2005	2004	2005	2004	2005	2004
Construction										
Sweden	22,141	20,519	887	579			16,004	15,485	22,087	23,039
Norway	10,502	8,640	422	215			8,631	7,371	11,353	10,195
Denmark	4,385	3,636	50	53			2,172	2,157	3,902	3,518
Finland	8,366	7,623	222	263			5,879	4,854	9,082	7,316
Poland	5,082	3,970	146	101			7,143	3,844	7,625	4,559
Czech Republic	10,303	7,906	466	368			12,493	13,047	8,567	12,910
United Kingdom	10,761	11,024	346	52			17,412	13,318	13,815	10,850
USA Building	29,944	27,601	239	–413			36,663	36,577	23,158	29,699
USA Civil	9,415	12,406	–99	218			18,381	12,116	13,179	8,242
Latin America	3,579	2,785	154	118			3,138	2,885	3,080	3,924
International	1,477	1,867	38	–42			656	1,844	705	1,756
Elimination										
	115,955	**107,977**	**2,871**	**1,512**			**128,572**	**113,498**	**116,553**	**116,008**
Residential Project Development										
Sweden	2,394	2,046	196	136	108.1	25.4				
Norway	1,343	1,234	132	122	12.0	9.7				
Finland	1,616	1,609	195	151	27.5	24.0				
Poland	114	116	16	10	21.5	7.7				
Czech Republic	416	523	86	105	31.8	48.6				
International	230	286	–14	4	–15.7	8.6				
	6,113	**5,814**	**611**	**528**	**23.8**	**18.4**				
Commercial Project Development	**5,075**	**5,584**	**1,740**	**1,617**	**25.1**	**17.7**				
Infrastructure Development	**53**	**33**	**–9**	**31**	**–0.1**	**3.3**				
Discontinued operations, central and eliminations	**–2,529**	**1,855**	**–213**	**673**			**171**	**242**	**544**	**5,895**
Total	**124,667**	**121,263**	**5,000**	**4,361**	**23.3**	**19.9**	**128,743**	**113,740**	**117,097**	**121,903**

Note 5 Non-current assets held for sale and discontinued operations

Non-current assets held for sale and discontinued operations are recognized in compliance with IFRS 5. See "Accounting and valuation principles," Note 1.

Discontinued operations

In the consolidated income statement, discontinued operations are accounted for separately.

Recognized under discontinued operations are income from divestments of discontinued operations and the income of these operations from January 1 until the companies are sold. Also shown is the income from those operations still recognized as "disposal groups to be sold" at year-end.

A number of specialized companies, mainly from Skanska Sweden, are recognized as a separate disposal group. "Specialized companies" refers to units that provide specialized services or products. During 2005, most of the companies that were included among discontinued operations at the beginning of the year were divested. Skanska Prefab Mark was sold during the second quarter with a capital gain of SEK 180 M. During the fourth quarter, Skanska Modul was sold with a gain of SEK 4 M.

Two small units remain as disposal groups under "Discontinued operations." Income from divestments of discontinued operations can be seen in the following table.

	2005	2004
Skanska Prefab Mark	180	
Skanska Modul	4	
Skanska Cementation		4
Skanska Services		1,140
Skanska India		11
Myresjöhus		298
Skanska Gammon		134
Total	**184**	**1,587**

The effects of discontinued operations on the Group's cash flow can be seen in the following table.

	2005	2004
Cash flow from operating activities	–164	66
Cash flow from investing activities	443	2,348
Cash flow from financing activities	201	–77
Total	**480**	**2,337**

Note 5 continued

Assets classified as held for sale

Two small units are reported as a disposal group held for sale.

Assets classified as held for sale	Dec 31, 2005	Jan 1, 2005
Property, plant and equipment	33	529
Deferred tax assets	11	49
Inventories	1	127
Operating receivables	25	143
Cash and cash equivalents	2	21
Total	**72**	**869**

Liabilities classified as held for sale	Dec 31, 2005	Jan 1, 2005
Financial liabilities		2
Pensions	8	4
Deferred tax liabilities		58
Tax liabilities		4
Provisions	5	5
Operating liabilities	29	251
Total	**42**	**324**

Note 6 Financial instruments

A. Objectives and policy

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

The Group's Financial Policy states guidelines, objectives and limits for financial management and administration of financial risks in the Group. This policy document regulates the allocation of responsibilities among Skanska's Board, the Senior Executive Team, Skanska Financial Services and the business units.

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

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

B. Financial risks

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

Interest rate risk

Interest rate risk is the risk that changes in interest rates will adversely affect the Group's net interest items and/or cash flows. Various forms of derivative contracts, mainly interest rate swaps and currency swaps, are used in order to adapt the interest-rate refixing period and currency as needed or if deemed suitable.

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

Refinancing risk

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

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

Foreign exchange risk

Foreign exchange risk is defined as the risk of negative impact on the Group's earnings due to fluctuations in exchange rates. This risk can be divided into transaction exposure, i.e. net operating and financial (interest/principal payment) flows, and translation exposure related to the shareholders' equity of foreign subsidiaries denominated in foreign currencies.

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

The objective stated in the Financial Policy is that all transaction exposures for each respective business unit shall be hedged via Skanska Financial Services. This foreign exchange risk may amount to a total of SEK 50 M, with risk calculated as the effect on earnings of a five percentage point shift in exchange rates. The foreign exchange risk in transaction exposure is kept as close to zero as possible.

The foreign exchange risk that arises because portions of the shareholders' equity of the Group are invested long-term in foreign subsidiaries, known as translation exposure, is not hedged. Exceptions to this rule are investments in Commercial Project Development and Infrastructure Development (Skanska ID), which are normally financed through loans in functional or local currencies.

Counterparty risk

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

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

To ensure a systematic and uniform assessment of construction projects, Skanska uses its Operational Risk Assessment (ORA) model throughout the Group.

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

The Group's interest-bearing net receivable amounted to SEK 11,111 M (7,229). The Group's interest-bearing assets rose to SEK 16,975 M (12,421). The Group's interest-bearing liabilities amounted to SEK 5,864 M (5,192) at year-end.

The Group's net interest items before taking into account capitalized interest amounted to SEK 143 M (–87). The change was mainly attributable to a sharp increase in interest-bearing assets.

Recognized and fair value of financial instruments considered for all balance sheet items except for non-current financial liabilities, where fair value was SEK 53 M (60) higher.

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

Skanska AB has entered into swap agreements related to shares in the Company. The equity swaps are reported in the balance sheet at fair value.

D. Funding

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

Bank credit facilities

Skanska's committed credit facilities consist of:

- A syndicated bank loan (Multicurrency Revolving Credit Facility) with a ceiling of EUR 600 M and a final due date of November 15, 2010. On December 31, 2005, the amount borrowed was SEK 0 M, since the facility had not yet been utilized.
- Two bilateral loan agreements with the Nordic Investment Bank amounting to EUR 40 M and EUR 30 M, respectively. These loans fall due in 2012.

The Group's unutilized credit lines amounted to SEK 6,071 M (5,610).

Market funding programs

Skanska has two market funding programs:

- Commercial paper (CP) program related to short-term borrowing for maturities of up to one year. The loan ceiling in the CP program amounts to SEK 6,000 M. On December 31, 2005, the borrowed amount was SEK 0 M.
- Medium Term Note program (MTN) for borrowing with maturities between 1–10 years. The loan ceiling in the MTN program amounts to SEK 8,000 M. On December 31, 2005, the borrowed amount was SEK 1,122 M with an average maturity of 2.0 years.

  These borrowing programs are mainly intended for borrowing in the Swedish credit market; however, it is possible to borrow in EUR within the framework of these programs.

Note 6 continued

Liquidity reserve and maturity structure

The target is to have a central liquidity reserve of at least SEK 4,000 M available within one week through cash equivalents or committed credit facilities. At year-end 2005, this amounted to more than SEK 15 billion. At year-end 2005, the average maturity of the borrowing portfolio was 2.7 (3.0) years.

The maturity structure of interest-bearing assets and liabilities on December 31, 2005 was distributed over coming years according to the table below.

	2005			2004		
Interest-bearing assets, maturity	**Fixed rate**	**Variable rate**	**Total**	**Fixed rate**	**Variable rate**	**Total**
< 1 year	8,254	7,651	15,905	8,255	3,103	11,358
1–2 years	587	226	813	147	449	596
2–3 years	1	19	20	1	4	5
3–4 years	0	0	0	0	40	40
4–5 years	48	0	48	109	0	109
> 5 years	3	187	190	173	140	313
Total interest-bearing assets	**8,892**	**8,082**	**16,975**	**8,685**	**3,736**	**12,421**
Interest-bearing liabilities including derivatives, maturity	**Fixed rate**	**Variable rate**	**Total**	**Fixed rate**	**Variable rate**	**Total**
< 1 year	–270	1,182	912	24	982	1,006
1–2 years	417	468	884	1,452	–771	681
2–3 years	749	113	862	931	–67	864
3–4 years	1	41	42	369	411	780
4–5 years	0	3	3	428	–382	46
> 5 years	0	753	753	90	720	810
Total interest-bearing liabilities	**898**	**2,559**	**3,457**	**3,294**	**893**	**4,187**
Net interest-bearing financial instruments	**7,995**	**5,523**	**13,518**	**5,391**	**2,843**	**8,234**
Pensions			2,407			1,005
Interest-bearing net receivables			**11,111**			**7,229**

On December 31, 2005, the Group's interest rate swap portfolio amounted to a nominal SEK 1,718 M (17,111). A net amount of SEK 58 M (–1,939) of the liabilities was swapped from fixed to variable interest rates.

E. Risk management

The Group uses various derivative instruments (mainly interest rate swaps and currency futures) to control and adapt its risk exposure to fluctuations in interest rates and foreign exchange rates. Derivative contracts, including derivatives that are embedded in other instruments or commercial contracts, are continuously recognized at fair value in the balance sheet. Their change in fair value is recognized in the income statement, except for hedges of net investments abroad and part of the cash flow hedges of transaction exposure for which hedge accounting is applied.

Currency risk

Transaction exposure

Expected contracted net flows in currencies that are foreign to the respective subsidiary are distributed among currencies and maturities as follows.

December 31, 2005

The Group's expected foreign currency flow	2006	2007	2008 and later
USD	486		
EUR	2,679	1,339	354
CAD	–27		
CHF	65		
DKK	265		
NOK	22		
Other currencies	–9		
Total equivalent value	**3,481**	**1,339**	**354**

The following table shows recognized gains and losses related to hedging of transaction exposure for which hedge accounting is applied. Foreign exchange futures are used as instruments to hedge future income in local currency by minimizing the effects of changes in the forward price of contracted inflows in EUR.

December 31, 2005

The Group's recognized gains and losses for derivates related to transaction exposure	2006	2007	2008 and later	Total
EUR	104	48	12	164
Recognized gains	**104**	**48**	**12**	**164**
EUR	–4			–4
Recognized losses	**–4**	**0**	**0**	**–4**

The following table shows recognized gains and losses related to the Group's other hedges of operational transaction exposure, for which hedge accounting is not applied.

December 31, 2005

The Group's recognized gains and losses for derivates related to transaction exposure	2006	2007	2008 and later	Total
EUR	32	10	1	43
CAD	4			4
JPY[1]	20	9	1	30
Other currencies	2			2
Recognized gains	**58**	**19**	**2**	**79**
EUR	–29	–11	–1	–41
CAD	–3			–3
JPY[1]	–22	–11	–1	–34
Other currencies	–2			–2
Recognized losses	**–56**	**–22**	**–2**	**–80**

1 Flows in JPY are attributable to a road project in Slovakia.

Note 6 continued

Translation exposure

Equity in foreign subsidiaries is normally not hedged, since it is regarded as an investment of a long-term nature. There have been exceptions, among them concerning the equity of Skanska's U.S. operations. Beginning in January 2005, this hedge has been unwound.

The translation difference in the equity of the Group may be significant during certain periods of major exchange rate fluctuations. During 2005 the largest exposures were in USD, NOK, CZK, GBP and EUR.

Investments in project development and public-private partnerships, which will be divested, are normally financed in functional or local currencies, or alternatively by entering into a currency future contract.

The amounts that are hedged consist of equity including any text effect. Hedge accounting is applied for those hedges that meet the criteria for hedge accounting.

See also Note 35, "Effects of changes in foreign exchange rates."

Interest rate risk (excluding pension liability)

The average interest rate refixing period for all interest-bearing liabilities was 1.0 (1.3) years. The average interest rate for these amounted to 4.38 (4.11) percent at year-end. The share of borrowing in foreign currencies, after taking into account derivatives, was 31 (28) percent.

The average interest refixing period for all interest-bearing assets was 0.1 (0.2) years, and the average interest rate was 2.42 (2.62) percent at year-end. Of these, receivables in foreign currencies accounted for 61 (48) percent.

The Skanska Group's portfolio of derivatives related to borrowing was distributed as follows on December 31, 2005. The values stated do not include accrued interest.

December 31, 2005 The Group's recognized gains and losses for derivatives related to borrowings	2006	2007	2008	Later	Total
Receiving fixed rate	1	0	6	0	7
Paying fixed rate	–1	–8	2	0	–7
Net amount	**0**	**–8**	**8**	**0**	**0**

December 31, 2004 The Group's recognized gains and losses for derivatives related to borrowings	2005	2006	2007	Later	Total
Receiving fixed rate	22	27	32	22	103
Paying fixed rate	–38	–66	–94	–35	–233
Net amount	**–16**	**–39**	**–62**	**–13**	**–130**

The fair value of the borrowing portfolio, including derivatives related to borrowings, would change by about SEK 40 M in case of a change of market interest rates – over the entire yield curve – of one percentage point, given the same volume and interest refixing period as on December 31, 2005.

Counterparty risk

The Group's counterparty risk can be divided into two main categories: financial counterparty risk and counterparty risk attributable to commercial contracts.

Financial counterparty risk

This is a risk that the Group runs in its relations with financial counterparties in the case of deposits of surplus funds, bank account balances and investments in financial assets. Financial credit and counterparty risk is identified, managed and reported according to limits defined in the Financial Policy and the risk instruction for Skanska Financial Services.

Skanska has netting (ISDA) agreements with all the financial counterparties with which it enters into derivative contracts. These agreements reduce counterparty risk to some extent.

Skanska endeavors to limit the number of financial counterparties, which must possess a rating equivalent to a BBB+ at Standard & Poor's or the equivalent rating at Moody's. The permitted exposure volume per counterparty is dependent on the counterparty's credit rating and the maturity of the exposure.

Counterparty risk attributable to commercial contracts

The Group's financial counterparty risk attributable to commercial contracts can be divided into three main categories: customer credit risk, counterparty risk related to partners in construction consortia and counterparty risk related to partners in investment projects.

To ensure a systematic and uniform assessment of the business units' various projects, Skanska uses its Operational Risk Assessment (ORA) model throughout the Group.

Financial counterparty risks that arise in projects are identified, managed and reported in accordance with limits defined in the Financial Policy and the respective decision making systems of the Parent Company and business units.

Customer credit risk

Skanska's credit risk with regard to trade receivables from customers have a high degree of risk diversification, due to the large number of projects of varying sizes and types with numerous different customer categories in a large number of geographic markets.

The portion of Skanska's operations related to construction projects extends only very limited credit, since projects are invoiced in advance as far as possible. In other operations, the extension of credit is limited to customary invoicing periods.

A business unit is not permitted to extend credit to a customer beyond established threshold limits without first receiving approval from Skanska Financial Services.

Counterparty risk related to partners in construction consortia

In major construction projects (mainly infrastructure projects), Skanska may work together with other construction companies in the form of consortia. The construction consortia assume various types of guarantees toward the customer and the institutions that provide financing during the construction period, as a rule also guarantees issued by third parties such as banks or insurance companies. In these projects, the Group is exposed to the risk that other parties cannot fulfill their contractual obligations. The process that precedes project tenders together with other companies in construction consortia includes a due diligence assessment of the financial stability of the other parties. To limit this exposure, as a rule the parties in each consortium issue reciprocal Parent Company guarantees. For further information, see Note 34, "Contingent liabilities."

Counterparty risk related to partners in investment projects

Skanska's investments in privately financed infrastructure projects, so-called public-private partnership (PPP) projects, consist of shares and, as a rule, subordinated loans in a project company created for this purpose. In conjunction with the financing of PPP projects, in some cases Skanska may assume responsibility in the form of Parent Company guarantees and bank guarantees, for the purpose of ensuring financing on behalf of a third party during a limited period.

The total obligation is equivalent to the Group's ownership stake in the project company in the form of equity and subordinated debenture loans (share of risk capital in the project company) when fully invested. Skanska's ownership in PPP project companies amounts to a maximum of 50 percent (lower voting power). The Group is thus exposed to the risk that other co-owners cannot fulfill their contractual financial obligations to project companies. The process that precedes an investment includes a due diligence assessment of the financial stability of the other co-owners. To limit this exposure, as a rule the co-owners of PPP project companies issue reciprocal Parent Company guarantees. The external institutions that provide financing for PPP projects, as a rule capital market investors or banks, also require that project companies and their owners meet high standards of financial strength.

Insurable risks

At Skanska, there are guidelines for how insurance questions are to be dealt with. The insurance unit at Skanska Financial Services assists the business units in their procurement of arranged insurance solutions. Skanska's captive insurance companies Skanska Försäkrings AB and Scem Re S A provide back-up to business units in arranging insurance solutions. The overall insurance risk is normally reinsured in the international reinsurance market.

Note 7 Business combinations

Business combinations are reported in compliance with IFRS 3, "Business Combinations." See "Accounting and valuation principles," Note 1.

Acquisitions of Group companies

During the year, only two acquisitions occurred. The total investment was SEK 50 M.

During the third quarter of 2004, Skanska Czech Republic signed a contract to acquire Klimavex, an installation company in Slovakia. The company was consolidated effective on January 1, 2005.

The acquisition of Klimavex in Slovakia gave the Group access to a new, attractive submarket and special expertise. After having distributed the purchase price among identifiable assets, SEK 24 M was allocated to acquisition goodwill, which is largely related to access to the market and special expertise.

The second acquisition consisted of an additional 10 percent purchase of Rakennus Vuorenpää Oy from the minority shareholder. After this purchase, the Skanska Group has a 90 percent holding in the company.

No contingent liabilities are included in the year's acquisitions. Both acquisitions are in the Construction business stream. There are no plans to divest any portion of the acquired companies.

The acquired companies affected profit for the year in the amount of SEK 5 M. Both acquisitions were included in Group revenue throughout the year. Klimavex accounted for SEK 144 M.

Acquisitions of shares	Country	Acquisition date	Ownership percent[1]	Purchase price	Investment
2005					
Klimavex a.s.	Slovakia	Jan 1	100	45	39
Rakennus Vuorenpää Oy (purchase of minority)	Finland	Apr 1	90	11	11
Total				**56**	**50**
2004					
FAVEA, Sydkraft Service Partner, (Divested Q3)	Sweden	Q1&2	100	113	105
Teklog OY, Maraarkennus Lantman OY (purchase of minority)	Finland	Q2	100	29	29
Others				1	1
Total				**143**	**135**

1 Refers to both voting power and percentage of capital stock unless otherwise stated.

The net assets of the acquired companies on the acquisition date

2005	Carrying amount in acquired companies before acquisition	Fair value adjustment	Fair value recognized by Skanska Group
Property, plant and equipment	19	2	21
Intangible assets	0	0	0
Interest-bearing receivables	0		0
Non-interest-bearing receivables	45		45
Liquid assets	6		6
Interest-bearing liabilities	–29		–29
Non-interest-bearing liabilities	–21		–21
Net identifiable assets and liabilities	**20**	**2**	**22**
Acquired minority interest			3
Goodwill			31
Purchase price paid [1]			**56**
Less liquid assets in acquired companies			6
Effect on consolidated liquid assets, investment			**50**

1 Purchase price includes acquisition-related costs of SEK 1 M.

2004	Carrying amount in acquired companies before acquisition	Fair value adjustment	Fair value recognized by Skanska Group
Property, plant and equipment	9	4	13
Intangible assets	2	33	35
Shares and participations	–1		–1
Current-asset properties	4	2	6
Interest-bearing receivables	4		4
Inventories and operating receivables	104		104
Liquid assets	8		8
Interest-bearing liabilities	–10		–10
Non-interest-bearing liabilities	–101	–10	–111
Net identifiable assets and liabilities	**19**	**29**	**48**
Acquired minority interest			17
Goodwill			78
Purchase price paid			**143**
Less liquid assets in acquired companies			8
Effect on consolidated liquid assets, investment			**135**

Note 8 Revenue

Projects in Skanska's contracting operations are reported in compliance with IAS 11, "Construction Contracts." See Note 9.
Revenue other than project revenue is recognized in compliance with IAS 18,"Revenue." See "Accounting and valuation principles," Note 1.

Revenue by primary and secondary segment

Primary segment: Business streams	Secondary segment: Geographic markets: Sweden	Other Nordic countries	Other Europe	United States	Other markets	Discontinued operations, central and eliminations	Total revenue
2005							
Construction	22,141	23,253	26,633	39,359	4,569		115,955
Residential Project Development	2,394	2,959	760				6,113
Commercial Project Development	2,736	1,244	1,095				5,075
Infrastructure Development					53		53
Other							
Central						169	169
Eliminations	–1,842	–1,284			–3	–130	–3,259
Discontinued operations						561	561
Total	**25,429**	**26,172**	**28,488**	**39,359**	**4,619**	**600**	**124,667**
2004							
Construction	20,519	19,899	23,648	40,007	3,904		107,977
Residential Project Development	2,046	2,843	925				5,814
Commercial Project Development	3,932	242	1,410				5,584
Infrastructure Development	0				33		33
Other							
Central						620	620
Eliminations	–846	–1,812				–1,113	–3,771
Discontinued operations						5,006	5,006
Total	**25,651**	**21,172**	**25,983**	**40,007**	**3,937**	**4,513**	**121,263**

Revenue by category

	2005	2004
Construction contracts	108,578	103,889
Services	4,813	4,938
Sale of goods	1,071	2,091
Rental income	805	1,024
Divestments of properties	9,400	9,321
Total	**124,667**	**121,263**

Regarding other types of revenue, dividends and interest income are recognized as part of net financial items. See Note 14, "Financial items."

Other matters

Invoicing to associated companies and joint ventures amounted to SEK 5,238 M (3,491). For other related party transactions, see Note 40, "Related party transactions."

Note 9 Construction contracts

Construction contracts are recognized as revenue at the pace of project completion. See "Accounting and valuation principles," Note 1.

Information from the income statement

Revenue recognized during the year amounted to SEK 108,578 M (103,889).

Information from the balance sheet

Gross amount due from customers for contract work	2005	2004
Recognized revenue	94,089	86,166
Progress billings	–88,479	–82,587
Total, asset	**5,610**	**3,579**

Gross amount due to customers for contract work	2005	2004
Progress billings	166,699	140,273
Recognized revenue	–154,917	–129,845
Total, liability	**11,782**	**10,428**

Recognized revenue in ongoing projects including recognized gains minus recognized loss provisions amounted to SEK 249,006 M (216,011).

Advance payments received totaled SEK 1,323 M (1,675).

Amounts retained by customers, which have been partly invoiced according to an established plan and which the customer is retaining in accordance with contractual terms until all the conditions specified in the contract are met, amounted to SEK 2,931 M (2,479).

Note 10 Operating income

Operating income by business stream

	Operating income	
	2005	2004
Construction	2,871	1,512
Residential Project Development	611	528
Commercial Project Development	1,740	1,617
Infrastructure Development	–9	31
Central	–342	–360
Eliminations	–73	46
Discontinued operations		
operating income	18	–600
divestment gain	184	1,587
Total	**5,000**	**4,361**

The Parent Company and other corporate units are reported as "Central."

Elimination of profits from intra-Group sales and dissolvement of these are reported as "Eliminations." The amounts are explained in the following table:

	2005	2004
Dissolvement of intra-Group income on divestments of properties	75	72
Provision for intra-Group income on contracting work related to Infrastructure Development	–154	–60
Dissolvement of intra-Group profits in Infrastructure Development	12	34
Other	–6	
Total	**–73**	**46**

Discontinued operations are described in Note 5. See also "Accounting and valuation principles," Note 1.

Operating expenses by category of expenses

	Continuing operations	Discontinued operations	Total
2005			
Revenue	124,106	561	124,667
Personnel expenses [1]	–20,980	–26	–21,006
Depreciation/amortization	–1,073		–1,073
Impairment losses	–186		–186
Other operating expenses	–97,069	–333	–97,402
Operating income	**4,798**	**202**	**5,000**
2004			
Revenue	116,257	5,006	121,263
Personnel expenses [1]	–20,299	–314	–20,613
Depreciation/amortization	–1,063	–186	–1,249
Impairment losses	–160	–201	–361
Other operating expenses	–91,361	–3,318	–94,679
Operating income	**3,374**	**987**	**4,361**

1 Wages, salaries and other remuneration plus social insurance contributions are recognized according to Note 37, "Personnel," along with non-monetary remuneration such as free healthcare and car benefits.

Analysis of operating income

	2005	2004
Impairment losses		
Goodwill impairment losses	–108	–169
Impairment losses/reversals of impairment losses on intangible assets		1
Impairment losses/reversals of impairment losses on property, plant and equipment	–30	–73
Impairment losses/reversals of impairment losses on current-asset properties	–48	–120
	–186	**–361**
Gains from divestments of current-asset properties		
Commercial Project Development	1,626	1,495
Other commercial properties	246	150
Residential Project Development	803	638
	2,675	**2,283**
Income from divestments of discontinued operations	**184**	**1 587**
Income from joint ventures and associated companies	**237**	**168**
Restructuring in the U.S. and project losses in the U.K. and the U.S.	**–376**	**–1,245**
Other operating income	**2,466**	**1,929**
Total according to the income statement	**5,000**	**4,361**

Using the exchange rates prevailing in 2004, operating income would have been SEK 113 M lower in 2005. See also Note 35, "Effect of changes in foreign exchange rates."

Note 11 Selling and administrative expenses

Selling and administrative expenses are recognized as one item. See "Accounting and valuation principles," Note 1.

Distribution of selling and administrative expenses by primary and secondary segment

Primary segment: Business streams	Secondary segment: Geographic markets					Discontinued operations, central and eliminations	Total
	Sweden	Other Nordic countries	Other Europe	United States	Other markets		
2005							
Construction	–1,264	–1,119	–1,868	–959	–237		–5,447
Residential Project Development	–111	–159	–64				–334
Commercial Project Development	–137	–20	–71				–228
Infrastructure Development					–123		–123
Discontinued operations, central and eliminations						–554	–554
Total	**–1,512**	**–1,298**	**–2,003**	**–959**	**–360**	**–554**	**–6,686**
2004							
Construction	–1,270	–1,021	–1,575	–1,186	–154		–5,206
Residential Project Development	–91	–124	–90				–305
Commercial Project Development	–117	–15	–83				–215
Infrastructure Development					–70		–70
Discontinued operations, central and eliminations						–1,155	–1,155
Total	**–1,478**	**–1,160**	**–1,748**	**–1,186**	**–224**	**–1,155**	**–6,951**

Note 12 Depreciation/amortization

Depreciation and amortization occur in compliance with IAS 16, "Property, Plant and Equipment," and IAS 38, "Intangible Assets."

See Note 1, "Accounting and valuation principles."

Depreciation and amortization are presented below by business stream.

For further information on depreciation and amortization, see Note 19, "Intangible assets," and Note 17, "Property, plant and equipment."

Depreciation/amortization by asset class and business stream

	Construction	Residential Project Development	Commercial Project Development	Infrastructure Development	Discontinued operations, central and eliminations	Group total
2005						
Intangible assets	–36	–1		–12	–4	–53
Property, plant and equipment						
Buildings and land	–64					–64
Machinery and equipment	–944	–2	–1	–1	–8	–956
Total	**–1,044**	**–3**	**–1**	**–13**	**–12**	**–1,073**
2004						
Intangible assets	–35	–2			–8	–45
Property, plant and equipment						
Buildings and land	–65				–5	–70
Machinery and equipment	–939	–1	–1		–193	–1,134
Total	**–1,039**	**–3**	**–1**	**0**	**–206**	**–1,249**

Note 13 Impairment losses/Reversals of impairment losses

Impairment losses are recognized in compliance with IAS 36, "Imapirment of assets." See "Accounting and valuation priunciples," Note 1.

Impairment losses on current-asset properties are recognized in compliance with IAS 2, "Inventories" and are disclosed in Note 22.

Impairment losses/reversals of impairment losses are presented below by business stream.

For further information on impairment losses/reversals of impairment losses, see Note 19, "Intangible assets," Note 17, "Property, plant and equipment," and Note 22, "Current-asset properties/Project development."

Impairment losses/reversals of impairment losses by asset class and business stream

	Construction	Residential Project Development	Commercial Project Development	Infrastructure Development	Discontinued operations, central and eliminations	Group total
2005						
Recognized in operating income						
Goodwill	–108					–108
Other intangible assets						0
Property, plant and equipment						
Buildings and land	–22	2				–20
Machinery and equipment	–10					–10
Current-asset properties						
Commercial Project Development						0
Other commercial properties	–8					–8
Residential Project Development	–18	–22				–40
	–166	–20	0	0	0	–186
Recognized in financial items						
Financial assets		–2				–2
Total	**–166**	**–22**	**0**	**0**	**0**	**–188**
2004						
Recognized in operating income						
Goodwill	–23				–146	–169
Other intangible assets	1					1
Property, plant and equipment						
Buildings and land	3	–1			–10	–8
Machinery and equipment	–8				–57	–65
Current-asset properties						
Commercial Project Development			–98			–98
Other commercial properties	–9					–9
Residential Project Development		–13				–13
	–36	**–14**	**–98**	**0**	**–213**	**–361**
Recognized in financial itemst						
Financial assets						0
Total	**–36**	**–14**	**–98**	**0**	**–213**	**–361**

Note 14 Net financial items

	2005	2004
Financial income		
Interest income	308	284
Dividends	3	0
Net change in value due to revaluation of financial assets/liabilities	19	
Net exchange rate differences		17
	330	**301**
Financial expenses		
Interest expenses	–137	–332
Net exchange rate differences	–28	
Net other financial items	–45	–60
	–210	**–392**
Income from associated companies	0	57
Total	**120**	**–34**

Net interest items

Net interest items in 2005 amounted to SEK +171 M (–48). The change occurred because Skanska increased its interest-bearing net assets. Interest-bearing net receivables rose to SEK 11,111 M (7,229).

Interest expenses included SEK –54 M (–28) related to interest on hedging instruments in Infrastructure Development.

Interest income was received at an average interest rate of 2.34 (2.58) percent.

Interest expenses, excluding interest on pension liability, were paid at an average interest rate of 4.15 (4.59) percent.

During 2005, consolidated interest expenses of SEK –28 M (–39) were capitalized.

Net change of value due to revaluation of financial, assets/liabilities

Derivatives as well as certain other assets and liabilities are carried at fair value starting in 2005, in compliance with IAS 39.

The item consists mainly of gains and losses on derivatives.

Net other financial items

The item includes various financial fees mainly related to Skanska Latin America.

Income from associated companies

Skanska's holdings in the equity of aircraft leasing companies was recognized in "Net financial items." During 2005, no income arose. In 2004, Skanska's holdings in the limited partnership Mega-Carrier KB were liquidated, which yielded a gain of SEK 57 M. Holdings in other associated companies are part of the Group's operations and are thus recognized under "Operating income."

Note 15 Borrowing costs

Borrowing costs related to investments that require a substantial period for completion are capitalized. See "Accounting and valuation principles," Note 1.

During 2005, borrowing costs were capitalized at an interest rate of about 4 percent.

	Interest capitalized during the year		Total accumulated capitalized interest included in cost	
	2005	2004	2005	2004
Intangible assets	**5**	**16**	**92**	**87**
Property, plant and equipment	**0**	**0**	**0**	**0**
Current-asset properties				
Commercial Project Development	16	15	148	165
Other commercial properties			10	10
Residential Project Development	7	8	18	24
Total	**28**	**39**	**268**	**286**

Note 16 Income taxes

Income taxes are reported in compliance with IAS 12, "Income Taxes." See "Accounting and valuation principles," Note 1.

Tax expenses

	2005	2004
Current taxes	–1,115	–1,571
Deferred tax benefits/expenses from change in temporary differences	–72	331
Deferred tax benefits/expenses from change in loss carry-forwards	–8	123
Taxes in joint ventures	–29	–19
Taxes in associated companies	–6	–5
Total	**–1,230**	**–1,141**

Tax items recognized directly in equity

	2005	2004
Deferred taxes attributable to cash flow hedging	–13	
Deferred taxes attributable to pensions	495	178
Total	**482**	**178**

There was no deferred tax attributable to financial assets classified as held for sale.

Taxes related to divested companies

	Capital gains tax		Tax expenses for the year in each company	
Company	2005	2004	2005	2004
Divestments in 2005				
Skanska Prefab Mark	0		2	
Skanska Modul	0		–34	
Divestments in 2004				
Cementation Africa & Cementation Canada		0		–11
Services		0		–29
Gammon		0		–1
Cementation India		0		6
Myresjöhus		0		–17
Total	**0**	**0**	**–32**	**–52**

Relation between taxes calculated at weighted average tax rate and taxes recognized

The Group's weighted average tax rate was estimated at 28 (30) percent.

Tax rates in effect in Skanska's largest home markets	2005	2004
Sweden	28%	28%
Norway	28%	28%
Denmark	28%	30%
Finland	26%	29%
Poland	19%	19%
Czech Republic	26%	28%
United Kingdom	30%	30%
United States	35–45%	35–45%

The relation between taxes calculated according to an aggregation of the tax rates in effect and recognized taxes is explained in the table below.

	2005	2004
Income after financial items	5,120	4,327
Tax according to aggregation of the tax rates in effect, 28 (30) percent	–1,433	–1,298
Tax effect of:		
Goodwill impairment losses	–41	–19
Divestments/discontinuations of businesses	317	384
Losses not offset by deferred tax assets	–57	–183
Other items	–16	–25
Recognized tax expenses	**–1,230**	**–1,141**

Deferred tax assets

	2005	2004
Deferred tax assets for loss carry-forwards	253	222
Deferred tax assets for holdings	132	156
Deferred tax assets for other assets	138	340
Deferred tax assets for provisions for pensions	910	384
Deferred tax assets for other liabilities	849	531
Total	**2,282**	**1,633**

Deferred tax assets for loss carry-forwards are expected to be mainly utilized to offset deferred tax liabilities.

Deferred tax assets other than for loss carry-forwards refer to temporary differences between carrying amounts for tax purposes and carrying amounts recognized in the balance sheet. These differences arise, among other things, when the Group's valuation principles deviate from those applied locally by a subsidiary. These deferred tax assets are mostly realized within five years.

Deferred tax assets arise, for example, when a recognized depreciation/amortization/impairment loss on assets becomes deductible for tax purposes only in a later period, when eliminating intra-Group profits and when the required provisions become tax-deductible in a later period.

Deferred tax assets for provisions for pensions refer to the difference between the calculation of defined-benefit pension obligations according to local rules compared to IAS 19, "Employee Benefits."

Temporary differences that are not recognized as deferred tax assets

	2005	2004
Loss carry-forwards that expire within one year	745	223
Loss carry-forwards that expire in more than one year but within three years	346	623
Loss carry-forwards that expire in more than three years	1,475	1,766
Other temporary differences	0	161
	2,566	**2,773**

Note 16 continued

Provisions for taxes

	2005	2004
Deferred tax liabilities on consolidated surplus values	24	56
Deferred tax liabilities on other assets	1,136	1,084
Deferred tax liabilities on untaxed reserves	894	876
Other deferred tax liabilities	777	728
Total	**2,831**	**2,744**

Deferred tax liabilities on other assets and other deferred tax liabilities refer to temporary differences between carrying amounts for tax purposes and carrying amounts in the balance sheet. These differences arise, among other things, when the Group's valuation principles differ from those applied locally by a subsidiary. These deferred tax liabilities are mostly realized within five years.

For example, deferred tax liabilities arise when depreciation/amortization in the current period is larger than the required economic depreciation/amortization and when recognized profits in ongoing projects are taxed only when the project is completed.

Temporary differences attributable to investments in subsidiaries, branches, associated companies and joint ventures for which deferred tax liabilities were not recognized totaled SEK 0 M (0). In Sweden, share divestments are tax-exempt if they meet certain conditions specified by law (among others, shares held for business purposes). Temporary differences thus do not normally exist for shareholdings by the Group's Swedish companies.

Net change in deferred taxes in the balance sheet

	2005	2004
Deferred taxes (net liability), January 1	1,111	1,682
Adjusted opening balance on transition to IAS 39	–14	
Transferred to assets classified as held for sale	–9	
Recognized in equity	–482	–178
Deferred tax benefit/expenses	80	–454
Acquisitions of companies		–3
Divestments of companies	–9	–19
Exchange rate differences	–128	83
Deferred taxes (net liability), December 31	**549**	**1,111**

Note 17 Property, plant and equipment

Property, plant and equipment are reported in compliance with IAS 16, "Property, plant and equipment." See Note 1, "Accounting and valuation principles."

Office buildings and other buildings used in the Group's business are recognized as property, plant and equipment. Machinery and equipment are recognized as a single item.

Property, plant and equipment by asset class

	2005	2004
Buildings and land	1,614	1,740
Machinery and equipment	3,527	3,696
Construction in progress	102	71
Total	**5,243**	**5,507**

Depreciation of property, plant and equipment by asset class and function

	Cost of sales		Sales and administration		Total	
	2005	2004	2005	2004	2005	2004
Buildings and land	–49	–55	–15	–15	–64	–70
Machinery and equipment	–818	–992	–138	–142	–956	–1,134
Total	**–867**	**–1,047**	**–153**	**–157**	**–1,020**	**–1,204**

Impairment losses/reversals of impairment losses on property, plant and equipment

Impairment losses/reversals of impairment losses of SEK –30 M (–73) were recognized, of which SEK –20 was related to buildings and land. Most of these were attributable to Skanska Czech Republic and Skanska Poland.

Impairment losses/reversal of impairment losses by function	Buildings and land		Machinery and equipment	
	2005	2004	2005	2004
Cost of sales				
Impairment losses	–25	–32	–10	–65
Reversals of impairment losses	5	24		
Total	**–20**	**–8**	**–10**	**–65**
Amount of impairment losses/reversals of impairment losses is based on				
Net realizable value	–12	–7	–2	–65
Value in use	–8	–1	–8	
Total	**–20**	**–8**	**–10**	**–65**

Property, plant and equipment held for sale

As of January 1, 2005, property, plant and equipment with a carrying amount of SEK 529 M had been transferred to the item "Assets classified as held for sale." At year-end the carrying amount of property, plant and equipment included in the item "Assets classified as held for sale" was SEK 33 M.

See also Note 5, "Non-current assets held for sale and discontinued operations."

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Note 17 continued

Information about cost, accumulated depreciation, accumulated revaluation and accumulated impairment losses

	Buildings and land		Machinery and equipment		Properties under construction	
	2005	2004	2005	2004	2005	2004
Accumulated cost						
January 1	2,857	3,247	11,600	13,150	71	104
Transferred to assets classified as held for sale	–103		–1,123		–5	
New acquisitions	130	107	1,242	1,009	43	16
Business combinations	18	4	3	9		
Divestments of companies	–37	–164	–35	–1,191		–5
Divestments	–276	–245	–661	–864	–2	–32
Reclassifications	–7	–188	212	–400	–12	–16
Exchange rate differences for the year	208	96	794	–113	7	4
	2,790	**2,857**	**12,032**	**11,600**	**102**	**71**
Accumulated depreciation						
January 1	–816	–844	–7,809	–8,620		
Transferred to assets classified as held for sale	34		585			
Divestments of companies		68	20	889		
Divestments and disposals	49	22	387	600		
Reclassifications	–7	23	–241	389		
Depreciation for the year	–64	–70	–956	–1,134		
Exchange rate differences for the year	–46	–15	–476	67		
	–850	**–816**	**–8,490**	**–7,809**		
Accumulated impairment losses						
January 1	–301	–290	–95	–49		
Transferred to assets classified as held for sale	10		73			
Divestments of companies		8				
Divestments	33	12	1			
Reclassifications	–21	11	17	19		
Impairment losses/reversals of impairment losses for the year	–20	–9	–10	–65		
Exchange rate differences for the year	–27	–33	–1			
	–326	**–301**	**–15**	**–95**		
Carrying amount, December 31	**1,614**	**1,740**	**3,527**	**3,696**	**102**	**71**
Carrying amount, January 1	1,740	2,143	3,696	4,481	71	104

Information on assessed value for tax purposes, Sweden

	2005	2004
Buildings	326	374
corresponding book value of buildings	160	190
Land	239	271
corresponding book value of land	85	109

Other matters

Information about capitalized interest is presented in Note 15, "Borrowing costs."

For information about finance leases, see Note 41, "Leases."

Skanska has obligations to acquire property, plant of equipment in the amount of SEK 94 M (54).

Skanska did not receive any major compensation from third parties for property, plant and equipment that was damaged or lost.

Note 18 Goodwill

Goodwill is recognized in compliance with IFRS 3, "Business Combinations." See Note 1, "Accounting and valuation principles." For key judgments, see Note 2.

Goodwill according to the balance sheet amounted to SEK 4,154 M (3,899) and was mainly attributable to acquisitions during 2000, when Skanska acquired goodwill through acquisitions of businesses in Norway, the U.K. and the Czech Republic.

Goodwill value by business unit

	2005	2004	Change for the year	of which exchange rate differences	of which impairment losses	of which business combinations [2]	of which other
Construction							
Sweden	0	9	–9		–9		
Norway	1,047	974	73	73			
Finland	383	361	22	16	–1	7	
Poland	19	17	2	2			
Czech Republic	399	342	57	34		24	–1
United Kingdom	1,446	1,342	104	104			
USA Building	322	268	54	54			
USA Civil [1]	29	111	–82	16	–98		
International	33	32	1	3			–2
Residential Project Development							
Nordic	476	443	33	33			
Total	**4,154**	**3,899**	**255**	**335**	**–108**	**31**	**–3**

1 The impairment loss was USD –13.2 M, calculated at the average exchange rate for the year.
2 See Note 7, "Business combinations."

In Construction and Residential Project Development, goodwill recovery value is based exclusively on value in use. Expected cash flows are based on forecasts for each submarket in the countries where the Group has operations. For Construction, these forecasts include such variables as demand, cost of input goods, labor costs and the competitive situation. Residential Project Development establishes forecasts for the various segments of its operations. Important variables taken into account include demographic and interest rate trends.

The forecasts are based on previous experience, Skanska's own judgments and external sources of information. The forecast period encompasses three years. The growth rate that is used to extrapolate cash flow forecasts beyond the period covered by the three-year forecasts is trhe normal growth rate for the industry in each respective country. Each business unit uses a unique discount factor, which amounts to between 9 and 13 percentage points.

Goodwill impairment losses

During the year, the Group recognized goodwill impairment losses of SEK –108 M (–169).

Of this amount, SEK –98 M was due to the impairment loss for Yeager Skanska, a company in Skanska USA Civil. Skanska USA Civil identified a need for an extensive restructuring of Yeager Skanska. Because of this, together with weak profitability, the value in use of Yeager was below the book value of the company. Skanska recognized an impairment loss on the remaining goodwill.

Most of the goodwill impairment loss of SEK –169 M during 2004 was related to a goodwill impairment loss in Indian operations.

Impairment losses by function	2005	2004
Administrative and selling expenses		
Impairment losses	–108	–169
Total	**–108**	**–169**

Amounts of impairment losses were based on		
Net recoverable value	–9	–159
Value in use	–99	–10
Total	**–108**	**–169**

Information about cost and accumulated impairment losses

	Goodwill 2005	Goodwill 2004
Accumulated cost		
January 1	3,941	4,259
Business combinations	31	104
Divestments of companies		–397
New acquisitions		12
Divestments	–2	0
Reclassifications	–1	–9
Exchange rate differences for the year	337	–28
	4,306	**3,941**
Accumulated impairment losses		
January 1	–42	0
Divestments of companies		127
Reclassifications		0
Impairment losses for the year	–108	–169
Exchange rate differences for the year	–2	0
	–152	**–42**
Carrying amount, December 31	**4,154**	**3,899**
Carrying amount, January 1	3,899	4,259

Note 19 Intangible assets

Intangible assets are recognized in compliance with IAS 38, "Intangible assets." See "Accounting and valuation principles," Note 1.

Intangible assets and useful life applied

	2005	2004	Useful life applied
Highway concession	540	440	26 years
Other intangible assets, externally acquired	92	68	3–50 years
Intangible assets, internally generated	12	27	3–5 years
Total	**644**	**535**	

The highway concession in Chile went into operation in December 2004; the remainder of the project is expected to be completed during 2006/2007. Amortization will occur over the estimated useful life of the project, 26 years.

"Other intangible assets, externally acquired" included extraction rights for gravel pits in Sweden plus computer software. Extraction rights for gravel pits are amortized as material is extracted. Computer software is amortized in 3–5 years.

Computer software is recognized as internally generated intangible assets.

Amortization of other intangible assets by function

All intangible assets were amortized, because they have a limited useful life.

			of which amortization of internally generated assets	
Amortization by function	2005	2004	2005	2004
Cost of sales	–29	–19	–14	–13
Selling and administration	–24	–26	–1	0
Total	**–53**	**–45**	**–15**	**–13**

Impairment losses/reversals of impairment losses on other intangible assets

Impairment losses/reversals of impairment losses by function	2005	2004
Cost of sales		
Impairment losses		
Reversals of impairment losses		1
Total	**0**	**1**

Amounts of impairment losses/reversals of impairment losses were based on

Net realizable value		1
Value in use		
Total	**0**	**1**

Information about cost, accumulated amortization and accumulated impairment losses

	Highway concession		Other intangible assets, externally acquired		Intangible assets, internally generated	
	2005	2004	2005	2004	2005	2004
Accumulated cost						
January 1	440	433	179	196	64	63
Divestments of companies				–2		
Internally developed assets						1
Other investments	5	16	46	25		
Divestments			–2			
Reclassifications			2	–43		
Exchange rate differences for the year	107	–9	11	3		
	552	**440**	**236**	**179**	**64**	**64**
Accumulated amortization						
January 1	0		–109	–123	–37	–24
Divestments of companies				4		
Divestments				–2		
Reclassifications				46		
Amortization for the year	–12		–26	–32	–15	–13
Exchange rate differences for the year			–7	–2		
	–12	**0**	**–142**	**–109**	**–52**	**–37**
Accumulated impairment losses						
January 1			–2	–3		
Impairment losses/reversals of losses for the year				1		
	0	**0**	**–2**	**–2**	**0**	**0**
Carrying amount, December 31	**540**	**440**	**92**	**68**	**12**	**27**
Carrying amount, January 1	440	433	68	70	27	39

Other matters

Information about capitalized interest is presented in Note 15, "Borrowing costs." Direct research and development expenses amounted to SEK 47 M (48).

Note 20 Investments in joint ventures and associated companies

Investments in joint ventures and associated companies are reported according to the equity method of accounting. Income from joint ventures and associated companies is reported on a separate line in operating income. This income consists of the Group's share of the income in joint ventures and associated companies after financial items, adjusted for any impairment losses in goodwill on consolidation and intra-Group profits.

Income from joint ventures and associated companies can be seen in the following table.

	2005	2004
Share of income in joint ventures according to the equity method[1]	195	121
Share of income in associated companies according to the equity method[1]	14	13
Divestments of joint ventures	16	
Dissolvement of intra-Group profit in infrastructure projects	12	34
Total	**237**	**168**

1 When calculating the inome of joint ventures and associated companies according to the equity method, the Group's share of taxes is recognized as taxes. The Group's share of taxes in joint ventures amounted to SEK -29 M (-19) Mkr and its share of taxes in associated companies amounted to SEK -6 M (-5). See also Note 16, "Income taxes".

Book value according to the balance sheet and the change that occurred during 2005 can be seen in the following table.

	Joint ventures	Associated companies	Total
January 1	814	48	862
New acquisitions	470		470
Divestments	–28	–16	–44
Reclassifications[1]	251	–7	244
Exchange rate differences for the year	311	2	313
The year's provision for intra-Group profit on contracting work	–154		–154
The year's change in share of income in associated companies and joint ventures after subtracting dividends received	131	12	143
Carrying amount, December 31	**1,795**	**39**	**1,834**

1 This amount included SEK +250 M for a change in the accounting practice for recognition of holdings in Infrastructure Development. For changes in accounting practices, see Note 3, point E.

Joint ventures

Joint ventures are reported in compliance with IAS 31, "Interests in Joint Ventures." See "Accounting and valuation principles," Note 1.

The Group had holdings in joint ventures with a book value of SEK 1,795 M (814).

Infrastructure Development included a large book value in joint ventures, SEK 1,896 M (766). The value of these companies in the consolidated accounts was reduced by intra-Group profits of SEK -324 M (-154), which arose due to contracting work for these joint ventures, among other things. Subordinated loans to joint ventures in Infrastructure Development increased the book value of shares in joint ventures by SEK 250 M on January 1. This amount was previously recognized as receivables from joint ventures. See the change in accounting practice in Note 3, point E.

Income from joint ventures

Share of income in joint ventures is reported in the income statement, because these holdings are an element of Skanska's business.

Share of income in joint ventures according to the equity method comes mainly from Infrastructure Development operations.

Infrastructure Development specializes in identifying, developing and investing in privately financed infrastructure projects, such as roads, hospitals and power generating stations. The business stream focuses on creating new project opportunities in

The projects that had the largest effect during 2005:

The Autopista Central Santiago toll highway in Chile placed additional sections in operation. Traffic volume and revenue developed satisfactorily and exceeded the original expectations. The remaining sections will be completed and placed in operation in mid-2006.

The projects that were in operation during 2004, such as the Bridgend prison and Kings College Hospital in the United Kingdom and the highway between Helsinki and Lahti, Finland, provided continued good contributions to earnings. During 2005, the hospitals in Coventry and Derby, U.K.; the Nordvod wastewater treatment plant in St. Petersburg, Russia; and the E39 highway in Norway also went into service – wholly or partially – which also contributed positively to earnings.

The Ponte de Pedra hydropower generating plant went into service late in the year. All electricity that the project generates is sold at a predetermined price to a major energy distributor.

Early in 2005, Infrastructure Development was awarded a 25-year concession on two diesel oil-fired power generating plants in Manaus, Brazil. It thus proved possible to find a new use for the assets of the Breitener diesel power generating plant in Brazil, whose operations ceased in March 2005.

The new plants will go into service early in 2006.

Specification of major holdings of shares and participations in joint ventures

Company	Operations	Country	Percentage of capital stock	Percentage of voting power	Currency if not SEK	Consolidated, book value[1] 2005	2004
Joint ventures in Infrastructure Development							
Autopista Central S.A.[2]	Highway	Chile	48	48	CLP	759	277
Breitener Energetica S/A	Power station	Brazil	35	35	BRL	151	111
Bridgend Custodial Services,Ltd	Correctional care	U.K.	20	9	GBP	14	3
Capital Hospitals (Holdings)	Healthcare	U.K.	38	38	GBP	1	
Central Nottinghamshire, Hospital (Holdings)	Healthcare	U.K.	50	50	GBP	2	
Derby Healthcare Holdings Ltd	Healthcare	U.K.	25	50	GBP	–1	–5
Gdansk Transport Company	Highway	Poland	30	30	PLN	19	0
HpC King´s College Hospital Ltd	Healthcare	U.K.	33	33	GBP	23	–5
Investors in Community (Bexley Schools) Ltd	Education	U.K.	50	50	GBP	32	
LLC Nordvod	Wastewater treatment	Russia	14	14	EUR	26	1
Orkdalsvegen,AS	Highway	Norway	50	50	NOK	8	–23
Ponte de Pedra Energetica S/A	Power station	Brazil	50	50	BRL	361	221
Portus Indico S.A.	Port	Mozambique	32	32	EUR	31	–2
The Coventry and Rugby Hospital Comp.Ltd	Healthcare	U.K.	25	50	GBP	80	5
Tieyhtiö Nelostie Oy	Highway	Finland	50	41	EUR	51	30
Tieyhtiö Ykköstie Oy	Highway	Finland	41	41	EUR	16	
Others						–1	
						1,572	613
Other joint ventures						**223**	**201**
Total						**1,795**	**814**

1 Negative book values are explained by elimination of intra-Group profits.

1 There is also an investment in a concession fee. Its book value amounted to SEK 540 M (440). See Note 19, "Intangible assets."

Note 20 continued

Information on the Group's share of the income statements and balance sheets of joint ventures reported according to the equity method

Income statement	2005	2004	The amounts included Infrastructure Development operations totaling 2005	2004
Revenue	2,209	3,213	1,707	1,312
Operating expenses	–1,931	–3,022	–1,502	–1,180
Operating income	**278**	**191**	**205**	**132**
Financial items	–88	–45	–64	–19
Income after financial items[1]	**190**	**146**	**141**	**113**
Taxes	–29	–19	–21	–11
Profit for the year	**161**	**127**	**120**	**102**
Balance sheet				
Non-current assets	8,926	5,972	8,765	5,686
Current assets	5,340	3,203	4,051	2,246
Total assets	**14,266**	**9,175**	**12,816**	**7,932**
Equity attributable to equity holders[2]	2,101	957	1,878	755
Minority interest	8	12		
Non-current liabilities	10,506	7,514	10,161	6,752
Current liabilities	1,651	692	777	425
Total equity and liabilities	**14,266**	**9,175**	**12,816**	**7,932**

1 The year's income after financial items, SEK 190 M, was SEK 5 M less than the share of income in joint ventures according to the equity method, which was SEK 195 M. The amount consisted of losses in joint ventures that had not been posted.

2 Equity exceeded the book value of shares in joint ventures by consolidated intra-Group profits on contracting work for Infrastructure Development, which was not charged to income in these operations and was thus not reported in the table.

Reconciliation with shares in joint ventures	2005	2004
Skanska's portion of equity in joint ventures, adjusted for surplus value and goodwill	2,101	957
–Intra-Group profit in consolidated financial statements	–324	–154
+losses in Infrastructure Development not posted, since Skanska's portion is already zero	18	11
Book value of shares	**1,795**	**814**

Assets pledged

Shares in joint ventures pledged as collateral for loans and other obligations amounted to SEK 1,444 M (609).

Other matters

Skanska's portion of the total investment obligations of partly owned joint ventures amounted to SEK 6,998 M (2,241). Skanska has undertaken to invest an additional SEK 535 M (748) M in Infrastructure Development in the form of equity holdings and loans. The remaining portion is expected to be financed mainly in the form of bank loans or bond loans in the respective joint venture and in the form of participations and loans from other co-owners.

Contingent liabilities to joint ventures amounted to SEK 1,495 M (889).

Associated companies

Associated companies are reported in compliance with IAS 28, "Investments in Associates." See "Accounting and valuation principles," Note 1.

The book value of associated companies amounted to SEK 39 M (48).

Of this amount, SEK 3 M (10) was attributable to "aircraft leasing companies." Swedish Aircraft FOUR KB was recognized at SEK 3 M (8) and Swedish Aircraft TWO KB at SEK 0 M (2).

Share of income in associated companies is recognized in the income statement, with the exception of share of income in "aircraft leasing companies," which is recognized under financial items.

Holdings in associated companies are specified in the table below.

Holdings in associated companies

Name	Country	Revenue	Income	Assets	Liabilities	Equity	% ownership	Book value
2005								
Swedish Aircraft TWO KB	Sweden	22	0	27	27	0	50	0
Swedish Aircraft FOUR KB[1]	Sweden	40	0	158	155	3	100	3
1909 Aircraft Leasing KB[1]	Sweden	8	–5	108	1,193	–1,085	99	0
Nor-Pel AS	Norway	24	3	15	4	11	50	11
NUUK Kraft ANS	Norway	9	1	20	10	10	28.5	10
AS Tartu Maja Betoontooted	Estonia	33	8	26	12	14	25	14
Others				1		1		1
Total		**136**	**7**	**355**	**1,401**	**–1,046**		**39**
Adjustment for losses not posted according to the table below						1,085		
Book value according to balance sheet						**39**		

Name	Country	Revenue	Income	Assets	Liabilities	Equity	% ownership	Book value
2004								
Swedish Aircraft TWO KB	Sweden	26	0	110	108	2	50	2
Swedish Aircraft FOUR KB[1]	Sweden	40	1	182	174	8	100	8
1909 Aircraft Leasing KB[1]	Sweden	73	–2	117	1,197	–1,080	99	0
Nor-Pel AS	Norway	35	2	20	13	7	50	7
NUUK Kraft ANS	Norway	0	–7	16	8	8	28.5	8
AS Kalev Real Estate Company	Estonia	26	4	67	54	13	41	13
AS Tartu Maja Betoontooted	Estonia	23	3	19	10	9	25	9
Others				1		1		1
Total		**223**	**1**	**532**	**1,564**	**–1,032**		**48**
Adjustment for losses not posted according to the table below						1,080		
Book value according to balance sheet						**48**		

1 The companies are associate companies since Skanska has no controlling influence because the general partner in each of these limited partnerships is external to the Group.

Note 20 continued

Information on losses in associated companies that have not been recognized because the book value of Skanska's holding "is already zero."

	2005	2004
Loss for the year	–5	–2
Loss in prior years	–1,080	–1,078

The losses occurred in partly owned limited partnerships (aircraft leasing) for which the Group has no obligation to provide additional capital.

Other matters

The associated companies have no liabilities, provisions or contingent liabilities which the Group may become responsible for paying. Nor are there any obligations for further investments.

Note 21 Financial assets

Financial investments, financial receivables and shareholdings where ownership is less than 20 percent and the Group has no singificant influence are recognized as financial non-current assets.

Financial investments and financial receivables are recognized as financial current assets.

See also Note 6, "Financial instruments."

Financial non-current assets

	2005	2004
Financial investments		
Financial assets carried at fair value through profit or loss		
Unrealized non-interest-bearing changes in value of interest-bearing securities	92	
Unrealized non-interest-bearing changes in value of derivatives	15	
Financial assets available for sale[1]	359	74

Financial non-current assets cont.	2005	2004
Financial receivables, interest-bearing		
Receivable from associated companies	5	0
Receivable from joint venturess	0	198
Liquid assets with restrictions	410	455
Other interest-bearing receivables	355	410
Total	**1,236**	**1,137**
of which interest-bearing financial non-current assets	1,070	1,063
of which non-interest-bearing financial non-current assets	166	74

Financial current assets

	2005	2004
Financial investments		
Financial assets carried at fair value through profit or loss		
Unrealized non-interest-bearing changes in value of derivatives	35	
Hold-to-maturity investments	476	
Financial assets available for sale	105	
Financial investments before introduction of IAS 39		253
Financial receivables, interest-bearing		
Receivable from joint ventures	0	2
Liquid assets with restrictions	633	1,453
Discounted operating receivables	152	0
Other interest-bearing receivables[2]	859	782
Total	**2,260**	**2,490**
of which interest-bearing financial current assets	2,225	2,490
of which non-interest-bearing financial current assets	35	0

1 Including SEK 59 M (74) in shares carried at cost. The shares are carried at cost, since they are not quoted and fair value cannot be reliably estimated. During 2005, an impairment loss of SEK –2 M (0) on shareholdings was recognized. The impairment loss occurred in the Residential Project Development business stream and was charged to financial items. The impairment loss was based on net realizable value.

2 Receivables from buyers of properties amounting to SEK 432 M were recognized as other interest-bearing receivables among current assets. See Note 3, point F for the change in accounting practices related to receivables from buyers of property. The 2004 amount included SEK 582 M for Group companies divested, for which payment was received early in 2005.

Note 22 Current-asset properties/Project development

Current-asset properties are reported in compliance with IAS 2, "Inventories." See "Accounting and valuation principles," Note 1.

The allocation of balance sheet items among the various business streams can be seen below.

Balance sheet item	Business stream	2005	2004
Commercial Project Development	Commercial Project Development	5,804	7,408
Other commercial properties	Construction	1,396	1,272
Residential Project Development	Residential Project Development	3,282	3,268
Total		**10,482**	**11,948**

For a further description of the respective business streams, see Note 4, "Segment reporting."

Income from current-asset properties comes mainly from Commercial Project Development and Residential Project Development.

Completed properties, properties under construction and development properties are all reported as current-asset properties.

Divestments of current-asset properties

	2005	2004
Divestment revenue		
Commercial Project Development	4,430	4,645
Other commercial properties	820	533
Residential Project Development	4,150	4,143
	9,400	**9,321**
Book value		
Commercial Project Development	–2,804	–3,150
Other commercial properties	–574	–383
Residential Project Development	–3,347	–3,505
	–6,725	**–7,038**
Gross income		
Commercial Project Development[1]	1,626	1,495
Other commercial properties	246	150
Residential Project Development	803	638
	2,675	**2,283**

1 The amount included SEK 0 M (25) from divestments of properties in joint ventures.

Note 22 continued

Breakdown of divestments by Commercial Project Development among completed projects, properties under construction and development properties

	Completed properties		Properties under construction and development properties		Total	
	2005	2004	2005	2004	2005	2004
Divestment revenue	3,430	3,333	1,000	1,312	4,430	4,645
Book value	–2,231	–2,170	–573	–980	–2,804	–3,150
Gross income	**1,199**	**1,163**	**427**	**332**	**1,626**	**1,495**

Impairment losses/reversals of impairment losses

Current-asset properties are valued in compliance with IAS 2, "Inventories," and are thus carried at cost or net realizable value, whichever is lower. Adjustments in net realizable value via an impairment loss is recognized, as are reversals of previous impairment losses, in the income statement as part of "Cost of sales." Net realizable value is affected by the type and location of the property as well as by the type and location of the property and by the targeted return in the market.

The following table shows that during 2005, impairment losses totaling SEK 1 M (46) were reversed. The reason for this was that net realizable value increased during the year.

	Impairment losses		Reversals of impairment losses		Total	
	2005	2004	2005	2004	2005	2004
Commercial Project Development		–142		44	0	–98
Other commercial properties	–9	–9	1		–8	–9
Residential Project Development	–40	–15		2	–40	–13
Total	**–49**	**–166**	**1**	**46**	**–48**	**–120**

The book value of current-asset properties is allocated between properties carried at cost and properties carried at net realizable value, as shown in the following table.

	Cost		Net realizable value		Total	
	2005	2004	2005	2004	2005	2004
Commercial Project Development	5,356	6,724	448	684	5,804	7,408
Other commercial properties	882	1,124	514	148	1,396	1,272
Residential Project Development	3,207	3,119	75	149	3,282	3,268
Total	**9,445**	**10,967**	**1,037**	**981**	**10,482**	**11,948**

Fair value of current-asset properties

The market value of completed commercial properties on December 31, 2005 was estimated at SEK 4.6 billion (6.6), partially in collaboration with external appraisers. This included partly owned properties. The corresponding book value was SEK 3.2 billion (4.4).

Including projects recognized as completed on January 1, 2006, estimated total market value was about SEK 4.8 billion (6.9), with a corresponding book value of SEK 3.4 billion (4.6).

Other properties have an estimated market value that largely coincides with their book value of SEK 7.1 billion (7.2).

Information on assessed value for tax purposes of current-assets properties in Sweden

	Assessed value		Corresponding book value	
	2005	2004	2005	2004
Buildings	2,759	3,281	3,796	4,567
Land	1,928	2,840	1,850	1,897
Total	**4,687**	**6,121**	**5,646**	**6,464**

Assets pledged

Current-asset properties used as collateral for loans and other obligations totaled SEK 5 M (89). See Note 34.

Other matters

Information on capitalized interest is reported in Note 15, "Borrowing costs."

Book value

	Completed properties		Properties under construction		Development properties		Total current-asset properties	
	2005	2004	2005	2004	2005	2004	2005	2004
Commercial Project Development	3,157	4,570	599	419	2,048	2,419	5,804	7,408
Other commercial properties	44	132	444	321	908	819	1,396	1,272
Residential Project Development	261	652	601	608	2,420	2,008	3,282	3,268
Total	**3,462**	**5,354**	**1,644**	**1,348**	**5,376**	**5,246**	**10,482**	**11,948**

	Commercial Project Development		Other commercial properties		Residential Project Development		Total current-asset properties	
	2005	2004	2005	2004	2005	2004	2005	2004
Book value								
January 1	7,408	9,421	1,272	1,051	3,268	3,394	11,948	13,866
Adjustment of opening balances upon transition to IAS 39	–13						–13	
Business combinations		6					0	6
Divestments of companies				–1	–1	–137	–1	–138
New acquisitions	1,135	1,331	640	270	3,181	3,665	4,956	5,266
Divestments	–2,804	–3,150	–574	–383	–3,347	–3,505	–6,725	–7,038
Impairment losses/reversals of impairment losses		–98	–8	–9	–40	–13	–48	–120
Reclassifications	–127	–48	25	332	43	–171	–59	113
Change for the year due to IAS 39	7						7	
Exchange rate differences for the year	198	–54	41	12	178	35	417	–7
December 31	**5,804**	**7,408**	**1,396**	**1,272**	**3,282**	**3,268**	**10,482**	**11,948**

Note 23 Inventories etc.

Inventories are reported in compliance with IAS 2, "Inventories." See Accounting and valuation principles," Note 1.

	2005	2004
Raw materials and supplies	340	317
Products being manufactured	120	91
Finished products and merchandise	41	202
Total	**501**	**610**

Other matters

There were no significant differences between the carrying amount for inventories and their fair value. No portion of inventories was adjusted due to an increase in net realizable value. No merchandise was used as collateral for loans and other obligations.

Note 24 Trade and other receivables

Non-interest-bearing business receivables are reported as "Trade and other receivables." Trade and other receivables are part of the Group's operating cycle and are consequently recognized as current assets.

	2005	2004
Trade accounts receivable	18,941	15,949
Operating receivables from joint ventures	183	344
Prepaid expenses and accrued income	1,621	1,840
Other operating receivables	2,240	3,611
Total	**22,985**	**21,744**

Note 25 Short-term investments

Investments with an insignificant risk of fluctuations in value and which can easily be transformed into cash are reported as short-term investments. Their maturity from the acquisition date is three months or shorter.

Short-term investments are allocated as shown in the table below.

2005	
Held-to-maturity investments	237
Financial assets available for sale	2,858
	3,095
2004	
Short-term investments	3,053

Note 26 Cash and cash equivalents

Starting in 2005, checks issued but not yet cashed were included in cash and cash equivalents. See the change of accounting practice in Note 3, point D. The amount is related to checks in the United States and the United Kingdom and amounted to SEK 919 M.

Note 27 Equity/Earnings per share

In the consolidated financial statements, equity is divided between equity attributable to equity holders (shareholders) and minority interest. Minority interest accounts for less than one percent of total equity.

During the year, equity changed as follows.

Closing balance, 2004	**16,368**
Attributable to equity holders	
Change to IAS 39, opening balance, 2005	–11
Dividend	–1,674
Translation differences	1,135
Effect of reporting of pensions in compliance with IAS 19	–1,190
Effect of share-based payment	12
Effect of IAS 39 hedge accounting	52
Change in minority interest	**5**
Profit for the year attributable to	
Equity holders	3,879
Minority interest	11
Closing balance	**18,587**

Equity attributable to equity holders is allocated as follows:

	2005	2004
Capital stock	1,256	1,256
Other contributed capital	316	316
Reserves	1,442	214
Retained earnings	15,440	14,465
Total	**18,454**	**16,251**

The following reserves are found in the consolidated financial statements:

	2005	2004
Translation reserve	1,349	214
Hedging reserve	93	0
Fair value reserve	0	-
Total	**1,442**	**214**

Contributed capital: Paid-in capital in excess of par value from historical issues of new shares is recognized as "Contributed capital."

Retained earnings: Retained earnings include the profit for the year plus undistributed Group profits earned in prior years. The statutory reserve is part of retained earnings, as is change in pension liability, which in compliance with IAS 19 was charged it in the amount of SEK –1,190 M (–425). See Note 29, "Pensions." In compliance with IFRS 2, the year's change in share-based payment was recognized directly in equity in the amount of SEK +12 M (0). See below.

Translation reserve: The translation reserve consists of accumulated translation differences from the translation of financial reports for operations abroad. The translation reserve also includes exchange rate differences that have arisen when hedging net investments in operations abroad. The translation reserve was reset to zero upon the transition to IFRS on January 1, 2004. Translation differences for the year amounted to SEK 1,633 M (33) and consisted mainly of differences in USD, NOK, CZK and CLP (for currency abbreviations, see Note 35, "Effect of changes in exchange rates").

During the year, the translation reserve was affected by exchange rate differences of SEK –498 M (218) due to currency hedges. The Group has currency hedges against net investments mainly in EUR, BRL and CLP. The Group's hedging of its net investment in American operations was unwound during the spring. In all, the Group was affected by currency hedges in BRL and CLP totaling SEK –0.2 billion, in EUR totaling SEK –0.1 billion and in USD totaling SEK –0.2 billion. In 2004, the amount was primarily affected by the U.S. dollar but also by the British pound.

Hedging reserve: Recognized in the hedging reserve are unrealized gains and losses on hedging instruments when applying hedge accounting with regard to forecasted cash flows. On January 1, 2004, SEK 41 M was transferred directly into the hedging reserve in equity upon transition to IAS 39. This amount came from Skanska's operations in Poland, where hedge accounting is applied for transaction exposure to foreign currencies. The change in the reserve for the year, also attributable to Poland, amounted to SEK 52 M. The closing balance of the reserve was thus SEK 93 M.

Note 27 continued

Fair value reserve: The fair value reserve includes the accumulated net change in the fair value of financial assets available for sale until the asset is derecognized from the balance sheet.

IFRS 2 , "Share-Based Payment": The share incentive program ("Share Award Plan") introduced during 2005 is recognized as share-based payment, which is settled with Skanska's own capital instruments in compliance with IFRS 2. This implies that fair value is calculated on the basis of estimated fulfillment of established financial targets during a measurement period. After the close of the measurement period, fair value is established. This value is allocated over the four-year vesting period. There is no reappraisal after fair value is established during the remainder of the vesting period, aside from changes in the number of shares because the condition of continued employment during the vesting period is no longer met.

Dividend: After the balance sheet date, the Board of Directors decided to propose a regular dividend of SEK 4.50 (4.00) per share and an extra dividend of SEK 2.00 per share. The dividend is subject to the approval of the Annual Shareholders' Meeting on March 30, 2006.

The overall proposed dividend in SEK M is

	2005	2004
Regular dividend	1,884	1,674
Extra dividend	837	
Total	**2,721**	**1,674**

Number of shares: Information on the number of shares is provided in the Parent Company financial statements, Note 58.

IAS 33, "Earnings per share": Earnings per share are calculated as profit for the year divided by the average number of shares. See Note 45, "Definitions."

The method for calculating earnings per share before and after dilution effects is found in "Accounting and valuation principles," Note 1.

Dilution effect: In past employee stock option programs, the dilution effect of potential ordinary shares has been calculated on the basis of the difference between the exercise price of the option and the average price of a Skanska share during the period. In the Share Award Plan introduced in 2005, the number of potential ordinary shares is calculated under the measurement period based on the estimated number of shares that will be issued due to fulfillment of the established targets. Afrer the end of the measurement period, Skanska establishes the number of shares that may be issued provided that the conditions regarding continued employment are met. The number of potential ordinary shares thus calculated is then reduced by the difference between the payment Skanska expected to receive and the average share price during the period.

Past employee stock option programs resulted in no dilution effect during 2005. The Skanska Share Award Plan introduced during 2005 has been estimated to have a dilution effect during 2005 of 8,851 shares or 0.002 percent of the number of shares outstanding.

Other matters: Concerning equity swaps for employee stock options, see "Accounting and valuation principles," Note 1, and Note 38, "Compensation to executive officers."

	Equity attributable to equity holders						
	Capital stock	Contributed capital	Reserves	Retained earnings	Total	Minority interest	Total equity
Equity, January 1, 2004	**1,256**	**316**	**0**	**12,929**	**14,501**	**200**	**14,701**
Equity swaps				44	44		44
Change in translation reserve for the year			214		214	5	219
Change in pensions for the year in compliance with IAS 19				–603	–603		–603
Other transfers of assets recognized directly in equity[1]						–95	–95
Taxes attributable to items recognized directly in equity				178	178		178
Net income recognized directly in equity, excluding transactions with the Company's owners	**0**	**0**	**214**	**–381**	**–167**	**–90**	**–257**
Profit for the year				**3,173**	**3,173**	**13**	**3,186**
Total recognized income and expense, excluding transactions with the Company's owners	**0**	**0**	**214**	**2,792**	**3,006**	**–77**	**2,929**
Dividend				–1,256	–1,256	–6	–1,262
Equity, December 31, 2004	**1,256**	**316**	**214**	**14,465**	**16,251**	**117**	**16,368**
Change in accounting principle, IAS 39			41	–52	–11		–11

1 SEK –3 M (–95) in minority interest was recognized as other changes in assets recognized directly in equity. The amount consisted of purchases from minority interests totaling SEK –3 M (–42) and divestments of Group companies with minority interest of SEK 0 M (–53).

Note 27 continued

	Equity attributable to equity holders						
	Capital stock	Contributed capital	Reserves	Retained earnings	Total	Minority interest	Total equity
Adjusted equity, January 1, 2005	**1,256**	**316**	**255**	**14,413**	**16,240**	**117**	**16,357**
Change in translation reserve for the year			1,135		1,135	9	1,144
Change in hedging reserve for the year			65		65		65
Change in share-based payment for the year in compliance with IFRS 2				12	12		12
Change in pensions for the year in compliance with IAS 19				–1,685	–1,685		–1,685
Other transfers of assets recognized directly in equity[1]					0	–3	–3
Taxes attributable to items recognized directly in equity			–13	495	482		482
Net income recognized directly in equity excluding transactions with the Company's owners	**0**	**0**	**1,187**	**–1,178**	**9**	**6**	**15**
Profit for the year				**3,879**	**3,879**	**11**	**3,890**
Total recognized income and expense, excluding transactions with the Company's owners	**0**	**0**	**1,187**	**2,701**	**3,888**	**17**	**3,905**
Dividend				–1,674	–1,674	–1	–1,675
Equity, December 31, 2005	**1,256**	**316**	**1,442**	**15,440**	**18,454**	**133**	**18,587**

1 SEK –3 M (–95) in minority interest was recognized as other changes in assets recognized directly in equity. The amount consisted of purchases from minority interests totaling SEK –3 M (–42) and divestments of Group companies with minority interest of SEK 0 M (–53).

Specification of reserves included in "Equity attributable to equity holders"

	2005	2004
Translation reserve		
January 1	214	0
Translation differences for the year	1,633	33
Less hedging of currency risks in operations abroad	–498	218
Less translation differences attributable to divested businesses	0	–37
	1,349	**214**
Hedging reserve		
January 1	0	
Change in accounting principle	41	
Cash flow hedges:		
Recognized directly in equity	115	
Transferred to income statement	–50	
Taxes attributable to hedging for the year	–13	
	93	
Total reserves	**1,442**	**214**

Fair value reserve: The fair value reserve amounted to SEK 0 M.

Note 28 Financial liabilities

Financial liabilities are allocated between non-current and current liabilities. Normally, a maturity date within one year is required if a liability is to be treated as current. This does not apply to discounted operating liabilities, which are part of Skanska's operating cycle and are consequently recognized as current liabilities regardless of the maturity date.

Regarding financial risks and financial policies, see Note 6, "Financial instruments."

Financial non-current liabilities	2005	2004
Financial liabilities carried at fair value through profit or loss		
Unrealized non-interest-bearing change in value of derivatives	22	
Loans and credit facilities		
Bond loans	939	1,497
Liabilities to credit institutions	1,000	1,179
Liabilities to associated companies		3
Other liabilities	463	367
Total	**2,424**	**3,046**
of which interest-bearing financial non-current liabilities	2,402	3,046
of which non-interest-bearing financial non-current liabilities	22	0

Note 28 continued

Financial current liabilities	2005	2004
Financial liabilities carried at fair value through profit or loss		
Unrealized non-interest-bearing change in value of derivatives	196	
Loans and credit facilities		
Bond loans	183	310
Liabilities to credit institutions[1]	548	468
Liabilities to associated companies	0	14
Discounted liabilities	94	0
Other liabilities	59	214
Total	**1,080**	**1,006**
of which interest-bearing financial current liabilities	884	1,006
of which non-interest-bearing financial current liabilities	196	0

Note 29 Pensions

Provisions for pensions are reported in compliance with IAS 19, "Employee Benefits." See "Accounting and valuation principles," Note 1.

Pension liabilities according to the balance sheet

	2005	2004
Interest-bearing pension liability	2,407	1,005
Other pension obligations	0	107
Total	**2,407**	**1,112**

Skanska has defined-benefit pension plans in Sweden, Norway, the U.K. and the U.S. The pension in these plans is mainly based on final salary. The plans include a large number of employees, but Skanska also has defined-contribution plans in these countries. Group subsidiaries in other countries mainly have defined-contribution plans.

Defined-benefit plans

The pension plans mainly consist of retirement pensions. Each respective employer usually has an obligation to pay a lifetime pension. Benefits are based on the number of years of employment. The employee must belong to the plan for a certain number of years to earn a full retirement pension entitlement. For each year, the employee earns increased pension entitlements, which is reported as pension earned during the period plus an increase in pension obligation.

Pension plans are funded by securing pension obligations with assets in pension funds and provisions in the balance sheet. The plans are funded by payments from

Note 29 continued

the respective Group companies and in some cases the employees.

The plan assets in each pension fund are smaller than the pension obligation. For this reason, the difference is recognized as a liability in the balance sheet. The ceiling rule that, in some cases, limits the value of these assets in the balance sheet does not apply when plan assets are smaller than pension obligations.

On the balance sheet date, the pension obligation amounted to SEK 10,738 M (7,591). The increase was largely due to lower long-term interest rates and thus lower discount rates, which provided a higher pension obligation calculated on the basis of present value. Plan assets amounted to SEK 8,331 M (6,586).

During 2005, the EU adopted IASB's amendment to IAS 19. This amendment implies that actuarial gains and losses may be recognized directly in the balance sheet according to the alternative rule. Skanska is applying this alternative method. Actuarial gains and losses amounted to a net loss of SEK 1,471 M (590) for the year. The accumulated net loss amounted to SEK 2,061 M (590), which is included in recognized pension liability. The actuarial loss was mainly due to lower discount rates and was offset to some extent by actuarial gains on plan assets.

The return on plan assets recognized in the income statement amounted to SEK 455 M (356), while actual return amounted to SEK 1,082 M (532).

The plan assets consisted mainly of equities, interest-bearing securities and mutual fund units. No assets are used in Skanska's operations. An insignificant percentage of shareholdings consists of Skanska shares.

Plan assets

	Sweden	Norway	United Kingdom	United States
2005				
Equities	38%	37%	63%	51%
Interest-bearing securities	46%	52%	37%	49%
Alternative investments	16%	11%	0%	0%
Expected return	6.50%	6.50%	6.50%	6.80%
Actual return	13.80%	14.50%	16.00%	4.40%
2004				
Equities	30%	28%	65%	56%
Interest-bearing securities	54%	61%	35%	44%
Alternative investments	16%	11%	0%	0%
Expected return	6.50%	5.90%	7.10%	6.50%
Actual return	8.40%	4.50%	12.70%	6.00%

The ITP occupational pension plan in Sweden is a defined-benefit plan. A small portion is secured by insurance from the retirement insurance company Alecta. This is a multi-employer insurance plan, and there is insufficient information to report these obligations as a defined-benefit plan. Pensions secured by insurance from Alecta are therefore reported as a defined-contribution plan.

Trade union-sponsored plans in the United States are defined-benefit plans that cover multiple employers. Since there is insufficient information to report these obligations as defined-benefit plans, they are reported as defined-contribution plans.

Defined-contribution plans

These plans mainly cover retirement pension, disability pensions and family pensions. The premiums are paid regularly during the year by the respective Group company to separate legal entities, for example insurace companies. The size of the premium is based on salary. The pension expense for the period is included in the income statement.

Obligations related to employee benefits, defined-benefit plans

	2005	2004
Pension obligations, funded plans, present value on December 31	10,738	7,591
Plan assets, fair value, December 31	–8,331	–6,586
Net liability according to balance sheet	**2,407**	**1,005**

Pension obligations and plan assets by country

	Sweden	Norway	United Kingdom	United States	Total
2005					
Pension obligations	3,864	2,122	3,912	840	10,738
Plan assets	–3,035	–1,497	–3,320	–479	–8,331
2004					
Pension obligations	2,941	1,283	2,817	550	7,591
Plan assets	–2,646	–1,114	–2,480	–346	–6,586

Total pensions expenses

	2005	2004
Pension earned during the year	–439	–399
Less: Funds contributed by employees	56	46
Interest on obligations	–418	–352
Expected return on plan assets	455	356
Curtailments and settlements	0	0
Pension expenses, defined-benefit plans	**–346**	**–349**
Pensions expenses, defined-benefit plans	–651	–632
Social insurance contributions, defined-benefit and defined-contribution [1]	–76	–81
Total pension expenses	**–1,073**	**–1,062**

1 Refers to special payroll tax in Sweden and employer fee in Norway.

Allocation of pension expenses in the income statement

	2005	2004
Cost of sales	–854	–771
Selling and administrative expenses	–256	–295
Financial items	37	4
Pension expenses, defined-benefit plans	**–1,073**	**–1,062**

Actuarial gains and losses recognized directly in equity

	2005	2004
January 1	–590	0
Changed assumptions for pension obligations	–2,098	–766
Difference between expected, and actual return on plan assets	627	176
Accumulated	**–2,061**	**–590**

See also "Consolidated statement of recognized income and expenses, which shows the tax portion and social insurance contributions recognized directly in equity.

Pension obligations

	2005	2004
January 1	7,591	6,567
Transferred to liabilities classified as held for sale	–8	0
Pensions earned during the year	439	399
Interest on obligations	418	352
Benefits paid by employers	–143	–123
Benefits paid by plan assets	–100	–89
Acquisitions of companies	0	0
Divestments of companies	–12	–196
Reclassifications	29	0
Actuarial gains (–), losses (+) for the year	2,098	766
Curtailments and settlements	–6	0
Exchange rate differences	432	–85
Pensions obligations, present value	**10,738**	**7,591**

Note 29 continued

Plan assets

	2005	2004
January 1	6,586	4,929
Expected return on plan assets	455	356
Funds contributed by employers	362	1,329
Funds contributed by employees	56	46
Benefits paid	–100	–89
Acquisitions of companies	0	0
Divestments of companies	–8	–121
Reclassifications	0	52
Actuarial gains (–), losses (+) for the year	627	176
Curtailments and settlements	0	0
Exchange rate differences	353	–92
Plan assets, fair value	**8,331**	**6,586**

Funds contributed are expected to total about SEK 400 M during 2006.

Reconciliation of interest-bearing pension liability

	2005	2004
Pension liabilities, January 1	1,005	1,638
Transferred to liabilities classified as held for sale	–8	0
Pension expenses	346	349
Benefits paid by employers	–143	–123
Funds contributed by employers	–362	–1,329
Acquisitions of companies	0	0
Divestments of companies	–4	–75
Reclassifications	28	–52
Actuarial gains (–), losses (+) for the year	1,471	590
Curtailments and settlements	–6	0
Exchange rate differences	80	7
Net liability according to balance sheet	**2,407**	**1,005**

Actuarial assumptions

	Sweden	Norway	U.K.	U.S.
2005				
Discount rate, January 1	5.00%	5.25%	5.50%	5.50%
Discount rate, December 31	3.50%	4.00%	4.75%	5.25%
Expected return on plan assets for the year	6.50%	6.50%	6.50%	6.80%
of which, equities	8.30%	8.80%	8.00%	8.00%
of which, interest-bearing securities	5.00%	5.30%	5.10%	5.00%
Expected pay increase, December 31	3.00%	3.25%	4.25%	4.50%
Expected inflation, December 31	2.00%	2.50%	2.50%	3.00%
2004				
Discount rate, January 1	5.75%	5.50%	5.50%	5.50%
Discount rate, December 31	5.00%	5.25%	5.50%	5.50%
Expected return on plan assets for the year	6.50%	5.90%	7.10%	6.50%
of which, equities	8.00%	9.00%	7.50%	8.00%
of which, interest-bearing securities	5.00%	5.50%	4.50%	4.00%
Expected pay increase, December 31	3.00%	3.30%	4.25%	4.40%
Expected inflation, December 31	2.00%	2.50%	2.75%	2.90%

	Sweden	Norway	U.K.	U.S.A
Life expectancy after age 65, men	18 years	18 years	21 years	19 years
Life expectancy after age 65, women	22 years	20 years	24 years	22 years

Expected return on interest-bearing securities is established on the basis of market interest rates on the balance sheet date for high-grade long-term corporate bonds or government bonds in each respective country, adjusted for current holdings in each respective portfolio.

For the equities market as a whole, a risk premium of 3 percent is added. This premium is adjusted for the risk profile of each respective equities market.

Sensitivity of pension obligation to change in discount rate

	Sweden	Norway	U.K.	U.S.	Total
Pension obligation, December 31	3,864	2,122	3,912	840	10,738
Discount rate increase of 0.25 percent[1]	–150	–100	–200	–50	–500
Discount rate decrease of 0.25 percent[1]	150	100	200	50	500

1 Estimated change in pension obligation/pension liability if the discount rate changes. If pension liability increases, the Group's equity is reduced by about 75 percent of the increase in pension liability, after taking into account deferred tax and social insurance contributions.

Note 30 Provisions

Provisions are reported in compliance with IAS 37, "Provisions, Contingent Liabilities and Contingent Assets". See "Accounting and valuation principles," Note 1.

Provisions are allocated in the balance sheet between non-current liabilities and current liabilities. Provisions are both interest-bearing and non-interest-bearing. Provisions that are part of Skanska's operating cycle are recognized as current.

	2005	2004
Non-current provisions		
Interest-bearing	143	135
Current provisions		
Interest-bearing	20	0
Non-interest-bearing	3,180	2,740
Total	**3,343**	**2,875**

The amount for interest-bearing provisions included SEK 112 M (133) in provision to the employee foundation in Sweden.

The change during the year in provisions, allocated among the reserve for legal disputes, provision for warranty obligations and other provisions can be seen in the following table.

	Legal disputes	Warranty obligations	Other provisions	Total
January 1	700	1,052	1,123	2,875
Change in accounting principle, IAS 19			215	215
Divestments of companies		–3	–2	–5
Provisions for the year	256	314	396	966
Provisions utilized	–111	–186	–482	–779
Unutilized amounts that were reverse, change in value	–159	–56	–83	–298
Exchange rate differences	41	34	47	122
Reclassifications	171	–97	173	247
December 31	**898**	**1,058**	**1,387**	**3,343**

Specification of "Other provisions"

	2005	2004
Restructuring measures	177	217
Project risks	85	146
Employee foundation, Sweden	112	133
Employee-related provisions	358	264
Environmental obligations	78	45
Provision for unsold housing units, Sweden	38	44
Provision in compliance with IAS 19 for social insurance contributions on pensions	196	13
Miscellaneous provisions	343	261
Total	**1,387**	**1,123**

Normal cycle time for "Other provisions" is about one to three years.

Provisions for warranty expenses are related to expenses that may arise during the warranty period. Such provisions in Construction are mainly based on average experience-based cost, expressed as a percentage of sales during a five-year period. The expenses are charged to each project on a continuous basis. Provisions for warranty obligations in other business streams are based on individual assessments of each project. The change in 2005 was mainly related to Construction.

Provisions for legal disputes refer to provisions in the Construction business stream for projects that have been completed.

Note 30 continued

The provision to the employee fund in Sweden refers to a refund of surplus funds from the retirement insurance company SPP, now Alecta. The provision is used in consultation with trade union representatives to enable employees with reduced work capacity to remain employed on a part-time basis. The employee is compensated for loss of income and loss of future pension benefits.

Employee-related provisions included such items as the cost of profit-sharing, certain bonus programs and other obligations to employees.

Among provisions for environmental obligations are the costs of restoring gravel pits to their natural state in Swedish operations.

Restructuring provisions refer to the expenses of adapting operations to the projected market and in accordance with the Group's strategic plan. Expenses were paid for such items as closing down operations and phasing out employees.

Note 31 Trade and other payables

Non-interest-bearing liabilities in business operations are recognized as "Trade and other payables." Such liabilities are part of the Group's operating cycle and are consequently recognized as current liabilities.

	2005	2004
Trade accounts payable	14,343	12,438
Advance payments from customers	1,548	1,702
Payable to joint ventures ventures	20	13
Payable to associated companies	0	1
Accrued expenses and prepaid income	7,187	6,769
Other operating expenses	5,122	3,581
Total	**28,220**	**24,504**

Trade and other payables included SEK 919 M (0) for checks issued but not yet cashed in the U.S. and the U.K. See change of accounting practice, Note 3, point D.

Note 32 Specification of interest-bearing receivable per asset and liability

The following table allocates financial current and non-current assets as well as liabilities between interest-bearing and non-interest-bearing items.

	2005			2004		
	Interest-bearing	Non-interest-bearing	Total	Interest-bearing	Non-interest-bearing	Total
ASSETS						
Non-current assets						
Property, plant and equipment		5,243	5,243		5,507	5,507
Goodwill		4,154	4,154		3,899	3,899
Other intangible assets		644	644		535	535
Investments in joint ventures and associated companies		1,834	1,834		862	862
Financial non-current assets	1,070	166	1,236	1,063	74	1,137
Deferred tax assets		2,282	2,282		1,633	1,633
Total non-current assets	**1,070**	**14,323**	**15,393**	**1,063**	**12,510**	**13,573**
Current assets						
Current-asset properties		10,482	10,482		11,948	11,948
Inventories		501	501		610	610
Financial current assets	2,225	35	2,260	2,490	0	2,490
Tax receivables		330	330		269	269
Gross amount due from customers for contract work		5,610	5,610		3,579	3,579
Trade and other receivables		22,985	22,985		21,744	21,744
Short-term investments	3,095		3,095	3,053		3,053
Cash and cash equivalents	10,583		10,583	5,815		5,815
Assets classified as held for sale	2	70	72			
Total current assets	**15,905**	**40,013**	**55,918**	**11,358**	**38,150**	**49,508**
TOTAL ASSETS	**16,975**	**54,336**	**71,311**	**12,421**	**50,660**	**63,081**
LIABILITIES						
Non-current liabilities						
Financial non-current liabilities	2,402	22	2,424	3,046	0	3,046
Pensions	2,407		2,407	1,005	107	1,112
Deferred tax assets		2,831	2,831		2,744	2,744
Non-current provisions	143		143	135		135
Total non-current liabilities	**4,952**	**2,853**	**7,805**	**4,186**	**2,851**	**7,037**
Current liabilities						
Financial current liabilities	884	196	1,080	1,006	0	1,006
Tax liabilities		595	595		998	998
Current provisions	20	3,180	3,200		2,740	2,740
Gross amount due to customers for contract work		11,782	11,782		10,428	10,428
Trade and other payables		28,220	28,220		24,504	24,504
Liabilities classified as held for sale	8	34	42			
Total current liabilities	**912**	**44,007**	**44,919**	**1,006**	**38,670**	**39,676**
TOTAL LIABILITIES	**5,864**	**46,860**	**52,724**	**5,192**	**41,521**	**46,713**
Interest-bearing net receivable	11,111			7,229		

Note 33 Expected recovery periods of assets and liabilities

Amounts expected to be recovered	2005 Within 12 month	2005 12 months or longer	2005 Total	2004 Within 12 month	2004 12 months or longer	2004 Total
ASSETS						
Non-current assets						
Property, plant and equipment [1]	1,020	4,223	5,243	1,100	4,407	5,507
Goodwill[1]		4,154	4,154		3,899	3,899
Other intangible assets [1]	50	594	644	10	525	535
Investments in joint ventures and associated companies [2]		1,834	1,834		862	862
Financial non-current assets		1,236	1,236		1,137	1,137
Deferred tax assets [3]		2,282	2,282		1,633	1,633
Total non-current assets	**1,070**	**14,323**	**15,393**	**1,110**	**12,463**	**13,573**
Current assets						
Current-asset properties [4]	5,550	4,932	10,482	5,976	5,972	11,948
Inventories [5]	447	54	501	569	41	610
Financial current assets	2,097	163	2,260	2,485	5	2,490
Tax receivables	330		330	269		269
Gross amount due from customers for contract work [5]	5,251	359	5,610	3,440	139	3,579
Trade and other receivables [5]	22,454	531	22,985	21,025	719	21,744
Short-term investments	3,095		3,095	3,053		3,053
Cash and cash equivalents	10,583		10,583	5,815		5,815
Assets classified as held for sale	72		72			
Total current assets	**49,879**	**6,039**	**55,918**	**42,632**	**6,876**	**49,508**
TOTAL ASSETS	**50,949**	**20,362**	**71,311**	**43,742**	**19,339**	**63,081**

Amounts expected to be paid	2005 Within 12 month	2005 12 months or longer	2005 Totalt	2004 Within 12 month	2004 12 months or longer	2004 Totalt
LIABILITIES						
Non-current liabilities						
Financial non-current liabilities	25	2,399	2,424	14	3,032	3,046
Pensions	242	2,165	2,407	81	1,031	1,112
Deferred tax liabilities		2,831	2,831		2,744	2,744
Non-current provisions		143	143		135	135
Total non-current liabilities	**267**	**7,538**	**7,805**	**95**	**6,942**	**7,037**
Current liabilities						
Financial current liabilities	986	94	1,080	992	14	1,006
Tax liabilities	595		595	998		998
Current provisions	2,051	1,149	3,200	2,065	675	2,740
Gross amount due to customers for contract work	11,126	656	11,782	10,428		10,428
Trade and other payables	27,168	1,052	28,220	24,017	487	24,504
Liabilities classified as held for sale	42		42			
Total current liabilities	**41,968**	**2,951**	**44,919**	**38,500**	**1,176**	**39,676**
TOTAL LIABILITIES	**42,235**	**10,489**	**52,724**	**38,595**	**8,118**	**46,713**

1 In case of amounts expected to be recovered within twelve months, expected annual depreciation/amortization has been recognized.
2 No portion of this amount is expected to be recovered within twelve months.
3 Deferred tax assets are expected to be recovered in their entirety in more than twelve months.
4 Recovery within one year on current-asset properties is based on a historical assessment from the past three years.
5 Current receivables that fall due in more than twelve months are part of the operating cycle and are thus recognized as current.

Note 34 Assets pledged, contingent liabilities and contingent assets

Assets pledged

	2005	2004
Mortgages, current-asset properties	5	89
Chattel mortgages	0	42
Shares and participations	1,444	609
Receivables	381	335
Total	**1,830**	**1,075**

The use of shares and participations as assets pledged refers to shares in joint ventures belonging to Infrastructure Development. These assets are pledged as collateral when obtaining outside lending for these joint ventures.

Receivables include liquid assets in escrow as collateral in conjunction with construction projects.

Assets pledged for liabilities

	Property mortgages		Chattel mortgages		Shares and receivables		Total	
	2005	2004	2005	2004	2005	2004	2005	2004
Own obligations								
Liabilities to credit institutions	1	85		42		0	1	127
Other liabilities		4			381	226	381	230
Total own obligations	**1**	**89**	**0**	**42**	**381**	**226**	**382**	**357**
Other obligations	4				1,444	718	1,448	718
Total	**5**	**89**	**0**	**42**	**1,825**	**944**	**1,830**	**1,075**

Contingent liabilities

Contingent liabilities are reported in compliance with IAS 37, "Provisions, contingent liabilities and contingent assets. See Accounting and valuation principles," Note 1, which describes changes in accounting principles. Comparative figures have been restated on the basis of the new principles. See Note 3, "Effects of changes in accounting principles," point C.

	2005	2004
Contingent liabilities related to construction consortia	5,518	4,146
Contingent liabilities related to joint ventures	1,495	889
Other contingent liabilities	2,090	2,390
Total	**9,103**	**7,425**

The Group's contingent liabilities related to construction consortia totaled about SEK 5.5 billion (4.1). This amount referred to the portion of the joint and several liability for the obligations of construction consortia affecting consortium members outside the Group. Such liability is often required by the customer. To the extent it is deemed likely that Skanska will be subject to liability claims, the obligation is reported as a liability in the balance sheet.

Contingent liabilities related to joint ventures refer mainly to guarantees issued when joint ventures belonging to the Infrastructure Development business stream have raised loans.

Most of the Group's other contingent liabilities, SEK 2.1 billion (2.4), were related to obligations attributable to the operations of Residential Project Development Nordic.

During 1988–1990 the Skanska Group, through partly owned companies, purchased holdings in aircraft. The depreciation deductions that were made were later a topic of tax litigation affecting most of the partly owned companies. With regard to tax litigation related to depreciation deductions, the Group has paid in full the Tax Authority's demands for additional taxes and accompanying fees and interest. Due to differing views regarding the consequences for subsequent tax years due to disallowed depreciation deductions, tax litigation has arisen concerning later tax years as well. Taken together, the outcome of this tax litigation is deemed to constitute only a limited risk to the Group.

On March 21, 2003, the Swedish Competition Authority filed suit against 11 companies with asphalt operations, among them Skanska. The suit requested a total amount of SEK 1.6 billion in fines for alleged infringement of the Swedish Competition Act, of which Skanska's share was SEK 664 M. Early in 2006, the Competition Authority lowered the requested amounts in such a way that the total amount is now SEK 1.2 billion, of which Skanska's share is nearly SEK 560 M. Skanska denies the Competition Authority's allegations. Similar litigation is also underway in Finland. There the Competition Authority has demanded that Skanska pay a penalty of about SEK 100 M. Skanska denies the allegations behind this demand. Swedish municipalities have put forward demands for damages of more than SEK 57 M due to the alleged anti-competitive activities in asphalt operations. Skanska denies the allegations on which the demands are based.

In December 2005, the competition authority in Slovakia announced a decision concerning alleged pricing collaboration related to a road project. The fee demanded for Skanska's part amount to SEK 58 M. Skanska denies the allegation and has appealed the decision.

No provision has been made for the above-described disputes, because of the great uncertainty that surrounds the outcome of the disputes. In compliance with the accounting principles applied, no such amounts have been included in the table of the Group's contingent liabilities.

Contingent assets

The Group has no contingent assets of significant importance in assessing the position of the Group. See also "Accounting and valuation principles," Note 1.

Note 35 Effect of changes in foreign exchange rates

Exchange rates are dealt with in compliance with IAS 21, "The Effect of Changes in Foreign Exchange Rates." See "Accounting and valuation principles," Note 1.

Exchange rates

		Exchange rate at balance sheet date			Change in percent	
Currency	Country	2005	2004	2003	2004–2005	2003–2004
ARS	Argentina	2.62	2.22	2.47	18	–10
CZK	Czech Republic	0.32	0.30	0.28	10	6
DKK	Denmark	1.26	1.21	1.22	4	–1
EUR	EU euro zone	9.39	9.00	9.07	4	–1
GBP	United Kingdom	13.67	12.70	12.89	8	–1
NOK	Norway	1.17	1.09	1.08	8	1
PLN	Poland	2.43	2.21	1.94	10	14
USD	United States	7.94	6.62	7.26	20	–9

		Average exchange rate			Change in percent	
Currency	Country	2005	2004	2003	2004-2005	2003-2004
ARS	Argentina	2.56	2.50	2.75	2	–9
CZK	Czech Republic	0.31	0.29	0.29	9	–1
DKK	Denmark	1.25	1.23	1.23	1	0
EUR	EU euro zone	9.28	9.13	9.12	2	0
GBP	United Kingdom	13.57	13.45	13.19	1	2
NOK	Norway	1.16	1.09	1.14	6	–4
PLN	Poland	2.31	2.02	2.08	14	–3
USD	United States	7.46	7.35	8.08	2	–9

Effect of changes in exchange rates on the income statement compared to the previous year

During 2005, the Swedish krona weakened against virtually all other currencies used by the Skanska Group. In the following table, the 2005 income statement is translated at the exchange rates prevailing in 2004. The change, or currency rate effect, for each currency is stated in SEK.

	Income statement		Currency rate effect	
	2005, at 2004 rates[1]	2005	2005	2004
Revenue	121,414	124,667	3,253	–4,689
Operating income	4,887	5,000	113	–10
Income after financial items	4,999	5,120	121	–8
Profit for the year	3,798	3,890	92	–1

1 2005 figures translated to the exchange rates prevailing in 2004.

Currency effect, by respective currency

2005	USD	EUR	GBP	NOK	CZK	PLN	Others	Total
Revenue	662	168	96	705	884	657	81	3,253
Operating income	4	7	3	33	46	20	0	113
Income after financial items	4	7	4	36	46	26	–2	121
Profit for the year	2	6	3	25	34	25	–3	92

2004	USD	EUR	GBP	NOK	CZK	PLN	Others	Total
Revenue	–4,269	1	242	–439	–15	–124	–85	–4,689
Operating income	10	0	–10	–16	–1	–3	10	–10
Income after financial items	10	0	–8	–17	–1	–4	12	–8
Profit for the year	13	0	–10	–12	–1	–2	11	–1

Effect on the Group of change in SEK against other currencies and change in USD against SEK

The following sensitivity analysis based on income statement and balance sheet 2005 shows the sensitivity of the Group to a unilateral 10 percent change in SEK against all currencies and a unilateral 10 percent change in USD against SEK.

	+/– 10%	of which USD +/– 10%
Revenue	+/– 9,633	+/– 4,294
Operating income	+/– 235	+/– 28
Equity	+/– 963	+/– 379

"Plus"means a weakening of the Swedish krona. "Plus" for USD thus means increased value against SEK.

Note 35 continued

Effects of changes in exchange rates in the balance sheet compared to previous year

Group, amounts in SEK billion	2005	2004
Assets		
Property, plant and equipment	0.5	0.0
Intangible assets	0.5	0.0
Shares and participations	0.3	0.0
Interest-bearing receivables	0.1	0.0
Current-asset properties	0.4	0.0
Non-interest-bearing receivables	2.8	–0.6
Liquid assets	0.4	–0.1
Total	**5.0**	**–0.7**

Group, amounts in SEK billion	2005	2004
Equities and liabilities		
Equity attributable to equity holders	1.1	0.3
Minority interest	0.0	0.0
Interest-bearing liabilities	0.4	–0.4
Non-interest-bearing liabilities	3.5	–0.6
Total	**5.0**	**–0.7**
Effect of exchange rate differences on the Group's interest-bearing net receivable	0.1	0.3

Of the total effect on the Group's assets, SEK +2.7 billion was due to USD; SEK +0.6 billion to CZK; SEK +0.5 billion to NOK; SEK +0.5 billion to GBP; SEK +0.3 billion to EUR; and SEK +0.3 billion to PLN. Of the total effect in 2004, SEK –1.3 billion was due to USD; SEK +0.3 billion to PLN; and SEK +0.3 billion to CZK.

Consolidated balance sheet by currency, SEK billion

2005	USD	GBP	EUR	NOK	CZK	DKK	PLN	Other foreign currencies[1]	Hedge loans[2]	SEK	Total
Assets											
Property, plant and equipment	1.3	0.3	0.3	0.5	1.3	0.1	0.3	0.2		1.0	5.3
Intangible assets	0.3	1.5	0.4	1.5	0.4	0.0	0.0	0.5		0.2	4.8
Shares and participations	0.0	0.2	0.2	0.1	0.0	0.0	0.0	1.5		–0.1	1.9
Interest-bearing receivables	1.7	0.5	2.8	2.5	0.8	0.8	1.6	–8.7		1.3	3.3
Current-asset properties	0.0	0.0	2.2	0.9	0.5	1.1	0.0	0.3		5.5	10.5
Non-interest-bearing receivables	9.6	3.6	1.7	2.9	3.9	0.8	1.7	2.1		5.5	31.8
Liquid assets	2.5	2.2	0.1	0.1	0.3	0.0	0.2	0.1		8.2	13.7
Total	**15.4**	**8.3**	**7.7**	**8.5**	**7.2**	**2.8**	**3.8**	**–4.0**		**21.6**	**71.3**
Equity and liabilities											
Equity attributable to equity holders [3]	3.0	1.0	4.7	2.9	2.4	0.7	1.1	2.0		0.7	18.5
Minority interest	0.0	0.0	0.1	0.0	0.1	0.0	0.0	0.0		–0.1	0.1
Interest-bearing liabilities	0.3	1.9	0.2	0.5	0.3	0.5	0.0	–7.7	1.6	8.3	5.9
Non-intrest-bearing liabilities	12.1	5.4	2.7	5.1	4.4	1.6	2.7	1.7		11.1	46.8
Total	**15.4**	**8.3**	**7.7**	**8.5**	**7.2**	**2.8**	**3.8**	**–4.0**	**1.6**	**20.0**	**71.3**

2004	USD	GBP	EUR	NOK	CZK	DKK	PLN	Other foreign currencies[1]	Hedge loans[2]	SEK	Total
Assets											
Property, plant and equipment	1.2	0.3	0.3	0.5	1.1	0.2	0.4	0.0		1.5	5.5
Intangible assets	0.3	1.3	0.4	1.4	0.3	0.0	0.0	0.5		0.2	4.4
Shares and participations	0.0	0.0	0.1	0.0	0.0	0.0	0.0	0.8		0.0	0.9
Interest-bearing receivables	1.3	1.2	3.1	1.3	1.3	0.6	0.7	–8.2		2.3	3.6
Current-asset properties	0.6	0.0	1.6	0.7	0.7	1.5	0.1	0.3		6.4	11.9
Non-interest-bearing receivables	8.3	3.4	1.4	2.3	2.7	1.2	1.0	1.5		6.1	27.9
Liquid assets	1.3	0.2	0.1	0.1	0.2	0.0	0.1	0,2		6.7	8.9
Total	**13.0**	**6.4**	**7.0**	**6.3**	**6.3**	**3.5**	**2.3**	**–4.9**		**23.2**	**63.1**
Equity and liabilities											
Equity attributable to equity holders [3]	2.8	0.3	4.2	2.2	1,8	0.6	0.7	1.5		2.2	16.3
Minority interest	0.0	0.0	0.1	0.0	0.0	0.0	0.0	0.0		0.0	0.1
Interest-bearing liabilities	0.6	0.9	0.1	0.3	0.3	1.5	0.0	–7.7	1.9	7.4	5.3
Non-interest-bearing liabilities	9.6	5.2	2.6	3.8	4.2	1.4	1.6	1.3		11.7	41.4
Total	**13.0**	**6.4**	**7.0**	**6.3**	**6.3**	**3.5**	**2.3**	**–4.9**	**1.9**	**21.3**	**63.1**

1 Including elimination of intra-Group receivables and liabilities.
2 Aside from hedge loans in EUR and GBP, Skanska hedged equity in foreign currencies via forward contracts equivalent to liabilities of SEK 2.8 billion (6.0) in EUR, CLP och BRL (USD, EUR, CLP and BRL).
3 After elimination of shares in subsidiaries.

Other matters

For information on the translation reserve in equity on January 1 and December 31, which is recognized directly in equity, see Note 27, "Equity."

Note 36 Cash flow statement

Aside from the cash flow statement prepared in compliance with IAS 7, "Cash Flow Statements," Skanska is preparing a cash flow statement prepared on the basis of the operations carried out by the respective business streams. This cash flow statement is called the "Consolidated operating cash flow statement." The connection between the respective cash flow statements is explained below.

Adjustments for items not included in cash flow

	2005	2004
Depreciation/amortization and impairment losses/ reversals of impairment losses	1,259	1,610
Income from divestments of property, plant and equipment and current-asset properties	–2,834	–2,437
Income from divestments of discontinued operations	–184	–1,587
Income after financial items from joint ventures and associated companies	–221	–168
Dividends from joint ventures and associated companies	42	68
Intra-Group profits on contracting work	154	60
Other items that have not affected cash flow from operating activities	97	76
Total	**–1,687**	**–2,378**

Taxes paid

Taxes paid are divided into operating activities, investing activities and financing activities.

Total taxes paid for the Group amounted to SEK -1,440 M (-1,030), of which SEK 600 M was related to the effect of tax allocation reserves withdrawn in 2004.

Information on interest and dividends

	2005	2004
Interest income during the year	388	239
Interest payments during the year	–387	–393
Dividends received during the year	45	68

Liquid assets

Liquid assets in the cash flow statement consist of cash and cash equiavalents as well as short-term investments. The definition of cash and cash equivalents in the balance sheet can be seen in Note 1, "Accounting and valuation principles."

The same rule that has been used in determining liquid assets in the balance sheet has been used in determining liquid assets according to the cash flow statement. Only amounts that can be used without restrictions are recognized as cash and cash equivalents.

	2005	2004
Cash and cash equivalents	10,583	5,815
Short-term investments	3,095	3,053
Total	**13,678**	**8,868**

Information about assets and liabilities in acquired Group companies

	2005	2004
Assets		
Property, plant and equipment	21	13
Intangible assets	31	113
Shares and participations		–1
Current-asset properties		6
Non-interest-bearing receivables	45	104
Interest-bearing receivables		4
Liquid assets	6	8
Total	**103**	**247**
Liabilities		
Minority interest	–3	–17
Interest-bearing liabilities	29	10
Non-interest-bearing liabilities	21	111
Total	**47**	**104**
Purchase price paid	–56	–143
Liquid assets in acquired companies	6	8
Effect on consolidated liquid assets, investment	**–50**	**–135**

Acquired Group companies are described in Note 7, "Business combinations."

Information about assets and liabilities in divested Group companies

	2005	2004
Assets		
Property, plant and equipment	–560	–395
Intangible assets	0	–282
Shares and participations	0	–20
Current-asset properties	–1	–138
Interest-bearing receivables	–4	–199
Non-interest-bearing receivables	–469	–1,740
Liquid assets	–60	–62
Total	**–1,094**	**–2,836**
Equity and liabilities		
Income from divestments of Group companies [1]	199	1,478
Accumulated exchange rate differences in divested companies	0	–18
Minority interest	0	–53
Interest-bearing liabilities	–254	–312
Non-interest-bearing liabilities	–442	–1,791
Total	**–497**	**–696**
Purchase price paid	597	2,140
Liquid assets in divested companies	–60	–62
Effect on liquid assets, divestment	**537**	**2,078**

1 Income from divested Group companies is recognized both as "Income from divestments of discontinued operations "and as "Cost of sales" in continuing operations. The allocation is shown in the following table.

	2005	2004
Income from divestments of discontinued operations	184	1,587
Less Gammon (divestment related to joint venture)		–134
Income from divestments of Group companies recognized in continuing operations [2]	15	25
	199	**1,478**

2 The income originated from the divestment of some small Group companies in Poland, Russia and the International business unit. In 2004, the income stemmed from divestments in Poland.

For divested operations, see Note 5.

Other matters

The Group's unutilized credit facilities amounted to SEK 6, 071 M (5,610) at year-end.

Relation between consolidated operating cash flow and consolidated cash flow statement

The difference between the consolidated operating cash flow statement and the consolidated cash flow statement in compliance with IAS 7, "Cash flow statement," is presented below.

The consolidated cash flow statement that was prepared in compliance with IAS 7 recognizes cash flow divided into:
Cash flow from operating activities
Cash flow from investing activities
Cash flow from financing activities

The consolidated operating cash flow statement recognizes cash flow divided into:
Cash flow from business operations
Cash flow from financing activities
Cash flow from strategic investments
Dividend etc.
Change in interest-bearing receivables and liabilities

The consolidated operating cash flow statement refers to operating activities as "business operations." Unlike the cash flow statement in compliance with IAS 7, "business operations" also includes net investments, which are regarded as an element of business operations together with tax payments on these. Such net investments are net investments in property, plant and equipment and intangible non-current assets as well as net investments in Infrastructure Development.

Note 36 continued

Investments of a strategic nature are recognized under cash flow from strategic investments.

Under cash flow from financing activities, the operating cash flow statement recognizes only interest and other financial items as well as taxes paid on the same. Dividends are recognized separately. Loans provided and repayment of loans are also recognized separately together with changes in interest-bearing receivables at the bottom of the operating cash flow statement, resulting in a subtotal in the statement that shows cash flow before changes in interest-bearing receivables and liabilities.

	2005	2004
Cash flow from business operations according to operating cash flow statement	5,354	5,786
less net investments in property, plant and equipment and intangible non-current assets	1,327	708
less tax payments on property, plant and equipment and intangible non-current assets divested	26	25
Cash flow from operating activities	**6,707**	**6,519**
Cash flow from strategic investment according to operating cash flow statement	527	2,392
Net investment in property, plant and equipment and intangible non-current assets	−1,327	−708
Increase and decrease in interest-bearing receivables	503	−453
Taxes paid on property, plant and equipment and intangible non-current assets divested	−26	−25
Cash flow from investing activities	**−323**	**1,206**
Cash flow from financing activities according to operating cash flow statement	−84	−24
Increase and decrease in interest-bearing liabilities	−987	−4,492
Dividend etc.	−1,675	−1,288
Cash flow from financing activities	**−2,746**	**−5,804**
Cash flow for the year	**3,638**	**1,921**

Relation between the Group's investments in the cash flow statement and investments in the operating cash flow statement

Total net investments are recognized in the cash flow statement divided into operating activities and investing activities, taking into account the settlement of payments for investments and divestments. Purchases and divestments of current-asset properties are recognized under operating activities, while other net investments are recognized under investing activities.

	2005	2004
Net investments in business operations	4,387	4,003
Net investments in investing activities	−799	1,713
	3,588	**5,716**
less adjustment for payment dates, cash flow effect of investment	57	53
Total net investments	**3,645**	**5,769**

The consolidated operating cash flow statement recognizes net investments divided into net investments in operating activities and strategic net investments as follows.

	2005	2004
Investments in operating activities		
Acquisitions of intangible assets	−46	−38
Acquisitions of property, plant and equipment	−1,455	−1,131
Acquisitions of assets in Infrastructure Development	−476	−188
Acquisitions of shares	−3	−6
Acquisitions of current-asset properties	−4,956	−5,266
	−6,936	**−6,629**
Divestments in operating activities		
Divestments of intangible assets	4	2
Divestments of property, plant and equipment	613	635
Divestments of assets in Infrastructure Development	35	7
Divestments of shares	1	12
Divestments of current-asset properties	9,400	9,321
	10,053	**9,977**
Net investments in operating activities	**3,117**	**3,348**
Strategic investments		
Acquisitions of Group companies	−50	−135
Acquisitions of shares	0	−1
	−50	−136
Strategic divestments		
Divestments of businesses	537	2,078
Divestments of shares	41	479
	578	**2,557**
Net strategic investments	**528**	**2,421**
TOTAL INVESTMENTS	**3,645**	**5,769**

Not 37 Personnel

Wages, salaries, other remuneration and social insurance contributions

	Continuing operations		Discontinued operations		Total	
	2005	2004	2005	2004	2005	2004
Wages, salaries and other remuneration						
Board members, Presidents and Executive Vice Presidents [1]	339	280	1	6	340	286
(of which bonuses)	114	101	1	0	115	101
Other employees	15,850	15,155	16	227	15,866	15,382
Total wages, salaries and other remuneration	**16,189**	**15,435**	**17**	**233**	**16,206**	**15,668**
Social insurance contributions	4,063	4,294	9	79	4,072	4,373
of which pension expenses	1,106	1,042	4	21	1,110	1,063

1 The amount related to Board members, Presidents and Executive Vice Presidents included compensation to former Board members, Presidents and Executive Vice Presidents during the financial year.

Of the Group's total pension expenses, SEK 46.4 M (52.3) was related to the category "Board members, Presidents and Executive Vice Presidents." The amount included compensation to former Board members, President and Executive Vice Presidents.

The expense for a provision to the employee profit-sharing foundation in Sweden totaled SEK 103 M (40).

Average number of employees

Personnel is calculated as the average number of employees. See "Accounting and valuation principles," Note 1.

	2005	of whom men	of whom women	2004	of whom men	of whom women
Continuing operations						
Sweden	10,663	9,758	905	11,178	10,235	943
Norway	4,346	4,034	312	4,310	3,970	340
Denmark	1,427	1,284	143	1,445	1,310	135
Finland	3,400	3,074	326	3,460	3,127	333
United Kingdom	3,399	2,959	440	3,452	3,000	452
Poland	4,006	3,350	656	3,809	3,148	661
Czech Republic	7,053	5,943	1,110	6,686	5,633	1,053
United States	8,102	7,070	1,032	9,226	8,158	1,068
Argentina	4,312	4,024	288	3,060	3,000	60
Other countries	6,947	6,478	469	6,448	5,928	520
Subtotal, continuing operations	**53,655**	**47,974**	**5,681**	**53,074**	**47,509**	**5,565**
Discontinued operations						
Sweden	43	37	6	475	418	57
Other countries	108	74	34	254	196	58
Subtotal, discontinued operations	**151**	**111**	**40**	**729**	**614**	**115**
Total	**53,806**	**48,085**	**5,721**	**53,803**	**48,123**	**5,680**

Men and women on Boards of Directors and among senior executives at balance sheet date

	2005	of whom men	of whom women	2004	of whom men	of whom women
Number of Board members	285	96%	4%	283	95%	5%
Number of Presidents and members of management teams in business units	182	95%	5%	192	95%	5%

Absence from work due to illness

Figures on absence from work due to illness (sick leave) apply only to operations in Sweden.

	Swedish operations	
	2005	2004
Total absence from work due to illness as a percentage of regular working time	4.5%	4.9%
Percentage of total absence from work due to illness for a continuous period of 60 days or more	58.0%	62.4%

Absence from work due to illness as a percentage of each category's regular working time:		
Men	4.6%	5.0%
Women	3.7%	3.4%

Absence due to illness by age category:		
Age 29 or younger	3.5%	3.6%
Age 30-49	3.4%	3.6%
Age 50 or older	6.3%	7.0%

Other matters

No loans, assets pledged or contingent liabilities have been provided on behalf of any Board member or President in the Group.

Note 38 Compensation to executive officers

A Preparation and decision-making processes

The salary and other benefits of the President and CEO are fixed by the Board of Skanska AB, based on recommendations from the Board's Compensation Committee. The Committee sets limits on the salaries, bonuses and other benefits of Executive Vice Presidents, heads of Group staff units and heads of business units.

During 2005, from the statutory Board meeting in May and onward, the Compensation Committee consisted of Sverker Martin-Löf, Chairman of the Board, and Arne Mårtensson, Board member. The Compensation Committee met four times during the year.

The Annual Shareholders' Meeting approves the total amount of directors' fees for members of the Board, based on a recommendation from the Nomination Committee.

B1 Principles for remuneration to the Senior Executive Team

The Senior Executive Team includes the President and Executive Vice Presidents of Skanska AB plus the Senior Vice President Human Resources. The Team consisted of seven persons during 2005.

The Board will submit to the 2006 Annual Shareholders' Meeting a proposal for principles for remuneration and other terms of employment for the Senior Executive Team, for the approval of the Annual Meeting. The proposal mainly implies that remuneration shall consist of a fixed salary, a flexible salary, customary benefits plus pension benefits. Total remuneration shall be competitive in the market where the employee is working.

Note 38 continued

In addition, outstanding performance shall be reflected in total remuneration.

The following shall mainly apply to each respective portion of remuneration:

- Fixed and flexible salary shall be related to the responsibilities and influence of the employee.
- In addition, the flexible salary shall be related to results that are connected to the public results of the Company and shall link performance with the interests of the shareholders. Furthermore, the flexible salary shall have a ceiling.
- As far as notice periods and severance payments are concerned, the normal notice period shall amount to a maximum of 6 months. Severance payment shall amount to a maximum of 24 months, with the exception of the President, to whom a maximum of 30 months may be paid.
- Concerning pensions, the earliest retirement age shall be age 65. In exceptional cases, however, a minimum retirement age of age 60 may be accepted. Pensionable salary shall normally consist of the fixed salary, insofar as membership in general pension plans does not entail a different pensionable salary according to the regulations of the plan, for example the ITP occupational pension plan.

B2 Targets and performance related to flexible salary elements

Flexible salary elements may consist of two parts: an annual flexible salary that is cash-based and the Share Award Plan, which provides remuneration in the form of shares.

For an account of the Share Award Plan, see section E of this note. The "Outperform" targets stated below are common to both parts of the flexible salary, while the "starting point" is only relevant for the annual flexible salary. The table below presents, by business stream, what starting point and "Outperform" target was decided for 2005. "Outperform" also refers to the level that must be achieved for this.

B2 Targets for flexible salary elements, by business stream

	Earnings yardstick	Starting point	"Out-perform"	Out-come	Ful-fillment level
Construction	Operating margin	2.0%	3.1%	2.5%	45%
Residential Project Development	Operating margin	6.1%	9.4%	10.0%	100%
Commercial Project Development	SVA[1] SEK M	–152	125	341	100%
Infrastructure Development	ROIC [2]	30%	40%	56%	100%
Group target	Operating income [3], SEK M	3,574	4,500	5,121	100%

1 SVA means Skanska Value Added and, put simply, refers to operating income minus a capital cost for capital employed. Operating income includes financial income. This yardstick is often called "Economic Value Added."

2 ROIC refers to return on invested capital in projects where return is adjusted for changes in market value based on external appraisals.

3 Outcome is calculated excluding exchange rate effects. The figures shown in the table are calculated using outcome in local currency translating at exchange rates on September 30, 2004. Both target and outcome are reported before corporate overhead.

In addition to the above mentioned financial performance factors, each person in the Senior Executive Team has non-financial targets that may reduce final outcome. These non-financial targets concern health and safety, the environment, business ethics, management of loss-making projects and management development. A reduction occurs if, depending on the target, the person has not shown clear improvements or if something has occurred (for example an environmental incident, where the target is not to have any).

For the President and CEO, the target has been the operating income of the Group. The President and CEO has also had non-financial targets. The 50 percent maximum flexible salary, excluding the Share Award Plan, of the President and CEO was earned in full, based on the financial target, but was reduced by 10 percentage points because two non-financial targets were not met. The outcome for the President and CEO was thus 40 percent of fixed salary.

For the other members of the Senior Executive Team, annual flexible salary is either 100 percent tied to the Group target or 20 percent of annual flexible salary to the Group target while 80 percent is tied to the business units they are directly responsible for. The non-financial targets are connected to the business units certain individuals in the Senior Executive Team are responsible for.

The outcome for the other members of the Senior Executive Team averaged 88 percent fulfillment of financial targets and 78 percent after subtracting for non-financial targets.

C Benefits to the Board and Senior Executive Team

Remuneration and other benefits recognized as expenses in 2005

SEK thousand	Director's fee/basic salary	Flexible salary element[1]	Allocated value of Share Award Plan[2]	Other benefits	Pension expense	Total
Chairman of the Board Sverker Martin-Löf	1,275					1,275
President and CEO Stuart Graham	8,442	3,033	1,825	2,017	6,244	21,560
Other members of the Senior Executive Team	22,612	11,666	4,463	1,101	10,351	50,193
Total	**32,329**	**14,699**	**6,288**	**3,118**	**16,594**	**73,028**

1 Flexible salary element including the incentive program related to the 2005 financial year will be finally fixed in April 2006. The amounts included under the heading "Flexible salary element" in the above table refer to the 2005 financial year. A flex element of SEK 9,721,000, of which SEK 717,000 to the President and CEO, was paid during 2005 for the 2004 financial year.

2 The value stated refers to a full allotment for 2005. In order for it to be paid, an additional three years of service are required. The fraction of allocated value recognized as an expense during 2005 was 3/16.

C1 Directors' fees

The 2005 Annual Shareholders' Meeting decided that fees would be paid to those members of the Board of Directors who are not employed by the Company, totaling SEK 3,500,000 plus a special appropriation of SEK 625,000 for committee work. The Annual Meeting decided that the fee to the Chairman of the Board shall amount to SEK 1,050,000. As authorized by the Annual Meeting, the Board decided that the members elected by the Annual Meeting shall receive SEK 350,000 each and that the special appropriation for committee work shall be paid in the amount of SEK 225,000 to the Chairman of the Board, and to each other committee member elected by the Annual Meeting SEK 100,000 for serving as a member of the Project Review Committee, SEK 75,000 for serving as a member of the Audit Committee and SEK 50,000 for serving as a member of the Compensation Committee.

C2 Chairman of the Board

During 2005 the Chairman of the Board, Sverker Martin-Löf, received a director's fee of SEK 1,050,000 and SEK 225,000 related to committee work, totaling SEK 1,275,000.

C3 Members of the Board

Other members of the Board did not receive any remuneration beyond their regular directors' fees.

C4 Stuart Graham, President and CEO

During 2005, Stuart Graham received a salary, fees and other remuneration from Group companies in the amount of SEK 8,442,000 plus a flexible salary element of SEK 3,033,000 based on financial targets achieved, equivalent to target fulfillment of 40 percent. The flexible salary element may amount to a maximum of 50 percent of his fixed annual salary. In addition, Mr. Graham is included in the Group's 2005 share incentive program, with a preliminary allocation of Skanska shares amounting to about 24 percent of his fixed salary, where 30 percent is the maximum possible allocation. The flexible salary element plus the outcome of the share incentive program for the 2005 financial year will be finally fixed in April 2006.

Mr. Graham is entitled to a free residence in Sweden. During 2005, the Company compensated him for his residence in the amount of SEK 1,314,000. Mr. Graham resides in Stockholm.

Mr. Graham has had so-called expert tax status, which ceased in September 2005. Because of this, during 2005 an agreement was reached on special compensation amounting to a total of no more than SEK 10,400,000, with disbursement allocated over a three-year period. Neither flexible salary elements nor pension are affected by this.

During 2005, Mr. Graham's entitlement to a pension was changed from age 61 at the earliest to age 62 at the earliest.

As previously, full pension will be received at age 65; however, this pension shall total a fixed amount of USD 500,000, instead of about 50 percent of fixed salary as previously, including his share of Skanska USA's general pension plan.

His pension entitlement is indexed to an American inflation index, but with annual index increase limited to a maximum of 3 percent. This is a defined-benefit pension, and the expense during the year amounted to SEK 6,244,000. The pension entitlement is earned on a straight-line basis during his employment period.

Note 38 continued

and will be disbursed during the remainder of his life. The pension is conditional upon future employment.

In addition, Mr. Graham will receive a nonrecurring amount of USD 180,000 at age 65. This amount was vested earlier in the United States and was reported as an expense during prior years.

In 2001 Mr. Graham was allotted 80,000 employee stock options.

In case of termination by the Company, or in case of termination of his own volition due to material breach of contract by the Company, Mr. Graham is entitled to his salary and other employment benefits during a six month notice period, then 30 months of severance payments equivalent to his fixed salary on the date of termination.

D Other members of the Senior Executive Team

During 2005, the other members of the Senior Executive Team totaled six persons (2004: five persons). Members of the Senior Executive Team received a fixed salary and a flexible salary element based on the Group's earnings. In addition, executive officers of Skanska were covered by the Group's 2005 share incentive program, with a preliminary allocation of Skanska shares amounting to about 24 percent of their fixed salary. In 2001, the Senior Executive Team was allocated employee stock options under the 2001 – 2006 program, totaling 360,000 in number. The flexible salary element plus the outcome of the temporary incentive program for the 2005 financial year will be finally fixed in April 2006.

D1 Pension benefits

Members of the Senior Executive Team are normally entitled to pension benefits according to defined-benefit pension systems. Defined-contribution pension packages occur in a few cases and, in terms of cost, are mainly equivalent to the ITP occupational pension plan. The retirement age for members of the Senior Executive Team is 60–65 years. The ITP plan is a defined-contribution plan and guarantees a lifetime pension from age 65. The pension amount is a certain percentage of final salary and the service period to qualify for a full pension is 30 years. The pension entitlement is 10 percent for portions of salary up to SEK 324,750 per year, 65 percent for portions of salary between SEK 324,750 and SEK 866,000 and 32.5 percent for portions of salary up to SEK 1,299,000.

In addition, this group is covered by a supplementary pension entitlement for portions of salary exceeding 30 base amounts (as defined by Swedish social insurance rules). This is a defined-contribution pension entitlement and the premium is 20 percent of pensionable salary exceeding 30 base amounts.

D2 Notice periods etc.

In case of termination by the Company, notice periods range from six months to twelve months. Salary and other remuneration are disbursed without reduction during the notice period. After the notice period, severance pay is disbursed for 12–18 months. When payments are disbursed after the notice period, other income must be subtracted from the amount payable.

E Skanska Share Award Plan

Skanska's 2005 Annual Meeting decided to introduce a share incentive program (the Skanska Share Award Plan, or "the Plan") for executive officers and other key employees of the Skanska Group. The Plan comprises up to 300 employees in the Group, including the President and CEO, the Chief Financial Officer, the Executive Vice Presidents, other members of the Senior Executive Team and staff units, the Presidents of business units and their management teams. The purpose of the Plan is to create shareholder value and provide incentives in order to retain and recruit qualified employees to the Skanska Group. The Plan is also expected to increase employees' interest in Skanska's business and development and to give present and future employees the opportunity to become shareholders in Skanska. In light of this, the Plan is deemed to have a positive effect on the Skanska Group's future development and thus to be advantageous both to the shareholders and the Company.

The Plan means that employees have been offered the opportunity to be granted "share awards" entitling the holder to receive Series B shares in the Company free of charge, provided that certain targets are met. The maximum yearly allocation for each participant is equivalent to 30 percent of the value of the participant's annual base salary in Series B shares, based on their average market price during the two-week period starting one week after the publication of the Year-end Report. Each participant's allocation of share awards is dependent upon the fulfillment of a number of established earnings- and performance-related conditions, which are based on the "Outperform" targets approved by the Board of Directors. The Outperform targets consist of (i) financial targets at the Group level as well as at the business unit level and (ii) non-financial targets attributable to the respective business unit, including improvements in health and safety, environment, business ethics, handling of loss-making projects and management development. In order to receive the shares, three years of employment are required after the end of the measurement period.

The Outperform targets for 2005 were adopted by Skanska's Board of Directors in 2004 and are shown in section B2 of this note. The published Outperform targets for 2007 are intended to correspond to the Outperform targets for the Plan. For the Plan, the Outperform targets for 2005 and 2006 represent a gradual raising of targets toward those for 2007. Based on the achievement of these targets, the number of share awards to be allocated will be determined after the close of each financial year. If the financial Outperform targets are achieved, the allocation of share awards may still be reduced by up to a half, to the extent that the non-financial targets are not met.

The Group's financial Outperform targets are the sum of the financial Outperform targets for each business unit. In order for an employee in a business unit to receive an allocation, the requirement is for the business unit to achieve its financial Outperform targets. For an employee at Group level to receive an allocation, the requirement is that the Group achieves 90 percent of the level of the Group's financial Outperform target. The Outperform targets are set high for each business unit, and the sum of these targets is very difficult to achieve. The 10 percent reduction in the targets at Group level reflects this.

Furthermore, there are two other conditions which must be met in order for any allocation to be made under the Plan. These are both closely tied to Skanska's consolidated earnings: (i) that Skanska's regular dividend does not decrease in the allocation year compared to the previous financial year and (ii) that consolidated operating income must exceed certain thresholds that have been approved by the Board of Directors. The threshold for 2005 was equivalent to the starting point for the Group target, or SEK 3,574 M.

The outcome of the Plan for 2005 is preliminarily estimated to be that 166 individuals have received share awards with a total value of about SEK 52,500,000. In addition, the Company will be charged the related social insurance expenses. The average allocation, in relation to their fixed salary, to the group of employees encompassed by the Plan is preliminarily 16 percent.

The principles for recognition of the costs of the Plan are presented in "Accounting and valuation principles," Note 1, and comply with IFRS 2, "Share-Based Payment."

F1 Employee stock options, 2001 – 2006

In 2001, the Board of Skanska AB decided to allot a total of 2,040,000 options to 21 individuals in Skanska's Group Management. In February 2002, the Board of Skanska AB approved an additional allocation of options. After the above decisions, and after adjustments due to employee attrition, the 2001 – 2006 employee stock option program covers 24 individuals, and the number of options totals 1,844,000.

The exercise price amounts to SEK 128, equivalent to 125 percent of the average closing price paid for a Skanska Series B share during the period June 14 – 20, 2001. The options may be exercised during the period March 3, 2004 – March 31, 2006. As of December 31, 2005, the options were valued at SEK 0.

F2 Terms of employee stock options

For the above-mentioned employee stock option program, the following are among the conditions that apply. The option program encompasses synthetic options and settlement will take place in cash. The options were provided free of charge and may only be exercised on the condition that the holder is still employed by Skanska on the exercise date or has retired with a pension. The holder may not transfer the right to exercise the options. Skanska has hedged the obligations that the Company may incur as a consequence of a market price upturn. Since the market price of a Skanska share on December 31, 2005 stood substantially below the exercise price, no provision was reported in the balance sheet, and no personnel expense in the income statement either.

The principles for reporting of employee stock options in the financial statements can be found under "Accounting and valuation principles."

G Local incentive programs

Salaries and other remuneration are adopted with reference to prevailing conditions in the rest of the construction industry and customary practices in each local market. The Skanska Group applies a remuneration model for the affected executives and managers that consists of a fixed annual salary plus a flexible salary element which is based on financial targets achieved.

Note 39 Fees and other remuneration to auditors

	2005	2004
KPMG,		
Audit assignments	50	47
Other audit-related assignments	7	8
Tax advisory services	8	8
Other auditors		
Audit assignments		1
Other assignments		
Total	**65**	**64**

"Audit assignments refer to examination of the annual accounts as well as the administration by the Board of Directors and the President, as well as other tasks that are incumbent upon the Company's auditors to perform. "Other audit-related assignments" refer to advisory services related to accounting issues and advisory services concerning the divestment and acquisition of businesses.

Note 40 Related party disclosures

Through its ownership and percentage of voting power, AB Industrivärden has a significant influence, as defined in compliance with IAS 24, "Related Party Disclosures." All transactions have occurred on market terms.

Skanska sells administrative services to pension funds that manage assets intended to cover the Group's pension obligations.

Associated companies and joint ventures are companies related to Skanska. Information on transactions with these is presented in the following tables.

Information on personnel expenses is found in Note 37, "Personnel," and Note 38, "Compensation to executive officers."

Transactions with joint ventures	2005	2004
Sales to joint ventures	5,204	3,469
Purchases to joint ventures	–95	–74
Interest income from joint ventures	4	28
Interest expenses to joint ventures	0	0
Dividends from joint ventures	42	68
Receivable from joint ventures	183	544
Liabilities to joint ventures	20	16
Contingent liabilities for joint ventures	1,495	889

Transactions with associated companies	2005	2004
Sales to associated companies	34	22
Purchases from associated companies	0	–4
Interest income from associated companies	0	0
Interest expenses to associated companies	0	0
Dividends from associated companies	0	0
Receivable from associated companies	5	0
Liabilities from associated companies	0	15
Contingent liabilities for associated companies	0	0

Note 41 Leases

Skanska is a lessee in both finance and operating leases.

When Skanska is a lessee, finance lease assets are recognized with a book value as a non-current asset in the balance sheet, while the future obligation to the lessor is recognized as a liability in the balance sheet.

As a finance lessor, Skanska recognizes the present value of its claim on the lessee as a financial receivable.

As an operating lessor, Skanska leases properties to tenants via its Commercial Project Development operations.

A. Skanska as a lessee

Finance leases

Leased property, plant and equipment including buildings and land as well as machinery and equipment are recognized in the consolidated financial statements as finance leases.

Of the amount in the balance sheet for finance leases, most is related to a property in Norway used for Skanska's business and an office building in the Czech Republic.

Finance leases, book value	2005	2004
Property, plant and equipment		
Buildings and land	42	45
Machinery and equipment	25	37
Total	**67**	**82**
Cost	113	120
Depreciation for the year	–7	–5
Accumulated depreciation, January 1	–39	–33
Book value	**67**	**82**

Variable fees for finance leases included in 2005 income amounted to SEK –10 M (–13). No property leased to Skanska has been subleased to others.

Future minimum lease payments and their present value can be seen in the following table.

	Future minimum lease payments		Present value, of future minimum lease payments	
Expenses, due dates	2005	2004	2005	2004
Within one year	–23	–28	–17	–23
Later than one year but within five years	–50	–55	–32	–38
Later than five years	–67	–60	–48	–46
	–140	**–143**	**–97**	**–107**

Reconciliation, future minimum lease payments and their present value	2005	2004
Future minimum lease payments	–140	–143
Less interest charges	43	36
Present value of future minimum lease payments	**–97**	**–107**

Operating leases

Most of the amounts for future minimum lease payments are related to office space for operations in the United Kingdom and site leasehold fees in Sweden.

The Group's leasing expenses related to operating leases in 2005 amounted to SEK –265 M (–244), of which SEK –259 M (244) was related to minimum lease Mpayments and SEK –6 M (0) was related to variable payments. The Group had SEK 5 M (0) in leasing income related to subleasing on operating leases.

The due dates of future minimum lease payments for noncancellable operating leases were distributed as follows:

Expenses, due dates	2005	2004
Within one year	–237	–182
Later than one year but within five years	–709	–579
Later than five years	–601	–686
Total	**–1,547**	**–1,447**

Of this amount, SEK 29 M (0) was related to properties that were subleased.

Note 41 contunued

B. Skanska as a lessor

Finance leases

Skanska owns a property in Sweden that is leased to a customer under a finance lease. The present value of the claim related to future minimum lease payments is recognized in the balance sheet as a financial non-current asset. At the balance sheet date, it amounted to:

	2005	2004
Gross investment in finance leases	16	18
- Unearned financial income	–2	–3
Net investment in finance leases	**14**	**15**
- Non-guaranteed residual value belonging to the lessor	–1	–1
Present value of claim related to future lease payments	**13**	**14**

The due dates of the gross investment and the present value of future minimum lease payments were distributed as follows:

	Gross investment in finance leases		Present value of claims related to future minimum lease payments	
Income, due dates	**2005**	**2004**	**2005**	**2004**
Within one year	3	3	2	2
Later than one year but within five years	13	10	10	8
Later than five years	0	5	0	4
	16	**18**	**12**	**14**

Reserves for doubtful receivables related to minimum lease payments amounted to SEK 0 M (0).

The variable portion of lease payments included in 2005 income amounted to SEK 0 M (0).

Operating leases

Commercial Project Development carries out Skanska's operating lease business. These properties are recognized as current assets in the balance sheet. For a description of the Commercial Project Development business stream, see Note 4, "Segment reporting."

In 2005, the Group's variable lease income related to operating leases amounted to SEK 0 (0).

The due dates of future minimum lease payments for non-cancellable operating leases were distributed as follows:

Income, due dates	2005	2004
Within one year	373	769
Later than one year but within five years	881	1,724
Later than five years	349	557
Total	**1,603**	**3,050**

The book value of current-asset properties in Commercial Project Development totaled SEK 5,804 M (7,408).

Note 42 Events after the balance sheet date

The financial reports were signed on February 15, 2006 and will be submitted for adoption by the Annual Shareholders' Meeting of Skanska AB on March 30, 2006.

In order to ensure delivery of Series B shares to employees in accordance with Skanska's long-term Share Award Plan, with the authorization of the 2005 Annual Shareholders' Meeting, the capital stock of the Company was increased by 13,500,000 by means of an issue of 4,500,000 news Series D shares at a subscription price equivalent to their par value, SEK 3 per share. The shares were subscribed by Nordinvest AB, one of the wholly owned subsidiaries of AB Industrivärden (publ), early in January 2006. Skanska also presented a repurchase offer to Nordinvest AB covering all 4,500,000 Series D shares. Nordinvest AB accepted the repurchase offer. The repurchase was carried out late in January 2006 at a price of SEK 3.002 per share, totaling SEK13,509,000. The purpose of the repurchase is to convert Series D shares to Series B shares for delivery in accordance with the Share Award Plan and to cover related social insurance contributions that may arise because of the Plan.

Note 43 Consolidated quarterly results

	2005				2004[1]			
	Q4	Q3	Q2	Q1	Q4	Q3	Q2	Q1
Order bookings	**28,894**	**36,879**	**27,541**	**23,783**	**29,713**	**27,265**	**33,549**	**31,376**
Income								
Revenue	36,068	32,199	30,916	25,484	30,616	32,389	32,225	26,033
Cost of sales	–32,939	–29,494	–28,045	–22,924	–29,314	–29,507	–29,078	–23,807
Gross income	**3,129**	**2,705**	**2,871**	**2,560**	**1,302**	**2,882**	**3,147**	**2,226**
Selling and administrative expenses	–1,843	–1,566	–1,737	–1,540	–1,592	–1,694	–1,953	–1,712
Income from divestments of discontinued operations	4	0	180	0	381	1,206	0	0
Income from joint ventures and associated companies	165	–2	51	23	119	1	20	28
Operating income	**1,455**	**1,137**	**1,365**	**1,043**	**210**	**2,395**	**1,214**	**542**
Interest income	72	98	57	81	91	100	21	72
Interest expenses	–33	–39	–11	–54	–95	–74	–58	–105
Change in market value	0	12	–24	31	–	–	–	–
Other financial items	–69	11	–10	–2	47	–27	–1	–5
Net financial items	**–30**	**82**	**12**	**56**	**43**	**–1**	**–38**	**–38**
Income after financial items	**1,425**	**1,219**	**1,377**	**1,099**	**253**	**2,394**	**1,176**	**504**
Taxes	–343	–244	–357	–286	–47	–555	–391	–148
Profit for the period	**1,082**	**975**	**1,020**	**813**	**206**	**1,839**	**785**	**356**
Profit for the period attributable to								
Equity holders	1,080	970	1,018	810	204	1,836	777	356
Minority interest	2	5	2	3	2	3	8	0
Order backlog	128,743	131,525	126,467	119,191	113,740	120,695	129,718	126,742
Capital employed	24,451	22,809	22,928	22,663	21,560	23,826	23,027	23,763
Interest-bearing net receivable	11,111	7,693	6,413	6,826	7,229	4,412	183	176
Debt/equity ratio	–0.6	–0.4	–0.4	–0.4	–0.4	–0.3	0.0	0.0
Return on capital employed, %	23.3	18.3	23.5	22.7	19.9	23.9	16.9	17.7
Cash flow								
Cash flow from operating activities	4,793	976	1,014	–76	2,291	2,604	1,527	97
Cash flow from investing activities	115	–987	959	–410	1,321	151	–945	679
Cash flow from financing activities	0	–1,161	–1,414	–171	–1,864	–854	–1,375	–1,711
Cash flow for the period	**4,908**	**–1,172**	**559**	**–657**	**1,748**	**1,901**	**–793**	**–935**
Business streams								
Order bookings								
Construction	29,062	36,764	27,306	23,421	29,238	26,549	31,402	28,819
Residential Project Development	–	–	–	–	–	–	–	–
Commercial Project Development	–	–	–	–	–	–	–	–
Infrastructure Development	–	–	–	–	–	–	–	–
Central and eliminations	–165	32	13	129	163	157	153	133
Discontinued operations	–3	83	222	233	312	559	1,994	2,424
Total	**28,894**	**36,879**	**27,541**	**23,783**	**29,713**	**27,265**	**33,549**	**31,376**
Revenue								
Construction	33,680	31,039	28,468	22,768	29,082	28,440	27,459	22,996
Residential Project Development	1,739	1,443	1,502	1,429	1,721	1,326	1,472	1,295
Commercial Project Development	1,108	417	1,699	1,851	800	2,238	1,922	624
Infrastructure Development	42	3	2	6	10	9	9	5
Central and eliminations	–507	–841	–953	–789	–1,336	–410	–733	–672
Discontinued operations	6	138	198	219	339	786	2,096	1,785
Total	**36,068**	**32,199**	**30,916**	**25,484**	**30,616**	**32,389**	**32,225**	**26,033**
Operating income								
Construction	1,155	964	434	318	63	716	460	273
Residential Project Development	160	172	142	137	171	127	113	117
Commercial Project Development	211	138	700	691	121	650	680	166
Infrastructure Development	67	–61	–6	–9	36	5	–7	–3
Central	–89	–68	–99	–86	–83	–86	–105	–86
Eliminations	–25	–25	–2	–21	25	10	–16	27
Discontinued operations								
- operating income	–28	17	16	13	–504	–233	89	48
- income from divestments	4	0	180	0	381	1,206	0	0
Total	**1,455**	**1,137**	**1,365**	**1,043**	**210**	**2,395**	**1,214**	**542**

1 The accounts for 2004 are in compliance with IFRS. See "Accounting and valuation principles," Note 1.

Note 44 Five-year Group financial summary

Income statements

	In compliance with IFRS		In compliance with SWGAAP		
	2005	2004	2003	2002	2001
Revenue	124,667	121,263	132,879	142,033	165,063
Cost of sales	–113,402	–111,706	–119,987	–130,452	–153,644
Gross income	**11,265**	**9,557**	**12,892**	**11,581**	**11,419**
Selling and administrative expenses	–6,686	–6,951	–8,453	–10,315	–9,244
Income from divestments of discontinued operations	184	1,587	14	–	–
Income from joint ventures and associated companies	237	168	79	–285	136
Operating income	**5,000**	**4,361**	**4,532**	**981**	**2,311**
Net financial items	120	–34	–460	–908	–1,195
Income after financial items	**5,120**	**4,327**	**4,072**	**73**	**1,116**
Taxes	–1,230	–1,141	–1,303	–856	–1,094
Profit for the year	**3,890**	**3,186**	**2,769**	**–783**	**22**
Profit for the year attributable to					
Equity holders	3,879	3,173	2,761	–837	22
Minority interest	11	13	8	54	0
Cash flow					
Cash flow from operating activities	6,707	6,519	11,062	3,729	4,505
Cash flow from investing activities	–323	1,206	–1,207	–3,011	–2,238
Cash flow from financing activities	–2,746	–5,804	–7,967	–2,790	–372
Cash flow for the year	**3,638**	**1,921**	**1,888**	**–2,072**	**1,895**

Note 44 continued

Balance sheet

	In compliance with IFRS				In compliance with SWGAAP		
	Dec 31 2005	Jan 1 2005	Dec 31 2004	Jan 1 2004	Dec 31 2003	Dec 31 2002	Dec 31 2001
ASSETS							
Non-current assets							
Properties, plant and equipment	5,243	4,978	5,507	6,700	6,730	7,808	8,512
Goodwill	4,154	3,899	3,899	4,259	4,259	5,360	7,049
Intangible assets	644	535	535	542	459	481	765
Investments in joint ventures and associated companies	1,834	862	862	1,374	1,374	1,468	2,476
Financial non-current assets [1, 3]	1,236	1,253	1,137	2,032	2,032	1,408	1,082
Deferred tax assets	2,282	1,620	1,633	1,459	1,539	1,621	1,412
Total non-current assets	**15,393**	**13,147**	**13,573**	**16,366**	**16,393**	**18,146**	**21,296**
Current assets							
Current-asset properties [2]	10,482	11,935	11,948	13,866	13,694	19,544	18,790
Inventories	501	483	610	828	828	865	1,001
Financial current assets [3]	2,260	2,771	2,490	1,248	1,248	1,128	1,068
Tax receivables	330	269	269	415	415	310	474
Gross amount due from customers for contract work	5,610	3,653	3,579	4,768	4,814	4,896	7,404
Trade and other receivables	22,985	21,579	21,744	22,309	22,309	26,096	32,335
Short-term investments	3,095	3,053	3,053	218	218	303	582
Cash and cash equivalents	10,583	5,794	5,815	6,819	6,819	5,460	8,048
Assets classified as held for sale	72	869	–	–	–	–	–
Total current assets	**55,918**	**50,406**	**49,508**	**50,471**	**50,345**	**58,602**	**69,702**
TOTAL ASSETS	**71,311**	**63,553**	**63,081**	**66,837**	**66,738**	**76,748**	**90,998**
of which interest-bearing	16,975	12,421	12,421	10,241	10,241	7,749	10,576
EQUITY							
Equity attributable to equity holders	18,454	16,240	16,251	14,501	14,169	14,217	17,871
Minority interest	133	117	117	200	200	298	517
Total equity	**18,587**	**16,357**	**16,368**	**14,701**	**14,369**	**14,515**	**18,388**
LIABILITIES							
Non-current liabilities							
Financial non-current liabilities [3]	2,424	3,300	3,046	5,714	7,182	13,845	17,729
Pensions	2,407	1,108	1,112	1,771	2,058	984	437
Deferred tax liabilities	2,831	2,708	2,744	3,164	3,104	2,317	2,027
Non-current provisions	143	135	135	174	175	16	223
Total non-current liabilities	**7,805**	**7,251**	**7,037**	**10,823**	**12,519**	**17,162**	**20,416**
Current liabilities							
Financial current liabilities [3]	1,080	1,197	1,006	2,277	808	2,607	0
Tax liabilities	595	994	998	571	571	447	1,445
Current provisions	3,200	2,735	2,740	3,050	3,055	3,062	2,658
Gross amount due to customers for contract work	11,782	10,471	10,428	9,311	9,311	10,174	11,845
Trade and other payables	28,220	24,224	24,504	26,104	26,105	28,781	36,246
Liabilities classified as held for sale	42	324	–	–	–	–	–
Total current liabilities	**44,919**	**39,945**	**39,676**	**41,313**	**39,850**	**45,071**	**52,194**
TOTAL EQUITY AND LIABILITIES	**71,311**	**63,553**	**63,081**	**66,837**	**66,738**	**76,748**	**90,998**
of which interest-bearing	5,864	5,192	5,192	9,804	10,091	17,125	17,952

1 of which shares	59	74	74	76	76	547	204
2 Current-asset properties							
Commercial Project Development	5,804	7,395	7,408	9,421	9,249	12,610	11,828
Other commercial properties	1,396	1,272	1,272	1,051	1,051	2,120	2,193
Residential Project Development	3,282	3,268	3,268	3,394	3,394	4,814	4,769
	10,482	11,935	11,948	13,866	13,694	19,544	18,790
3 Items related to non-interest-bearing unrealized changes in value of derivatives/securities are included in the following amounts:							
Financial non-current assets	107	116	–	–	–	–	–
Financial current assets	35	281	–	–	–	–	–
Financial non-current liabilities	22	254	–	–	–	–	–
Financial current liabilities	196	193	–	–	–	–	–

Notes, including accounting and valuation principles

Notes, including accounting and valuation principles

Note 44 continued

Financial ratios etc. [4, 5]	In compliance with IFRS				In compliance with SWGAAP		
	Dec 31 2005	Jan 31 2005	Dec 31 2004	Jan 31 2004	Dec 31 2003	Dec 31 2002	Dec 31 2001
Order bookings	117,097	–	121,903	–	121,128	134,625	147,796
Order backlog	128,743	–	113,740	–	116,401	135,165	153,823
Average number of employees	53,806	–	53,803	–	69,669	72,698	74,925
Regular dividend per share. SEK [4]	4.50	–	4.00	–	3.00	2.00	3.00
Extra dividend per share, SEK [4]	2.00						
Earnings per share, SEK	9.27	–	7.58	–	6.60	–2.00	0.05
Capital employed	24,451	21,549	21,560	24,505	24,460	31,640	36,340
Interest-bearing net receivable (+)/net debt (–)	11,111	7,229	7,229	437	150	–9,376	–7,376
Equity per share, SEK	44.09	38.80	38.83	34.65	33.90	34.00	42.73
Equity/assets ratio, %	26.1	25.7	25.9	22.0	21.5	18.9	20.2
Debt/equity ratio	–0.6	–0.4	–0.4	0.0	0.0	0.6	0.4
Interest cover	–37.4	–	122.8	–	16.8	5.7	5.6
Return on equity, %	22.4	–	20.6	–	19.5	–5.2	0.1
Return on capital employed, %	23.3	–	19.9	–	17.1	4.2	7.5
Total number of shares	418,553,072	418,553,072	418,553,072	418,553,072	418,553,072	418,553,072	418,553,072
Average number of shares							
Before dilution	418,553,072	418,553,072	418,553,072	418,553,072	418,553,072	418,553,072	419,981,149
After dilution	418,561,923						

4 Proposed by the Board of Directors: Regular dividend of SEK 4.50 and extra dividend of SEK 2.00 per share for 2005.
5 For definitions, see Note 45.

Note 45 Definitions

Number of shares outstanding

Average number of shares for the year	2005	2004	2003	2002	2001
before dilution	418,553,072	418,553,072	418,553,072	418,553,072	419,981,149
after dilution	418,561,923				
Total, December 31	418,553,072	418,553,072	418,553,072	418,553,072	418,553,072

Return on equity Profit attributable to equity holders as a percentage of average visible equity attributable to equity holders.

Consolidated return on capital employed Operating income plus financial income as a percentage of average capital employed.

Return on capital employed in business streams, markets and business/reporting units Operating income plus financial income minus interest income from Skanska's treasury unit and other financial items as a percentage of average capital employed.

Yield on properties Operating net divided by year-end book value.

Operating net on properties Rental income and interest subsidies minus operating, maintenance and administrative expenses as well as real estate tax. Site leasehold rent is included in operating costs.

Equity per share Visible equity attributable to equity holders divided by the number of shares.

Average capital employed Calculated on the basis of five measuring points: half of capital employed on January 1 plus capital employed at the end of the first, second and third quarters plus half of capital employed at year-end, divided by four.

Consolidated operating cash flow In the consolidated operating cash flow statement, which includes taxes paid, investments are recognized both in cash flow from business operations and in cash flow from strategic investments. See also Note 36.

Net working capital Net non-interest-bearing receivables and liabilities including taxes.

Operating cash flow Cash flow from operations before taxes and before financial activities. See also Note 36.

Earnings per share Profit for the year attributable to equity holders divided by the average number of shares.

Interest-bearing net receivable Interest-bearing assets minus interest-bearing liabilities.

Interest cover Operating income and financial income plus depreciation/amortization divided by net interest items.

Debt/equity ratio Interest-bearing net debt divided by visible equity including minority interest.

Equity/assets ratio Visible equity including minority interest as a percentage of total assets.

Consolidated capital employed Total assets minus non-interest-bearing liabilities.

Capital employed in business streams, markets and business units/reporting units Total assets minus tax receivables in deposits in Skanska's treasury unit minus non-interest-bearing liabilities minus provisions for taxes and tax liabilities.

Parent Company Notes

Note 46 Effects of changes in accounting principles, Parent Company

The annual accounts of Skanska AB have been prepared in compliance with the Annual Accounts Act, which means that derivative instruments have been carried at fair value. The positive effect on equity at the beginning of 2005 amounted to SEK 12 M. In the income statement for the year, income after financial items was positively affected in the amount of SEK 85 M. In compliance with IFRS 1, point 36A, comparative figures have not been recalculated.

Change in accounting principle for contingent liabilities

During 2005, Skanska changed its principle for recognition of contingent liabilities. This change of principle is described in Note 1, "Accounting and valuation principles."

Contingent liabilities according to 2004 financial statements		93,441
Change in accounting principle: Contingent liabilities related to contracting obligations of Group companies	–32,959	
Contingent liabilities related to share of constructions consortia held by outside entities	–10,355	–43,314
Contingent liabilities in 2004 in compliance with change in accounting principle		**50,127**

Note 47 Financial instruments, Parent Company

	2005		2004	
	Carrying amount	Fair value	Carrying amount	Fair value
Assets				
Non-current receivables from Group companies	7,332	7,332	4,163	4,169
Other non-current receivables			0	10
Total assets	**7,332**	**7,332**	**4,163**	**4,179**
Liabilities and provisions				
Liabilities to credit institutions	188	188	222	228
Liabilities to Group companies	9,202	9,202	5,705	5,705
Total liabilities and provisions	**9,390**	**9,390**	**5,927**	**5,933**

Skanska AB has entered into swap agreements related to shares in the Company. In the 2005 balance sheet, equity swaps have been recognized at fair value. In the comparative year, equity swaps were recognized only when there was a loss.

Note 48 Net sales, Parent Company

The Parent Company's net sales consisted of intra-Group services.

The amount included SEK 50 M (55) in sales to subsidiaries. For other related party transactions, see Note 66, "Related party disclosures."

Note 49 Financial items, Parent Company

	Income from holdings in Group companies	Income from other finacial non-current assets	Income from financial current assets	Interest expenses and similar items	Total
2005					
Dividends	1,200				1,200
Interest income		120			120
Interest expenses				–209	–209
Derivative istruments carried at fair value		85			85
Other		11			11
Total	**1,200**	**216**	**0**	**–209**	**1,207**
2004					
Dividends	1,200				1,200
Interest income		116	5		121
Interest expenses				–135	–135
Total	**1,200**	**116**	**5**	**–135**	**1,186**

Dividends

The 2005 amount for dividends consisted of dividends in compliance with a decision by a shareholders' meeting, SEK 1,200 M (1,200).

Net interest items

Of interest income, SEK 120 M (116) was related to Group companies.
Of interest expenses, SEK –199 M (–123) were related to Group companies.

Derivative instruments carried at fair value

Derivative instruments are carried in the financial statements at fair value. See Note 1, "Accounting and valuation principles." Derivative instruments carried at fair value increased financial items for the year by SEK 85 M.

Note 50 Allocations and untaxed reserves, Parent Company

The remaining tax allocation reserves were withdrawn in their entirety during 2004.

Note 51 Income taxes, Parent Company

	2005	2004
Current taxes	105	–221
Deferred tax expense/ income from change in temporary differences	–6	–22
Total	**99**	**–243**

Tax on Group contributions received in 2005, SEK 194 M, was recognized directly in equity. A tax effect of SEK 130 M on Group contributions provided in 2004 was alsorecognized directly in equity.

The relation between the Swedish tax rate of 28 percent and taxes recognized is explained in the table below.

	2005	2004
Income after financial items	925	1,098
Taxes at tax rate of 28 percent	–259	–307
Tax effect of:		
Allocations		–259
Provision for pensions		–11
Dividends from subsidiaries	336	336
Other	22	–2
Recognized tax expense	**99**	**–243**

Deferred tax assets	2005	2004
Deferred tax assets for employee-related provisions	53	57
Minus deferred tax liabilities for holdings	–2	
Total	**51**	**57**

Change in deferred taxes in balance sheet

	2005	2004
Deferred tax assets, January 1	57	79
Deferred tax expense	–6	–22
Deferred tax assets, December 31	**51**	**57**

The Parent Company expects to be able to utilize deferred tax assets to offset Group contributions from Swedish operating subsidiaries.

Note 52 Intangible assets, Parent Company

Intangible assets are reported in compliance with IAS 38, "Intangible Assets." See Note 1, "Accounting and valuation principles."

Amortization of intangible assets amounted to SEK –1 M (–1) during the year and were included in sellingand administrative expenses.

In determining the amortization amount, the Parent Company paid particular attention to estimated residual value at the end of useful life.

	Intangible assets	
	2005	2004
Accumulated cost		
January 1	25	25
	25	**25**
Accumulated amortization		
January 1	–7	–6
Amortization for the year	–1	–1
	–8	**–7**
Accumulated impairment losses		
January 1	–1	–1
Impairment losses for the year		
	–1	–1
Carrying amount, December 31	**16**	**17**
Carrying amount, January 1	**17**	**18**

Note 53 Property, plant and equipment, Parent Company

Property, plant and equipment are reported in compliance with IAS 16, "Property, Plant and Equipment." See Note 1, "Accounting and valuation principles."

Buildings and land owned by the Parent Company are recognized as property, plant and equipment. Machinery and equipment are recognized in one item.

The year's depreciation on property, plant and equipment amounted to SEK –1 M (–1) and was included in selling and administrative expenses.

Information about cost, accumulated depreciation, accumulated revaluations and accumulated impairment losses.

	Buildings and land		Machinery and equipment	
	2005	2004	2005	2004
Accumulated cost				
January 1	13	35	7	5
New acquisitions			1	2
Divestments and disposals	–13	–22		
	0	**13**	**8**	**7**
Accumulated depreciation				
January 1	–7	–26	–4	–3
Divestments and disposals	7	19		
Depreciation for the year			–1	–1
	0	**–7**	**–5**	**–4**
Carrying amount, December 31	**0**	**6**	**3**	**3**
Carrying amount, January 1	6	9	3	2

Information on assessed value for tax purposes, non-current assets, Sweden.

Property, plant and equipment	2005	2004
Buildings	0	6
corresponding book value of buildings	0	4
Land	0	4
corresponding book value of land	0	5

Note 54 Financial non-current assets, Parent Company

Holdings and receivables are reported as financial non-current assets.

Holdings are divided into holdings in Group companies and joint ventures. Joint ventures are described in Note 56.

Receivables are divided into receivables from Group companies, deferred tax assets and other non-current receivables. Tax assets are described in Note 51, "Income taxes." All receivables except deferred tax assets are interest-bearing.

	Holdings in Group companies		Holdings in joint ventures	
Holdings	**2005**	**2004**	**2005**	**2004**
Accumulated cost				
January 1	12,325	12,325	0	0
Long-term Share Award Plan	10			
	12,335	**12,325**	**0**	
Accumulated impairment losses				
January 1	–1,760	–1,760		
	–1,760	**–1,760**	**0**	**0**
Book value, December 31	**10,575**	**10,565**	**0**	**0**
Book value, January 1	10,565	10,565	0	0

	Receivables from Group companies		Other non-current receivables and deferred tax assets	
Receivables	**2005**	**2004**	**2005**	**2004**
Accumulated cost				
January 1	4,163	2,834	104	124
Receivables added/settled	3,169	1,329	20	–20
	7,332	**4,163**	**124**	**104**
Book value, December 31	**7,332**	**4,163**	**124**	**104**
Book value, January 1	4,163	2,834	104	124

Note 55 Holdings in Group companies, Parent Company

Skanska AB holds shares in three subsidiaries.

The subsidiary Skanska Kraft AB is a holding company and the company that owns the Group's shareholdings in Skanska Group operating companies. Skanska Financial Services AB is the Group's treasury unit (internal bank).

Company	Corporate identity number	Registered office	Number of participations	Book value 2005	Book value 2004
Swedish subsidiaries					
Hexabar Kornblå AB	556556-6642	Solna	1,000	0	0
Skanska Financial Services AB	556106-3834	Solna	500,000	65	65
Skanska Kraft AB	556118-0943	Solna	4,000,000	10,510	10,500
Total				**10,575**	**10,565**

All the above companies are 100 percent owned by the Parent Company.

Note 56 Holdings in joint ventures, Parent Company

Joint ventures are reported in compliance with IAS 31, "Interests in Joint Ventures." See Note 1, "Accounting and valuation principles."

Company	Corporate identity number	Registered office	Percentage of capital stock and votes	Book value 2005	Book value 2004
Swedish joint ventures					
Sundlink Contractors HB	969620-7134	Malmö	37	0	0
Total				**0**	**0**

Note 57 Prepaid expenses and accrued income, Parent Company

The Parent Company has prepared expenses and accrued income of SEK 97 M (4). The amount consists of accrued gains of SEK 92 M on derivative instruments carried at fair value, prepaid insurance premiums of SEK 2 M and miscellaneous interim receivables of SEK 3 M.

Note 58 Equity, Parent Company

Restricted and unrestricted equity

According to Swedish law, equity must be allocated between non-distributable (restricted) and distributable (unrestricted) funds. Capital stock (share capital) and the statutory reserve comprise restricted equity. Unrestricted equity comprises retained earnings, which includes the effect of derivative instruments carried at fair value.

The equity of the Parent Company was allocated among SEK 1,256 M (1,256) in capital stock, SEK 598 M (598) in the statutory reserve (restricted reserves) and SEK 6,721 M (6 849) in retained earnings.

The proposed but not yet approved dividend for 2005 amounts to a total of SEK 2,721 M. Of this, SEK 1,884 M (1,674) comprises the regular dividend, equivalent to SEK 4.50 (4.00) per share, plus SEK 837 M (0) is an extra dividend, equivalent to SEK 2.00 per share.

Number of shares

	2005	2004
Average number of shares		
before dilution	418,553,072	418,553 072
after dilution	418,561,923	418,553 072
Total number of shares	**418,553,072**	**418,553 072**

The number of shares amounted to 418,553,072, divided into 22,554,063 (28,538,696) Series A shares and 395,999,009 (390,014,376) Series B shares. During 2005, 5,984,633 (2,133,225) Series A shares were redeemed for a corresponding number of Series B shares.

The par (nominal) value per share amounts to SEK 3 (3). All shares are fully paid up. One Series A share carries 10 votes, and a Series B share carries one vote. Otherwise all shares enjoy the same rights. Series B shares are listed on Stockholmsbörsen (the Stockholm Stock Exchange). According to the Articles of Association, Skanska's capital stock may amount to a minimum of SEK 1,200 M and a maximum of SEK 4,800 M.

Note 59 Provisions, Parent Company

Provisions are reported in compliance with IAS 37, "Provisions, contingent liabilities and contingent assets."

See Note 1, "Accounting and valuation principles."

	Provisions for pensions	Provisions for taxes	Other provisions
January 1	181	0	25
Provisions for the year	67		22
Provisions utilized	–67		–25
Unutilized amounts that were reversed	–21		
December 31	**160**	**0**	**22**

"Other provisions" consisted of employee-related provisions.

Normal cycle time for "Other provisions" is about one to three years.

Employee-related provisions included such items as costs of profit-sharing, certain bonus programs and other obligations to employees.

Note 60 Provisions for pensions, Parent Company

Provisions for pensions are recognized in compliance with the Security of Income Act.

Pension liabilities according to the balance sheet

	2005	2004
Interest-bearing pension liability[1]	131	156
Other pension obligations	29	25
Total	**160**	**181**

1 Liability in compliance with the Security of Income Act.

Reconciliation, provisions for pensions

	2005	2004
January 1	156	214
Pension expenses	52	35
Benefits paid	–56	–78
Reclassifications	–21	–15
Provisions for pensions according to the balance sheet	**131**	**156**

Note 61 Liabilities, Parent Company

Liabilities are allocated between non-current and current in compliance with IAS 1, "Presentation of Financial Statements." See Note 1, "Accounting and valuation principles."

Non-current liabilities

Interest-bearing liabilities that fall due for payment within twelve months may be regarded as non-current in some cases. The Parent Company intends to refinance SEK 0 M (30) worth of liabilities that fall due within one year. As a result, they were labeled non-current.

Accrued expenses and prepaid income

The Parent Company had accrued expenses and prepaid income of SEK 41 M (25). This was related to accrued vacation pay of SEK 15 M, special payroll tax on pensions of SEK 14 M, accrued social insurance contributions of SEK 5 M and other accrued expenses of SEK 6 M.

Note 62 Expected recovery periods of assets, provisions and liabilities, Parent Company

Amount expected to be recovered	2005 Within 12 months	2005 12 months or longer	2005 Total	2004 Within 12 months	2004 12 months or longer	2004 Total
Tangible non-current assets[1]	**1**	**15**	**16**	**1**	**16**	**17**
Property, plant and equipment[1]	**1**	**2**	**3**	**2**	**7**	**9**
Financial non-current assets						
Holdings in Group companies and joint ventures [2]		10,575	10,575		10,565	10,565
Receivables from Group companies [3]		7,332	7,332		4,163	4,163
Other non-current receivables		73	73		47	47
Deferred tax assets		51	51		57	57
		18,031	**18,031**		**14,832**	**14,832**
Current receivables						
Current receivables from Group companies	19		19	15		15
Tax receivables	1		1			
Other current receivables	49		49	35		35
Prepaid expenses and accrued income	97		97	4		4
Total assets	**168**	**18,048**	**18,216**	**57**	**14,855**	**14,912**

Amounts expected to be paid	2005 Within 12 months	2005 12 months to 5 years	2005 More than 5 years (liabilities)	2005 Total	2004 Within 12 months	2004 12 months to 5 years	2004 More than 5 years (liabilities)	2004 Total
Provisions								
Provisions for pensions		160		160		181		181
Other provisions		22		22		25		25
		182		**182**		**206**		**206**
Liabilities								
Non-current liabilities								
Liabilities to credit institutions	30	158		188	30	192		222
Liabilities to Group companies [4]			9,202	9,202			5,705	5,705
	30	**158**	**9,202**	**9,390**	**30**	**192**	**5,705**	**5,927**
Current liabilities								
Trade accounts payable	15			15	27			27
Liabilities to Group companies	7			7	6			6
Tax liabilities				0	6			6
Other liabilities	6			6	12			12
Accrued expenses and prepaid income	41			41	25			25
	69	**0**	**0**	**69**	**76**	**0**	**0**	**76**
Total liabilities and provisions	**99**	**340**	**9,202**	**9,641**	**106**	**398**	**5,705**	**6,209**

1 In case of amounts expected to be recovered within twelve months, expected annual depreciation/amortization has been recognized.
2 No portion of this amount is expected to be recovered within twelve months.
3 No portion of this amount is expected to be recovered within twelve months, since this lending is treated as non-current.
4 Intra-Group non-current interest-bearing liabilities are treated as if they fall due in more than five years from the balance sheet date.

Note 63 Assets pledged and contingent liabilities, Parent Company

Assets pledged

Assets pledged by the Parent Company totaled SEK 73 M (46), which were related to assets in the form of non-current receivables.

These assets were pledged as collateral for some of the Parent Company's pension obligations.

Contingent liabilities

Contingent liabilities are reported in compliance with IAS 37, "Provisions, Contingent Liabilities and Contingent Assets. See "Accounting and valuation principles," Note 1, IAS 37 section, which describes changes in accounting principles. The comparative figures have been recalculated on the basis of the new principles.

	2005	2004
Contingent liabilities on behalf of Group companies	64,221	47,072
Other contingent liabilities	6,193	3,055
	70,414	**50,127**

Of the Parent Company's contingent liabilities on behalf of Group companies, nearly SEK 59 billion (42) was related to contracting obligations incurred by Group companies. Of the remaining contingent liabilities on behalf of Group companies, about SEK 5.2 billion (4.1) consisted of guarantees issued for borrowing by Group companies from credit institutions.

Of other contingent liabilities, more than SEK 4 billion (2.1) was related to liability for the portion of construction consortia held by external entities. Of the remaining SEK 2.1 billion (0.9), more than SEK 1.4 billion (0,9) was attributable to guarantees provided for financing of joint ventures in which Group companies are co-owners and SEK 0.7 billion (0.0) to guarantees for financing of residential projects in Sweden.

The Parent Company has issued capital coverage guarantees for certain subsidiaries.

The amounts in the above table include SEK 9 M (23) worth of Parent Company contingent liabilities related to construction consortia.

Note 64 Cash flow statement, Parent Company

Adjustments for items not included in cash flow

	2005	2004
Depreciation/amortization	2	3
Gains from divestments of non-current assets	2	3
Total	**4**	**6**

Taxes paid

Total taxes paid in the Parent Company during 2005 amounted to SEK –102 M (–98).

Information on interest and dividends

	2005	2004
Interest income during the year	120	116
Interest payments during the year	–208	–123
Dividends received during the year	1,200	1,200

Note 65 Personnel, Parent Company

Salaries, other remuneration and social insurance contributions

	2005	2004
Salaries and other remuneration		
Board of Directors, Presidents and Executive Vice Presidents[1]	40	47
(of which bonuses)	10	10
Other employees	52	51
Total salaries and other remuneration	**92**	**98**
Social insurance contributions	95	74
of which pension expenses	55	35

1 The amount related to the Board of Directors, Presidents and Executive Vice Presidents included compensation to former Board members, Presidents and Executive Vice Presidents during the financial year.

The Parent Company's pension expenses were calculated in compliance with the Security of Income Act. Pension expenses during 2005 and 2004 were affected by an upturn in the value of assets held by Swedish pension funds.

Of the Parent Company's pension expenses, SEK 12.8 M (19.6) was related to the category Board of Directors, Presidents and Executive Vice Presidents. The amount included compensation to former Board members, Presidents and Executive Vice Presidents. The Company's outstanding pension obligations to these amounted to SEK 234.8 M (241.2).

Average number of employees

Personnel figures are calculated as the average number of employees. See Note 1, "Accounting and valuation principles."

	2005	of whom men	of whom women	2004	of whom men	of whom women
Sweden	**59**	**36**	**23**	**59**	**35**	**24**

Men and women on the Board of Directors and Senior Executive Team on the balance sheet date

	2005	of whom men, %	of whom women,%	2004	of whom men, %	of whom women,%
Number of Board members	15	73	27	15	80	20
President and other members of the Senior Executive Team	6	100	0	6	100	0

Absence from work due to illness

	2005	2004
Total absence from work due to illness as a percentage of regular working time[1]	1.2%	2.4%
Percentage of total absence from work due to illness related to continuous absences of 60 days or more	63%	83%

Absence from work due to illness as a percentage of each category's regular working time:

	2005	2004
Men	0.3%	0.1%
Women	2.3%	5.3%

Absence due to illness by age category:

	2005	2004
Age 29 or younger [2]	–	–
Age 30-49 [2]	1.8%	4.3%
Age 50 or older	0.3%	0.2%

1 In the Parent Company, the number of employees totaled 59 (59).

2 Since the category "Age 29 or younger" includes fewer than 10 people, this category is reported together with the "Age 30-49" category.

Note 66 Related party disclosures, Parent Company

Through its ownership and percentage of voting power, AB Industrivärden has a singnificant influence, as defined in compliance with IAS 24, "Related Party Disclosures." All transactions have occurred on market terms.

Information on personnel expenses is found in Note 65, "Personnel"

	2005	2004
Sales to Group companies	50	55
Purchases from Group companies	–52	–59
Interest income from Group companies	120	116
Interest expenses to Group companies	–199	–123
Dividends from Group companies	1,200	1,200
Non-current receivables from Group companies	7,332	4,163
Current receivables from Group companies	19	15
Non-current liabilities to Group companies	9,202	5,705
Current liabilities to Group companies	7	6
Contingent liabilities on behalf of Group companies	64,221	47,072

Note 67 Supplementary information, Parent Company

Skanska AB (publ), Swedish corporate identification number 556000-4615, is the Parent Company of the Skanska Group.

The Company has its registered office in Solna, Stockholm County and is a limited company as provided by Swedish legislation. Its headquarters is located in Solna, Stockholm County.

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E-mail: investor.relations@skanska.se

Proposed allocation of earnings

The Board of Directors and the President of Skanska AB propose that the profit for 2005, SEK 1,023,568,387, plus the retained earnings of SEK 5,697,209,676 brought forward from the previous year, totaling SEK 6,720,778,063, be allocated as follows:

A dividend to the shareholders of	SEK 6.50 per share		SEK 2,720,594,968
Of which, an extra dividend of	SEK 2.00 per share,	SEK 837,106,149	
To be carried forward			SEK 4,000,183,095
Total			SEK 6,720,778,063

As far as we are aware, the annual accounts have been prepared in compliance with generally accepted accounting practices for listed companies, the information provided matches the actual conditions and nothing of essential importance has been omitted that might affect the picture of the Company created by the annual accounts.

Stockholm, February 15, 2006

Sverker Martin-Löf

Ulrika Francke Roger Flanagan Sören Gyll

Finn Johnsson Jane F. Garvey

Arne Mårtensson Anders Nyrén

Folmer Knudsen Gunnar Larsson Nils-Erik Pettersson

Stuart Graham
President

Auditors' Report

To the Annual Shareholders' Meeting of Skanska AB (publ.)
Swedish corporate identity number 556000-4615

We have examined the annual accounts which consist of pages 50-130, the consolidated accounts, the accounting records and the administration of the Board of Directors and the President of Skanska AB (publ) for the year 2005. The Board of Directors and the President are responsible for these accounts and the administration of the Company as well as for the application of the Annual Accounts Act when preparing the annual accounts and the application of International Financial Reporting Standards (IFRSs) as adopted by the EU and the Annual Accounts Act when preparing the consolidated accounts. Our responsibility is to express an opinion on the annual accounts, the consolidated accounts and the administration based on our audit.

We conducted our audit in accordance with generally accepted auditing standards in Sweden. These standards require that we plan and perform the audit to obtain high but not absolute assurance that the annual accounts and the consolidated accounts are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the accounts. An audit also includes assessing the accounting principles used and their application by the Board of Directors and the President and significant estimates made by the Board of Directors and the President when preparing the annual accounts as well as evaluating the overall presentation of information in the annual accounts and the consolidated accounts. As a basis for our opinion concerning discharge from liability, we examined significant decisions, actions taken and circumstances of the Company in order to be able to determine the liability, if any, to the Company of any Board member or the President. We also examined whether any Board member or the President has, in any other way, acted in contravention of the Swedish Companies Act, the Annual Accounts Act or the Articles of Association. We believe that our audit provides a reasonable basis for our opinion set out below.

The annual accounts have been prepared in accordance with the Annual Accounts Act and provide a true and fair view of the Company's results of operations and financial position in accordance with generally accepted accounting principles in Sweden. The consolidated accounts have been prepared in accordance with International Financial Reporting Standards (IFRSs) as adopted by the EU and the Annual Accounts Act and provide a true and fair view of the Group's results of operations and financial position. The statutory Report of the Directors is consistent with the other parts of the annual accounts and the consolidated accounts.

We recommend to the Annual Shareholders' Meeting that the income statements and balance sheets of the Parent Company and the Group be adopted, that the profit of the Parent Company be dealt with in accordance with the proposal in the Report of the Directors and that the members of the Board of Directors and the President be discharged from liability for the financial year.

Stockholm, February 24, 2006
KPMG Bohlins AB

Caj Nackstad
Authorized Public Accountant

Corporate Governance Report of Skanska AB (publ) plus the Board of Directors' description of how internal control is organized

Corporate Governance Report

Application of the Corporate Governance Code

Skanska applies the Swedish Code of Corporate Governance. In accordance with the listing agreement with Stockholmsbörsen (the Stockholm Stock Exchange), Skanska began to apply the Code as soon as possible after July 1, 2005. It will apply the Code in full prior to the Annual Shareholders' Meeting in 2006.

The Board of Directors is not issuing a complete corporate governance report for the 2005 financial year. The "comply or explain" model is not suitable in the case of a gradual application of the Code, which also encompasses only half the financial year.

At the end of 2005, Skanska was in compliance with all the rules of the Code except as concerns the following (disregarding conditions before July 1, 2005):

- Skanska does not have an "internal audit function" as described in Point 3.7.3 of the Code. The Audit Committee of the Board has approved the company's plan for setting up an independent internal control function handling internal control and audit matters. During 2006, the Board will evaluate the scope of duties and the organization of the internal control function.
- A complete corporate governance report concerning the financial year 2005 is not being issued for the reasons presented above.

This Corporate Governance Report has not been reviewed by the Company's auditors.

Internal control

With reference to the statement of December 15, 2005 from the Swedish Corporate Governance Board, the Board of Directors is providing a description below of how Skanska's internal control is organized, without any statement about how well it has functioned.

During the autumn of 2005, Skanska began the task of establishing an internal control function. During an introductory stage, this function is reporting via the Controlling Group Staff Unit to the Company's Executive Vice President and Chief Financial Officer. During 2006, when the Internal Control function has become fully staffed, Internal Control will comprise a separate Group staff unit, reporting directly to the Audit Committee and under the direction of the Executive Vice President and Company's Chief Financial Officer. Together with the business units, during the autumn of 2005 Internal Control has identified the most essential risks that the control department will focus on and has established a structure, including control standards for how internal control shall take place in the Group. The general control environment has been examined and found to cover the greatest risks and to be clear, consistent and well-communicated. During the spring and summer of 2006, the control structure will be implemented in the Group.

General information about the governance of the Group

Skanska AB is a listed Swedish stock corporation, governed in accordance with Swedish corporate legislation, Skanska's Articles of Association and the listing agreement with Stockholmsbörsen.

Annual Shareholders' Meeting

At the Shareholders' Meeting, the highest decision-making body, the shareholders of Skanska decide on central issues, such as adopting the income statement and balance sheet, discharging the members of the Board of Directors and the President from liability for the financial year, the dividend to the shareholders, the composition of the Board and election of auditors.

Members of Board of Directors and its committees and number of meetings attended

Board of Directors (9 meetings)	Attended
Sverker Martin-Löf (Chairman)	9
Roger Flanagan	9
Ulrika Francke	7
Jane F. Garvey	7
Stuart Graham	9
Sören Gyll	8
Inge Johansson	9
Peter Johansson[1]	7
Finn Johnsson	7
Folmer Knudsen	9
Ann-Christin Kutzner	9
Gunnar Larsson	9
Arne Mårtensson	7
Anders Nyrén	9
Nils-Erik Pettersson	7
Jessica Karlsson[2]	1

Compensation Committee (4 meetings)	Attended
Sverker Martin-Löf (Chairman)	4
Arne Mårtensson	3

Audit Committee (5 meetings)	Attended
Anders Nyrén (Chairman)	5
Sverker Martin-Löf[3]	3
Ulrika Francke	5

Project Review Committee (12 meetings)	Attended
Sverker Martin-Löf	12
Roger Flanagan	10
Anders Nyrén	11
Nils-Erik Pettersson	8

1 Board member until November 30, 2005
2 Board member since December 1, 2005
3 Member of Audit Committee since April 7, 2005

The Annual Shareholders' Meeting was held on April 7, 2005 in Stockholm. At the Meeting, a total of 408 shareholders were present, personally or through proxy, representing about 57 percent of the total voting power in the Company. The Annual Shareholders' Meeting gave the Chairman of the Board a mandate to contact the five largest shareholders in terms of voting power, which each appoint a representative, who may not be a member of the Board of Directors, to comprise together with the Chairman a Nomination Committee for the period until the next Annual Shareholders' Meeting, or if needed until a new Nomination Committee has been appointed. In preparation for the 2006 Annual Meeting, the Nomination Committee has the following composition: Carl-Olof By, Chairman of the Nomination Committee and representing AB Industrivärden; Sverker Martin-Löf, Chairman of the Board, Skanska AB; KG Lindvall, representing the Robur mutual funds; Per Ludvigsson, representing Inter-IKEA Investments AB; Robert Vikström, representing the Svenska Handelsbanken pension funds as well as Svenska Handelsbanken AB; and Magnus Wärn, representing AMF Pension.

Board of Directors

The Board of Directors makes decisions concerning overall issues about the Parent Company and the Group, such as Group strategy, publication of interim and full-year reports, major construction projects, investments and divestments, appointment of the President and CEO as well as the organizational structure of the Group. The Board has established three special committees: the Audit Committee, the Compensation Committee and the Project Review Committee. These committees have the Board's mandate to make decisions on certain items of business. The committees report regularly to the Board.

CEO and Senior Executive Team

The President and Chief Executive Officer (CEO) is responsible for day-to-day management and oversight of the Group's operations. The CEO, five Executive Vice Presidents and the Senior Vice President, Human Resources, form the Senior Executive Team. (Information of the renumeration and other terms of employment for the Senior Executive Team is provided in Note 38, page 114).

Governing documents

As part of the governance of Group operations, Skanska AB's Board of Directors has established a number of policy documents. In addition, the Senior Executive Team has established more detailed guidelines for the Group. These policies and guidelines are available to all business units on Skanska's internal website and are updated regularly to reflect changes in operations and new requirements. Among the more important governing documents are the Board's Procedural Rules, the Group's financial policy, communications policy, risk management policy and the Code of Conduct. The Board's Procedural Rules state what items of business shall be decided by the Board of Skanska AB, by the CEO/Senior Executive Team or at the business unit level. The threshold levels for decisions stated in the Procedural Rules are further broken down in the business units' own decision-making rules. The business units provide regular, systematic feedback on compliance with the more important governing documents, such as the Code of Conduct, to the Senior Executive Team.

Group staff units and support units

At Skanska Group headquarters in Solna, there are ten Group staff units plus the support units Skanska Financial Services and Skanska Project Support. The Group staff units and support units assist the CEO and the Senior Executive Team on matters concerning Groupwide functions, coordination and controls. In addition, they provide backup to the business units related to such fields as human resource matters, information technology, project financing, purchasing and risk management. The head of each Group staff unit reports directly to a member of the Senior Executive Team.

The business units and their governance

The organizational structure of the Skanska Group is characterized by clear decentralization and a large measure of delegation of authority and responsibility to the business units. Each business unit is headed by a President and has its own staff units and other resources in order to conduct its operations effectively.

Aside from day-to-day operations of the business units, there are matters related to the strategic development of the units as well as matters concerning their strategic investments and divestments. These items of business are prepared by the management team at each respective unit and are then submitted to the Senior Executive Team or Skanska AB's Board of Directors for a decision, depending on the size of the item of business. The Boards of Directors of the business units consist of representatives of Skanska AB as well as of the business unit's management team. In each business unit, the Chairman of the Board is a member of the Senior Executive Team. Where appropriate, employee representatives are included.

Each business unit follows a structured, step-by-step risk management process (Operational Risk Assessment, ORA). Depending among other things on the size, type and geographic location of projects, a structured risk management report to the proper decision-making level is required before decisions on the projects are made.

Solna, February 2006

THE BOARD OF DIRECTORS

Board of Directors


Sverker Martin-Löf


Roger Flanagan


Ulrika Francke


Jane F. Garvey


Stuart E. Graham


Sören Gyll


Inge Johansson


Finn Johnsson


Jessica Karlsson


Folmer Knudsen


Ann-Christin Kutzner


Gunnar Larsson


Arne Mårtensson


Anders Nyrén


Nils-Erik Pettersson

Sverker Martin-Löf
Stockholm, born 1943.
Chairman.
Elected 2001.
Other directorships: SCA (Chairman), SSAB (Chairman), Industrivärden (Vice Chairman), Telefonaktiebolaget LM Ericsson, Svenska Handelsbanken, Confederation of Swedish Enterprise.
Holdings in Skanska: 8,000 B shares.

Roger Flanagan
Henley-On-Thames, Oxon, England, born 1944.
Elected 1998.
Professor at University of Reading, United Kingdom;; Chalmers University of Technology; and University of Cape Town, South Africa.
Other directorships: Halcrow Group.
Holdings in Skanska: 2,000 B shares.

Ulrika Francke
Stockholm, born 1956.
Elected 2003.
President of SBC, SverigesBostadsrättsCentrum AB. Other directorships: Föreningssparbanken (Vice Chairman), Tyréns, Brandkontoret.
Holdings in Skanska: 1,000 B shares.

Jane F. Garvey
Kennebunkport, Maine, U.S.A., born 1944.
Elected 2003.
Executive Vice President and Chairman of the Transportation Practice, APCO Worldwide.
Holdings in Skanska: 0 shares.

Stuart E. Graham
Stockholm, born 1946.
President and CEO.
Elected 2003.
Other directorships: Securitas AB.
Holdings in Skanska: 75,000 B shares.

Sören Gyll
Saltsjö-Duvnäs, born 1940.
Elected 1997.
Other directorships: SKF, SCA, Medicover Holding S.A, Fenix Holding. Member, Royal Swedish Academy of Engineering Sciences.
Holdings in Skanska: 4,952 B shares.

Inge Johansson
Huddinge, born 1951.
Swedish Building Workers' Union, appointed 1999.
Concrete worker.
Deputy Board member.
Holdings in Skanska: 150 B shares.

Finn Johnsson
Gothenburg, born 1946.
Elected 1998.
Other directorships:
City Airline (Chairman), KappAhl (Chairman), Outokumpu Copper Products (Chairman), Thomas Concrete Group (Chairman), Unomedical A/S (Chairman), Volvo (Chairman), Industrivärden.
Holdings in Skanska: 8,000 B shares.

Jessica Karlsson
Angered, born 1975.
IF Metall (Industrial Union + Metalworkers), appointed 2005.
Administrator.
Holdings in Skanska: 0 shares.

Folmer Knudsen
Eslöv, born 1942.
Swedish Building Workers' Union, appointed 1992.
Wood worker.
Holdings in Skanska: 1,000 B shares.

Ann-Christin Kutzner
Malmö, born 1947.
Swedish Union of Clerical and Technical Employees in Industry (SIF), appointed 2004.
Human Resources Administrator.
Holdings in Skanska: 248 B shares.

Gunnar Larsson
Kalix, born 1953.
Union for Service and Communication (SEKO), appointed 2002.
Asphalt works operator.
Holdings in Skanska: 116 B shares.

Arne Mårtensson
Djursholm, born 1951.
Elected 2001.
Other directorships: Svenska Handelsbanken (Chairman), Stockholm School of Economics Advisory Board (Chairman), Telefonaktiebolaget LM Ericsson (Deputy Chairman), Holmen, Industrivärden, Sandvik, Vin & Sprit, Svenska ICC, member of Business Council of World Economic Forum.
Holdings in Skanska: 2,200 B shares.

Anders Nyrén
Bromma, born 1954.
Elected 2002.
President and CEO of Industrivärden.
Other directorships: Association of Exchange Listed Companies (Chairman), Association for Generally Accepted Practices in the Securities Market (Chairman), Svenska Handelsbanken (Vice Chairman), Industrivärden, Indutrade, Sandvik, SCA, SSAB, Ernström-gruppen and Center for Business and Policy Studies (SNS).
Holdings in Skanska: 2,000 B shares.

Nils-Erik Pettersson
Hemmingsmark, born 1948.
Swedish Association of Supervisors (LEDARNA), appointed 1998.
Health and safety manager.
Holdings in Skanska: 9 864 B shares.

Auditors

KPMG Bohlins AB

Auditors in charge:

Caj Nackstad
Stockholm, born 1945.
Authorized Public Accountant.
Auditor for Skanska since 2001.

Senior Executive Team

Thomas Alm, Hans Biörck, Petter Eiken, Johan Bergman, Johan Karlström, Stuart E. Graham, Tor Krusell

Thomas Alm
Executive Vice President
Born 1949.
Joined Skanska in 1981.
Responsible in the Senior Executive Team for Skanska UK, Skanska Latin America, Skanska International Projects and Skanska Infrastructure Development.
Holdings in Skanska:
208 B shares.

Hans Biörck
Executive Vice President and Chief Financial Officer.
Born 1951.
Joined Skanska in 2001.
Holdings in Skanska:
50,000 B shares.

Petter Eiken
Executive Vice President
Born 1955.
Joined Skanska in 2001.
Responsible in the Senior Executive Team for Skanska Sweden, Skanska Norway, Skanska Denmark och Skanska Finland.
Holdings in Skanska:
0 shares.

Johan Bergman
Executive Vice President
Born 1964.
Joined Skanska in 1990.
Responsible in the Senior Executive Team for Skanska Poland, Skanska Residential Development Nordic, Skanska Commercial Development Nordic and Skanska Commercial Development Europe.
Holdings in Skanska:
1,000 B shares.

Johan Karlström
Executive Vice President
Born 1957.
Joined Skanska in 2001.
Responsible in the Senior Executive Team for Skanska USA Building, Skanska USA Civil, Skanska Czech Republic.
Holdings in Skanska:
40,000 B shares.

Stuart E. Graham
President and Chief Executive Officer
Born 1946.
Joined Skanska in 1990.
Holdings in Skanska:
75,000 B shares.

Tor Krusell
Senior Vice President Human Resources
Born 1964.
Joined Skanska in 1998.
Holdings in Skanska:
4,000 B shares.

Presidents of business units

Geir Aarstad	Skanska Norway
Zdeněk Burda	Skanska Czech Republic
David Fison	Skanska UK
Roman Wieczorek	Skanska Poland
Juha Hetemäki	Skanska Finland
Simon Hipperson	Skanska Infrastructure Development
Ron Oakley	Skanska USA Building
Anders Kupsu	Skanska Residential Development Nordic
Claes Larsson	Skanska Commercial Development Nordic
Salvatore Mancini	Skanska USA Civil
Jan-Gunnar Glave	Skanska Denmark
Gustavo Vago	Skanska Latin America
Mats Williamson	Skanska Sweden
Fredrik Wirdenius	Skanska Commercial Development Europe

Presidents of support units

Lars-Erik Alm	Skanska Project Support
Anders Årling	Skanska Financial Services

Senior Vice Presidents, Group Staff Units

Peter Gimbe	Communications
Bert-Ove Johansson	Purchasing
Tor Krusell	Human Resources
Anders Lilja	Investor Relations
Einar Lundgren	Legal Affairs
Mats Moberg	Reporting
Noel Morrin	Sustainability
Staffan Schéle	Corporate Finance
Peter Thompson	Information Technology
Mariann Östansjö	Controlling

Annual Shareholders' Meeting

The Annual Shareholders' Meeting of Skanska AB will be held at 5:00 p.m. on Thursday, March 30, 2006 at the Rival Hotel, Mariatorget 3, Stockholm, Sweden.

Notification etc.

Shareholders who wish to participate in the Annual Meeting must be listed in the print-out of the register of shareholders maintained by VPC (the Swedish Central Securities Depository and Clearing Organization) produced on March 24, 2006 and must notify Skanska no later than 12 noon on March 24, 2006 of their intention to participate in the Meeting.

Shareholders whose shares have been registered in the name of a trustee must have temporarily re-registered their shares in their own name in the register of shareholders to be entitled to participate in the Meeting. Such re-registration should be requested well in advance of March 24, 2006 from the bank or brokerage house holding the shares in trust

Notification may be sent in writing to Skanska AB, Legal Affairs, SE-169 83 Solna, Sweden; by telephone to +46 8 753 88 14 (between 10 a.m. and 4 p.m. CET); by fax to +46 8 753 37 52; by e-mail to bolagsstamma@skanska.se; or via Skanska's website: www.skanska.com.

The notification must state the shareholder's name, national registration or corporate ID number, address and telephone number.

If participation is authorized by proxy, this must be sent to the Company before the Meeting. Shareholders who have duly notified the Company of their participation will receive an admittance card, which should be brought and shown at the Meeting venue.

Dividend

For 2005, the Board of Directors proposes a dividend of SEK 4.50 and an extra dividend of SEK 2.00 per share to the shareholders. The Board proposes April 4, 2006 as the record date to qualify for the dividend. Provided that the Meeting approves this proposal, the dividend is expected to be mailed by VPC on April 7, 2006.

More information about Skanska

Worldwide

The Skanska Group publishes the magazine Worldwide, containing features and news items from the Group's operations around the world. The magazine appears in English four times per year. A subscription is free of charge and can be ordered at the following address:

Skanska Worldwide c/o Strömberg Distribution
SE-120 88 Stockholm, Sweden
Telephone: +46 8 449 88 00,
Fax: +46 8 449 88 10
E-mail: worldwide@strd.se

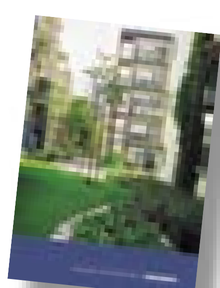
The Hub

The Hub is a news service that offers personalized news about Skanska, its competitors and its industry. It provides brief, fast news items, often linked to additional information on the Internet. You can subscribe to receive them via e-mail, mobile phone (SMS) or fax. They are available in English and Swedish. You can subscribe via The Hub's website: www.skanska.com/thehub

thehub

More information about Skanska's business streams

Further information about Skanska's Residential Development and Commercial Development business streams can be downloaded from Skanska's website (www.skanska.com, click "Investors" followed by "Reports" and the name of each report. The reports can also be ordered in hard copy from Skanska AB, Investor Relations.



Financial information
The Skanska Group's interim reports for 2006 will be published on the following dates:

Three Month Report	April 27, 2006
Six Month Report	July 27, 2006
Nine Month Report	November 2, 2006
Year-end Report	February 15, 2007

Only the Annual Report will be printed and distributed. The quarterly reports will be available via Skanska's website, www.skanska.com, and can also be ordered from Skanska AB, Investor Relations.

In case of questions, please contact:
Skanska AB, Investor Relations
SE-169 83 Solna, Sweden
Telephone: +46 8 753 88 00
Fax: +46 8 730 41 69
E-mail: investor.relations@skanska.se

More information about the Skanska Group is available at:
www.skanska.com

Abbreviations and definitions

Abbreviations

GDP	Gross domestic product
ORA	Operational Risk Assessment (Skanska's risk management model)
PFI	Private Finance Initiative (Privately financed infrastructure projects)
PPP	Public Private Partnership (Privately financed infrastructure projects)
SET	Senior Executive Team (Skanska's corporate management team)
SFS	Skanska Financial Services

Definitions

Average capital employed	Calculated on the basis of five measuring points: half of capital employed on January 1 plus capital employed at the end of the first, second and third quarters plus half of capital employed at year-end, divided by four.
Capital employed in business streams,markets and business units/reporting units	Total assets minus tax receivables in deposits in Skanska's treasury unit minus non-interest-bearing liabilities minus provisions for taxes and tax liabilities.
Consolidated capital employed	Total assets minus non-interest-bearing liabilities.
Consolidated operating cash flow	In the consolidated operating cash flow statement, which includes taxes paid, investments are recognized both in cash flow from business operations and in cash flow from strategic investments. See also Note 36.
Consolidated return on capital employed	Operating income plus financial income as a percentage of average capital employed.
Debt/equity ratio	Interest-bearing net debt divided by visible equity including minority interest.
Earnings per share	Profit for the year attributable to equity holders divided by the average number of shares.
Equity/assets ratio	Visible equity including minority interest as a percentage of total assets.
Equity per share	Visible equity attributable to equity holders divided by the number of shares. 3
Interest-bearing net receivable	Interest-bearing assets minus interest-bearing liabilities.
Interest cover	Operating income and financial income plus depreciation/amortization divided by net interest items.
Net working capital	Net non-interest-bearing receivables and liabilities including taxes.
Operating cash flow	Cash flow from operations before taxes and before financial activities. See also Note 36.
Operating net on properties	Rental income and interest subsidies minus operating, maintenance and administrative expenses as well as real estate tax. Site leasehold rent is included in operating costs.
Return on capital employed in business streams, markets and business/reporting units	Operating income plus financial income minus interest income from Skanska's treasury unit and other financial items as a percentage of average capital employed.
Return on equity	Profit attributable to equity holders as a percentage of average visible equity attributable to equity holders.
Yield on properties	Operating net divided by year-end book value.

Addresses

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For other addresses:
www.skanska.com

NORDIC ECO-LABEL
341 PRINTED MATTER 121

Production: Skanska AB, Investor Relations in collaboration with Addira, Enell and Suscom.
Translated by: Victor Kayfetz, Scan Edit, Oakland, CA.
Printed by: Arkpressen, Västerås, Sweden, 2006.

SKANSKA