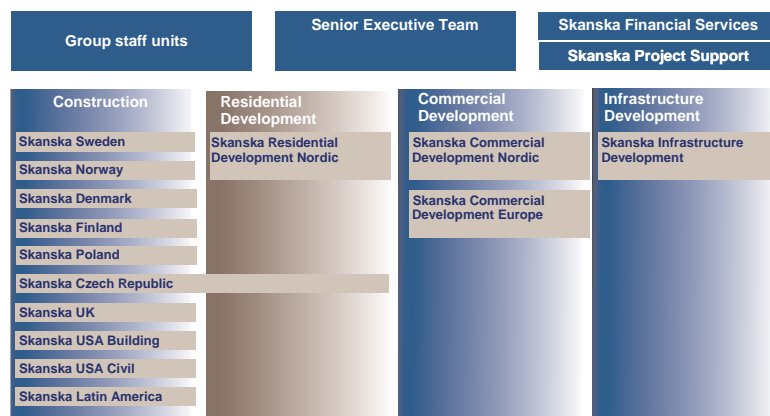




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Group organization and reporting structure



Cover:
 Pilestredet Park, Oslo.
 Recipient of the Skanska Environmental Award in 2004 and Oslo's official architectural prize in 2005.

Introduction and overview

“Residential Development 2005” presents Skanska’s residential development operations in detail. 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 (Skanska RD Nordic).

Information about Skanska Residential Development is updated quarterly on the Group’s website, www.skanska.com, or can be ordered from Skanska AB, Investor Relations, SE-169 83 Solna, Sweden or via e-mail to investor.relations@skanska.se.

Balance sheet

SEK M	Dec. 31, 2005	Dec. 31, 2004
Intangible fixed assets	4,798	4,434
Property, plant and equipment	5,243	5,507
Shares and participations	1,893	936
Interest-bearing receivables	3,295	3,553
Tax assets	2,612	1,902
Non-interest bearing receivables	29,238	25,933
Commercial Project Development	5,804	7,408
Commercial properties, other	1,396	1,272
Residential Project Development	3,282	3,268
Cash and cash equivalents	13,678	8,868
Assets classified as held for sale	72	
Total	71,311	63,081

Residential Project Development

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.

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

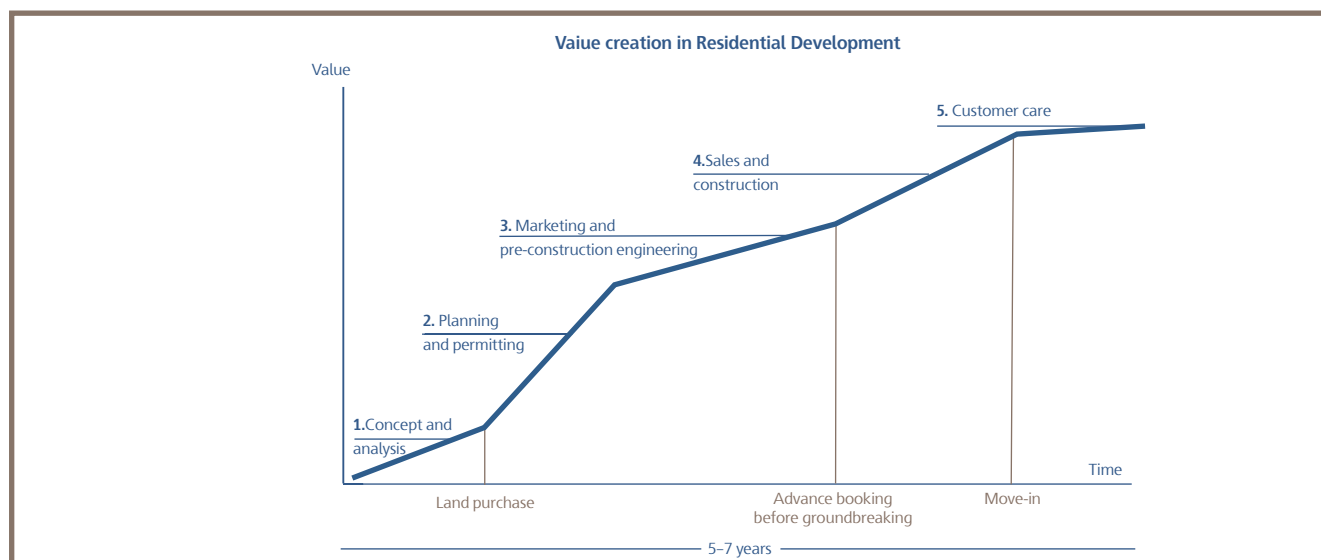
concept and design to sales. These units are specialized and do not perform any construction work of their own, but instead buy contracting services from Skanska’s construction units or from external suppliers in each market.

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.





Uniqhus offers Sweden's first environmentally labeled housing. Skanska's sustainable housing concept received a Swan-labeling license during 2005. Uniqhus was environmentally certified after an examination 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.

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.

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.

Sweden

During 2004-2005, residential construction in Sweden rose from historically very low levels. In the three largest metropolitan regions, prices of single-family homes rose by 9-13 percent during the year, while cooperative residential units rose by 16-24 percent in the same regions. During 2005, the supply of new housing units increased mainly in the country's growth regions. This is projected to continue during 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. During 2005, the volume of land in planned developments rose, which is positive, but new players established themselves in the market and the competition for attractive land intensified.

SEK M	2005	2004	Number of unutilized building rights	Residential Development, number of units
Revenue	2,394	2,046	Master plan	Units started
Operating income	196	136	Local plan underway	Under construction
Operating margin, %	8.2	6.6	Local plan approved	Pre-sold, %
Capital employed	-210	539	Building permit stage	Total units sold, 2005
Return on capital employed, %	108.1	25.4	Total building rights	Completed unsold
			Options	

Project examples



Lindhagensterassen

City: Stockholm
 Total number of units: 410
 Development period: 2005-2009

The first two buildings in the new Lindhagensterassen residential neighborhood were a major sales success. Skanska will soon continue expanding the area, with a new phase consisting of some 90 apartments in a quiet yet central location in Stockholm's Kungsholmen district. Lindhagensterassen is not far from a major shopping mall as well as parks, beaches and strolling paths along the shores of Lake Mälaren. The apartments, ranging from studios to 3 bedrooms, will occupy a 16-story building. Most apartments will have a balcony, enclosed yard or terrace. Attached to the building will be a garage with parking spaces for residents' vehicles.



Snäckeberget

City: Gothenburg
 Total number of units: 57
 Development period: 2003-2006

Torslanda in Gothenburg has sprung to life again. In a landscape that was once the site of one of Sweden's largest airports, Skanska has created a residential area full of character. Right from the start, the ambition was to develop a neighborhood with a strong identity of its own. Snäckeberget offers exciting architecture, attractive scenery and impressive views. Streets and buildings have names associated with aviation, and the modern architecture has borrowed features from the classic air traffic control tower that is still preserved on the hilltop.

At Snäckeberget, Skanska is developing a total of 57 single-family homes in four different designs, including two types of two-story homes totaling 122 and 140 sq. m (1,313 and 1,506 sq. ft), respectively.

Norway

Norwegian residential construction in 2005 was again at a historically high level. The supply of newly built housing units rose, and prices climbed an average of 9-10 percent during the year. The outlook for continued good economic growth and increasing disposable household income is considered promising. This will have a positive impact on the housing market in 2006 as well. However, the volume of housing starts is expected to decline somewhat, due to a shortage of land in planned developments in major metropolitan regions and capacity shortages in the construction stage. Interest costs as a percentage of disposable household income are the lowest since the 1980s, which indicates that demand in 2006 will not be dramatically affected by the central bank's forecasted interest rate hikes. Competition for building rights intensified during the year, and new local players entered the market. A sharp increase in construction costs at the subcontractor level was also noticeable during 2005.

SEK M	2005	2004	Number of unutilized building rights	Residential Development, number of units
Revenue	1,343	1,234	Master plan	Units started
Operating income	132	122	Local plan underway	Under construction
Operating margin, %	9.8	9.9	Local plan approved	Pre-sold, %
Capital employed	1,227	1,175	Building permit stage	Total units sold, 2005
Return on capital employed, %	12.0	9.7	Total building rights	Completed unsold
			Options	

Project examples



Frydenberg

City	Oslo
Total number of units	650
Development period	2005-2011

Frydenberg, located within walking distance of central Oslo, is an industrial area that Skanska is transforming into a vibrant residential neighborhood, with careful attention to the outdoor living environment.

Skanska expects to build a total of 650 apartments by 2011. The first phase (64 apartments) went on sale in November 2005 and is now under construction. The second phase, with 80 apartments, will go on sale during the spring of 2006.

This project uses standardized building elements to ensure an efficient planning and construction process. Great care is devoted to meeting the needs of different target groups by creating flexible layouts and varying apartment sizes.



Fjordspeilet

City	Stavanger
Total number of units	120
Development period	2006-2008

Fjordspeilet will be an impressive residential area. Its 12-story buildings will be located partly over the water, partly on land, offering large windows and balconies.

The project is divided into three phases. About 60 percent of the first 40-apartment phase has been sold, and construction has started. For the second phase, which largely resembles the first, sales are expected to start late in the spring of 2006 and construction will start late this year. The third phase will be sold and constructed during 2007. A large parking facility, located below the third phase, has already been started.

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 during 2003-2005 is expected to remain steady in 2006, and competition for building rights is expected to intensify.

Project examples



SophienborgBo

City	Hillerød
Total number of units	84
Development period	2004-2005

BoKlok (LiveSmart), which is jointly owned and operated by Skanska and IKEA, is an established concept and trademark offering economical, functional living for people on tight budgets in Sweden, Norway, Finland and Denmark.

In Denmark, the concept has been adapted to the local architectural tradition. The first Danish BoKlok project, SophienborgBo in Hillerød outside Copenhagen, was a major success. The 84 apartments were immediately sold and when the project was completed in April 2005 it received high marks from residents.



Öresunds Strandpark

City	Copenhagen
Total number of units	521
Development period	2002-2008

Amager Strandpark offers a kilometer-long (0.6 mi.) sandy beach, large green open spaces, sea air and a view of the Öresund straits – less than fifteen minutes by bicycle from City Hall Square in Copenhagen. This is where Skanska is developing and building Öresund Strandpark, a total of 521 apartments with large windows and two balconies or terraces per apartment.

The three first phases of Öresund Strandpark (213 apartments) were started in 2002 and today they are well-established residential areas. Phases 4 and 5 (173 apartments) are sold out and under construction. Sales will soon begin for the final phase (135 apartments), which will be completed for move-in during 2008.

Finland and Estonia

The Finnish housing market has been stable for the past decade, with annual volume of about 30,000 housing starts. 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 and demand remained strong, which contributed to price increases averaging 8-9 percent. The number of completed, unsold apartments in the overall market remains at a historically low level. In some submarkets there were indications of oversupply during the spring, which were corrected during the second half. 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 2005. Estonia (Tallinn), which is reported as part of Skanska's Finnish residential development, is experiencing very 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.

SEK M	2005	2004	Number of unutilized building rights	Residential Development, number of units
Revenue	1,616	1,609	Master plan	Units started
Operating income	195	151	Local plan underway	Under construction
Operating margin, %	12.1	9.4	Local plan approved	Pre-sold, %
Capital employed	908	670	Building permit stage	Total units sold, 2005
Return on capital employed, %	27.5	24.0	Total building rights	Completed unsold
			Options	

Project examples



Kartanonkoski

City Vantaa
 Total number of units 311
 Development period 2000-2006

Kartanonkoski, a garden city in Vantaa, is one of the most prominent new residential areas in Greater Helsinki. Vantaa has expanded greatly in recent years, since the city is close to both Helsinki and the international airport. The area has waterways and plenty of hiking areas as well as historically interesting environments.

Vantaa's vision is to create "green" surroundings with sheltered gardens and tree-lined streets. The residential buildings, whose architecture has attracted extensive – and positive – attention, are 2-4 stories. Of course there are plenty of playgrounds, schools, preschools etc. in the area. Skanska's first project in Kartanonkoski started in 2000. By December 2005 Skanska had completed twelve residential projects of its own with 278 apartments. The final phase will be completed during the first half of 2006, providing a total of 311 apartments.



Lutakko

City Jyväskylä
 Total number of units 700
 Development period 1998-2015

Since 1998, Skanska has been an active partner in the development of the Lutakko area, a kilometer (0.6 mi.) from the Jyväskylä city center. Jyväskylä is a fast-expanding city and demand for housing has been strong. Relative to the population, more housing has been built in Jyväskylä during the past decade than in any other Finnish city.

Lutakko is located on a man-made peninsula in Lake Jyväskylä. Here Skanska is building its sixteenth and last apartment house in the project. The building now being completed – more than 40 percent of 700 apartments are finished – will be a clear landmark and offer residents a view of the lake from three sides of the building. The vision has been to build a modern, family-friendly area. Parking spaces are located underground and on the ground level are a marina, cafés and playgrounds.

Czech Republic

In the Czech Republic, vigorous economic growth and low interest rates led to continued strong demand for newly constructed housing units, especially 30-40 kilometers (about 20-25 mi.) outside of Prague. Prices, which rose by 5-10 percent during 2005 depending on location, are expected to stabilize somewhat. Competition has intensified. Due to a large supply of newly constructed housing, customers are investing in projects that are completed or in the design stages. The trend is to invest in more housing that is larger and of a higher standard. The increased competition is expected to affect pricing of building rights in attractive locations during 2006.

SEK M	2005	2004	Number of unutilized building rights		Residential Development, number of units	
Revenue	416	523	Master plan		Units started	233
Operating income	86	105	Local plan underway	1,100	Under construction	424
Operating margin, %	20.7	20.1	Local plan approved	700	Pre-sold, %	48
Capital employed	298	235	Building permit stage		Total units sold, 2005	355
Return on capital employed, %	31.8	48.6	Total building rights	1,800	Completed unsold	22
			Options	600		

Project example



Romance

City	Prague
Total number of units	237
Development period	2006-2007

In Romance, 237 apartments and 11 single-family homes will be built. The vision is to create a calm environment for families; the buildings are one to three stories tall and in the middle of the neighborhood will be a large green open space. Preparations are currently underway for construction, which will be completed during 2007.



Botanica

City	Prague
Total number of units	750
Development period	2002-2008

During 2002 to 2008, Skanska will have built a total of 750 apartments and 130 single-family homes as well as nearly 10,000 sq. m (108,000 sq. ft.) of commercial property space in the Botanica area.

The project is divided into four phases. The first phase was built during 2003 and 2004. It comprised 124 apartments – all with a balcony or terrace – plus 20 single-family homes. In this eastern part of the area, the German school has now opened. During 2005 construction began on another 134 apartments, including apartments for the physically disabled.

This page will be updated quarterly starting with Q1 2006.

Residential development, number of units

Market	Units sold	
	Jan-Dec	
	2005	2004
Sweden	1,450	1,099
Norway	669	660
Finland incl. Estonia	1,737	1,732
Nordic region	3,856	3,491
Poland	86	109
Czech Republic	355	488
Russia	239	386
Total	4,536	4,474

Market	Units started	
	Jan-Dec	
	2005	2004
Sweden	1,173	1,258
Norway	672	579
Finland incl. Estonia	1,764	1,704
Nordic region	3,609	3,541
Poland	0	24
Czech Republic	233	476
Russia	89	273
Total	3,931	4,314

Units under construction on December 31, 2005

Market	Under construction	Of which units sold	Of which % sold	Completed unsold
Sweden	1,608	1,447	90	11
Norway	714	628	88	13
Finland incl. Estonia	1,739	1,235	71	70
Nordic region	4,061	3,310	82	94
Poland				26
Czech Republic	424	204	48	22
Russia	1,040	770	74	6
Total	5,525	4,283	78	148

Number of unutilized building rights, December 31, 2005¹

Market	Building rights		
	rights	Options	Total
Sweden	10,090	1,100	11,190
Norway	3,240	1,400	4,640
Finland incl. Estonia	4,330	5,400	9,730
Nordic region	17,660	7,900	25,560
Poland	370		370
Czech Republic	1,820	600	2,420
Russia	730		730
Total	20,580	8,500	29,080

¹ Including Skanska's share of building rights in associated companies

Residential development by business/reporting unit

SEK M	Revenue				Operating income ¹			
	Jan-Dec	Jan-Dec	Oct-Dec	Oct-Dec	Jan-Dec	Jan-Dec	Oct-Dec	Oct-Dec
	2005	2004	2005	2004	2005	2004	2005	2004
Sweden	2,394	2,046	758	715	196	136	75	63
Norway	1,343	1,234	323	333	132	122	36	27
Finland	1,616	1,609	452	457	195	151	47	46
Poland	114	116	43	32	16	10	10	-1
Czech Republic	416	523	86	103	86	105	1	31
International	230	286	77	81	-14	4	-9	5
Total	6,113	5,814	1,739	1,721	611	528	160	171

SEK M	Operating margin, % ²			
	Jan-Dec	Jan-Dec	Oct-Dec	Oct-Dec
	2005	2004	2005	2004
Sweden	8.2	6.6	9.9	8.8
Norway	9.8	9.9	11.1	8.1
Finland	12.1	9.4	10.4	10.1
Poland	14.0	8.6	23.3	-3.1
Czech Republic	20.7	20.1	1.2	30.1
International	-6.1	1.4	-11.7	6.2
Total	10.0	9.1	9.2	9.9

SEK M	Return on capital employed, % ³	
	Jan-Dec	Jan-Dec
	2005	2004
Sweden	108.1	25.4
Norway	12.0	9.7
Finland	27.5	24.0
Poland	21.5	7.7
Czech Republic	31.8	48.6
International	-15.7	8.6
Total	23.8	18.4

² Refers to development gain only. Construction margin is reported in Construction.

³ Rolling 12-month figures