

OCTOBER 18, 2007

Exhibit 2

**Proposal by the Board of Directors of Skanska AB to an extraordinary shareholders' meeting on November 29, 2007 regarding a long-term employee ownership program for the employees of the group and transfer of shares under the program**

**Background**

For the purpose of creating shareholder value and conditions for retaining and recruiting qualified employees to the Skanska group, the Board of Directors of Skanska AB ("Skanska") proposes that an extraordinary shareholders' meeting resolves on a long-term employee ownership program ("Program") for the employees of the Skanska group. The Program is further deemed to increase the employees' interest and involvement in Skanska's business and development, and give present and future employees the opportunity of becoming shareholders in Skanska. In light of the above, the Program is deemed to have a positive effect on the Skanska group's future development and therefore be advantageous both to the shareholders and to the employees of Skanska.

The Program is intended to replace the three-year share incentive program for executive officers and other key employees of the Skanska group that the annual general meeting of Skanska on April 7, 2005 resolved to implement and which expires during 2007, the Profit Sharing Foundation for the employees of the Swedish companies within the Skanska group and the incentive program for certain employees active in Skanska's American business.

**Outline of the Program**

The Program is proposed to be open to the approximately 45,000 permanent employees ("Employees"), excluding key employees and executive officers, within the Skanska group, to approximately 2,000 key employees within the Skanska group ("Key Employees"), and to approximately 300 executive officers within the Skanska group, including the Chief Executive Officer, the Executive Vice Presidents, the Group Staff Officers and Business Unit Presidents and their management teams ("Executives").

The Program means that Employees, Key Employees and Executives are offered the possibility to, provided an investment of their own in Series B shares in Skanska ("Saving Shares") during a certain financial year ("Acquirement Period"), from Skanska or from another company within the

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Skanska group without consideration receive Series B shares in Skanska. For 4 acquired Saving Shares the employee will, after a three year lock-up period ("Lock-up Period"), have the possibility to receive 1 Series B share in Skanska ("Matching Share"). Moreover, the employee will, depending on fulfilment of certain result-related performance conditions during the Acquisition Period, after the Lock-up Period have the possibility to receive additional Series B shares in Skanska ("Performance Shares").

It is proposed that the Program be divided into three parts ("Annual Program 2008", "Annual Program 2009" and "Annual Program 2010"). The Acquisition Period comprises the financial year 2008 in respect of the Annual Program 2008, the financial year 2009 in respect of the Annual Program 2009 and the financial year 2010 in respect of the Annual Program 2010. The Lock-up Period runs for three years from the day of the investment in the Saving Share. Employees, Key Employees and Executives will be offered participation in the Annual Programs 2008, 2009 and 2010.

Employees may for each 4 acquired Saving Shares, in addition to 1 Matching Share, receive no more than 3 Performance Shares. Key Employees may for each 4 acquired Saving Shares, in addition to 1 Matching Share, receive no more than 7 Performance Shares. Executives may for each 4 acquired Saving Shares, in addition to 1 Matching Share, receive no more than 15 Performance Shares.

The maximum number of Saving Shares that each employee participating in the Program may acquire, by way of monthly savings, depends on the employee's salary and if the employee participates in the Program as Employees, Key Employees or Executives. Saving Shares may be acquired by Employees for an amount corresponding to no more than 5 per cent of the gross salary, by Key Employees for an amount corresponding to no more than 7.5 per cent of the gross salary and by Executives for an amount corresponding to no more than 10 per cent of the gross salary.

In order for an employee to be eligible to receive Matching and Performance Shares within the frame of each Annual Program it is a condition that, with certain specific exemptions approved by the Board of Directors, he/she is permanent employed within the Skanska group for the duration of the whole Lock-up Period and that the employee, throughout this Lock-up Period, has retained the Saving Shares acquired within the respective Annual Program. Saving Shares having been disposed of prior to the expiration of a Lock-up Period will therefore not be included in the calculation to determine any allotment of Matching and Performance Shares.

The Board of Directors shall have the option, if it in its opinion finds it appropriate, to resolve on a reduced allotment of Performance Shares, or that no Performance Shares shall be allotted at all, for a certain Annual Program or for participants in the Program active within a certain business unit. The Board of Directors shall further have the option to cancel Annual Programs which have not commenced and have the option to, wholly or partially, cancel the Program should the annual

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general meetings 2008-2010 not resolve on necessary acquisitions of own shares (see section Hedging below).

The Program includes two cost limits; one whose size depends on to what extent the financial "Outperform" targets (see section Result-related performance conditions below) have been fulfilled ("Cost limit 1"), which among other things includes that Skanska's total costs for each Annual Program may not exceed MSEK 630, and one which is related to Skanska's EBIT<sup>1</sup> ("Cost limit 2"). In respect of Cost limit 1, a 100 per cent fulfilment of the financial "Outperform" targets on a group level means that Skanska's total costs for each Annual Program may not exceed MSEK 630. In case the degree of fulfilment of Skanska's financial "Outperform" targets on a group level (see section Result-related performance conditions below) for the respective Annual Program amounts to the starting point or less, Skanska's total costs for each Annual Program may not exceed MSEK 200. The applicable cost limit should the starting point be fulfilled and the financial "Outperform" targets in addition thereto only partly be fulfilled, are set out in Appendix 1 hereto.

Cost limit 2 means that Skanska's total costs for each Annual Program may not exceed 15 per cent of EBIT for the applicable Acquisition Period. The actual cost limit consists therefore of the lowest of Cost limit 1 and Cost limit 2, respectively. Neither Cost limit 1 nor Cost limit 2 include the administrative costs related to the Program. Should the number of participants and the outcome of the allotment of Matching and Performance Shares to the participants result in a total cost for Skanska exceeding any of the applicable cost limits for any of the Annual Programs, the investment rate will be reduced proportionally. The total increase in cost limit for Skanska for the implementation of the Program, in relation to the cost limits in the programs that the Program shall replace (see section Background above), amounts to approximately MSEK 135 for each Annual Program. The level of the "Outperform" targets in the Program has at the same time substantially increased.

Matching and Performance Shares may normally be allotted only after the Lock-up Period for each Annual Program, which comprises 3 years. Allotment of Matching and Performance Shares to participants within each Annual Program is estimated to occur monthly three years after the investment in each Saving Share, meaning that allotment of Matching and Performance Shares is estimated to occur monthly during the financial year 2011 in respect of the Annual Program 2008, monthly during the financial year 2012 in respect of the Annual Program 2009 and monthly during the financial year 2013 in respect of the Annual Program 2010.

Should the participants' savings for acquisition of Saving Shares be made in another currency than in the Swedish krona, the acquired Saving Shares will after the expiration of the Lock-up Period be valued at a fixed exchange rate between the relevant currency and the Swedish krona, provided that the participant has retained the Saving Shares and has been permanently employed within the

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<sup>1</sup> Earnings before interests and taxes.

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Skanska group throughout the whole Lock-up Period. Any potential difference in the value of the Saving Shares in the relevant currency, due to exchange rate fluctuations during the Lock-up Period, calculated on the exchange rate on the first day during the Lock-up Period compared to the current exchange rate the day after the expiration of the Lock-up Period, will be settled by the number of Matching and/or Performance Shares being increased or decreased, as relevant.

**Result-related performance conditions**

Allotment of Performance Shares is conditional upon the fulfilment of a number of established result-related performance conditions during the Acquirement Period for each Annual Program. The conditions are based on the so-called financial "Outperform" targets established by the Board of Directors. The financial "Outperform" targets consist of financial targets on a group level as well as on a business unit level. In order for any allotment of Performance Shares to occur it is a condition that a certain starting point, which is established by the Board of Directors, is fulfilled. For maximum allotment of Performance Shares to occur, the financial "Outperform" targets for the business unit where the employee works must be 100 per cent fulfilled. In respect of the employees employed at a group level, the Board of Directors may resolve on a 20 per cent reduction of the allotment of Performance Shares should the return target on equity capital not be fulfilled. The measuring figures for the financial "Outperform" targets are set out in Appendix 2 hereto.

In addition, allotment of Performance Shares may, by a resolution of the Board of Directors, be reduced if certain annually determined internal financial targets are not fulfilled on the business unit level.

Based upon a fulfilment between the starting point and the financial "Outperform" targets for each Acquirement Period the number of Performance Shares that may be allotted will be established after the expiration of the financial years 2008, 2009 and 2010 in respect of participation within the frame of the Annual Programs 2008, 2009 and 2010, respectively.

Should the starting point be fulfilled and the financial "Outperform" targets only be partly fulfilled, the allotment of Performance Shares will be proportional to the extent to which the financial "Outperform" targets are fulfilled. The following examples illustrate how allotment of Matching and Performance Shares shall be calculated for Employees, based on an investment of 4 Saving Shares.

- Should the starting point not be fulfilled, the employee will receive Matching Shares in accordance with the guaranteed allotment of 1 Matching Share for 4 acquired Saving Shares.<sup>2</sup> No allotment of Performance Shares (which may at most amount to 3

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<sup>2</sup> Provided that all other conditions for receiving Matching Shares under the Program are fulfilled.

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Performance Shares) will occur, which means a total allotment of 1 Series B share in Skanska for 4 acquired Saving Shares.

- Should the starting point be fulfilled and the financial “Outperform” targets, proportionately between the starting point and a 100 per cent fulfilment of the “Outperform” targets, be fulfilled to 50 per cent, the employee will receive Matching Shares in accordance with the guaranteed allotment of 1 Matching Share for 4 acquired Saving Shares.<sup>3</sup> The allotment of the number Performance Shares (which may at most amount to 3 Performance Shares) is reduced by 50 per cent, which means a total allotment of 2.5 Series B shares in Skanska (i.e. 1 Matching Share and 1.5 Performance Shares) for 4 acquired Saving Shares.
- Should the financial “Outperform” targets be fulfilled to 100 per cent, the employee will receive Matching Shares in accordance with the guaranteed allotment of 1 Matching Share for 4 acquired Saving Shares.<sup>4</sup> Maximum allotment of Performance Shares (which may at most amount to 3 Performance Shares) will occur, which means a total allotment of 4 Series B shares in Skanska (i.e. 1 Matching Share and 3 Performance Shares) for 4 acquired Saving Shares.

A corresponding calculation for allotment of Matching and Performance Shares shall be made in respect of Key Employees and Executives. However, as mentioned above, Key Employees may receive a maximum of 7 Performance Shares and Executives may receive a maximum of 15 Performance Shares for 4 acquired Saving Shares.

**The preparation of the proposal**

The proposal to the extraordinary shareholders’ meeting regarding the Program has, pursuant to the guidelines issued by the Board of Directors, been prepared by Skanska’s Compensation Committee with the assistance of external advisors and after having consulted certain major shareholders. The Compensation Committee, consisting of the board members Sverker Martin-Löf, Curt Källströmer and Lars Pettersson, has informed the Board of Directors of the work. At a board meeting on October 18, 2007 the Board of Directors decided to propose that an extraordinary shareholders’ meeting resolves on the current proposal for an incentive program and on transfer of shares under the program.

**Hedging**

The Board of Directors proposes that the extraordinary shareholders’ meeting resolves, as a main alternative, to authorise the Board of Directors to resolve on acquisitions of own Series B shares

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<sup>3</sup> See footnote 2.

<sup>4</sup> See footnote 2.

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on the stock exchange, which later may be transferred to participants in the Program. The Board of Directors further proposes that the shareholders' meeting resolves on a transfer of own Series B shares without consideration to participants in the Program and that transfer of own Series B shares may be made to subsidiaries of Skanska in order to secure its obligations to deliver Series B shares to participants in the Program. The detailed conditions for the Board of Directors' main alternative are set out in item B. below.

Secondly, in case the majority required is not reached under item B. below, the Board of Directors proposes that Skanska shall be able to enter into an equity swap agreement with a third party, in accordance with item C. below.

The three Annual Programs may in aggregate comprise no more than 13,500,000 Series B shares. The Annual Program 2008 may however only comprise no more than 4,500,000 Series B shares, wherefore the above-mentioned authorisation for the Board of Directors to resolve on acquisitions of own shares on the stock exchange shall comprise no more than 4,500,000 own Series B shares. The Board of Directors intends to propose to the annual general meetings 2008, 2009 and 2010 that the Board of Directors shall be authorised to resolve on additional acquisitions of own Series B shares on the stock exchange for transfer to participants in the Program and for transfer on the stock exchange in order to cover social security costs.

As the Program is in principle not expected to give rise to any initial social security costs for Skanska or any of its subsidiaries, the Board of Directors has decided not to propose to the shareholders' meeting to resolve on transfer of own Series B shares in order to cover social security costs. However, prior to the transfer of Series B shares under the Program, the Board of Directors intends to propose to the annual general meetings 2011, 2012 and 2013 that transfer be made of own Series B shares in order to cover social security costs incurred at that time.

**THE BOARD OF DIRECTORS' PROPOSAL FOR RESOLUTION**

The Board of Directors proposes that the extraordinary shareholders' meeting resolves (i) to implement the Program in accordance with the below principles in item A. and (ii) to authorise the Board of Directors to resolve on acquisitions of own Series B shares on the stock exchange and that acquired own Series B shares without consideration may be transferred to participants in the Program, in accordance with item B. below. In case the majority required is not reached under item B. below, the Board of Directors proposes that the extraordinary shareholders' meeting resolves (iii) that Skanska shall be able enter into an equity swap agreement with a third party, in accordance with item C. below.

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Exhibit 2**A. Implementation of an employee ownership program**

With reference to the above description, the Board of Directors proposes that the extraordinary shareholders' meeting resolves on the implementation of an employee ownership program in principally based on the terms and conditions set out below.

- a) The Program is proposed to be open to the approximately 45,000 permanent employees ("Employees"), excluding key employees and executive officers, within the Skanska group, to approximately 2,000 key employees within the Skanska group ("Key Employees"), and to approximately 300 executive officers within the Skanska group, including the Chief Executive Officer, the Executive Vice Presidents, the Group Staff Officers and Business Unit Presidents and their management teams ("Executives").
  - b) The Program means that Employees, Key Employees and Executives are offered the possibility to, provided an investment of their own in Series B shares in Skanska (Saving Shares) during a certain financial year (Acquirement Period), from Skanska or from another company within the Skanska group without consideration receive Series B shares in Skanska. For 4 acquired Saving Shares the employee will, after a three year lock-up period (Lock-up Period), have the possibility to receive 1 Series B share in Skanska (Matching Share). Moreover, the employee will, depending on fulfilment of certain result-related performance conditions during the Acquirement Period, which are based on, among other things, the so-called financial "Outperform" targets established by the Board of Directors, after the Lock-up Period have the possibility to receive additional Series B shares in Skanska (Performance Shares).
  - c) The Program is divided into three parts (Annual Program 2008, Annual Program 2009 and Annual Program 2010). The Acquirement Period comprises the financial year 2008 in respect of the Annual Program 2008, the financial year 2009 in respect of the Annual Program 2009 and the financial year 2010 in respect of the Annual Program 2010. The Lock-up Period runs for three years from the day of the investment in the Saving Share. Employees, Key Employees and Executives will be offered participation in the Annual Programs 2008, 2009 and 2010.
  - d) Employees may for each 4 acquired Saving Shares, in addition to 1 Matching Share, receive no more than 3 Performance Shares. Key Employees may for each 4 acquired Saving Shares, in addition to 1 Matching Share, receive no more than 7 Performance Shares. Executives may for each 4 acquired Saving Shares, in addition to 1 Matching Share, receive no more than 15 Performance Shares.
  - e) The maximum number of Saving Shares that each employee participating in the Program may acquire, by way of monthly savings, depends on the employee's salary and if the employee participates in the Program as Employees, Key Employees or Executives.
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Saving Shares may be acquired by Employees for an amount corresponding to no more than 5 per cent of the gross salary, by Key Employees for an amount corresponding to no more than 7.5 per cent of the gross salary and by Executives for an amount corresponding to no more than 10 per cent of the gross salary.

- f) In order for an employee to be eligible to receive Matching and Performance Shares within the frame of each Annual Program it is a condition that, with certain specific exemptions, approved by the Board of Directors, he/she is permanent employed within the Skanska group for the duration of the whole Lock-up Period and that the employee, throughout this Lock-up Period, has retained the Saving Shares acquired within the respective Annual Program. Saving Shares having been disposed of prior to the expiration of a Lock-up Period will therefore not be included in the calculation to determine any allotment of Matching and Performance Shares.
  - g) The Board of Directors shall have the option, if it in its opinion finds it appropriate, to resolve on a reduced allotment of Performance Shares, or that no Performance Shares shall be allotted at all, for a certain Annual Program or for participants in the Program active within a certain business unit. The Board of Directors shall further have the option to cancel Annual Programs which have not commenced and have the option to, wholly or partially, cancel the Program should the annual general meetings 2008-2010 not resolve on necessary acquisitions of own shares.
  - h) The Program includes two cost limits; Cost limit 1, which among other things includes that Skanska's total costs for each Annual Program may not exceed MSEK 630, and Cost limit 2. In respect of Cost limit 1, a 100 per cent fulfilment of the financial "Outperform" targets on a group level means that Skanska's total costs for each Annual Program may not exceed MSEK 630. In case the degree of fulfilment of Skanska's financial "Outperform" targets on a group level for the respective Annual Program amounts to the starting point or less, Skanska's total costs for each Annual Program may not exceed MSEK 200. The applicable cost limit should the starting point be fulfilled and the financial "Outperform" targets in addition thereto only partly be fulfilled, are set out in Appendix 1 hereto. Cost limit 2 means that Skanska's total costs for each Annual Program may not exceed 15 per cent of EBIT for the applicable Acquisition Period. The actual cost limit consists therefore of the lowest of Cost limit 1 and Cost limit 2, respectively. Should the number of participants and the outcome of the allotment of Matching and Performance Shares to the participants result in a total cost for Skanska exceeding any of the applicable cost limits for any of the Annual Programs, the investment rate will be reduced proportionally.
  - i) Matching and Performance Shares may normally be allotted only after the Lock-up Period for each Annual Program, which comprises 3 years. Allotment of Matching and
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Performance Shares to participants within each Annual Program is estimated to occur monthly three years after the investment in each Saving Share.

- j) Should the participants' savings for acquisition of Saving Shares be made in another currency than in the Swedish krona, the acquired Saving Shares will after the expiration of the Lock-up Period be valued at a fixed exchange rate between the relevant currency and the Swedish krona, provided that the participant has retained the Saving Shares and has been permanently employed within the Skanska group throughout the whole Lock-up Period. Any potential difference in the value of the Saving Shares in the relevant currency, due to exchange rate fluctuations during the Lock-up Period, calculated on the exchange rate on the first day during the Lock-up Period compared to the current exchange rate the day after the expiration of the Lock-up Period, will be settled by the number of Matching and/or Performance Shares being increased or decreased, as relevant.
  - k) In accordance with the above-mentioned guidelines, the Board of Directors shall be authorised to establish the detailed terms and conditions for the Program. The Board of Directors may, in that regard, make necessary adjustments to satisfy certain regulations or market conditions outside Sweden. The Board of Directors may also make other adjustments to the Program if significant changes in the Skanska group or in the markets result in a situation where the conditions for allotment of Performance Shares under the Program become unreasonable to use.
  - l) Participation in the Program presupposes that such participation is legally possible in the various jurisdictions concerned and that the administrative costs and financial efforts are reasonable in the opinion of the Board of Directors.
  - m) The Program shall comprise no more than 13,500,000 Series B shares in Skanska, of which 1,780,000 constitute Matching Shares and 9,430,000 constitute Performance Shares. The remaining 2,290,000 Series B shares in Skanska relate to such shares that may be transferred by Skanska in order to cover certain costs associated with the Program, mainly social security costs.
  - n) The number of Series B shares in Skanska that may be transferred under the Program will be subject to recalculation as a result of intervening bonus issues, splits, rights issues and/or other similar measures.
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Exhibit 2**B. Authorisation for the Board of Directors to resolve on acquisitions of Series B shares in Skanska on a regulated market and resolution on transfer of acquired own Series B shares to the participants in the Program***I) Authorisation for the Board of Directors to resolve on acquisitions of Series B shares in Skanska on a regulated market*

Resolutions on acquisitions of own Series B shares in Skanska on a regulated market may be made on the following terms and conditions.

- a) Acquisitions of Series B shares in Skanska may only be effected on the OMX Nordic Exchange Stockholm.
- b) The authorisation may be exercised on one or several occasions, however at the latest until the annual general meeting 2008.
- c) No more than 4,500,000 Series B in Skanska shares may be acquired to secure delivery of shares to participants in the Program proposed by the Board of Directors.
- d) Acquisitions of Series B shares in Skanska on the OMX Nordic Exchange Stockholm may only be made at a price within the from time to time applicable range of prices (spread), meaning the interval between the highest purchase price and the lowest selling price.

*II) Resolution on transfer of acquired own Series B shares to the participants in the Program*

Resolution on transfer of Skanska's own Series B shares may be made on the following terms.

- a) Transfer may be made only of Series B shares in Skanska, whereby a maximum of 11,210,000 Series B shares in Skanska (corresponding to 1,780,000 Matching Shares and 9,430,000 Performance Shares) may be transferred without consideration to participants in the Program.
  - b) Right to acquire Series B shares in Skanska without consideration shall be granted to such persons within the Skanska group who are participants in the Program. Further, subsidiaries of Skanska shall be entitled to acquire Series B shares in Skanska without consideration, whereby such company shall be obliged to, in accordance with the conditions of the Program, immediately transfer the shares to such persons within the Skanska group who participate in the Program.
  - c) Transfer of Series B shares in Skanska shall be made without consideration at the time and on the other terms that participants in the Program are entitled to acquire shares, i.e. monthly consecutively during the financial years 2011, 2012 and 2013.
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- d) The number of Series B shares in Skanska that may be transferred under the Program will be subject to recalculation as a result of intervening bonus issues, splits, rights issues and/or other similar measures.

**C. Equity swap agreement with third party**

In case the majority required is not reached under item B above, the Board of Directors proposes that the extraordinary shareholders' meeting resolves that the financial exposure that the Program is expected to give rise to shall be hedged by Skanska being able to enter into an equity swap agreement with a third party, whereby the third party in its own name on the OMX Nordic Exchange Stockholm shall acquire and transfer Series B shares in Skanska to such employees that participate in the Program.

**Conditions**

The shareholders' meeting's resolution on the implementation of the Program according to item A. above is conditional upon the meeting either resolving in accordance with the Board of Directors' proposal under item B. above or in accordance with the Board of Directors' proposal under item C. above.

**Majority requirements**

The shareholders' meeting's resolution according to item A. above requires a simple majority among the votes cast at the meeting. A valid resolution under item B. above requires that shareholders representing not less than nine-tenths of the votes cast as well as of the shares represented at the meeting approve the resolution. A valid resolution under item C. above requires a simple majority among the votes cast at the meeting.

**The reason for the deviation from the shareholders' preferential rights**

The transfer of Series B shares in Skanska form part for the accomplishment of the proposed Program. Therefore, and in light of the above, the Board of Directors considers it to be advantageous for Skanska and the shareholders that the participants in the Program are offered to become shareholders in Skanska.

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Exhibit 2

## Miscellaneous

Skanska's other share-related incentive programs are described in the Appendix 3 to this document.

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Skanska AB (publ)

The Board of Directors

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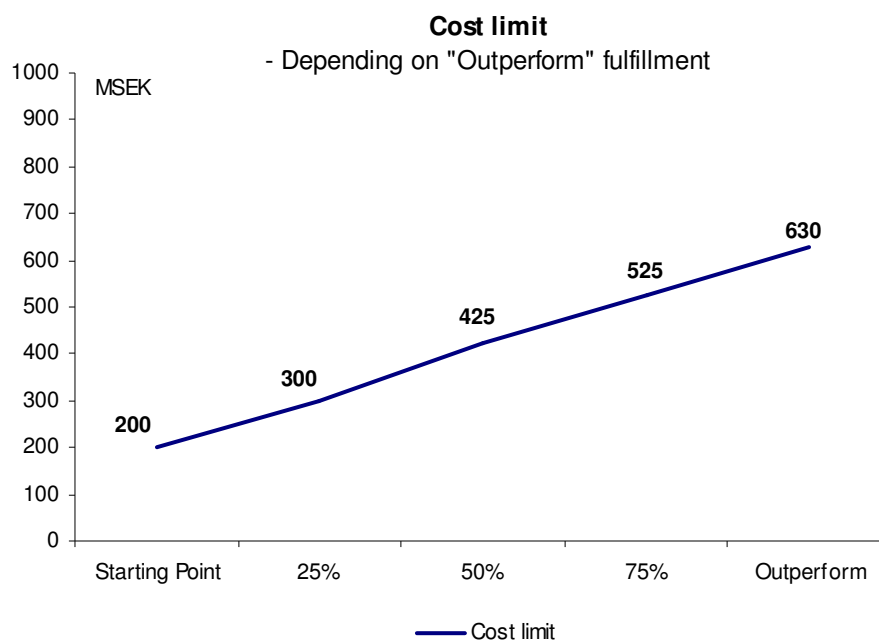
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Appendix 1

## Cost limit in proposed long-term employee ownership program

*Cost limit 1*



Cost limit 1 may not exceed Cost limit 2 (15 per cent of EBIT).

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**Appendix 2**

## Overview of Skanska's measuring figures in proposed long-term employee ownership program

### 1. Measuring figures in each business stream

Construction	Residential Development	Commercial Development	Infrastructure Development
EBIT margin	EBIT margin	Value creation*	Investments**

\* Annual development profits, unrealized as well as realized, in ongoing projects less overhead cost for development organization.

\*\* Closing deals at committed capital target.

The starting point in each business stream is approximately 80 per cent of the "Outperform" target.

### 2. Measuring figures at group level, including the CEO and other members of the Senior Executive Team

Group	
2.1	EBIT*
* 95% of the total Outperform targets of the business streams, converted into EBIT, including central costs but excluding currency rate effects; established annually by the Board of Directors.	
2.2	ROE
If the target is not reached the number of Performance Shares based on the EBIT-target above can be reduced by up to 20 per cent.	

EBIT: Earnings Before Interest and Taxes

ROE: Return on Equity

The EBIT starting point at group level is 105 per cent of the business streams total starting points, converted into EBIT, including central costs but excluding currency rate effects.

**OCTOBER 18, 2007**Exhibit 2**Appendix 3****Outline description of Skanska's other share-related incentive programs***The Skanska Share Award Plan*

Skanska's 2005 annual general shareholders' meeting decided to introduce a share incentive program ("Skanska Share Award Plan", or "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 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 per cent 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 fulfilment 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 2006 were adopted by Skanska's Board of Directors in 2005. 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 per cent of the level of the group's financial Outperform target. 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 dividend capacity is intact and (ii) that consolidated operating income must exceed certain thresholds that have been approved by the Board of Directors.

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The Skanska Share Award Plan applies during 2005–2007, with disbursements in 2009–2011. The maximum cost for the Plan is about MSEK 120 per year. In all, share awards equivalent to a maximum of 3,900,000 Series B shares may be granted to employees under the Plan. An additional 600,000 B shares are intended to cover social insurance contributions and the like. The Plan will lead to a maximum dilution of capital stock by about 1.1 per cent over three years. To ensure the delivery of Series B shares to employees under the Plan, during 2006 4,500,000 Series D shares were issued and were then immediately bought back by the company. At the end of each respective vesting period, these Series D shares will be converted into Series B shares and delivered free of charge to those covered by the Plan.

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