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Cover:
Östra Trollåsen, Gothenburg, Sweden
Winner of Byggindustri magazine's
2004 Home of the Year award.

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, Finland as well as in the Czech Republic. 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.

Skanska is one of the leading residential developers in the Nordic countries. Development of residential projects takes place in some of the selected markets where Skanska has a permanent presence. The Nordic housing markets have great similarities and are thus combined in one unit – Skanska Residential Development Nordic. In addition to the Nordic countries, Skanska carries out residential development in the Czech Republic and Slovakia. Skanska Finland performs residential development in Estonia as well.

Residential Development is one of Skanska’s investment businesses. The residential development units are responsible for the entire development chain from land purchase, concept and design to sales, but do not perform any construction work of their own. They buy contracting services, mainly from Skanska’s construction units in each respective 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 in 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, as well as the risk of building up an inventory of completed but unsold housing units, 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 – as well as macroeconomic factors such as employment, inflation and interest rate trends that influence the demand for housing – 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. Value also depends on location. As development risks diminish, value increases. 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.

Projects are accounted for using the percentage of completion method. This means that earnings are recognized as costs are accrued. When applying the percentage of completion method, Residential Development also takes into account the percentage of a project that has been pre-sold. The percentage of completion is multiplied by the pre-sales percentage and the result is the percentage of earnings that can be recognized.

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 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, boosts efficiency while reducing tied-up capital and exposure to market fluctuations. It also leads to lower and more predictable construction costs.

Ownership mechanisms vary in different markets

In Sweden, Norway and Finland, sales occur largely in the form of cooperative housing associations, ownership titles or housing corporations. In Norway, sales of cooperative housing units rose sharply

during 2006 due to a modernization of the law concerning this form of ownership. Skanska acquires land, which is then sold, usually to a cooperative housing association 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 regularly as the phases are completed.

In Denmark and the Czech Republic, development occurs mainly for Skanska’s own account. The residential units are sold individually as ownership units. Here, too, Skanska requires a certain percentage of pre-booked sales before making a decision to start construction.

Product platforms

In residential construction, as in nearly all construction, there is great potential for increasing the degree of industrialization. Skanska is continuing development work to create more industrialized and standardized residential construction. The aim is to create product platforms that can be used as the basis for many projects, thus taking advantage of repetition effects within the product types – apartment buildings, single-family homes and low-cost BoKlok (LiveSmart) units.

Great freedom of choice

Unique design 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. A uniform technical platform allows simplified processes and shorter lead times.

Standardization and greater industrialization are preconditions for residential construction with lower costs, higher quality and shorter development and construction times. They also increase Skanska’s competitiveness.

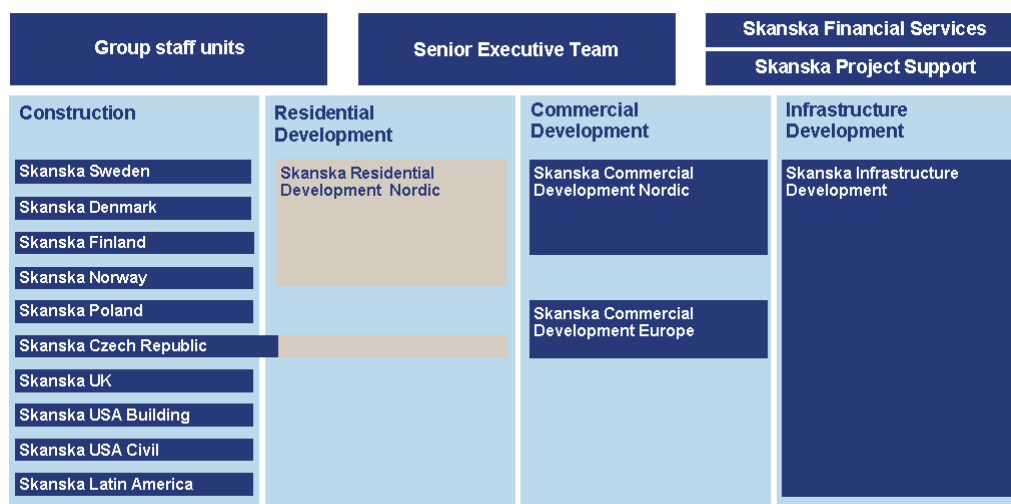
As part of its sustainability efforts, Skanska can offer Sweden’s first Swan-labeled residential buildings. The Uniqhus concept for sustainable housing has been granted a Swan-labeling license. Using environmentally friendly materials and construction methods, combined with low energy consumption, Uniqhus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

Residential Development

SEK M	2006	2005
Revenue	6,788	5,883
Operating income	852	625
Operating margin, % ¹	12.6	10.6
Investments	-5,045	-3,016
Divestments	4,167	3,924
Operating cash flow from operating activities ²	-466	1,149
Capital employed	3,672	2,374
Return on capital employed, %	27.5	25.6
Number of employees	467	430

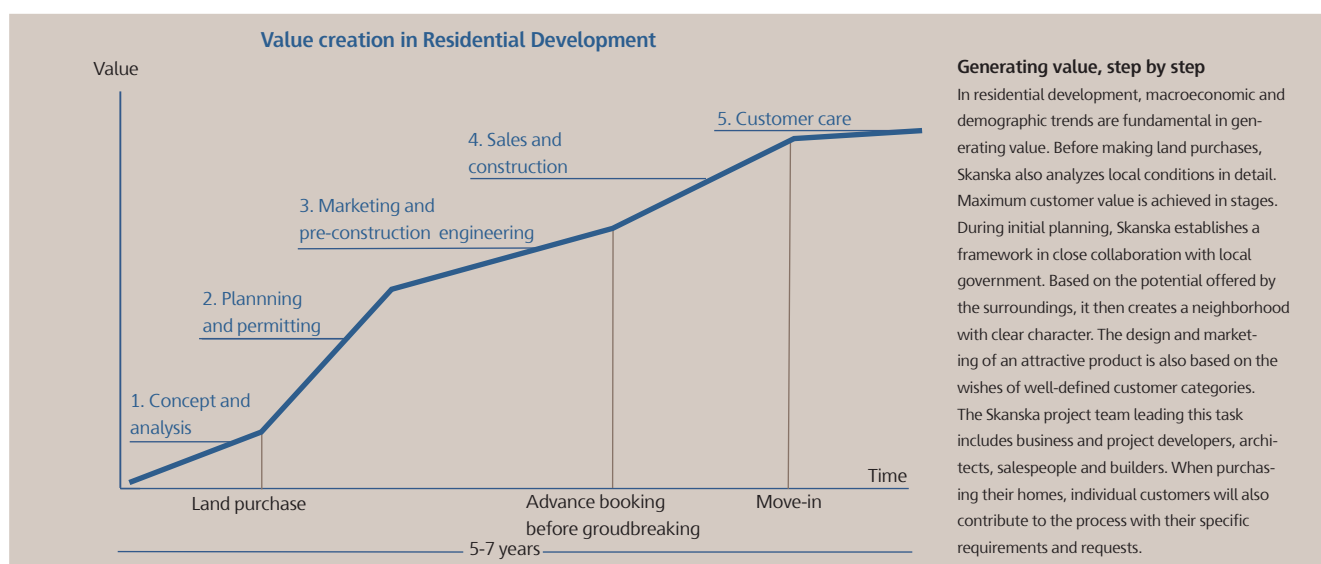
¹ Refers to development gain only. Construction margin is reported in Construction.
² Before taxes, financing operations and dividends.

Group organization and reporting structure



Group assets

SEK M	Dec. 31, 2006	Dec. 31, 2005
Intangible non-current assets	5,230	4,798
Property, plant and equipment	5,457	5,243
Shares and participations	1,953	1,893
Interest-bearing receivables	4,470	3,295
Tax assets	2,306	2,612
Non-interest-bearing receivables	29,094	29,238
Commercial Development	5,583	5,804
of which completed properties	2,930	3,157
of which ongoing projects	821	599
of which land bank	1,832	2,048
Commercial properties, other	956	1,396
Residential Development	5,288	3,282
Cash and cash equivalents	10,970	13,678
Assets classified as held for sale	0	72
Total assets	71,307	71,311



Markets

SEK M	Revenue		Operating income		Operating margin, %		Capital employed		Return on capital employed, %	
	2006	2005	2006	2005	2006	2005	2006	2005	2006	2005
Sweden	2,620	2,394	298	196	11.4	8.2	595	-210	>100	>100
Norway	1,572	1,343	163	132	10.4	9.8	1,378	1,227	12.9	12.0
Denmark	536	-	96	-	17.9	-	776	-	23.3	-
Finland and Estonia	1,574	1,616	221	195	14.0	12.1	651	908	24.2	27.5
Poland	-	114	-	16	-	14.0	-	45	-	21.5
Czech Republic and Slovakia	486	416	74	86	15.2	20.7	286	298	26.0	31.8
Total	6,788	5,883	852	625	12.6	10.6	3,672	2,374	27.5	25.6

Number of unutilized building rights in Skanska

Market	Master plan	Local plan underway	Local plan approved	Building permit stage	Total building rights ¹	Other rights
Sweden	3,900	2,500	2,800	400	9,600	2,000
Norway	700	400	2,000	100	3,200	2,000
Finland and Estonia	500	600	5,200	100	6,400	3,900
Denmark	0	300	400	0	700	100
Nordic countries	5,100	3,800	10,400	600	19,900	8,000
Czech Republic and Slovakia		400	1,300		1,700	1,100
Total	5,100	4,200	11,700	600	21,600	9,100

Residential Development, number of units

Market	Units started	Under construction	Pre-sold, %	Total units sold, 2006	Completed unsold
Sweden	1,484	2,567	91	1,357	4
Norway	845	843	88	833	15
Finland and Estonia	1,753	2,073	62	1,544	86
Denmark	152	325	90	128	1
Nordic countries	4,234	5,808	80	3,862	106
Czech Republic and Slovakia	481	679	85	624	13
Total	4,715	6,487	81	4,486	119

Homes with unique character

The character of a site is increasingly important in creating unique neighborhoods, generating value and attracting customers.

Östra Trollåsen, Snäckeberget and Ullstorps Gärdar – neighborhoods in and around Gothenburg, Sweden – span various price segments. Their design is based on the character of each site and on customer preferences. Projects are developed using a shared working method and philosophy. Skilled, creative teams are hand-picked for each job. A framework is established together with local government, but after that, Skanska leads the creative task of achieving maximum customer value.

Basic components – market, site, customers, platforms – are the starting point for increasingly industrialized construction paired with more individualized design. Uniform platforms allow efficient construction, freeing up resources for unique design solutions that generate greater customer value.

Skanska studies the potential of the surroundings, gives each neighborhood a loose or dense structure and creates outdoor and indoor spaces. But only when everything is harmonious and permeated by one concept does its character clearly emerge. Skanska's role is like that of an orchestra conductor – except it also serves as the composer.



Östra Trollåsen (photo left) is an example of a neighborhood with unique character, reflecting the potential of its surroundings: typical Western Swedish bare cliffs, rock gardens with windswept pines and white homes resembling sculptures in nature. Unique design, unique milieu, but based on one of Skanska's single-family home platforms. Östra Trollåsen received the Swedish construction industry's 2004 Home of the Year Award. The third phase is now sold out.

Snäckeberget (photo above) is reaching new heights. When it expanded upward to the meandering hilly streets crowned by an air traffic control tower, this neighborhood built on the former Torslanda Airport site achieved a unique character. Snäckeberget has also served as a colorful backdrop for Volvo car commercials. The neighborhood is like the car that is built nearby – customized, but built on standard platforms. Snäckeberget has been nominated for the Per and Alma Olsson Prize in architecture.

Development of Ullstorps Gärdar has now begun in Kungälv. The first step is Ullstorps Änggård, a hall for community activities. The pastoral valley setting and a knowledge of local lifestyles shaped the character of the neighborhood: rural homes adapted to meadows and forests. Again – unique homes, but based on Skanska's platforms.

Nordic countries – growth in a strong market

In 2006, residential construction in the Nordic countries remained at a relatively high level in historical terms. The demand, as well as prices, for newly built housing rose during the year.

Skanska's residential development grew in terms of sales, margins and number of housing starts. The Nordic residential business unit surpassed its "Outperform" targets.

During 2006 Skanska sold a total of 3,862 housing units in Nordic markets. The number of units started totaled 4,234, equivalent to an increase of 17 percent on 2005. Skanska is thus one of the largest residential developer in the Nordic countries.

Competition for building rights has intensified, also triggering an increase in land prices.

Continued good economic growth and good disposable household income are expected to have a positive effect on the housing market in 2007 as well.

Sweden and Finland (including Estonia) showed the highest number of housing starts and units under construction.

Stockholm, the largest single regional market, is continuing to grow by expanding north toward Uppsala, south toward Nyköping and west toward Eskilstuna. Norway remains a strong market, and the number of

units started there rose significantly during the year. Beginning in 2006, Skanska is also developing residential projects in Denmark, especially the Copenhagen region. Only a few units have been completed to date, but 90 percent of those under construction have been pre-sold.

The aim of Nordic collaboration is to offer improved products and boost volume, thereby making cost savings possible. The Moderna Hus concept is an example of a higher degree of industrialization in apartment building projects. In the first such projects that were completed, construction time was cut by about 50 percent and costs by about 15 percent.

Skanska's Nordic residential development focuses strongly on generating value by using a holistic approach: designing new residential areas in harmony with their surroundings. The Area Living Design concept implies tying in the shape of a new project with local architecture or history. New neighborhoods are designed to take advantage of nature and environmental values. This may also include creating special premises for community gatherings, thus giving the neighborhood and customers added value.

Sweden



Östra Fagerdal

City	Gothenburg
Total number of units	169
Development period	2003-2008

In Östra Fagerdal we let nature shape the neighborhood instead of the other way around. The result is a harmonious milieu, with easy access to nature and a wide range of services and entertainment as well as to central Gothenburg. Skanska is developing 149 single-family homes in a cooperative housing association, 96-123 sq. m (1,033-1,324 sq. ft.) in floor area, plus 20 economical BoKlok apartments.



Snöflingan

City	Stockholm
Total number of units	170
Development period	2006-2009

The Snöflingan (Snowflake) city block is a new gateway to central Stockholm, located between waterside Rålambshov Park and the roads leading to the city's western and southern suburbs. With its superb location and apartments ranging from 1.5 to 5 rooms plus kitchen, Snöflingan has something for everyone. Many of the 170 cooperative apartments that Skanska has created have gorgeous views of Lake Mälaren and its nearby beaches.

Norway



Skjoldtun BoKlok

City	Fana, Bergen
Total number of units	22
Development period	2004-2005

Skanska has developed 22 BoKlok apartments in Fana, 12 km (7 mi.) outside Bergen. BoKlok (LiveSmart), a joint IKEA/Skanska venture, is aimed at people who want a comfortable home of their own but with money left over for other things. Skjoldtun was named Skanska Norway's 2005 Residential Project of the Year. All apartments sold out in one day, after 490 people had signed up. Residents are very pleased, giving their homes an 88 percent Positive Customer Index rating.



Rudsberghaugen

City	Lillestrøm
Total number of units	76
Development period	2000-2008

Rudsberghaugen, with 76 free-standing and attached houses, is a sold-out residential area. Close to both nature and the city, it features light, open design. Rudsberghaugen is an example of a new neighborhood that flows with nature instead of fighting it. The harmonious design of the area also gives residents marvelous views of hills, forest and water. Meanwhile downtown Lillestrøm with all its services and the express train to Oslo Airport are only one kilometer away.

Denmark



Havneholmen

City	Copenhagen
Total number of units	147
Development period	2006-2009

In Havneholmen, Skanska is developing and building 147 apartments, 122 of them pre-sold. Havneholmen has a unique location in central Copenhagen, close to the Strøget pedestrian street, City Hall and the Fisketorvet shopping mall. Generous terraces give each apartment its own waterside patio.



Ullerødbyen

City	Hillerød
Total number of units	350
Development period	2006-2010

In Ullerødbyen in Hillerød north of Copenhagen, Skanska is developing and building apartments, attached houses and duplexes. Modern in design, they offer high quality, functional floor plans and a good outdoor environment. Skanska has devised an overall environmental plan for Ullerødbyen, where each part of the neighborhood retaining its own green character.

Finland and Estonia



Espoon 5 Klippinkä

City	Espoo
Total number of units	5
Development period	2005-2006

As Oy 5 Espoon Klippinkä consists of five separate two-story wooden homes built from modules, which shortened construction time. The living area is designed to be attractive yet functional. Several windows have park views. This neighborhood in the Helsinki suburb of Espoo is small and friendly, yet close to everything. The project was built in a former Housing Fair area, so customers were able to move into homes already located in a pleasant milieu.



Lutakko

City	Jyväskylä
Total number of units	880
Development period	1998-

Since 1998 Skanska has been an active partner in developing and constructing the Lutakko area of Jyväskylä, with its unique lakeside location, and has built more than 550 residential units. In 2006, Skanska constructed 45 new units there. Its next project, starting in 2007, is a 15-story high-rise that will be a clear Lutakko landmark – Skanska's last residential building in the project and its 16th apartment house in Lutakko.

Czech Republic – continued vigorous demand in Prague

Skanska Czech Republic develops, builds and sells residential units directly to private customers. During 2006 demand remained very strong and sales of residential units rose. Skanska sold 624 apartments, equivalent to an increase of about 76 percent compared to the preceding year. During 2006, construction began on 481 units, which represented a doubling compared to 2005.

For several years, the Czech economy has shown annual growth exceeding five percent. Stable, relatively low interest rates have contributed to strong housing demand.

Prague is the country’s foremost center of economic growth, and Skanska’s residential development thus focuses on the capital. Demand for housing in Prague and its environs is driven both by expanding population and by greater consumer purchasing power.

Housing demand has also benefited from the country’s harmonization with EU value-added tax rules. Starting in January 2008, VAT on home purchases will rise from 5 to 19 percent. Many customers are choosing to buy their home before the tax increase. The market is thus expected to remain vigorous during 2007.



Botanica

City	Prague
Total number of units	260
Development period	2002-2008

During 2002 to 2008, Skanska will have built 750 apartments and 130 single-family homes plus nearly 10,000 sq. m (108,000 sq. ft.) of commercial space in the Botanica area. The project is divided into four phases. In designing the Botanica residential area, Skanska has stressed natural elements. The area has plenty of greenery, which transitions into a large natural park – an ideal place for active leisure. Apartments maintain high standards and offer practical living, comfort and peace.



Harmonie

City	Prague
Total number of units	532
Development period	2002-2006

The Harmonie housing complex consists of separate buildings arranged in a quarter circle in several lines, to let as much sunlight as possible into the living rooms of the apartment from the south and southwest. These four- to six-story buildings were placed on a slope in such a way as not to cast shadows on each other. Some of the apartments at the highest levels also offer views of nearby areas of single-family homes, a park and a valley with an attractive small lake.

Residential Development, number of units

Market	Units sold January-December	
	2006	2005
Sweden	1,357	1,450
Norway	833	669
Finland incl. Estonia	1,544	1,737
Denmark	128	0
Nordic region	3,862	3,856
Poland		86
Czech Republic	624	355
Total	4,486	4,297

Market	Units started January-December	
	2006	2005
Sweden	1,484	1,173
Norway	845	672
Finland incl. Estonia	1,753	1,764
Denmark	152	0
Nordic region	4,234	3,609
Poland		0
Czech Republic	481	233
Total	4,715	3,842

Units under construction, December 31, 2006

Market	Under construction	Of which sold	Of which sold, %	Completed unsold
Sweden	2,567	2,331	91	4
Norway	843	746	88	15
Finland incl. Estonia	2,073	1,283	62	86
Denmark	325	294	90	1
Nordic region	5,808	4,654	80	106
Poland				
Czech Republic	679	580	85	13
Total	6,487	5,234	81	119

Number of unutilized building rights, December 31, 2006¹

Market	Building rights	Options ²	Total
Sweden	9,540	2,060	11,600
Norway	3,290	1,990	5,280
Finland incl. Estonia	6,380	3,900	10,280
Denmark	710	70	780
Nordic region	19,920	8,020	27,940
Czech Republic	1,650	1,100	2,750
Total	21,570	9,120	30,690

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 2006	Jan-Dec 2005	Oct-Dec 2006	Oct-Dec 2005	Jan-Dec 2006	Jan-Dec 2005	Oct-Dec 2006	Oct-Dec 2005
Sweden	2,620	2,394	717	758	298	196	105	75
Norway	1,572	1,343	485	323	163	132	57	36
Denmark	536	-	307	-	96	-	75	-
Finland	1,574	1,616	427	452	221	195	76	47
Poland	-	114	-	43	-	16	-	10
Czech Republic	486	416	166	86	74	86	27	1
Total	6,788	5,883	2,102	1,662	852	625	340	169

SEK M	Operating margin ¹				Return on capital employed ²	
	Jan-Dec 2006	Jan-Dec 2005	Oct-Dec 2006	Oct-Dec 2005	Jan-Dec 2006	Jan-Dec 2005
Sweden	11.4	8.2	14.6	9.9	>100	>100
Norway	10.4	9.8	11.8	11.1	12.9	12.0
Denmark	17.9	-	24.4	-	23.3	-
Finland	14.0	12.1	17.8	10.4	24.2	27.5
Poland	-	14.0	-	23.3	-	21.5
Czech Republic	15.2	20.7	16.3	1.2	26.0	31.8
Total	12.6	10.6	16.2	10.2	27.5	25.6

¹ Development profit only. Construction margin reported under Construction.

² Rolling 12 months