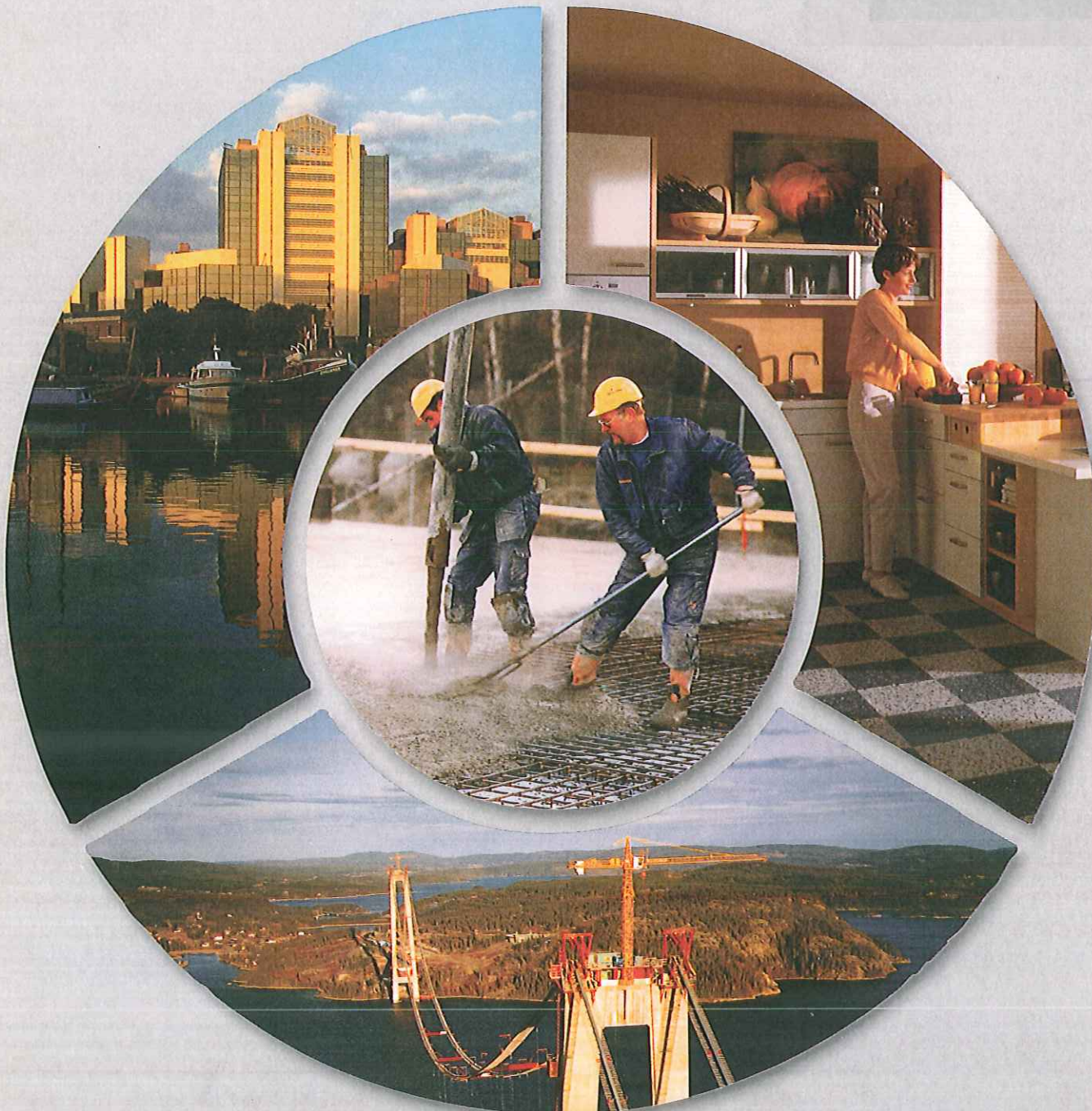


# Skanska 1996

ANNUAL REPORT



 **SKANSKA**

## CONTENTS

- 1 This is Skanska
- 2 1996 in brief
- 4 Comments by the President and Group Chief Executive
- 6 A conversation about the future
- 8 Operations, goals, success factors
- 10 Eight-year Group financial summary
- 12 A piece of Skanska, 1996
- 13 The Skanska share
- Review of operations**
- 14 Construction
- 16 Swedish Construction business area
- 18 International construction operations
- 18 International Construction business area
- 20 Skanska USA business area
- 22 Industry
- 24 Building Products
- 26 Building Systems
- 27 Installation Products
- 28 Real Estate
- 32 Real Estate business area
- 35 Other real estate operations
- 36 Finance
- 39 Information technology at Skanska
- 40 Personnel
- 42 Results-oriented environmental work
- 44 Technical development
- Financial report**
- 45 Report of the Directors
- 49 Accounting and valuation principles
- 52 Consolidated income statement, with comments
- 54 Consolidated balance sheet, with comments
- 56 Consolidated statement of changes in financial position
- 57 Parent Company income statement, statement of changes in financial position
- 58 Parent Company balance sheet
- 59 Notes to the financial statements
- 66 Definitions of financial ratios
- 67 Proposed allocation of earnings
- 68 Auditors' Report
- 69 Board of Directors, Auditors
- 70 Group Management, heads of Group staff units
- 71 Organizational chart, 1997
- 72 Investor relations
- Financial analyses of Skanska
- Annual Shareholders' Meeting
- Official announcement
- Addresses

## FINANCIAL INFORMATION

During the year, Skanska produces the following financial reports:

- *Year-End Report in February*
- *Annual Report in April*
- *Three Month Report in May*
- *Six Month Report in August*
- *Nine Month Report in November*

The 1997 Three Month Report will be issued on May 5, the Six Month Report on August 22 and the Nine Month Report on November 21. The Year-End Report, Annual Report and interim reports are published in Swedish and English.

As a complement to this Annual Report, Skanska is producing an Environmental Report, presentations of the Building, Civil Engineering and Industry business areas and a booklet entitled *Skanska's Real Estate Holdings 1997*, all in Swedish and English.

All financial information can be ordered from:

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

Skanska's financial information is also available on the Internet: <http://www.skanska.com>

JM's Annual Report (in Swedish only) can be obtained from:

*JM Byggnads och Fastighets AB*  
*Box 27319*  
*S-102 54 Stockholm, Sweden*  
*Telephone +46 8 782 87 00*  
*Fax +46 8 660 02 97*

**The Annual Meeting of Shareholders will take place in Malmö, Sweden on May 5. For an official announcement of the Annual Meeting, see the inside back cover of this Annual Report.**

**Skanska 1996 Annual Report**

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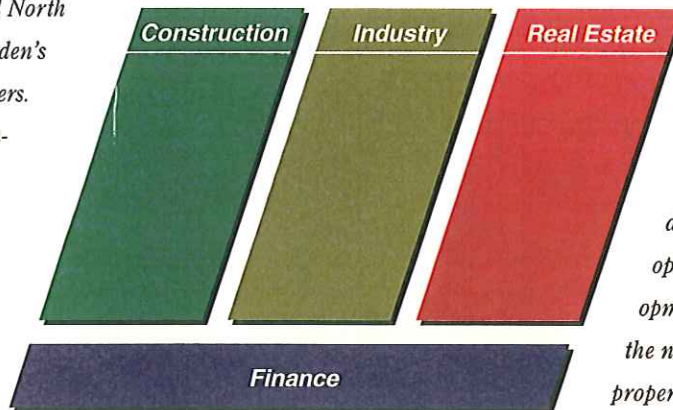
*Cover: The High Coast Bridge over the Ångermanälven River, the Thomas More Square office complex in London and a kitchen from the Poggenpohl Group.*

# This is Skanska

Skanska is one of the leading construction companies in Europe and North America as well as one of Sweden's largest private real estate owners. It also has sizable construction-related industrial operations.

As a result of Skanska's efforts to become more international, operations outside Sweden account for nearly 50 percent of total invoiced sales.

At any given time, the Skanska Group is engaged in construction operations in several dozen countries around the world. Not only Sweden, but also Denmark, Finland and the United States are regarded as its "domestic markets." From Sweden, Skanska carries out extensive worldwide project exports, consisting mainly of heavy civil engineering assignments as well as turnkey hospitals and hotels. By establishing the new BOT Projects (Build-Own-Transfer) business area, Skanska is stepping up its involvement in not only building but also wholly or partially financing, owning and operating large infrastructure projects.



The strategy of Skanska's Real Estate business area is specialization, geographic concentration and project development. The business area consists of two project development units – Project Development Sweden and Project Development International – as well as the nationwide Swedish residential property management company Drott and four regional companies that manage commercial space. In addition, Skanska is part-owner of the Swedish-based specialized real estate companies Pandox, Piren and Norrporten.

Among the companies in Skanska's construction-related Industry business area are Poggenpohl and Kährs in the field of Building Products, Myresjöhus in Building Systems, and the ventilation company IV Produkt in the field of Installation Products.

The Group has also built up substantial financial strength by means of large real estate holdings and its share portfolio.

Skanska began its operations in 1887 and has been listed on the Stockholm Stock Exchange since 1965.

## DURING 1996 SKANSKA WORKED IN 60 COUNTRIES AND TERRITORIES



# 1996 in brief

## Important events

*Income after financial items rose to SEK 5.2 billion, or twice the level of 1995*

•

*Skanska strengthened its industrial operations by acquiring Skåne-Gripen*

•

*Restructuring transactions in the Real Estate sector*

*– Norrporten and Piren*

•

*Varying market picture in the Construction sector*

*– heavy order bookings in the United States*

*– weak construction market in Sweden*

•

*Shareholding in Graninge divested, with a satisfactory capital gain*

•

*New dividend policy*

*– the Board of Directors proposes a dividend of SEK 10.00 per share*

•

*Additional transfer of SEK 8–10 billion to shareholders is being planned*

## Comments on earnings

Invoiced sales rose by 24 percent during 1996. For comparable units, the increase was 11 percent. The increase occurred primarily in the international portion of Skanska's operations, which accounted for 46 percent (39) of total consolidated invoiced sales for the year. The higher operating income is primarily explained by improvements in the Real Estate sector, plus the earnings of businesses acquired during the year. The net profit for the year included a capital gain of SEK 1,760 M (25) on shares sold. The proposed dividend for 1996 represents a doubling of the previous year's amount and is based on a new dividend policy.

SEK M	1996	1995
Invoiced sales	47,472	38,395
of which, outside Sweden	21,859	14,793
Operating income after depreciation	4,118	3,232
Net profit for the year	4,074	1,610
Net profit per share, SEK	32.35	12.80
Dividend per share, SEK	10.00*	5.00

\*Proposed by the Board of Directors



*The Öresund Bridge is being built by the Skanska-led consortium Sundlink Contractors. Work in 1996 included pouring two foundations – each more than 20 m (67 ft) high – for the piers of the elevated bridge. This took place at the Kockums dry dock in Malmö. The link between Sweden and Denmark will open for traffic in the year 2000.*

### **New organizational structure for greater efficiency**

During 1996, Skanska implemented a number of strategically important organizational changes. The Group now consists of six separate business areas.

These changes are intended to enhance the efficiency, client orientation and competitiveness of all units in the Skanska Group.

The point of departure has been to create strongly specialized units with a clear business and market orientation.

During 1996, Skanska's construction-related Industry business area assumed a new, more market-oriented structure and was greatly strengthened by the acquisition of Skåne-Gripen. Industry is now a highly effective business area, with sales of some SEK 10 billion a year and strong market positions both in Sweden and abroad.

The changes undertaken in the Real Estate business area have primarily aimed at achieving greater specialization in its operations and property holdings. After the reorganization, commercial property management is being handled by three

companies – with headquarters in Stockholm, Gothenburg and Malmö, respectively – and a company covering the rest of Sweden. All residential properties have been gathered under the wholly owned subsidiary Drott, which is now Sweden's largest privately owned residential property company. Two new units – Project Development Sweden and Project Development International – were established to take better advantage of the attractive business opportunities available in the real estate market.

Early in 1997, Skanska unveiled a new organizational structure for its Construction sector. Civil Engineering is the new business area for all road and civil works operations worldwide, while all building construction has been gathered in the new Building business area. An exception was made for Skanska USA, which remains a separate business area. Meanwhile, Skanska created a special business area that focuses on the growing proportion of infrastructure projects which are privately financed – known as Build-Own-Transfer (BOT) projects.

# Comments by the President and Group Chief Executive

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*Nineteen ninety-six was a successful year for Skanska. Earnings were the highest ever. The task of increasing the specialization, focus and strength of the Group's three core businesses continued at a rapid pace. This included a number of acquisitions and restructuring transactions.*

Skanska's 1996 income of SEK 5.2 billion after financial items was the highest income to date in the Group's history. Even disregarding the capital gain from the sale of Graninge shares, the overall trend of earnings was positive. Being able to say this is gratifying to us who work at Skanska, as well as to our shareholders – especially in light of continued weakness in the Swedish construction market. It also gives me reason to express my appreciation for the fine contributions made by Group employees during 1996.

## **Earnings**

Despite continued overall market weakness, Skanska's Swedish Construction sector is showing some improvement in operating margin. This is due, among other things, to efficiency-raising programs that have been underway for a number of years. The Group's own project development work is also contributing to the earnings improvement. In the current market situation, this type of proactive investments has become increasingly important. Meanwhile, low order bookings in a number of regional markets have required capacity adjustments, and employee cutbacks were unfortunately necessary again during 1996.

I consider it very positive that over the past few years, we have strengthened our position as the country's leading

bridge and tunnel builder. Today Skanska is running the two largest bridge construction projects in Sweden – the High Coast Bridge and the Öresund Bridge. Early in 1997 we also landed the contract to build the Sunningesund Bridge outside Uddevalla. The Halland Ridge railroad tunnel project is also in full progress. A documented track record and expertise in various specialized fields are obviously important in competing for large, complex new assignments.

The experience we are now gaining from these ongoing projects will, I anticipate, also prove valuable in our international construction operations, which showed relatively unchanged earnings and margins in 1996. The underlying trend of earnings here is positive, however. In my judgment, the margin is at about the level that can normally be expected. I base this assessment on the fact that two thirds of invoiced sales in our international construction operations are related to our U.S. operations, which are dominated by construction management assignments with comparatively narrow margins.

Our U.S. construction operations were again very successful in 1996. Skanska's projects related to the Olympic Games in Atlanta – most notably the Olympic Stadium – were completed as planned. Meanwhile, order bookings were very strong. Furthermore, a major contract related to one section of a freeway project in Boston was followed early in 1997 by two more large orders related to the same project.

By purchasing Skåne-Gripen, we greatly strengthened our construction-related industrial operations. The acquisition doubled the invoiced sales of the Industry business area. In terms of overall earnings, however, 1996 was a weak year for this business area. Newly acquired operations were adversely affected by the relatively weak German market trend. The weakness of the Swedish

construction market remains a source of concern for other Industry operations. The business area implemented additional streamlining measures during 1996. Expenses related to these measures were charged to the year's earnings.

In my judgment, however, we now have a strong base for achieving a sizable earnings improvement in the Industry business area starting as early as this year. In addition, we have an attractive structure with good growth potential. The purchase of Skåne-Gripen, for example, gives us strong positions in the kitchen and hardwood flooring markets, including such well-known brand names as Poggenpohl and Kährs.

Skanska's Real Estate operations benefited from heavier demand for commercial space, while interest in property investments grew during the year. Along with our active property management and development efforts, this led to a substantial improvement in earnings. We also carried out further restructuring transactions in line with our strategy. I am thinking primarily of our transactions with Piren and Norrporten. In both cases, Skanska divested attractive properties in exchange for cash payment and shares in each respective company. Both sales led to sizable capital gains, which underscored the quality of our property portfolio. As shareholders in these two companies, we can also benefit from their future growth in value.

## **Greater focus on core businesses**

Skanska's strategy is to focus on construction, construction-related industry and real estate. In line with this, when business conditions have warranted, over the past few years we have undertaken step-by-step divestments of portions of the Group's holdings in unrelated businesses.

During 1996 we implemented a number of additional transactions as part of our established strategy. This included

the sale of Skanska's shareholding in Grange, which also exemplifies our ambition that divestments should not only be strategically sound but should also be profitable transactions in themselves.

The acquisition of Skåne-Gripen, as well as our transactions with Norrporten and Piren, should naturally also be viewed in light of our overall strategy.

The organizational changes that we implemented during 1996 and early 1997 are also very important. In all business areas, we now have strongly market-oriented yet very focused organizations. Their high degree of specialization strengthens the efficiency and competitiveness of their operations. Meanwhile, the new structure enables us to take even better advantage of potential collaboration and synergies within the Group than previously.

#### **The capital base**

Successful construction and real estate operations are characterized by long-term business relationships. Together with the Group's professional expertise in various fields, our financial resources are of crucial importance in providing Skanska with the credibility that we seek as a business partner, both in Sweden and internationally. Financial strength also enables us to act more vigorously and flexibly in response to attractive business opportunities.

Our good financial position is thus important. It is the duty of the Board of Directors and Group Management to continuously ensure the availability of the requisite capital base for continued development.

The dramatic upturn in the value of both real estate and equities in recent years, especially during 1996 – along with the positive earnings trend in Skanska's core businesses – has led to a sharp increase in consolidated adjusted equity.

In our judgment, the Group's capital



base now exceeds the requirements of its core businesses. The previously announced plan to transfer SEK 8–10 billion in excess capital back to the shareholders should be seen in light of this. As soon as possible, we intend to propose suitable mechanisms for implementing this transfer.

#### **Outlook**

Developments during 1996 provided ample evidence that our strategy is sustainable. The more market-oriented structure that we have now established further strengthens our competitiveness. Our investments in the fields of technical development, environment and information technology are naturally also of great importance here. In this context, I would also like to emphasize the importance of our large-scale management development program which, aside from its primary training purpose, also helps to strengthen the Group's international network.

For a transnational group like Skanska, the business outlook naturally varies from one market to another. Our American construction operations have reported strong and larger order bookings during the early months of 1997. In Sweden there are unfortunately few indications of any construction market upturn during 1997, whereas the outlook for real estate operations remains favorable.

*Melker Schörling*

# A conversation about the future

*What will happen over the next 5–10 years in the industries where Skanska operates? Will construction increase or decrease? Will real estate ownership change in character? What will be needed to keep up with the competition? To discuss these issues, Melker Schörling – Skanska’s Group Chief Executive – invited the internationally recognized industry expert Carsten Lehrskov of Denmark for a conversation about the future.*

Carsten Lehrskov (CL) began by pointing out how rapidly things are changing. He cited offices as an instructive example:

“Within 10 years, 30 percent of all office work is expected to be performed in the home. But this doesn’t imply, by any means, that offices will be less important. On the contrary! Even more than today, the office will be the hub and heart of a company, organization or public agency. It is where people will gather for important meetings or to make decisions, meet customers or suppliers. So an office will have to meet even higher standards than previously. It must be serviceable and well-equipped, stimulating and flexible.

“The same will be true in all kinds of businesses. High standards of quality, serviceability and flexibility will also apply to other types of buildings.

Melker Schörling (MS) concurred and meanwhile broadened the perspective:

“I noticed the concept of serviceability. Keeping that word in mind and constantly thinking about functionality is of absolutely central importance to us – as builders, as real estate developers, as manufacturers of construction components.



“Client and user benefit is crucial – not production technology. Even more than today, we have to be good at putting ourselves in the user’s situation.”

## **Client orientation and specialization**

But at the same time, Mr. Lehrskov continued, you must expect your customers to become much more open to change:

“Your clients evolve and their operations change. They need new solutions. If you can deliver them, you can keep your clients. If not – thank you and farewell!”

MS: “The key concept is actually ‘problem-free solutions.’ The ability to deliver that is everything.”

CL: “Many large, successful companies have already drawn important conclusions from this – you at Skanska, for example.

“The construction company of the future will provide a coordinated mix of specialized expertise in different fields. Companies that feel they lack an important kind of expertise will obtain it by acquiring other companies – especially

in other countries, so that they can increase their local market knowledge at the same time.”

## **Greater professionalism among clients**

Melker Schörling confirmed that Skanska’s experience in various markets points in the same direction: specialization, internationalization, tougher competition.

“But that is only half of the truth. At least equally important is the realization that clients have changed – whether they are dealing with a construction project or choosing office or industrial premises. They have become much more professional, demanding and thorough in their purchasing work. Today they know what they want. They demand dedication and sensitivity to their needs. But also cost-effectiveness.”

CL: “This growing professionalism among clients is also very true of public sector projects nowadays. A number of traditionally public sector projects are also being given to private sector organizations. One current example is the big



renovation and extension of Copenhagen Airport in Denmark. The trend is clear, but I think it will be a while before this type of project accounts for a really sizable part of the market.”

MS: “For the time being, Build-Own-Transfer (BOT) and other privately financed projects are limited in scale. But it is still an attractive market segment; the projects are often large-scale. From a business standpoint, they are also very well-suited to a company like ours, which not only has the resources to build them but can also act as co-financier and project developer.”

CL: “That brings us to something interesting and highly important – the role of groupwide, corporate staff units.

“Among many other things, what will distinguish successful companies in the future will be precisely their ability to help craft financial packages. Clients will not be satisfied with mere blueprints and technical solutions. They will want to see an overall vision of the whole project.

“Construction or real estate companies will thus need corporate managements that are highly skilled at coordinating resources and expertise, that make sure their organization has a flexible structure and that constantly improve their project management expertise.

“Furthermore: Experience shows that companies with large technical, financial and management resources grow faster than the industry average.”

### **The market is growing – but very unevenly**

Melker Schörling and Carsten Lehrskov both believe that the construction and real estate markets will grow. The overall world economy is growing. Experience indicates that in the long term, construction will grow at the same pace as the economy. But this growth will be very uneven.

CL: “In Western Europe, growth is expected to be weak. In the United States, the market picture is mixed. In other parts of the world, for example South East Asia and South America, there is very dynamic growth.

“In Central and Eastern Europe, the Baltic countries and the former Soviet Union, there are many question marks. There is a great need for housing, commercial properties and industrial space as well as roads, rail systems and airports. There is also very heavy demand, but – it should be noted – only in limited markets.”

MS: “At Skanska, we are very active but at the same time very selective about our commitments in these countries. Incidentally, this is true of most of our operations nowadays. Above all, we are specialists. In principle, we only commit ourselves to projects and markets where we know that we enjoy competitive advantages. For example, we are a leader when it comes to large hydroelectric power and underground construction projects.”

### **Conclusions**

What are the conclusions? How can a multinational company work and organize in order to be successful in the construction and real estate industry?

According to Mr. Lehrskov, the simple answer to that question is this: you have to be very proficient, especially in terms of management, as well as very strong. But, he adds, there is also a more complex reply.

CL: “You need to be highly proficient at creating the right team for each individual project, at bringing together the right kinds of expertise, gathering the right resources and knowing how to implement the project according to the client’s wishes.

MS: “I agree. But I would like to add two concepts: long-term planning and

foresight. We need these when we build up expertise, recruit managers and other employees and train personnel. We need them just as much in our specialization and our marketing efforts. And last but not least, in our contacts with clients, business partners, suppliers, public agencies and decision makers.

“Continued specialization, continued internationalization and growing client orientation are precisely what distinguishes the new structure of Skanska’s core businesses. Our task is to deliver exactly what our clients want. Closer collaboration between Construction, Industry and Real Estate improves our ability to do this.”



*Carsten Lehrskov is President of European Construction Research (ECR) in Copenhagen. ECR specializes in analyzing and forecasting construction and real estate industry trends for its clients. In doing so, it can draw on the assistance of a worldwide network of industry experts.*

# Operations, goals, success factors

**S**kanska's operations are aimed at providing its shareholders with a good dividend on their investment and strong growth value.

## Operations

Skanska's core businesses are Construction, construction-related Industry and Real Estate. Skanska is one of the largest private real estate owners in Sweden. It has built most of its properties for its own account. They are concentrated in Stockholm, Gothenburg and Malmö – Sweden's three largest metropolitan areas. In the Construction sector, Skanska enjoys a market-leading position in Sweden. In recent years, the Group has also systematically internationalized its operations, establishing itself as one of the leading European multinational construction companies and carving out a strong position in selected regional markets in the United States. The relative importance of its construction-related Industry sector has increased over the past year, and the Group has strong positions in a number of product markets both in Sweden and abroad.

## Financial goals

Skanska's three core businesses work under different conditions in terms of their earnings margins, criteria of profitability, capital intensity and capital structure. There are consequently major differences in targeted return on investment in each respective business area. In the Real Estate sector, moreover, it is essential to take into account both yield and increases in property value.

The financial goals of the Group as a whole depend on the relative importance of its different core businesses, which may vary over time.

## Dividend policy

Skanska's long-term dividend policy is to pay an amount equivalent to 3–4 percent of the Group's adjusted equity – as determined by the Board of Directors – at the previous financial year-end.

## Non-financial goals

Skanska shall be a leader in its respective core businesses. Clients and tenants shall regard Skanska as a strongly client-oriented company, focusing on quality and efficiency. Equally important is that Skanska be perceived as a serious company that takes a long-term approach to its work

and accepts a large measure of responsibility for people and for the environment. Group employees, as well as the labor market as a whole, shall perceive Skanska as an attractive employer.

## Strategic success factors

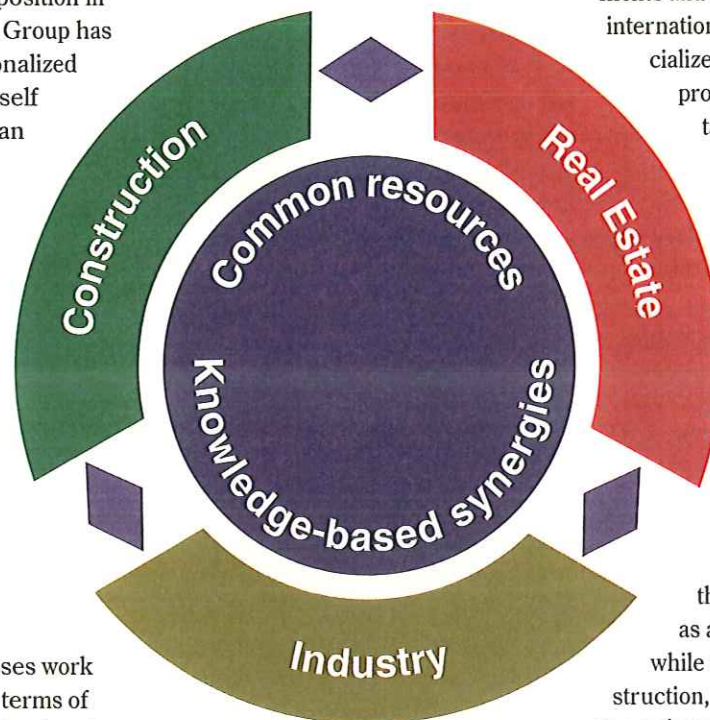
Skanska's operations and growth are based primarily on four success factors:

### 1. Expertise

During its more than century-long history, Skanska has developed a broad range of technical expertise, covering all types of construction. The Group has experience of both small local assignments and large, advanced projects in an international setting. Expertise in specialized technologies, financing and project management are important competitive factors. The Group's size, both as a builder and property manager, creates further potential for profitable specialization and human resources development in each respective sector.

### 2. Collaboration

Skanska's three core businesses are different in nature and operate as independent sectors, with the Group's financial resources as a common base. Meanwhile the strong ties between construction, construction-related industry and real estate operations provide good opportunities for various forms of collaboration resulting in competitive advantages and improved business opportunities. There is consequently close operative collaboration between Skanska's construction and real estate sectors in the development of new real estate projects, where the requisite expertise in different fields can be combined effectively within the Group. Current examples of this are the project to



*Skanska's three core businesses operate as independent sectors, where the potential for collaboration and utilization of knowledge-based synergies meanwhile provides competitive advantages. Access to common resources and expertise in finance, specialized technologies, information technology and environmental science further strengthens the operations of the Group.*



*The Atrium Business Center – an office complex in Warsaw, Poland – is a project developed by Skanska in collaboration with the city of Warsaw and international investors. In April 1997, construction begins on the third phase, Atrium Plaza. Skanska is participating both as owner and property manager.*

build new headquarters for the Electrolux appliance group in Stockholm and the combined office building and manufacturing unit being built for the Ericsson telecommunications group in Sundbyberg, a Stockholm suburb. Skanska is responsible for the concept, construction, ownership and management of these projects and has thus been able to provide unique, competitive package solutions. The increased level of industrialization in construction work strengthens the potential for collaboration between Skanska's construction and industrial operations. The growing importance of the private sector market – for example in the construction and management of residential buildings – also strengthens the knowledge-based

synergies between Industry and other business areas.

**3. Multinational presence**

Through its international network of independent subsidiaries with leading positions in their local domestic markets, as well as through project exports, Skanska has built up a multinational presence – a “transnational network” with strong local roots. In addition to diversifying the Group's geographic risk exposure, internationalization yields knowledge-based synergies and competitive advantages. The Group's multinational presence strengthens its ability to compete for internationally tendered projects in growth markets worldwide. It derives

its strength from the creation of a broader base of technical expertise and human resources, as well as from the access to local export financing resources that each subsidiary enjoys.

**4. Financial resources**

The Group's financial resources include both capital assets and financial expertise. Both are important factors in the continued successful growth of Skanska's core businesses. Because of its financial strength, the Group will act more vigorously and flexibly in response to new business opportunities. This also strengthens Skanska's credibility as a partner in the long-term business relationships that characterize the construction and real estate sectors.

# Eight-year Group financial summary

SEK M	1996	1995	1994	1993	1992	1991	1990	1989
<b>Income statements</b>								
Operating income after depreciation								
Contracting operations etc. incl. other businesses	606	667	473	576	945	1,298	1,355	653
Operating margin, %	1.6	2.0	1.6	1.7	2.8	4.8	4.9	3.8
Industrial operations	793	330	341	90	-2	332	612	510
Sale of investment and development properties	790	532	293	1,511	69	141	95	136
Development properties excluding new appraisals	32	-9	-14	10	-120	82	43	-13
Property management excluding new appraisals	1,848	1,714	1,608	1,875	1,816	1,443	997	951
New appraisals	49	-2	-91	-2,004	-4,329	-1,467	-166	-
Financial items	1,054	-659	670	-877	-1,918	-1,115	-568	750
Income after financial items	5,172	2,573	3,280	1,181	-3,539	714	2,368	2,987
Extraordinary expense					-518			
Taxes	-813	-692	-349	-581	752	-51	-922	-790
Minority interest in income	-285	-271	-94	-57	144	33	-147	-187
Net profit/loss for the year	4,074	1,610	2,837	543	-3,161	696	1,299	2,010
<b>Balance sheets</b>								
Liquid assets	3,171	3,639	6,078	6,427	5,045	6,540	10,243	5,899
Shares and participations (current assets)	31	223				146	282	175
Non-interest-bearing current receivables	9,151	7,065	6,935	5,183	5,790	5,592	5,772	5,612
Interest-bearing current receivables	1,476	1,463	749	1,263	2,428	2,185	3,216	1,441
Inventories	1,291	365	355	291	330	424	504	450
Investment and development properties	21,589	21,475	19,566	21,463	22,095	23,249	19,173	14,311
Shares and participations (fixed assets)	7,143	4,207	5,339	5,416	6,164	6,760	6,870	6,357
Non-interest-bearing long-term receivables	382	375	779	671	653	619	590	346
Interest-bearing long-term receivables	556	680	393	445	519	971	1,022	437
Other fixed assets	6,434	2,799	2,576	2,652	2,932	3,342	3,484	3,124
Non-interest-bearing current liabilities	11,711	10,072	10,135	9,127	9,489	8,322	9,391	7,275
Interest-bearing current liabilities	6,343	1,711	4,234	1,794	1,780	5,413	5,995	1,358
Work in progress	4,192	4,220	4,761	5,772	6,674	6,334	7,096	4,966
Non-interest-bearing long-term liabilities	2,384	1,885	1,842	2,113	2,076	3,143	2,967	3,094
Interest-bearing long-term liabilities	10,397	11,652	10,516	16,173	17,786	14,975	14,067	11,010
Minority interests	1,546	1,466	608	549	415	492	621	466
Shareholders' equity	14,651	11,285	10,674	8,283	7,736	11,149	11,019	9,983
Total assets	51,224	42,291	42,770	43,811	45,956	49,828	51,156	38,152
Net interest-bearing indebtedness	11,537	7,581	7,530	9,832	11,574	10,692	5,581	4,591
<b>Invoiced sales</b>								
Invoiced sales incl. rents	47,472	38,395	32,358	28,921	31,883	34,697	37,291	29,868
of which, outside Sweden, %	46	39	34	23	14	13	11	8
Invoiced sales on contracts credited to income, incl. rents	47,872	38,608	37,527	33,362	31,004	33,432	35,580	23,594
Invoicing level, incl. rents, %	101	101	116	115	97	96	95	79
<b>Average number of employees</b>								
	38,245	32,728	28,868	27,398	28,646	31,077	31,746	29,494
<b>Financial ratios etc.</b>								
Dividend per share, SEK (1996: proposed)	10.00	5.00	3.75	3.25	1.50	3.25	3.13	2.63
Net profit/loss per share, SEK	32.35	12.80	22.55	4.30	-25.10	5.55	10.30	15.95
Equity per share, SEK	116.35	89.60	84.75	65.80	61.45	88.55	87.50	79.30
Return on shareholders' equity, %	31.4	14.7	29.9	6.8	neg	6.3	12.4	22.5
Return on capital employed, %	21.9	15.3	17.0	13.7	0.7	11.1	15.9	19.7
Equity/assets ratio, %	31.6	30.2	26.4	20.2	17.7	23.4	22.8	27.4
Debt/equity ratio	0.7	0.6	0.7	1.1	1.4	0.9	0.5	0.4
Interest cover	4.6	2.6	3.5	1.4	< 1	1.2	2.1	3.4

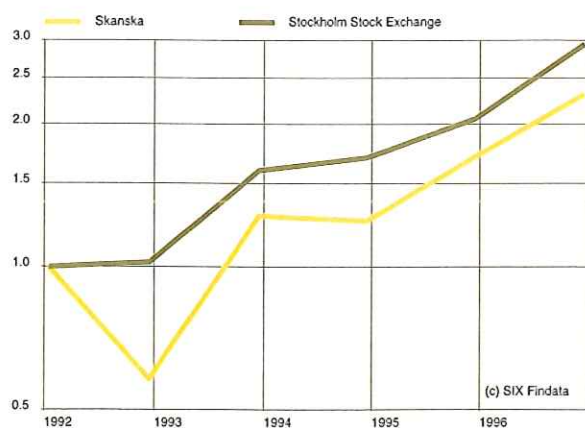
# A piece of Skanska, 1996

A Skanska share represents a piece of the Group's overall earnings and net assets and is thereby also a piece of the Group's core businesses – Construction, construction-related Industry and Real Estate – which work under different conditions in terms of invoiced sales volume, capital intensity and capital structure. The diagrams below illustrate Skanska's overall structure in these respects. As they indicate, a large proportion of the Group's economic resources consist of properties, while most interest-bearing liabilities

are also property-related. Skanska's construction sector, on the other hand, has a low level of capital intensity, but together with the industrial sector it accounts for most of the Group's invoiced sales. Earnings are relatively evenly spread among the sectors, but in certain years, capital gains from the sale of properties and other assets may affect the picture. This was true in 1996, when the capital gain from the divestment of the Group's Granning shares was included in its earnings.



## Total return



The total return includes share price changes plus dividends.

## Per-share data

		1996	1995	1994	1993	1992
Net profit/loss	SEK	32.35	12.80	22.55	4.30	-25.10
Dividend	SEK	10.00*	5.00	3.75	3.25	1.50
Visible shareholders' equity	SEK	116.35	89.60	88.75	65.80	61.45
Share price**	SEK	301.50	228.00	171.00	178.00	82.00
Net profit/Shareholders' equity	%	31.4	14.7	29.9	6.8	neg
Dividend/Share price**	%	3.3	2.2	2.2	1.8	1.8
Price**/Earnings (P/E) ratio		9	18	8	43	nm

\* Proposed \*\* Last price paid, December 31

# The Skanska share

Skanska's Series B share price climbed 32 percent during 1996 and reached an all time high of SEK 305 per share in November. Year-end market capitalization totaled SEK 35,211 M. On March 11, 1997 the price reached another all time high of SEK 357 per share.

## Capital stock

Skanska's shares have been quoted on the Stockholm Stock Exchange's A-list since 1965. At the time of the initial public offering, Skanska's capital stock was SEK 32 M. Since then, the capital stock has been increased by means of nine stock dividends and seven targeted special issues of new shares. In December 1996, Skanska's capital stock amounted to SEK 1,259.2 M, divided into 125,923,860 shares.

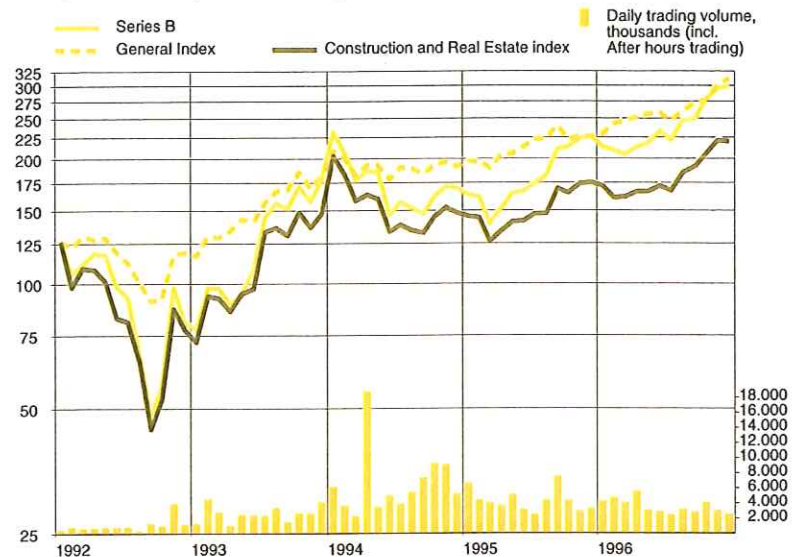
Skanska's capital stock is divided into Series A and Series B shares, all with a par value of SEK 10. All shares are non-restricted. Series A shares carry 10 votes apiece, whereas Series B shares carry one vote apiece. Only Series B shares are listed on the Stockholm Stock Exchange. A round lot consists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

## The largest shareholders in Skanska AB

Shareholders	% of capital stock	% of voting power
Sparbankerna mutual funds	15,3	9,3
Custos, AB (investment company)	6,1	23,6
Swedish National Pension Insurance Fund,		
Fourth Fund Board	5,7	3,9
SPP (retirement insurance)	4,2	2,6
Industrivärden, AB (investment company)	3,3	14,0
Nordbanken mutual funds	3,0	1,8
Skandia (insurance)	2,6	1,6
Folksam (insurance)	2,4	1,5
Skandinaviska Enskilda Banken mutual funds	2,3	1,4
Trygg-Hansa (insurance)	2,2	1,3
Svenska Handelsbanken mutual funds	2,1	1,3
AMF P (retirement insurance)	2,0	1,2
Swedish National Pension Insurance Fund, Fifth Fund Board	1,5	0,9
SEB Foundations	1,3	0,8
Wasa Life Insurance	1,2	0,8
Svenska Handelsbanken pension fund	0,8	4,4
<b>Total</b>	<b>56,0</b>	<b>70,4</b>
Other shareholders	44,0	29,6
	100,0	100,0

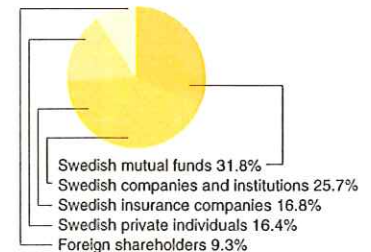
Source: Swedish Securities Register Center (VPC), December 30, 1996

Skanska share price movement, 1992-1996



(c) SIX Findata

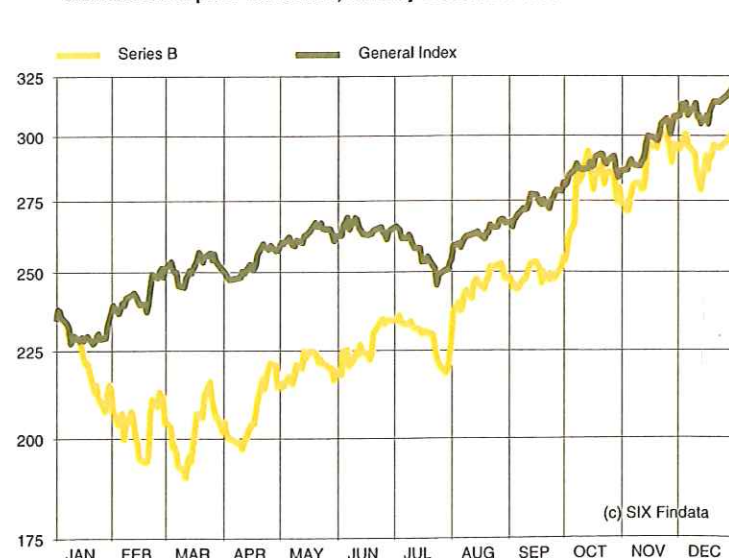
## Shareholders by category Percentage of capital stock, December 30, 1996



## Shareholders

At year-end, the total number of shareholders was approximately 63,000. Shares with non-Swedish owners amounted to 5.8 percent (5.1) of voting power and 9.3 percent (8.1) of capital stock. About 0.7 percent of voting power and 0.9 percent of capital stock are held by employees.

Skanska share price movement, January-December 1996



(c) SIX Findata

### Dividend policy

Skanska's long-term dividend policy is to pay an amount equivalent to 3-4 percent of the Group's adjusted equity – as determined by the Board of Directors – at the previous financial year-end.

### Trading in Skanska shares

At the end of 1996, the market price of a Series B share was SEK 301.50 (228). During the year, the price varied from SEK 187 to SEK 305, the highest price ever quoted for a Skanska share.

Year-end market capitalization totaled SEK 35,211 M (26,627), an increase of 32 percent. This made Skanska the ninth largest company on the Stockholm Stock Exchange.

During 1996, the number of Skanska shares traded on the Stockholm Stock Exchange was 44,887,648, or 17 percent less than during 1995. This was equivalent to 178,835 shares per trading day in 1996. Trading volume was equivalent to 38 percent (47) of the total number of Series B shares outstanding at the end of each respective year.

### Beta value and volatility

The beta value of a stock measures its covariance, in terms of price, with a share index. The higher the beta value, the greater is a stock's sensitivity to fluctuations compared to the movements of the entire stock market index. The volatility of a stock is a measurement of the size of price movements during a given period, expressed in percent.

For Skanska's construction and real estate core businesses, interest rates are of great importance both in determining the business climate and the value of Group assets. Skanska's interest rate sensitivity is also clearly reflected in its share price movements. During the period 1993–1995, the beta value and volatility of a Skanska share were thus relatively high, then they dropped significantly during 1996. At year-end 1996, the beta value of a Skanska share was 1.5 and its volatility about 35 percent.

### Changes in capital stock

Year	Stock dividend SEK M	New share issue SEK M	Par value of capital stock SEK M
1967	–	–	35.4
1969	2:5	14.1	49.5
1973	1:3	16.5	66.0
1975	1:3	22.0	89.7
1977	1:2	44.9	134.6
1979	1:2	67.3	204.3
1981	2:3	136.2	340.5
1982	1:5	68.1	411.3
1983	1:2	205.6	616.9
1984	split 5:1	–	616.9
1987	–	8.7	625.6
1988	–	4.0	629.6
1991	1:1	629.6	1,259.2
1994 conv.	–	–	1,259.2

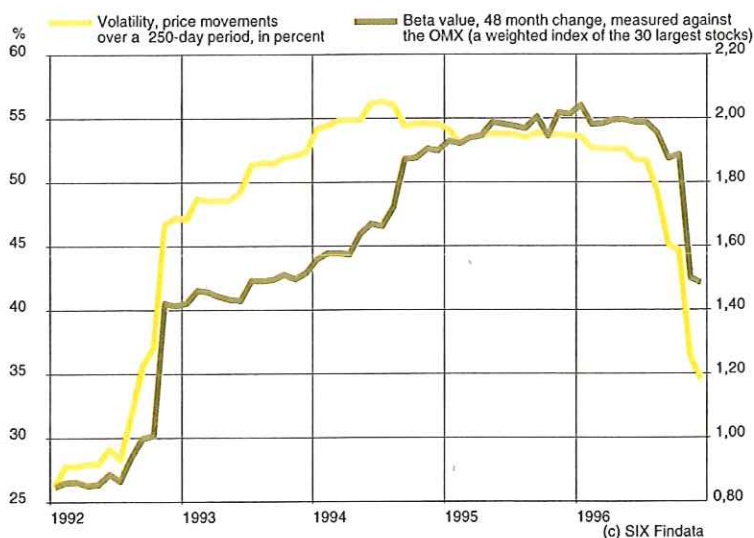
### Shares by category

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

### Shareholdings by size

December 30, 1996		Number of shareholders	% of all shareholders	Total number of shares held	% of capital stock
Number of shares held					
1 –	500	51,683	82.7	6,936,086	5.5
501 –	1,000	5,879	9.4	4,684,362	3.7
1,001 –	2,000	2,507	4.0	3,908,186	3.1
2,001 –	5,000	1,430	2.3	4,636,687	3.7
5,001 –	10,000	468	0.7	3,503,312	2.8
10,001 –	20,000	209	0.3	2,978,931	2.4
20,001 –	50,000	161	0.3	5,242,525	4.2
50,001 –	100,000	66	0.1	4,894,689	3.9
100,001 –		119	0.2	89,139,082	70.7
Total		62,522	100.0	125,923,860	100.0

Beta value and volatility of Skanska shares



# Construction

## BUSINESS AREAS:

- Swedish Construction
- International Construction
- Skanska USA



## The largest listed construction companies in Sweden\*

	SEK billion
Skanska (incl JM)	47.5
NCC	23.0
PEAB	10.6
SIAB	9.6
JM	4.8

\* 1996 invoiced sales

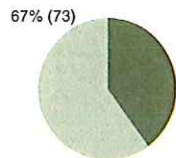
## The largest construction groups in Europe\*

		ECU billion
Bouygues	France	11.3
Holzmann	Germany	7.5
SGE	France	6.9
GTM-Entrepose	France	6.6
Hochtief	Germany	5.9
Eiffage	France	5.0
Billfinger + Berger	Germany	4.6
Trafalgar House	UK (Norway)	4.5
<b>Skanska</b>	<b>Sweden</b>	<b>4.1</b>
Strabag	Germany	3.2

\* 1995 invoiced sales (Source: Le Moniteur)

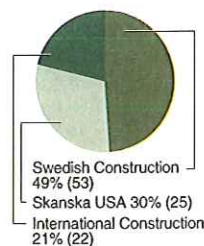
Skanska further strengthened its prominent positions in both the Swedish and international markets during 1996, while continuing its international expansion. Markets outside Sweden accounted for 51 percent of invoiced sales and 61 percent of order bookings in the Construction sector.

Construction sector\*, as a percentage of total Group invoiced sales

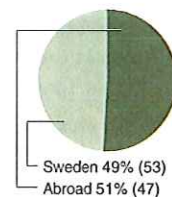


\*Excluding JM Bygg

Construction sector, invoiced sales by business area



Construction sector, invoiced sales in Sweden and abroad



During 1996, Skanska's Construction sector was grouped into three business areas – Swedish Construction, International Construction and Skanska USA. Beginning in 1996, the business area previously known as Technical and Industrial Companies became the Industry business area. At the same time, Skanska Teknik became a common technical resource for the entire Group.

Skanska is one of the leading construction companies in its Swedish, Danish and Finnish "domestic" markets and in the United States.

Skanska also has sizable local construction operations elsewhere, especially in Europe, as well as extensive project exports, especially related to major international civil engineering assignments.

### Mission and strategy

Skanska's vision is to continue developing a transnational group of successful construction companies, with growing

competitiveness both in its various domestic markets and in project exports. These operations must be concentrated in markets where the Group already has strong positions or where the potential exists to take successful advantage of Skanska's competitive advantages.

### Collaboration with other business areas

The collective expertise, experience and financial strength of the Skanska Group form a common base for collaboration among all units in the Group. Skanska's construction companies can thus offer package solutions that encompass everything from planning to project implementation, financing, training and facility management.

The Swedish Construction and Real Estate business areas have developed a special collaboration model for real estate development. Broad technical and

financial expertise and project management know-how are becoming increasingly important as the market for Build-Own-Transfer (BOT) projects grows.

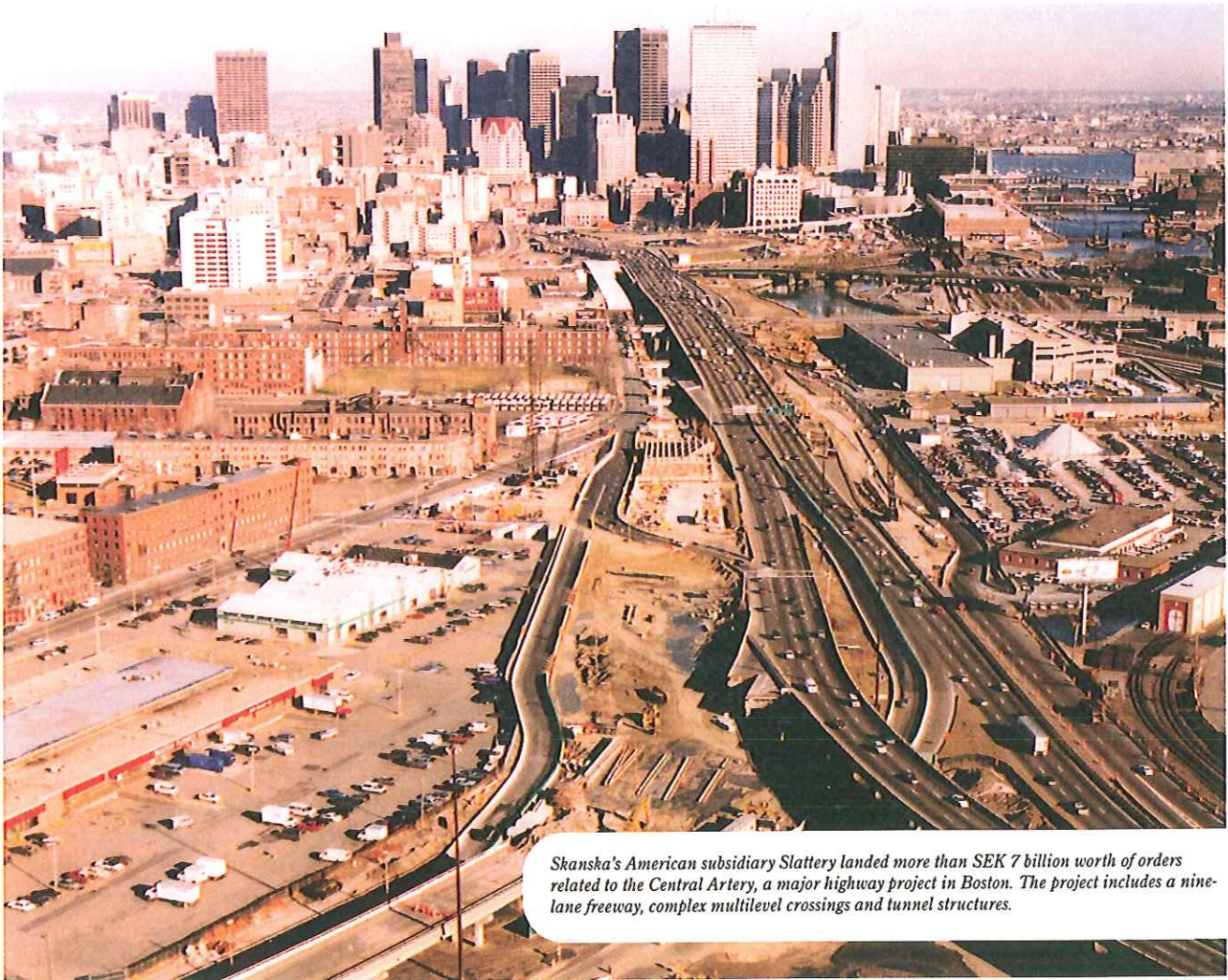
### Markets and market outlook

The global construction market totals an estimated USD 2 trillion per year. Only a small fraction of all projects – less than 5 percent or about USD 100 billion – are performed by international construction companies. Of this small fraction, local companies with foreign owners account for more than two thirds. An international company therefore needs both strong local roots and special competitive advantages in the markets where it chooses to work.

### Sweden

The Swedish construction market is expected to remain unchanged during 1997. Residential construction will stay at a very low level. A number of major





*Skanska's American subsidiary Slattery landed more than SEK 7 billion worth of orders related to the Central Artery, a major highway project in Boston. The project includes a nine-lane freeway, complex multilevel crossings and tunnel structures.*

infrastructure investments are approaching completion, while the start of planned future investments is being delayed.

#### Other European markets

In other European markets where Skanska is active, the market situation is uneven. In Denmark and Finland, the market is expected to grow slightly. Construction markets in Central Europe are growing substantially faster, while developments in Russia are more uncertain.

#### Other markets

In the United States, the construction market outlook is good, with expected growth of about two percent. Turning to other non-European markets, South America and South East Asia are show-

ing especially significant growth. Competition from local construction companies is extremely tough, however. Given the situation in the Middle East, few or no new projects are being started.

#### New structure in 1997

Responding to major changes in Skanska's domestic markets in the Nordic region, in February 1997 Skanska reorganized its Construction sector.

These organizational changes apply to the Swedish Construction and International Construction business areas. The Skanska USA business area is not affected.

The reorganization is a continuation of the Think Total Time (3T) reform process. Its purpose is to increase spe-

cialization, continue the internationalization process and improve efficiency and client orientation. Civil Engineering is the new business area for all road and civil works construction in Sweden and internationally. All building construction is being gathered in the new Building business area. BOT Projects is a new business area through which Skanska will provide risk capital and other forms of financing for various types of infrastructure projects, such as highways, power plants, hospitals and airport terminals.

# Swedish Construction

**SUBSIDIARIES\*:**

Skanska Syd AB	Skanska Mellansverige AB
Skanska Sydöst AB	Skanska Mitt AB
Skanska Väst AB	Skanska Nord AB
Skanska Stockholm AB	
Skanska Bostäder Stockholm AB	

\* According to the 1996 organizational structure.



**S** Skanska strengthened its position as Sweden's leading construction company. In the infrastructure field, Skanska solidified its role as the country's leading tunnel and bridge builder during 1996.

**Business focus**

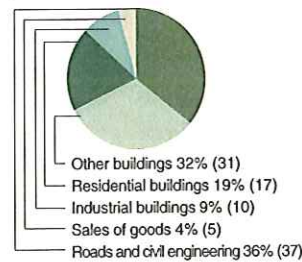
Swedish Construction is responsible for Skanska's construction operations in Sweden, but it also has a presence in the Oslo, Norway region. In 1996 its operations in Sweden, which are nationwide, took place in eight regional companies with about 4,000 work sites and with total invoiced sales of approximately SEK 16 billion. Assignments are of varying sizes. In 1996, about 75 percent of orders had a value of less than SEK 5 M, while only 2 percent of all assignments exceeded SEK 50 M.

**The market**

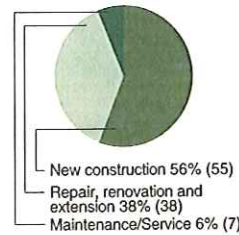
Construction in all sectors remained low during 1996. There were major regional differences. Although the Swedish economy has generally improved, construction demand continued to fall outside of the Stockholm, Gothenburg and Malmö regions and the university cities. The level of new residential construction was generally very low. Industrial capital spending passed its peak, and public sector investments declined. Planned

SEK M	1996	1995
Invoiced sales on contracts credited to income	17,162	16,118
Level of invoicing credited to income (%)	106	103
Operating income after depreciation	479	384
Operating margin (%)	2.8	2.4
Income after financial items	624	632
Order bookings	15,389	17,126
Order backlog, Dec. 31	8,141	8,905
Average number of employees	11,341	11,701

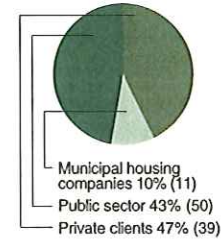
Invoiced sales by product area



Invoiced sales by type of assignment



Client structure as a percentage of invoiced sales



expansion of infrastructure in major urban regions was further delayed. This was true, for example, of the Norra Länken ring road in Stockholm, which was halted after a Supreme Administrative Court ruling in early 1997. Meanwhile, competition from smaller construction companies is increasing. In many places, the market situation has necessitated cutbacks in resources.

**Comments on earnings**

Among the factors behind the positive trend of Swedish Construction operating income were several years of the 3T reform process. Greater specialization, as well as efforts to improve purchasing work, also had a positive impact.

**Major projects**

During 1996, production of sections for the Öresund Bridge began in Malmö. The task of installing suspension cables on the High Coast Bridge over the Ångermanälven river in northern Sweden entered its final phase. Early in 1997, Skanska signed a contract worth SEK 700 M for the Sunningesund Bridge project on the E6 highway at Uddevalla, north of Gothenburg. After the High

Coast Bridge and the Öresund Bridge, this is Skanska's third major bridge project in recent years. The big Halland Ridge railroad tunnel project in southern Sweden is advancing as planned. Skanska is also continuing its role in expanding Sweden's freeway network by widening two stretches of the E4 European highway. On the E6, which is Sweden's longest continuous freeway, Skanska completed the final section, in Halland province, during 1996.

The task of building Coca-Cola's first Swedish production plant began in Haninge, south of Stockholm. Skanska signed a contract to build a new Physics Center for the Royal Institute of Technology and Stockholm University, but in February 1997 a request was filed for a legal review of the detailed development plan and postponement of the project. In Gothenburg, work began on a big residential project in the Eriksberg area. Skanska also constructed a headquarters for the Astra pharmaceuticals company in Södertälje and an industrial plant for the MoDo forest product company in Husum.

Swedish Construction's operations in Norway progressed satisfactorily. A

new headquarters for the Storebrand insurance company is under construction in downtown Oslo. New orders included a freeway bridge, residential buildings and hospitals. The year-end order backlog in Norway exceeded SEK 600 M.

**Important events**

Swedish Construction and Real Estate formalized and intensified their project development cooperation during 1996. This arrangement will yield synergies that will benefit both Skanska and its clients.

During the year, Skanska completed projects in Linköping and Växjö involving the construction of four- and five-story wooden apartment houses. These are part of the company's research and development efforts, aimed at encouraging innovation in residential construction.

**Outlook for 1997**

During 1997 the Swedish construction market is expected to remain at an unchanged low level.

In many cases, exporting companies have completed large construction

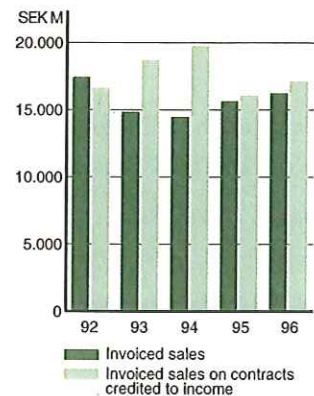
investments. Because of budget pressures, the public sector will reduce its appropriations for infrastructure investments. The long-planned expansion of traffic arteries in Stockholm, Gothenburg and Malmö is not expected to begin during 1997 either. In these regions and certain university cities, housing construction might possibly increase.

Of Swedish Construction's total 1996 invoiced sales, 60 percent falls within operations that will be part of the new Building business area, and the remaining 40 percent will be part of the new Civil Engineering business area.

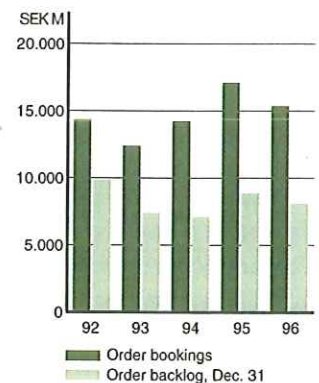


*In January 1996, Skanska signed a contract with the National Rail Administration to build two 8.6 km (5.3 mi) long railroad tunnels through the Halland Ridge in southern Sweden.*

**Invoiced sales/Invoiced sales on contracts credited to income**



**Order bookings/Order backlog**



# International construction operations

International Construction business area

Skanska USA business area

*The results for the International Construction and Skanska USA business areas are reported together under the heading "International construction operations."*

## International Construction and Skanska USA business areas

SEK M	1996	1995
Invoiced sales on contracts credited to income	16,488	14,241
Level of invoicing credited to income (%)	99	102
Operating income after depreciation	293	291
Operating margin (%)	1.8	2.0
Income after financial items	303	316
Order bookings	24,101	19,066
Order backlog, Dec. 31	24,984	16,949
Average number of employees	15,022	13,611

## BUSINESS AREA

# International Construction

### SUBSIDIARIES\*:

C. G. Jensen A/S

Skanska Oy

Skanska International Building AB

Skanska International Civil Engineering AB

\*According to the 1996 organizational structure.

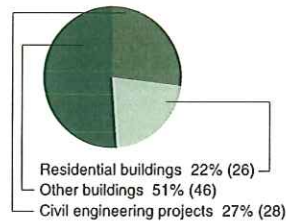
*International Construction operated in 43 countries during 1996. Among new assignments were tunnel projects in Copenhagen, Denmark, in Iceland and in Tanzania; residential buildings in Finland and in Berlin, Germany; and industry-related projects in the Baltic countries, Hungary, the Czech Republic, Russia and elsewhere.*

### Mission and strategy

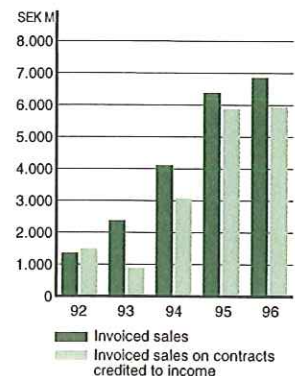
The mission of the International Construction business area is to achieve profitable growth in selected markets by utilizing and developing the Group's collective competitive advantages – which include specialization, project development and financing expertise.

Its strategy is to create additional domestic markets, similar to Denmark and Finland, to establish local construction operations in more countries and to engage in project exports, using its domestic markets as bases.

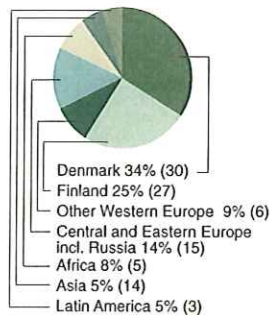
Invoiced sales by product areas



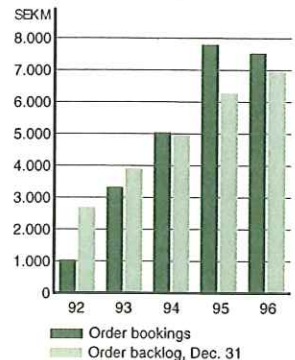
Invoiced sales/Invoiced sales on contracts credited to income



Invoiced sales by market areas



Order bookings/Order backlog



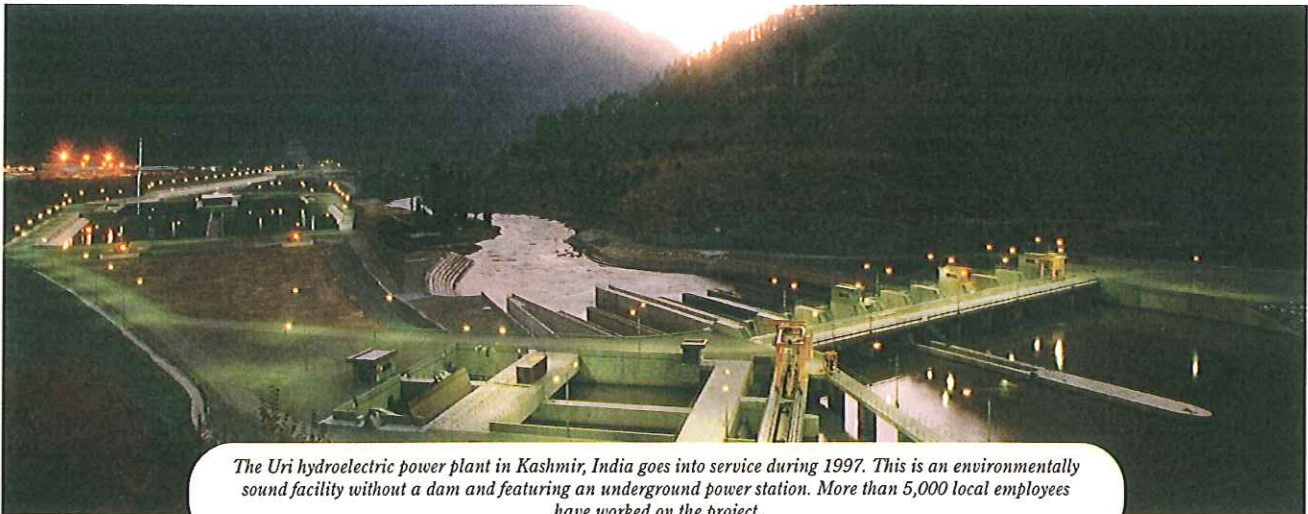
### Companies

C.G. Jensen is one of Denmark's largest construction and civil engineering companies. Through its subsidiary Skanska Jensen International A/S, it also operates in Africa and elsewhere, with permanent contracting businesses in Ghana, Zimbabwe, Tanzania and Uganda.

Skanska Oy is one of Finland's largest construction and civil engineering

companies. It also operates in Russia, Ukraine and Belarus. It has permanent offices and plants in Moscow and St. Petersburg.

Skanska International Building is active in building construction in selected markets in Central Europe and in certain other regions. It has established local construction operations in Poland, the Czech Republic, Hungary, eastern



*The Uri hydroelectric power plant in Kashmir, India goes into service during 1997. This is an environmentally sound facility without a dam and featuring an underground power station. More than 5,000 local employees have worked on the project.*

**Major contracts landed in 1996**

**CIVIL ENGINEERING PROJECTS**

- highway tunnel 160 m (500 ft) below sea level in Iceland
- water supply project in Zimbabwe
- pipe-jacking work in Bangkok, Thailand

- access and transport tunnels for a mine project in Tanzania
- airport in Greenland
- railroad tunnel in Copenhagen, Denmark
- expansion of the electricity network in Ghana

**BUILDING CONSTRUCTION PROJECTS**

- hotel in Manchester, England
- hotel renovation in Warsaw, Poland
- new British Embassy in Moscow, Russia
- several office building projects in Moscow
- industrial projects in Russia, the

- Czech Republic, Hungary, Lithuania and Estonia
- residential project in Berlin, Germany
- delivery of medical equipment to more than 100 hospitals in Thailand
- air cargo terminal at Copenhagen Airport, Denmark
- several residential projects in Finland

Germany, Estonia, Latvia and Lithuania.

Skanska International Civil Engineering operates outside Sweden in such product areas as hydroelectric power plants and underground work, as well as with other advanced civil engineering projects. Its operation include the specialized subsidiaries Skanska Dredging, Skanska Lundby and Skanska Raise Boring.

**Operations in 1996**

The largest ongoing projects are the Öresund Bridge; the Uri hydroelectric power project in Kashmir, India; and the Urrá hydroelectric power project in Colombia.

Among other major ongoing projects are the Bridgend prison in Wales and Hartwell Arena, a large sports and recreation hall in Helsinki, Finland that goes into service in conjunction with the world ice hockey championships in the spring of 1997.

During 1996 several major projects were completed, including an underground oil storage complex in Zimbabwe and the second stage of the Atrium Business Center in Warsaw, Poland.

**Markets and market outlook**

In Denmark, construction activity increased during 1996, especially in Copenhagen. Growth is expected to be weaker in 1997.

The volume of construction in Finland during 1996 was the lowest of the entire 1990s. However, more building construction projects began during the year than in 1995, which indicates that the market outlook is improving.

For some years, Russia has been an attractive market for Skanska, but one characterized by stiff competition. During the autumn of 1996, foreign investor interest and the supply of projects increased.

In the rapidly growing markets of Poland, the Czech Republic and Hungary, Skanska's ambition is to develop its own local construction companies.

South East Asia and South America are high-growth markets with large-scale construction investments. Competition from local construction companies is keen, however, and Skanska is very selective when it comes to countries and projects.

**Outlook for 1997**

During 1997, demand is expected to be strongest in certain countries of Central Europe. Developments in Russia are more uncertain. An increasing number of BOT infrastructure projects in Europe and Asia may be offered in the market.

A current BOT project is the highway construction project between Helsinki and Lahti, Finland, which will be built by a Skanska-sponsored consortium for that country's National Road Administration. The contract was signed on March 19, 1997.

Of International Construction's 1996 invoiced sales, 17 percent consisted of operations that will be part of the new Civil Engineering business area and 83 percent of operations that will be part of the new Building business area. Overall invoiced sales and order bookings are expected to increase in 1997.

BUSINESS AREA

# Skanska USA

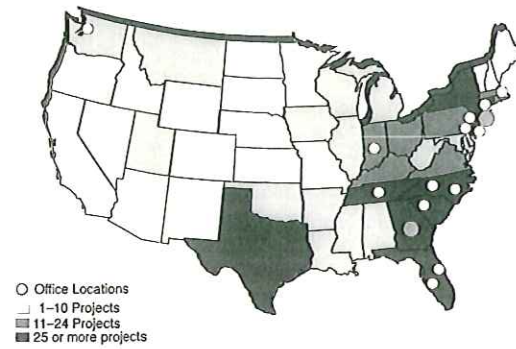
**SKANSKA (USA) Inc;**

**SUBSIDIARIES:**

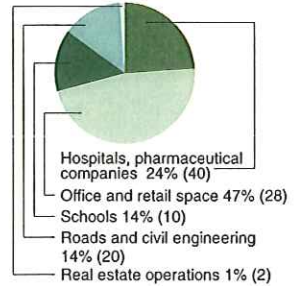
- Beers Construction Co.
- Sordoni Skanska Construction Co.
- Karl Koch Erecting Co. Inc.
- Slattery Associates Inc.
- Skanska Real Estate
- Spectrum Skanska Inc.



**Markets, Skanska USA**



**Invoiced sales by product area**



*Despite moderate market growth, 1996 was a very successful year for Skanska USA. Order bookings were very high and included several projects worth SEK 1 billion or more. Early in 1997, Skanska landed its largest-ever order in the U.S. when Slattery was named contractor of a complex freeway extension in Boston. The order value was SEK 2.7 billion.*

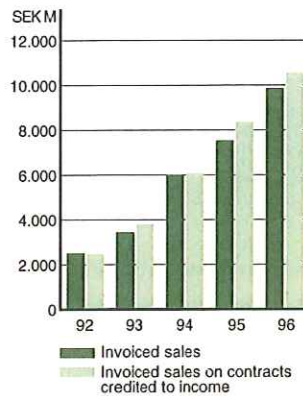
Behind this success was the work started eight years ago, when Skanska began a series of strategic acquisitions of firms operating in high-growth sectors.

Such growth sectors during 1996 included infrastructure, health care, the pharmaceutical/biotech industry, sports and convention center building and certain public sector projects.

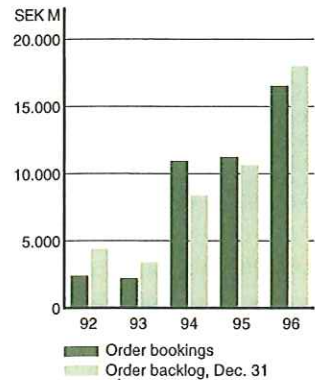
**Business focus**

Skanska USA consists of a group of companies that specialize in building construction and civil engineering. They offer their clients full service – from technical and financial feasibility studies and design services through construction, maintenance and operation. Skanska USA is one of the few companies in the United States to offer clients a single

**Invoiced sales/Invoiced sales on contracts credited to income**



**Order bookings/order backlog**



point of contact for all facility development functions.

**Operations in 1996**

In 1996, Skanska USA celebrated its 25th anniversary and achieved record invoiced sales of SEK 9.9 billion. Order backlog was an unprecedented SEK 18.0 billion. Three strategically important firms were acquired: York Construction Co. of Greenville, South Carolina; Beacon Construction Co. of Boston, Massachusetts and the residential development company Spectrum Group Ltd. in New York.

**Beers Construction.** Atlanta, Georgia, is located in a strong growth region. It focuses on hospitals and health care, sports facilities, convention centers, retail space, adaptation of space to

tenant requirements and public sector works. The acquisition of York Construction Co., Davidson-Jones-Beers and Fowler Jones strengthens Beers' regional coverage in North and South Carolina. The company is currently operating in nine states.

Beers expanded its cooperation with companies such as BellSouth, Lucent Technologies and AT&T to provide construction and maintenance services.

During 1996, the company completed the Centennial Olympic Stadium in Atlanta and 16 other major projects for the Summer Games. Beers expanded its regional base through new projects in Alabama and Mississippi. It also opened a new office in Orlando, Florida.

**Sordoni Skanska,** Parsippany, New Jersey, which specializes in project and

construction management, had its best year ever in 1996. The company, which offers customized solutions to retail, pharmaceutical, health care and educational companies, among others, completed 83 projects in 1996 ahead of schedule and on or under budget. One of these projects was Ciba Specialty Chemicals' Additives Laboratory in Tarrytown, New York.

Since December 1996, Sordoni Skanska has headed a group of construction companies with operations in the northeastern U.S., including Beacon Skanska Construction in Boston and Barney Skanska Construction in New York City.

**Karl Koch**, Carteret, New Jersey, specializes in steel structures and bridge repairs. It is involved in retrofitting many of New York's more than 2,000 bridges. In 1996, for example, it completed repairs on the Outerbridge Crossing between Staten Island, NY and New Jersey.

**Slattery Associates**, Whitestone, NY, is a leading contractor in infrastructure projects in the northeastern United States. During 1996 it signed several important contracts, including one with the state of New Jersey for a light rail system. The design-build-operate-maintain contract, which runs for 15 years, is worth SEK 8.5 billion. The construction portion, which Slattery is sharing with the U.S.-based Perini, totals SEK 1.7 billion. Early in 1997, Slattery landed its largest order ever – a portion of a highway in Boston, with a contract value of SEK 2.7 billion.

Slattery's subsidiary Underpinning and Foundation, working with the Skanska Group company Stabilator, has introduced a lime/cement column method for soil stabilization. This market is considered attractive.

Skanska USA recently acquired **Spectrum Skanska**, one of the largest single-family residential developers in the New York area. The company is well positioned to capitalize on the expanding residential market. The last homes in Skanska's single-family development in

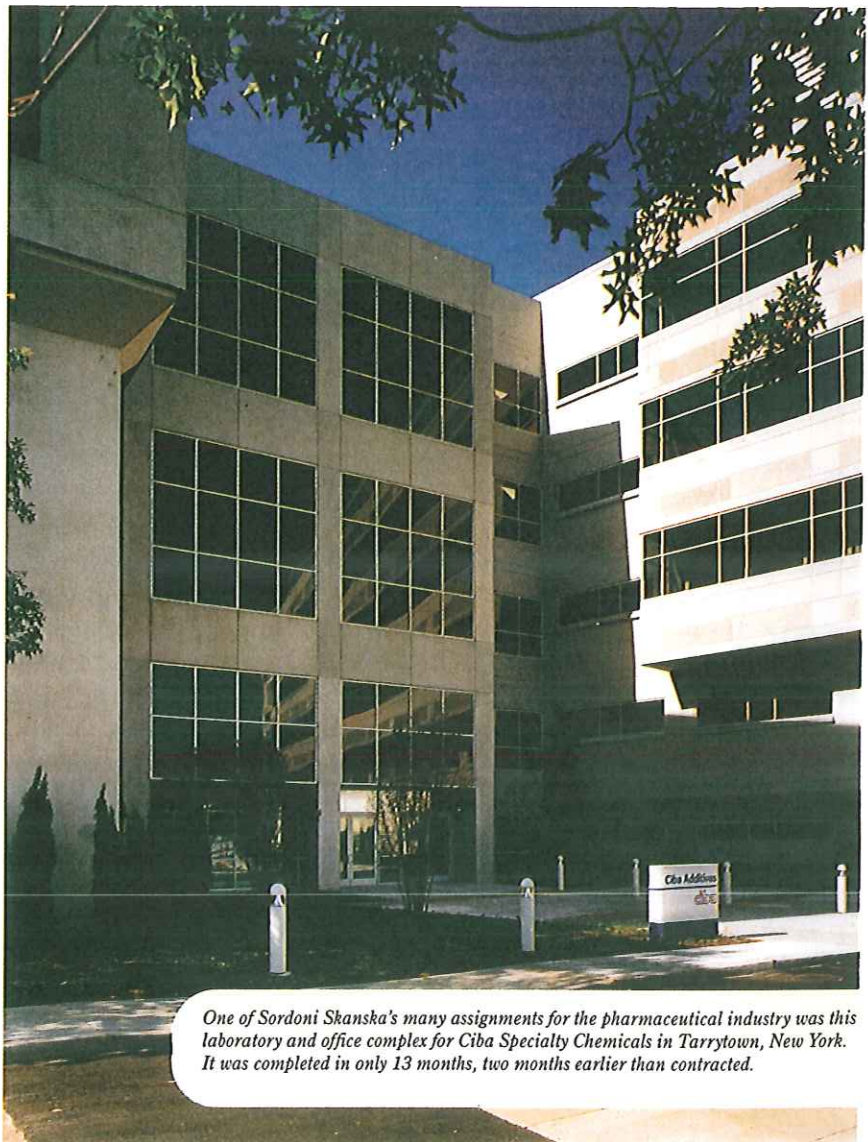
Massachusetts will be sold during 1997.

Skanska Real Estate owns four office buildings in downtown Seattle, Washington. The Platinum Tower office building in Atlanta was sold early in 1996.

#### **Outlook for 1997**

Unemployment, inflation and interest rates remained relatively low during

1996, and the U.S. economic outlook is good. The economy is expected to grow by about 2 percent during 1997. Areas of expected growth in the construction industry include infrastructure, retail, education, sports facilities, office buildings and residential development/construction.



*One of Sordoni Skanska's many assignments for the pharmaceutical industry was this laboratory and office complex for Ciba Specialty Chemicals in Tarrytown, New York. It was completed in only 13 months, two months earlier than contracted.*

BUSINESS AREA

# Industry

**INDUSTRY SUBSIDIARIES AND OPERATIONS ARE DIVIDED INTO THE FOLLOWING PRODUCT AREAS:**

- Building Products
- Building Systems
- Installation Products



Skanska strengthened its business area for construction-related industry during 1996 by acquiring the listed building product company Skåne-Gripen. This investment should be viewed in light of the fact that industrially manufactured materials, systems and installations today account for nearly two thirds of the total construction cost of a finished building.

For many years, Skanska has participated in the development and use of prefabricated building components, especially in Sweden. By purchasing Skåne-Gripen, the Group is also strengthening its prospects for international success. The companies in the Industry business area have leading market positions and provide a good base for continued expansion.

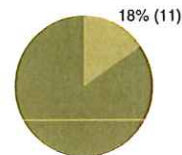
**Operations and structure**

After the integration of Skåne-Gripen, the Industry business area consists of three subareas that focus on building construction – Building Products, Building Systems and Installation Products.

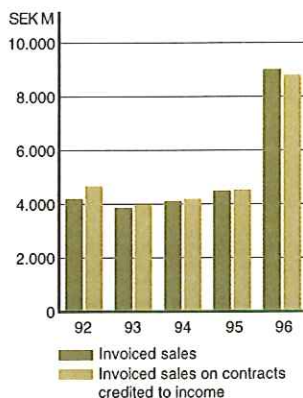
Manufacturing operations take place primarily in Sweden, Germany and France. The Industry business area has operations in some 50 countries.

SEK M	1996	1995
Invoiced sales on contracts credited to income	8,796	4,529
Level of invoicing credited to income (%)	98	101
Operating income after depreciation	829	402
Operating margin (%)	9.4	8.9
Income after financial items	565	268
Order bookings	9,357	4,593
Order backlog, Dec. 31	1,953	1,613
Average number of employees	8,682	4,147

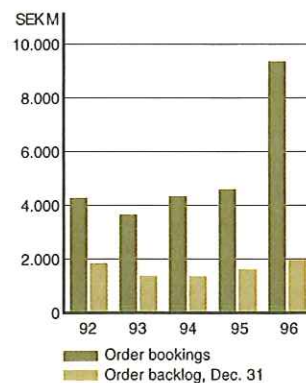
Industry sector, as a percentage of total Group invoiced sales



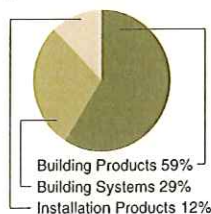
Invoiced sales/Invoiced sales on contracts credited to income



Order bookings/Order backlog



Invoiced sales by product area



Invoiced sales in Sweden and abroad



**Mission**

The mission of the Industry business area is to develop and supply cost-effective building products, building systems and installation products both for private customers and for large industrial clients and property management companies. Product development should take place in close cooperation with end users. Distributors and builders are important partners in efforts to improve both logistics and the building process.

**Goal**

The goal of the Industry business area is to create profitable growth in construction-related industrial companies that enjoy leading market positions.

**Strategy**

The strategy of the Industry business area is to build up a well-balanced group of multinational companies that carry out active business development, with a focus on product development and geographic expansion.

**Collaboration with other business areas**

The Industry business area must achieve success in international markets on its own merits. In doing so, cooperation with the Construction and Real Estate sectors of Skanska will strengthen the competitiveness of its companies.

For example, there is close cooperation between Skanska's Construction





*Kährs makes top-quality laminated parquet flooring, mainly for homes. Flooring production takes place in Sweden and Germany.*

sector and those companies in the Industry business area that develop wood, steel, glass and concrete construction systems.

Skanska's Real Estate companies possess important knowledge of the requisite standards for components and systems used in buildings. This knowledge is utilized by Industry business area companies in their product development work.

#### **Comments on earnings**

Invoiced sales for comparable units declined in 1996 by seven percent, compared to 1995. The downturn is explained primarily by exchange rate fluctuations and, to a smaller degree, by continued weakness in the construction market.

Operating income in 1996 amounted to SEK 829 M, after subtracting the restructuring expenses of Myresjöhus,

Skanska Installation and other companies. The business area's operating income included SEK 473 M (327) consisting of a portion in the income of associated companies. This primarily refers to Skanska's share (33 percent) of the operating income of Scancem, the building materials group. Skanska's share of Scancem's earnings is included in its accounts with a delay of one quarter. For comments on the trend of earnings at Scancem, the reader is referred to that company's separate financial reports.

#### **Important events**

The most important event during 1996 was the acquisition of Skåne-Gripen, with its Kitchens, Flooring and Roofing product segments.

At the end of the year, Skanska acquired the remaining 50 percent of Elit Fönster, a leading Swedish window

manufacturing company with potential for international expansion.

In March 1997, a merger between Myresjö Trä and the sawmill operations of RörviksGruppen was approved in principle.

#### **Market developments**

The Swedish market weakened further. Most companies in the business area implemented cutbacks to adapt their resources to market conditions. The German market, as well as other Northern European markets, were also weak but conditions stabilized during the latter part of the year.

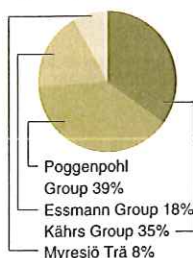
Market conditions were stable in Southern Europe, Great Britain and the United States.

# Building Products

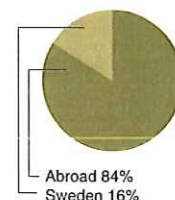
Poggenpohl Group	Kitchen and bathroom furnishings
Kährs Group	Flooring, mainly hardwood
Essmann Group	Skylight domes, fire ventilators and smoke protection systems
Elit Fönster AB	Windows and wooden window components
Myresjö Trä AB	Sawn and planed timber products and forest management

SEK M	1996
Invoiced sales	5,380
Order bookings	5,737
Order backlog, Dec. 31	464
Average number of employees	5,122

Invoiced sales by company



Invoiced sales in Sweden and abroad



*B*uilding Products is a unit consisting of five wholly owned groups of companies. The number of employees totaled more than 5,000 in 1996. Production takes place at nine plants in Sweden, eight in Germany and one in France. The most important market is Europe, but there are also sales in the United States and the Far East, including Japan.

### Important events

During 1996 all of the business area's kitchen and bathroom furnishing companies were gathered in one product area under the name Poggenpohl Group. Aside from Poggenpohl, it includes Goldreif, Pronorm, Optifit and Myresjö-kök. In March 1997 Skanska acquired 75 percent of the Polish kitchen company WFM (Wolsztynska Fabryka Mebli).

Early in 1997, Skanska sold 51 percent of shares in the resilient flooring manufacturer Holmsunds Golv and its subsidiary Leksell to Armstrong World Industries.

After year-end 1996, the Essmann Group acquired two German companies, eRWA and Beikirch, as well as the outstanding minority of shares in STG Sicherheitstechnik. These acquisitions

make Essmann one of Europe's leading producers of fire ventilators and smoke protection systems.

### Comments on earnings

Operations during 1996 were affected by weak construction markets both in Sweden and elsewhere in Northern Europe. Market weakness resulted in a favorable trend of raw material costs but at the same time, it depressed the prices of finished products.

Because of the high percentage of invoiced sales outside Sweden, the Building Products unit was exposed to foreign exchange fluctuations which had an adverse impact on 1996 earnings.

The kitchen furnishing companies in the Poggenpohl Group showed stability in a difficult market and successfully exported their products outside Germany, with satisfactory earnings as a result.

Kährs' continued efforts to expand its laminated parquet flooring capacity led to a temporary production decrease, with lower invoiced sales as a consequence.

Essmann increased its market share but meanwhile saw margins narrow because of strong price pressure on skylight domes in Germany.

Elit Fönster implemented a major restructuring program, which included

reducing the number of factories from four to two. Invoiced sales totaled more than SEK 500 M during 1996. The company is being consolidated into the Skanska Group accounts effective in 1997.

Myresjö Trä exports a large proportion of its sawn timber, but at prices that did not fully cover costs during 1996. Prices rose slightly during the fourth quarter, however.

### Market and outlook for 1997

The operations of the Building Product companies are mainly dependent on the repair, renovation and extension market, which is characterized by smaller fluctuations than new construction.

During 1997 a subdued German construction market is expected, but a slight recovery is anticipated in the Nordic countries.

Elsewhere in Northern Europe, industrial construction is expected to stagnate, while residential construction will increase slightly. Prices are expected to stabilize.

Most of the Building Product companies in the Industry business area have leading market positions and good growth potential, despite continuing uncertainty about the outlook in a number of important markets.



*The Poggenpohl Group manufactures and markets complete kitchen and bathroom furnishings. A sizable proportion of production is exported, with sales in some 50 countries.*



*The companies in the Industry business area develop building systems based on wood, steel, glass and concrete. The photo shows the Adventure Pool in Piteå, Sweden – built with a concrete frame from Skanska Prefab.*

# Building Systems

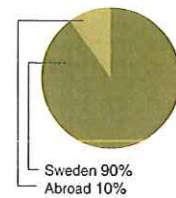
Myresjöhus AB	Ready-to-assemble wooden homes.
SektionsByggarna AB	Manufacture, sale and rental of prefabricated box unit buildings.
Skanska Stålteknik AB	Prefabricated steel and glass building components.
Skanska Prefab AB	Prefabricated concrete building components.*

SEK M	1996
Invoiced sales	2,642
Order bookings	2,787
Order backlog, Dec. 31	1,128
Average number of employees	2,544

Invoiced sales by company



Invoiced sales in Sweden and abroad



**B**uilding Systems is a group of wholly owned companies with more than 2,500 employees. Production takes place at 25 plants in Sweden, one plant in Poland and one in the Netherlands. The most important markets outside Sweden are Germany, Denmark, Russia and Japan. Markets abroad accounted for 10 percent of invoiced sales.

### Important events

During 1996 the Myresjö Group was restructured in such a way that the prefabricated home operations of Myresjöhus and Nordiska Trähus were gathered into a single company, Myresjöhus. Both brand names will continue to be used in marketing.

SektionsByggarna, which makes movable buildings, introduced a modern, well-equipped office module for short-term rental. The product was so well received in the market that it is already the leader in its field.

Skanska Stålteknik landed a number of orders in the Copenhagen, Denmark, region. The company intends to expand its operations mainly in the Baltic Sea region.

Skanska Prefab introduced a standardized concrete industrial hall during 1996. This product is based on an entirely new design and is economical to operate. It was favorably received.

At year-end 1996, Skanska Maskin was transferred to the new Building business area and Stabilator to the new Civil Engineering business area. Both companies performed well during the year. Stabilator successfully introduced its lime/cement column technology for soil stabilization in the United States.

### Comments on earnings

The continued weakness of the Swedish construction market during 1996 affected both earnings and order bookings, making continued restructuring and streamlining measures necessary.

Nonrecurring expenses related to the above-mentioned restructuring were charged to the earnings of Myresjöhus. Order bookings for single-family homes rose during the final quarter.

The earnings of SektionsByggarna were satisfactory. During the final quarter, however, a weakening of the market led to cutbacks in capacity.

The operations of Skanska Stålteknik showed stable growth, both in invoiced sales and earnings.

Skanska Prefab was forced to reduce its capacity further, especially in the building construction sector.

Stabilator landed a number of large orders and is showing strong growth.

### The market and outlook for 1997

Building Systems companies are, above all, dependent on the level of new construction. Their most important geographic market is Sweden.

The construction market in Sweden is expected to remain weak during 1997. The capital spending needs of industry are limited, and the housing sector remains weak except in a few university cities.

Myresjöhus is noting higher sales of one-family homes. It will be launching new products in this field.

SektionsByggarna's rental operations through its subsidiary Temporent is expected to grow, due to the strong reception given to several new products.

Skanska Stålteknik and Skanska Prefab have new products and business concepts that should enable them to counteract the effects of continued market weakness.

# Installation Products

Skanska Installation AB Installation and servicing

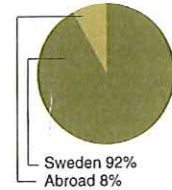
Industriventilation Produkt AB (IV-Produkt) Air treatment units, heat pumps and heat exchangers

SEK M	1996
Invoiced sales	1,055
Order bookings	934
Order backlog, Dec. 31	375
Average number of employees	1,016

Invoiced sales by company



Invoiced sales in Sweden and abroad



*Installation Product companies had about 1,000 employees in 1996. Invoiced sales were mainly to Swedish clients. Production takes place at a plant in Växjö.*

### Important events

During 1996 the Installation group worked out a new business plan. Late in the year, it implemented a major restructuring in order to focus its operations on products with a larger knowledge content. Meanwhile the companies will be able to offer various forms of coordinated installation management and services.

After this restructuring, the main emphasis is on specialist know-how in ventilation and electrical systems. Electrical know-how is being strengthened, with special focus on control systems and computer installations.

Skanska Installation International and plumbing-related operations were transferred at year-end to the new Building business area.

### Comments on earnings

Order bookings were stable during the year. The profit level was unsatisfactory in plumbing and electrical operations, and large nonrecurring expenses were charged to the year's earnings.



*Installations are increasingly important to the indoor environment and economics of buildings. Manufacturing operations at IV-Produkt's factory is certified as meeting ISO 14001 environmental management standards.*

### The market and 1997 outlook

IV-Produkt is expected to grow during 1997 as a result of the introduction of a number of new products. Sales personnel was transferred from its sister company IV Svenska in order to market its services better.

The strengthening of expertise in electricity and ventilation increases the companies' competitiveness in a continued weak market.

# Real Estate

## OPERATIONS TAKE PLACE IN:

Real Estate business area  
JM  
Skanska USA business area  
Swedish Construction business area



**S** Skanska is one of Sweden's largest private real estate owners, with property development projects and property management operations in Sweden, other European countries and the United States. Skanska is now playing a leading role in the shift toward greater specialization and geographic concentration, while redoubling its own project development resources.

Most of Skanska's properties are included in the Real Estate business area. The subsidiary JM also has a sizable property portfolio. In addition, there are some real estate operations in other business areas. After property divestments and non-cash share issues during 1996, Skanska became the largest shareholder in two specialized real estate companies, Norrporten and Piren. Skanska retains its earlier half-ownership in the hotel property company Pandox and a number of property management partnerships, such as Novum in Stockholm and Hälsan in Jönköping.

### Operations

Skanska's real estate operations consist of project development, property management and acquisitions and sales. Of total 1996 rental revenues, 92 percent came from investment properties in Sweden.

### The Group's investment properties

SEK M	Real estate		Skanska	Swedish	Total	Total
	business area	JM	USA	Construction	1996	1995
Book value	10,055	7,386	185	147	17,773	18,544
Rental revenues*	2,317	908	48	32	3,305	3,341
Operating net**	1,323	613	21	24	1,981	2,108
Yield (%)	13.2	8.3	11.4	16.3	11.1	11.4
Rentable space (000 sq m)	2,472	905	43	19	3,439	3,700
Residential	907	130	0	10	1,047	997
Retail space	205	107	0	0	312	415
Office space	854	366	43	9	1,272	1,335
Other categories	506	302	0	0	808	953
Occupancy rate (rent, %)	96	97	100	100	96	94

\* Including interest subsidies.

\*\* After subtracting administrative expenses

### Operating net, Group investment properties

SEK M	1996	Return on book value	1995
Rental revenues	3,305		3,341
of which, interest subsidies	204		225
Operating and maintenance expenses	-970		-1,043
Real estate tax	-107		-30
Operating net before administration	2,228	12.5%	2,268
Administrative expenses	-247		-160
Operating net after administration	1,981	11.1%*	2,108

\* The corresponding 1995 figure was 11.4%.

Adjusted for purchases and sales during 1996, operating net after administration was equivalent to a return on book value of 11.2 percent.

### Real estate operations

SEK M	Investment properties		Development properties, Properties under construction		Total	
	1996	1995	1996	1995	1996	1995
Book value	17,773	18,544	3,816	2,931	21,589	21,475
Rental revenues*	3,305	3,341	171	175	3,476	3,516
Operating net**	1,981	2,108	41	-3	2,022	2,105

\* Including interest subsidies

\*\* After subtracting administrative costs

### New organizational structure

The Real Estate business area implemented a reorganization during 1996, emphasizing specialization and geographic concentration of property management operations and an intensification of project development activities in order to enable Skanska to take better advantage of attractive business opportunities.

The new organizational structure creates the potential to better utilize the collective resources and experience of the Group. This will enhance the Group's ability to create substantial value-added in new real estate projects. The new structure also makes it easier to analyze and appraise Skanska's properties.

### The largest Swedish-based property owners\*

(including holdings outside Sweden)

Dec. 31, 1996	Rentable space, 000 sq m
Skanska inkl JM	3,440
Vasakronan	3,400
Diligentia	2,864
Nordisk Renting	2,600
Tornet	2,210
Telaris	2,076
Castellum	2,019
Skandia	2,000
AP Fastigheter	1,700
Lundbergs	1,200
Mandamus	1,200
NCC Real Estate	1,122

\*excluding municipal housing companies

The reorganization included the establishment of two new project development units. The management of Skanska's Swedish properties was divided among five clearly defined units. All residential property management was gathered under the subsidiary Drott, which thereby became the largest private residential property company in Sweden. Following the reorganization, commercial property management, which generate most of Skanska's rental revenues, takes place via three companies covering the Stockholm, Gothenburg and Öresund metropolitan regions, respectively, plus a company covering the rest of Sweden.

### Strategy

Key concepts in Skanska's real estate operations are continued specialization and greater geographic concentration. Project development and the management of residential and office properties take place in separate units. Greater specialization was also a strong motive behind Skanska's participation in the Norrporten and Piren restructuring transactions.

Skanska's environmental work is important in retaining and strengthening its market position. During 1996 the Real Estate business area formulated a number of practical goals within the framework of its environmental program.

### Important business events

Skanska's real estate operations in central Norrland (the northern 3/5 of Sweden), were merged with Norrporten. After this transaction, Skanska is the largest shareholder in Norrporten, with more than 25 percent of capital stock and voting power in the company.

Skanska's shopping centers and Eurostop highway service centers were sold to Piren. After this transaction, Skanska owns 49 percent of the shares in Piren, but over the next year it intends to reduce its holding to 30-35 percent.



*Skanska and IKANO have formed a company for factory outlet sales of brand name goods. The first outlet mall will be built in Barkarby, outside Stockholm.*

Skanska purchased the St. Göran Children's Hospital in Stockholm from the Stockholm County Council's real estate company, Locum. After renovation, the property will be leased to Electrolux under a 15-year agreement with a renewal option.

In December, IKANO and Skanska announced the formation of Sweden's first factory outlet company. Outlet malls are being planned in the Stockholm, Gothenburg and Öresund areas as well as in central Europe (Warsaw, Prague and Budapest). The first such mall, located in Barkarby outside Stockholm, will open at the end of 1997.

### Comments on earnings

During 1995 and 1996, numerous large changes took place in Skanska's real estate portfolio, making it difficult to compare earnings for the two years at the aggregate level. Aside from Skanska's sale of properties to Norrporten and Piren, both Skanska and JM carried out a number of major acquisitions and divestments.

Rental revenues from investment properties totaled SEK 3,305 M (3,341) in 1996. Adjusted for changes in property holdings, rental revenues rose by five percent, of which about two percentage points are explained by rent increases attributable to the higher real estate tax.

Operating net after subtracting ad-

ministrative expenses declined to SEK 1,981 M (2,108). This included SEK 204 M (225) in interest subsidies. About SEK 140 M (180) in costs of adapting space to tenant requirements were charged to operating net. These are long-term measures that play a decisive role in ensuring future earnings.

Yield – return on book value – on the Group's investment properties was 11.1 percent (11.4). The occupancy rate in terms of space was 93 percent (92) – in Sweden including Denmark 93 percent, elsewhere 97 percent – and 96 percent (94) in terms of rents.

The Group's capital spending on real estate totaled SEK 3,596 M (3,782). Properties with a book value of SEK 3,592 M (1,627) were sold, resulting in capital gains of SEK 790 M (532).

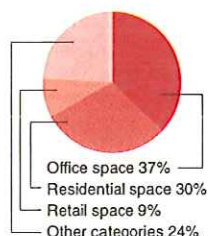
### Property values

As in prior years, each property was individually appraised to determine any writedown or revaluation requirements. Revaluations were made only when compulsory under existing tax legislation. In 1996 the net result of new appraisals was SEK 49 M (-2).

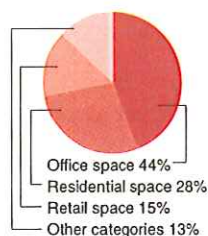
Market principles for the valuation of pure listed real estate companies vary in terms of treatment of vacancies, administrative expenses, interest subsidies and various types of deferred taxes. This makes direct comparisons difficult, but

**GROUP  
INVESTMENT PROPERTIES**

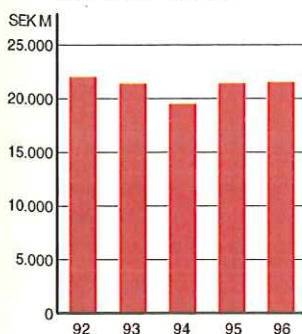
**Breakdown of rentable space**



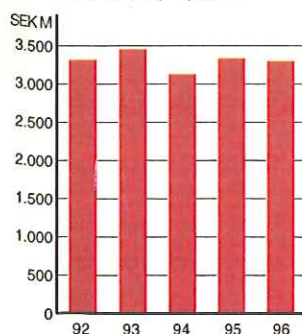
**Breakdown of rental revenues**



**Investment and development properties, book values**



**Rental revenues of investment properties**



most current valuations still indicate that the lowest "implicit yield requirement" is 4-5 percent and the highest nearly 9 percent. Using this as a point of departure, and taking into account the specific quality situation of Skanska's real estate holdings, the total market value of Group investment properties substantially exceeds book value.

On the whole, Skanska's real estate holdings are regarded as well-kept and of high functional quality. In addition, the Group leases most of its commercial space for long periods, with a number of established growth companies among major tenants.

The potential for continued growth in the property value of Skanska's real estate holdings is considered good. Important factors behind this assessment include the greater efficiency and client orientation inherent in the new organizational structure of Skanska's real estate sector, as well as the increased focus on project development.

Aside from the information provided in this Annual Report, a separate presentation booklet entitled *Skanska's Real Estate Holdings 1997* provides further data for detailed analyses and valuation of the Group's real estate portfolio.

**The real estate and rental markets in 1996**

During 1996, falling interest rates had a number of positive effects on the real estate sector. For example, they stimulated economic growth in Sweden generally, leading to greater demand for commercial space and housing. They also helped spark more interest in real estate investments. Lower rates made it possible to purchase attractive properties with rental revenues that cover both operating and financial costs from the very first year, even at very high leverage.

Both the real estate and rental markets are steadily improving. This is especially true in the Stockholm, Gothenburg and Öresund regions. Downtown

Stockholm has shown the best growth. There is a clear improvement in many places, however, especially in the Öresund area, where the construction of the Öresund Bridge between Sweden and Denmark is making the region very attractive. In the electronics industry center of Kista, outside central Stockholm, growth has also been robust. Generally speaking, the greatest demand has been for high-quality commercial space, making it possible to find tenants for newly constructed premises in certain markets.

In the housing sector, there has been heavy demand for centrally located residential properties.

**Outlook for 1997**

Both residential and commercial properties are expected to show continued positive growth, both in terms of rents and property values. This assessment assumes continued low interest rates and economic recovery. However, the market picture will vary in different submarkets of the real estate sector. Interest in real estate investments is expected to rise during 1997 outside Sweden's three largest metropolitan regions as well.

The supply of properties will obviously affect pricing, and the trend during 1997 is uncertain in this respect. However, further restructuring transactions are expected and may provide attractive new business opportunities. Skanska's new real estate organization is well positioned to take advantage of these opportunities.

**Investment and development properties  
Change in book values**

SEK billion	1996	1995
Own construction	1.6	0.8
Purchases of buildings and land	2.0	3.0
Depreciation according to income statement	-0.4	-0.5
Book value of properties sold	-3.6	-1.3
Other items	0.5	-0.1
<b>Net change in book value</b>	<b>0.1</b>	<b>1.9</b>





*Marabou's former chocolate factory in Sundbyberg, a Stockholm suburb, has been renovated into new office space for the Ericsson telecommunications group in a collaborative project between Skanska's property development and building construction specialists.*

# Real Estate

**OPERATIONS TAKE PLACE IN:**

Skanska Project Development Sweden  
 Skanska Project Development International  
 Skanska Øresund  
 Skanska Fastigheter Göteborg  
 Skanska Fastigheter Stockholm  
 Skanska Fastigheter Riks  
 Drott

## Associated companies

Piren (49%)  
 Norrporten (25%)  
 Pandox (50%)

**Mission and financial targets**

The mission of the Real Estate business area is to employ Skanska's collective resources to develop its property holdings in ways that meet the demands of the market.

The long-term financial target of the business area is to yield a return on the market value of its properties that exceeds the long-term bond rate by 3-4 percentage points. Operating net and changes in value are included in calculating this return. Achieving this target

requires active project development, efficient property management and continuous structural changes in property holdings.

**Collaboration with other business areas**

Construction assignments initiated by the Real Estate business area are performed by Skanska's construction companies. There are numerous examples of successful joint projects, among them the Electrolux project in Stockholm, the Ericsson project in Sundbyberg and the Atrium Business Center in Warsaw. In many cases, the financial expertise of Skanska Capital AB has also been used.

**Project development***Sweden*

The new Skanska Project Development Sweden unit is responsible for commercial property development projects in the Stockholm, Gothenburg and Öresund metropolitan areas. The property management company Skanska Riks is responsible for commercial projects outside these three regions.

During 1996 Skanska invested in a number of attractive, well-located real estate projects.

One aim of Skanska's project developers is to ensure that projects are fully leased to stable tenants on a long-term basis, even before construction begins.

*International*

Skanska Project Development International, the other newly established unit in this field, is responsible for projects outside Sweden. In 1996 offices were established for this purpose in Prague, Czech Republic and Warsaw, Poland. There is already such an office in Budapest, Hungary.

A number of potential projects are under intensive scrutiny, mainly in Central Europe, where rapid economic growth provides an attractive market. Skanska is already a participant in office building projects in Warsaw (partly owned) and Budapest (wholly owned). Both projects were constructed by Skanska and have so far provided a yield substantially higher than similar projects in Sweden.

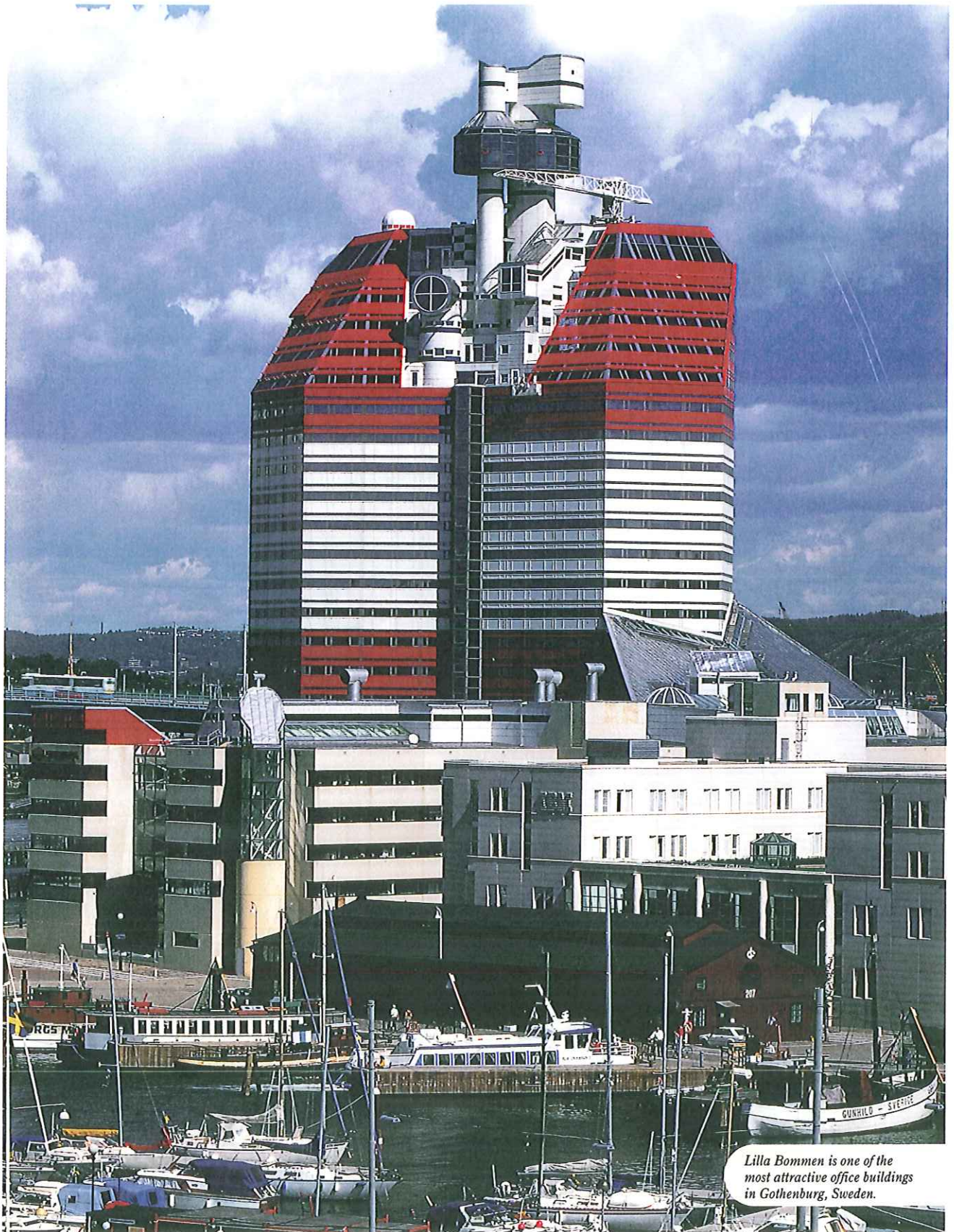
Project Development International is also organizationally in charge of a number of commercial investment properties elsewhere in Europe.

The larger of Skanska's two properties in London, England, Thomas More Square, became fully leased during 1996. Tenants include Svenska Handelsbanken, Chemical Bank, Reuters and AT&T.

Real Estate business area, investment properties

SEK M	Stockholm	Øresund	Göteborg	Riks	Drott	Sweden*	International	Total Real Estate business area	
								1996	1995
Rental revenues									
Residential space	8	58	8	33	573	680	8	688	671
Retail space	34	89	47	49	24	243	2	245	350
Office space	647	105	69	114	14	949	101	1,050	1,039
Other categories	117	61	54	21	20	273	61	334	333
Total	806	313	178	217	631	2,145	172	2,317	2,393
of which, interest subsidies	4	1	3	8	81	97	0	97	122
Operating net**	586	139	120	118	270	1,233	90	1,323	1,439
Book value	2,848	1,598	841	811	2,137	8,235	1,820	10,055	10,795
Yield (%)	20.6%	8.7%	14.3%	14.5%	12.6%	15.0%	4.9%	13.2%	13.3%
Rentable space (000 sq m)	627	432	173	259	854	2,345	127	2,472	2,628
Residential space	6	68	5	37	784	900	7	907	857
Retail space	30	79	26	42	25	202	3	205	314
Office space	440	123	62	137	17	779	75	854	891
Other categories	151	162	80	43	28	464	42	506	566
Occupancy rate (based on rents)	97%	94%	95%	93%	96%	96%	96%	96%	93%

\* Including Denmark. \*\* After subtracting administrative expenses.



*Lilla Bommen is one of the most attractive office buildings in Gothenburg, Sweden.*



*Forum Nacka is one of eight shopping centers acquired by Piren in August 1996. After the transaction, Skanska owns 49 percent of the shares in Piren.*

### *Strategy*

By taking advantage of the Group's collective expertise and resources in the construction and real estate fields, the business area creates opportunities for successful project operations. The Group's Finance operations are another major resource in arranging financing of major projects.

In the future, the Real Estate business area must continuously assess new potential projects that it identifies. The

availability of suitably located land is one important factor. It is also important to cooperate closely on marketing issues with the regional property management companies. In this way, the business area can make maximum use of Skanska's collective market knowledge.

Crucial factors in deciding whether to invest in new projects are their size, leasing potential before and after ground breaking, the length of leases, tenant

structure, potential for selling the property after completion, location and prospects for creating substantial surplus value. The decision-making criteria may differ in Sweden and other countries.

### **Commercial properties**

#### *Business focus*

The property management companies in Sweden's three largest metropolitan regions have unique expertise and good market coverage in their respective

areas. Skanska Öresund is the first property management company to treat the Öresund region – which includes portions of both Sweden and Denmark – as a single rental market.

The new nationwide company Skanska Fastigheter Riks has the potential to identify attractive, profitable real estate transactions outside the major urban areas.

#### *Comments on earnings*

Rental revenues of these companies totaled SEK 1,514 M in 1996. Operating net minus administrative expenses was SEK 963 M.

#### **Residential properties**

##### *Business focus*

Over the past decade, Skanska has been one of Sweden's largest private residential property managers. All properties in the Real Estate business area with a residential component exceeding 50 percent have now been gathered in the residential property company Drott.

This new structure makes it easier for Skanska to manage its apartment buildings more efficiently. The Group can make better use of its knowledge

of what tenants want. One example is Skanska's careful renovation of 3,500 older apartments in Gothenburg. Experience gained in the course of this project can also be applied to other properties.

#### *Comments on earnings*

Rental revenues in 1996 totaled SEK 631 M (including SEK 81 M in interest subsidies), while operating net including interest subsidies reached SEK 270 M.

#### **Associated companies**

The Real Estate business area has three associated companies: Piren, Norrporten and Pandox. These companies are closely related to Skanska's core businesses and are reported in its accounts according to the equity method.

Piren and Norrporten are listed on the Stockholm Stock Exchange. This is a new form of property ownership for Skanska and means, de facto, that the Group has listed a portion of its real estate holdings on the Exchange.

There are plans to list the hotel property company Pandox on the Stockholm Stock Exchange during 1997.

#### *Business focus and operations in 1996*

By means of restructuring transactions with Skanska, Piren became a specialized shopping center company, as well as one of the five largest pure real estate companies listed on the Stockholm Stock Exchange.

Norrporten's focus on four cities in central Norrland (northern Sweden) became stronger as a result of its non-cash exchange of shares with Skanska. The company's share price developed very favorably during 1996.

For more detailed information about Piren and Norrporten, the reader is referred to their respective annual reports.

Pandox continued its concentration and the development of its property portfolio. The hotel market – and thus the hotel property market – improved steadily. Pandox' rental revenues rose to SEK 130 M (121) during 1996. Operating net was SEK 105 M (97), and yield on book value reached 8.6 percent (7.6).

## **OTHER REAL ESTATE OPERATIONS**

### **JM**

JM's real estate holdings consist of well-located commercial and residential space, mainly in Sweden's three largest metropolitan areas. Occupancy rates improved during 1996. At year-end, leased premises were equivalent to 93.4 percent (93.3) of total area and 96.7 percent (95.0) of potential annual rents.

During the year, JM acquired Lidingö Centrum, a Stockholm suburban shopping center built by the company and previously owned in equal shares by JM and the real estate company Fas-

tighets AB Brogatan. After purchasing Brogatan's stake, effective from October 1, 1996 JM became the sole owner of the shopping center, a project costing SEK 346 M.

For further information, see JM's separate annual report.

### **Skanska USA**

The growth in the American economy created higher demand and rent levels. Skanska Real Estate's office buildings in downtown Seattle were fully leased, and rent levels improved. Rental revenues

totalled SEK 48 M (74). Operating net was SEK 21 M (36). Skanska's office building in Atlanta was sold early in 1996. This explains the lower rental revenues and operating net compared with 1995.

### **Swedish Construction**

Skanska's Swedish construction companies have investment properties with a book value of SEK 147 M. Operating net totalled SEK 24 M.

# Finance

## SUBSIDIARIES:

Skanska Capital AB  
 Skanska Försäkrings AB  
 SCEM Reinsurance S.A.



*The Finance operations of the Skanska Group are mainly concentrated in the subsidiary Skanska Capital AB, which is responsible for borrowing, treasury management and financial risk management. The Group also has central, specialized expertise in the fields of insurance, project financing, cash management and corporate finance. Its insurance operations consist of two operating subsidiaries: the direct insurer Skanska Försäkrings AB and the reinsurance company SCEM Reinsurance S.A.*

### The money and foreign exchange markets

During the first quarter of 1996, international interest rates climbed due to fears of an imminent American rate hike. Swedish interest rates followed the international trend, while the krona weakened. In Europe the rest of 1996 was characterized by falling interest rates and the krona recovered its entire previous decline against other currencies.

Low international inflation, cuts in European short-term rates, weak growth in Europe and Japan and growing confidence in the Economic and Monetary Union (EMU) project helped push down interest rates. Because of falling inflation

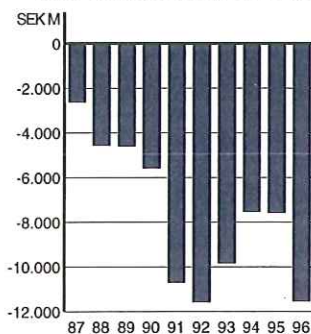
– occasionally even deflation – the Riksbank (Swedish central bank) was able to cut its repo rate from 8.91 percent to 4.10 percent. Both short-term and long-term market rates fell sharply during 1996.

### Operations of Skanska Capital

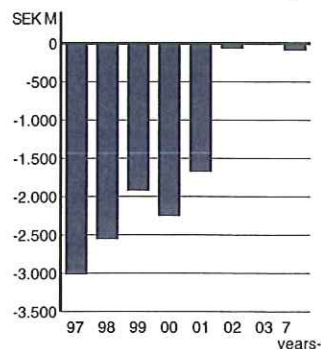
Most of the Group's operative financial management is provided by Skanska Capital. By concentrating its financial operations, Skanska achieves greater efficiency and a better overview of financial risks. Skanska Capital's year-end total assets were SEK 5,826 M (4,590) and its 1996 income was SEK 62 M (24).

The cash management project underway since 1994 was completed with good results early in 1997. The cash management unit is continuing to provide service to Skanska's subsidiaries and is pursuing Groupwide projects. One important project that began recently is the establishment of a Groupwide international foreign currency account system.

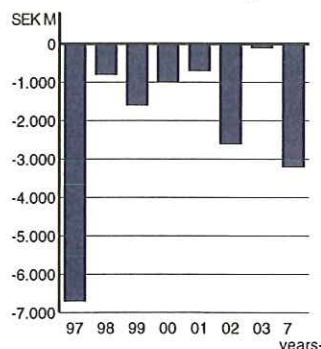
Net interest-bearing indebtedness of the Skanska Group, Dec. 31, 1996



Fixed interest period, net interest-bearing indebtedness of the Skanska Group, Dec. 31, 1996



Maturity structure, Interest-bearing liabilities of the Skanska Group, Dec. 31, 1996



### Net interest-bearing indebtedness

The net indebtedness of the Group, which decreased significantly during the period 1993-1995, rose in 1996 by nearly SEK 4 billion to SEK 11,537 M (7,581). The increase is explained by relatively high net investments during the year, among them the acquisition of Skåne-Gripen and the purchase of additional shares in Scancem. Interest-bearing liabilities totaled SEK 16,740 M (13,363) at year-end, while interest-bearing assets added up to SEK 5,203 M (5,782).

During 1996 the Group sold its holding in Graninge for about SEK 2.2 billion, in exchange for shares in another company. In February 1997 the Group took advantage of the liquidity effect of this transaction and the corresponding reduction in net indebtedness.

### Fixed interest period and borrowing risks

Skanska's financial policy defines a number of financial risks that occur in the

Group and specifies how they should be managed. The Group's borrowing portfolio mainly finances real estate holdings. It is believed that the revenue streams from these holdings can be adjusted to changes in interest rates with an estimated 2.5 year delay. In light of this, the Group seeks to achieve an average fixed interest period of 2.5 years for its long-term liabilities. Falling interest rates during 1996 have justified a shorter fixed-interest period. Within Skanska's interest rate risk limit, the average fixed interest period for its long-term liabilities during 1996 was somewhat shorter than 2 years. At year-end, the fixed interest period was slightly less than 2.5 years.

In order to minimize borrowing risks when refinancing its borrowing portfolio, the Group seeks to maintain a strong equity/assets ratio and a high credit worthiness. In addition, its borrowing portfolio should mainly be long-term, with maturities spread over time. Aside from short-term borrowing that offsets liquid assets, Skanska's financial policy thus stipulates that at least 75 percent of the borrowing portfolio should have a remaining maturity of more than one year. At year-end 1996, only 65 percent of borrowing was long-term. In terms of risk, however, this was balanced by the availability of confirmed credit facilities.

#### **Syndicated loan**

During the summer, the Group renegotiated its syndicated bank loan, obtaining more advantageous terms and longer maturity. The credit limit was raised from USD 400 M to USD 700 M, of which USD 175 M had been utilized at year-end. Because of great interest in participation, the loan was oversubscribed. It was arranged by Chase Investment Bank and Deutsche Morgan Grenfell and involved 21 Swedish and international banks.

#### **Currency risks in the Group**

Because the Group is becoming more and more international, it is focusing

increasingly on currency risks. Currency risk refers to the effects of exchange rate fluctuations on commercial flows and on the value of assets and liabilities denominated in foreign currencies. Commercial flows across national boundaries are occurring to a growing extent in the Group, for example due to the increased internationalization of purchasing operations. The acquisition of Skåne-Gripen reinforces this trend. In order to reduce currency risks in commercial flows, the Group seeks to hedge all known flows, as well as most budgeted flows. Changes in the value of real assets abroad due to exchange rate movements are reduced by the use of financing in local currencies.

#### **Risk management and insurance**

Risk management is a tool for systematically dealing with the risks of injury or damage that may be inherent in a business operation. The process begins with identifying and analyzing various risks, then continues with steps to prevent and limit them, followed by the use of such risk-sharing measures as insurance.

Skanska's overall risk management policy is that operational risks should primarily be eliminated or minimized. Efforts to achieve this take place primarily in the Group's actual business areas and comprise an integral part of its daily business operations. To deal with additional risk exposure, Skanska seeks risk financing primarily in the form of outside insurance coverage.

In June 1996, Skanska Försäkrings AB was granted a license to provide direct insurance coverage for the Skanska Group's own risks. The operations of this company developed very satisfactorily during 1996.

Even before this, the Group had a wholly owned reinsurance subsidiary, SCEM Reinsurance S.A., based in Luxembourg. Since beginning operations in 1989, this company has yielded an annual return averaging more than 25 percent of capital employed.

Together, these companies account

for most of Skanska's insurance program. They provide an alternative and a supplement to the traditional insurance market. Having its own insurance operations enables Skanska to formulate the terms and influence the pricing of the risk financing needed in the Group's other operations.

#### **Stock portfolio**

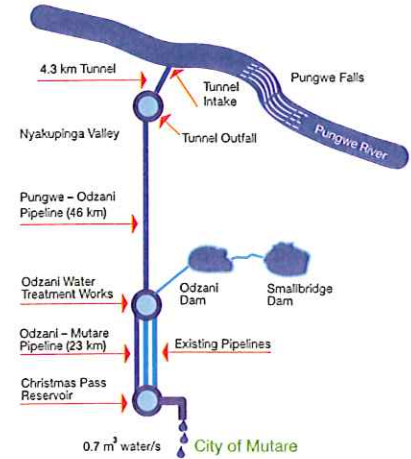
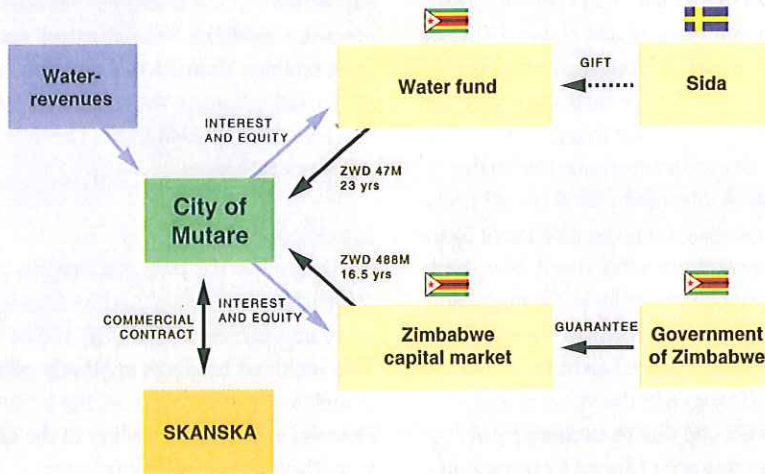
On December 31, 1996, the market value of the Group's shareholdings in listed companies totaled SEK 18,768 M. This included holdings in closely related associated companies reported in the Skanska accounts according to the equity method (Scancem, Norrporten, Piren) or consolidated as subsidiaries (JM).

Excluding its holdings in the above-mentioned closely related companies, the market value of the stock portfolio amounted to SEK 11,929 M, with a corresponding book value of SEK 1,271 M. In value terms, holdings in the Sandvik and SKF engineering companies were entirely dominant. Adjusted for share purchases and sales during the year, the value of the stock portfolio climbed 52 percent during 1996. Divestments during the year included Skanska's entire shareholding in the power and forest product group Graninge and its remaining stake in the investment company Custos.

#### **Project financing**

Both in Sweden and abroad, the construction industry must increasingly offer financing packages for the various kinds of projects that Group companies are competing for. Aside from pure construction engineering expertise, the additional capacity to craft realistic proposals for financing solutions is often a prerequisite for participation in the tendering process, especially for large projects. In some cases, the presentation of an attractive financing package has also functioned as a catalyst for the implementation of a project which previous evaluations deemed financially unrealistic.

## Pungwe water supply project, Zimbabwe



The Swedish International Development Cooperation Agency (Sida) established a Water Fund, which created the prerequisites for arranging the local portion of financing for the project by issuing a bond loan in the local capital market. With its long maturity, the loan is the first of its kind and is also important to the further development of Zimbabwe's capital market.

tic and that had consequently never come about.

Skanska's project financing operations primarily involve putting together financing and risk-spreading packages for individual projects. Cooperation with outside organizations that participate in financing a project is also of great importance. Project financing has traditionally focused on large projects, but during 1996 the need to devise financing packages for smaller projects as well grew in importance. Examples of large projects

in which Skanska Project Finance helped put together such packages during 1996 are the Hvalfjörður Tunnel in Iceland and the Pungwe water supply project in Zimbabwe.

The scope of project financing work is now expanding because of the increasing volume of public sector projects in which contractors and other private interests are expected to provide various forms of financing. Skanska's participation in this type of project is still limited but will probably grow over the next few

years. The Helsinki-Lahti highway in Finland, where a Skanska-led consortium was named in March 1997 as the winner of a tender competition that includes design, construction, financing and operation, is an example of such a project.

In response to recent developments in this field, effective in 1997 Project Finance is part of the new BOT Projects business area, responsible for the Group's financial involvement in privately financed infrastructure investments.



# Information technology at Skanska

Skanska's investments in the information technology (IT) field are based on the assessment that IT is a tool of major strategic importance for improving the efficiency and competitiveness of the Group, especially in light of the international nature of its business.

Increased IT use and the gradual introduction of Groupwide IT-based purchasing, EDI, project management and document management systems are creating the prerequisites for better quality and cost-effectiveness.

During 1996, Skanska's IT work has focused primarily on stimulating IT use

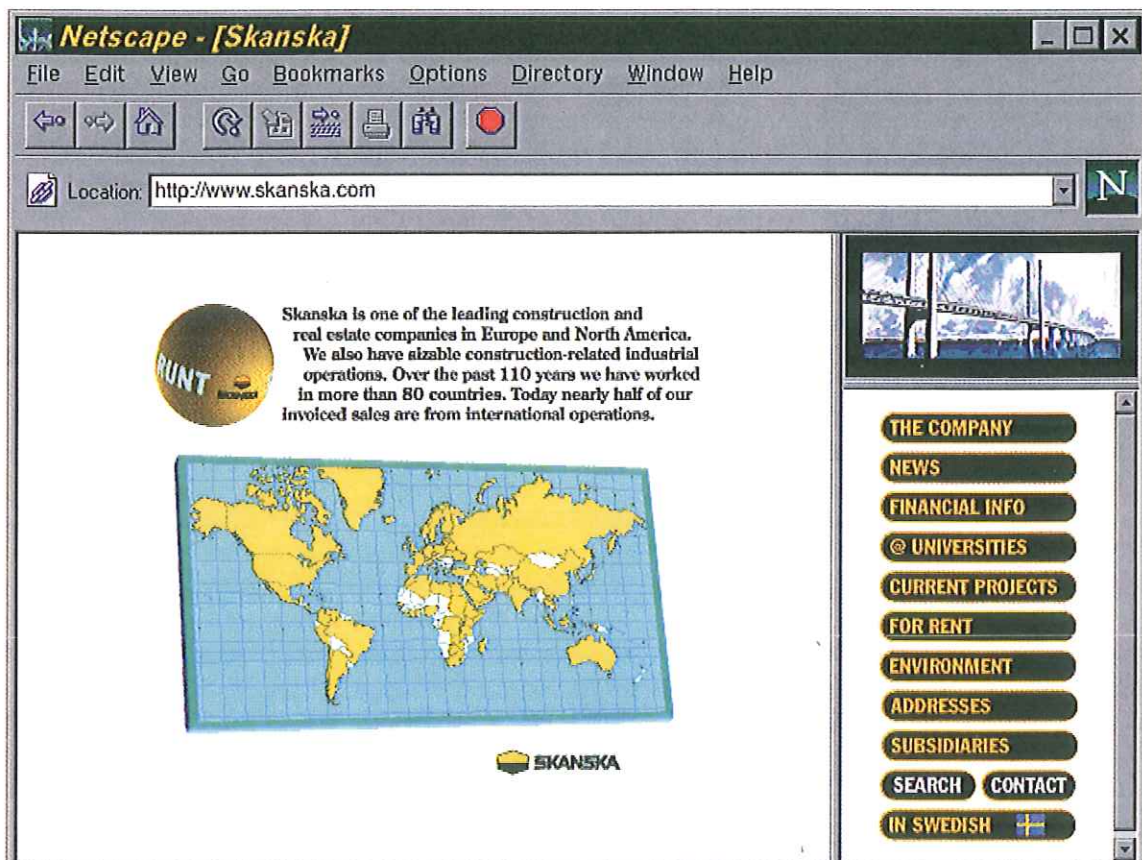
by improving system functionality and expanding networks. At year-end, 128 offices were connected to the Skanska internal network. The goal is that in the future, this network should include all Skanska offices worldwide. Today the Skanska intranet – Info-forum – and internal e-mail system provide a base for the Group's internal information flow and include more than 4,000 computers.

Another priority during 1996 was to improve security procedures and analyze various security aspects of the Group's IT use.

Skanska's World Wide Web home page was introduced in 1995. Today it is an effective tool for external dissemination of information about Group opera-

tions. During 1996 Skanska's web pages attracted favorable comments in the trade and business press, and Skanska was one of four companies nominated for the Hilding Prize, awarded to the best Swedish company home page.

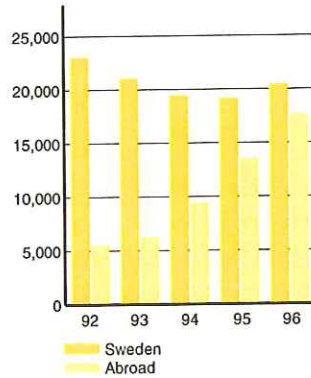
During 1997, Skanska's continued IT work will focus on how the Group uses information technology – partly in project form, with an emphasis on working methods and administrative procedures. Other important development areas are systems engineering analysis, preparations for the transition to EMU and analysis of the special problems posed by the change of millennium in the year 2000.



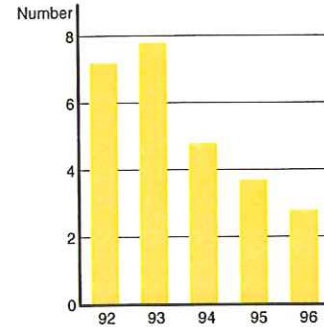
# Personnel



Average number of employees



Number of rehabilitation cases per 100 full-time equivalent employees



*The purpose of Skanska's personnel strategy is to enhance core competency and build up a sense of community among nearly 40,000 employees in some 60 countries. The Group's human resource development and empowerment programs are aimed at generating greater involvement and delegating more responsibility to skilled workers. Meanwhile its management recruitment program must ensure an adequate future supply of managers and executives.*

The structural changes of the 1990s in the construction industry have had a number of important consequences for Skanska's human resources work. Among other things, the average age of Group employees has risen. For example, nearly half of Skanska's managers will reach retirement age within 10-15 years.

Because of technical development, product specialization, IT advances and greater internationalization, the build-up of core competency will be an increasingly important competitive factor. Employee recruitment and development, management recruitment and empowerment are of increasing strategic importance to Skanska's growth.

## Employee recruitment

Recruiting young, well-educated employees of all categories is a high-priority area. As one step toward becoming a more attractive employer and ensuring a long-term supply of managers and executives, Skanska has strengthened its contacts with Sweden's institutes of technology. During 1996, the company implemented its first Skanska 21 program. Among other things, Skanska 21 allows undergraduate engineering students to become summer trainees at Skanska while being given the opportunity to pursue thesis projects at the company. The program, which attracted nearly 500 applications for 21 openings, was highly successful and will continue.

To optimize the employee selection and recruitment process at all Skanska companies, the Group coordinated its recruitment of graduate engineers into two rounds during the year.

## Human resource development

The accelerating pace of change places heavy demands on human resource development in the Group. To an increasing extent, Skanska is using methods that are part of day-to-day work, such as job rotation, greater delegation of authority, project work and the master-apprentice system.

One important element of human resource development work is career planning discussions with individual

employees. So far, most white collar employees in the Group have participated in such discussions. With financing from the EU's "Leonardo da Vinci" vocational training program and other sources, during 1996 Skanska intensified its efforts to apply this model to skilled workers as well.

Other programs aimed at supporting the internationalization process include an expanded array of language training programs and an international introductory training program aimed at creating a greater sense of community at Skanska.

## Management recruitment

The purpose of the management recruitment system is to ensure the Group's long-term supply of managers and executives. Other goals are to offer managers leadership development programs, devise methods for assessing and selecting managers, increase the number of women in high-level positions and support the continuing internationalization of Skanska.

A unit responsible for internal management and leadership development, the Skanska Management Institute, has been established. It offers current and potential managers a choice of development programs in various fields. A Skanska Assessment & Development Center is in the process of being established.

During 1996 a mentorship program was implemented for the purpose of



*During 1995 and 1996, Skanska ran management development programs for women in order to increase the number of women line managers.*

increasing the number of women managers. A Manager Exchange Program between Skanska companies in different countries began operation.

**Empowerment**

For some years, Skanska has carried out development efforts in Sweden aimed at creating a deeper sense of job commitment and new working methods among skilled workers. In the past, most skilled workers were employed on a project basis. Today they are permanent employees.

Think Total Time (3T) is an important instrument in Skanska's efforts to create greater job commitment and introduce management by objectives and human resource development. In

the future, many tasks once handled by white collar employees will be performed by skilled workers, who will have more responsibility and influence over their own jobs as part of the new working methods.

The goal is an organization based on dynamic production teams, where each member's contribution is very important to the final outcome.

**Working environment**

The overall goal of Skanska's working environment policy is to ensure the safety and efficiency of Skanska work sites worldwide. This policy document describes the goals, purposes, scale and organizational structure of working environment programs and their allocation

of responsibility. Every work stage and decision-making process at Skanska takes working environment issues into account. Employee participation and planning are guiding principles of these programs.

Skanska's commitment to working environment programs has borne fruit. Over the past five years, the incidence of job-related injuries in the Swedish Construction business area has fallen by more than 50 percent, and the number of rehabilitation cases by more than 60 percent.

# Results-oriented environmental work



**A**ll environmental work at Skanska is based on the Group's environmental policy and is part of its long-range business strategy. This policy reflects the various roles of the Group: project and product developer, builder, real estate manager and business developer. During 1996 Skanska worked hard to put its environmental policy into practice.

## **Environmental management by objectives**

Each company in the Skanska Group formulates an environmental program for its operations, based on the Group's environmental policy document. At the end of 1996, 65 percent of the Group's companies had such programs. More and more projects have project-specific environmental plans. Of projects completed in 1996, 20 percent had such plans. Today 97 percent of Skanska's properties have their own environmental plans.

## **Organizational structure**

During 1996 recruiting environmental specialists, training employees and building up environmental networks were top priorities. Skanska has more than 50 environmental managers and officers, as well as 136 local environmental coordinators.

## **Environmental training**

Successful environmental work is based on dedicated employees. Thus, environmental training is an important element of the Group's environmental work. So far 6,466 of the Group's 36,024 employees (excluding JM) have completed

such training programs. Roughly 15,000 employees will have received environmental training by December 31, 1997. Skanska has developed company-tailored environmental training programs, taught by the Group's own employees.

## **Skanska's Environmental Unit**

During 1996 an Environmental Unit was established within Skanska Teknik. Its tasks include documenting and evaluating building materials from an environmental standpoint as well as making recommendations for sound environmental choices. These recommendations are used in Skanska's design and purchasing operations. During 1996 the Environmental Unit developed product-specific environmental questionnaires for 46 different building products and installation components. It also compiled environmental declarations for more than 200 products from close to 100 companies.

## **Environmental thinking leads to new business opportunities**

By solving environmental problems for its clients, Skanska can create new business opportunities. In the fields of soil decontamination and environmentally sound renovation of properties, Skanska already has commercially attractive methods, for example via the subsidiary Cedeca Miljöentreprenad AB, which specializes in soil decontamination. During 1996 the subsidiary Stablator performed several assignments with clear environmental dimensions, among them the clean-up of oil storage facilities. In the United States, Skanska removed old underground oil storage tanks on behalf of the telecommunications company BellSouth.

## **Projects with environmental dimensions**

Several projects that attracted attention due to their environmental qualities were completed in 1996. They included multi-story wooden apartment buildings in Linköping and Växjö, Sweden, as well as in Ylöjärvi, Finland; the Atrium Business Center in Warsaw, Poland; and the

restoration of wetlands outside Helsingborg, southern Sweden.

During 1996 Skanska won several new contracts with obvious environmental dimensions. These include the retrofitting and extension of the St. Göran Children's Hospital for Electrolux's new headquarters in Stockholm; the conversion of the Marabou chocolate factory in Sundbyberg, near Stockholm, into an office building for Ericsson; the renovations of SAS Cargo's facilities in Copenhagen, Denmark and Storebrand's headquarters in Oslo, Norway; the construction of the Teknikum science center at the University of Kalmar, Sweden; the environmentally sound partial disassembly of the Olympic Stadium in Atlanta, Georgia; a pipe jacking project in Bangkok, Thailand; and a drinking water supply project in Zimbabwe.

## **Unique environmental survey**

During 1996 Skanska conducted a very thorough analysis of all material resources used in erecting a 50-unit apartment building in Sundbyberg, near Stockholm. The study provided a complete declaration of contents for each building material. It summarized the quantities of various substances and grouped environmentally hazardous substances according to their degree of toxicity. The analysis provided good documentation for Skanska's continued environmental work.

## **Material and energy balances**

Skanska produced complete 1996 material and energy balances for about a dozen industrial processes within the Group, for example the manufacture of Kährs wooden flooring.

## **Environmental declarations**

During 1996 Skanska developed environmental declarations for nine different products:

- 3 types of ready-to-assemble homes from Myresjöhus
- 3 prefabricated concrete products
- 1 laminated parquet flooring product
- 2 types of windows

### Environmental certifications

During 1996 seven facilities were registered in accordance with the European Union's Eco-Management and Audit Scheme (EMAS) and one was certified as meeting the ISO 14001 international standard for environmental management. During 1997 an additional eight facilities are expected to be registered according to EMAS.

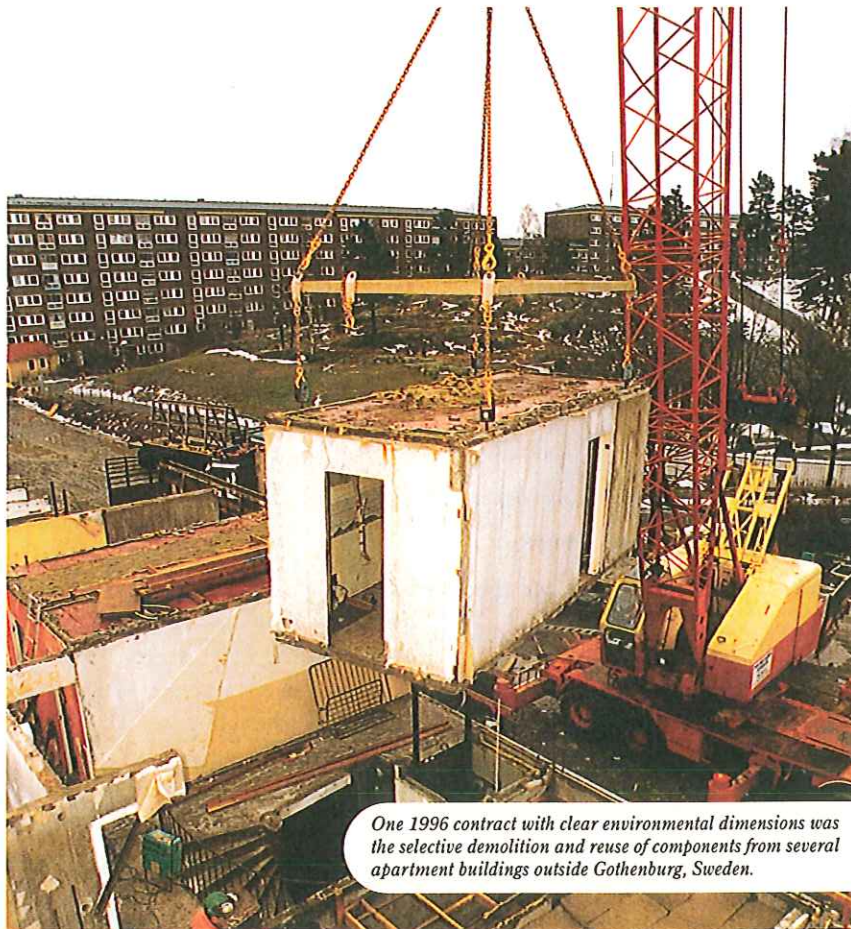
### Continued environmental work

Skanska is prioritizing four areas in its continued environmental work:

- Strengthening the role of the line organization
- Continued expansion of expertise
- Stronger connection between business development and the environment
- Presenting the role and results of environmental work more clearly

### Skanska Environmental Report 1996

Skanska has published a separate Environmental Report for 1996. It can be ordered from Skanska AB, telephone +46 8 753 88 00 or fax +46 8 753 12 56.



One 1996 contract with clear environmental dimensions was the selective demolition and reuse of components from several apartment buildings outside Gothenburg, Sweden.

## SKANSKA'S ENVIRONMENTAL PERFORMANCE, 1996

Environmentally trained employees (out of 36,024 <sup>1)</sup> )	18%	Fuel consumption in Swedish operations <sup>5)</sup>	
Companies with separate environmental programs	65%	Environmental Class 1 fuel	83%
<b>At-source waste separation<sup>2)</sup></b>		<b>Environmental certifications</b>	
• Building construction projects in Sweden	63%	• Number of facilities certified according to ISO 14001	1
• Road and civil engineering projects in Sweden	26%	• Number of facilities registered according to EMAS	7
• Construction sites, Skanska USA business area	22%	<b>Number of products with environmental declarations</b>	9
• Construction sites, International Construction business area <sup>3)</sup>	88%	<b>Total waste management costs</b>	SEK 110 M
• Production facilities, Swedish Construction business area	56%	<b>Environmental taxes and fees</b>	
• Production facilities, Industry business area	93%	Inspection fees	SEK 1.8 M
• Commercial properties in Sweden	73%	Sulfur taxes <sup>5)</sup>	SEK 0.2 M
• Residential properties in Sweden	71%	CO <sub>2</sub> taxes <sup>5)</sup>	SEK 34 M
<b>Annual electricity consumption in Swedish operations<sup>4)</sup></b>	240 GWh	Swedish producer liability register (REPA)	SEK 0.4 M
<b>Biofuel production</b>		Natural gravel taxes	SEK 4 M
• Biofuel-based electricity	207 GWh		
• Biofuel-based heat	25 GWh		
• Solid biofuel (sold)	243 GWh		

1) Excluding JM.

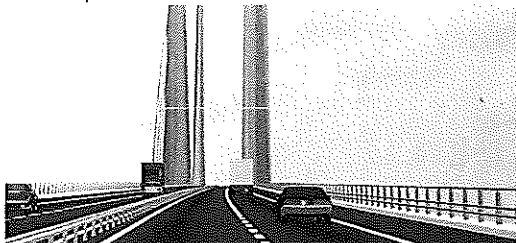
2) Applies to projects completed during 1996.

3) Major variations among subsidiaries in degree of at-source waste separation.

4) According to Skanska's contract with the power utility Sydkraft, which includes all large properties and production facilities in Sweden.

5) Volume sold according to Skanska's contract with the oil company Preem.

# Technical development



**T**echnical development work within the Skanska Group became more important during 1996. Part of this work occurs at construction projects and companies, and part of it with the help of the technology company Skanska Teknik AB. To a growing extent, development work involves collaboration between business areas to take advantage of the collective expertise of the Group.

## Development in projects

Advanced construction projects require a high level of technological expertise. This is a strong motive force behind continued development work in collaboration between the Group's business areas and Skanska Teknik.

The Öresund Bridge, the High Coast Bridge and the Sunningesund Bridge at Uddevalla – the latter an order obtained early in 1997 – are examples of bridge projects at the highest international level of technology.

Similarly, the tunnel work at the Uri hydroelectric power plant in the Himalayas, the Lundby Tunnel in Gothenburg, the tunnel under Hvalfjörður in Iceland and the railroad tunnels through Sweden's Halland Ridge are highly demanding underground engineering challenges.

Slattery's successes as a builder of infrastructure in New York and Boston are further examples of the decisive role of advanced technology.

The top priorities of Skanska's future technical development work:

- by means of collaboration between business areas, to develop materials, components, methods and construction systems that make the building process more efficient
- by means of the specialization existing in the new business areas, to strengthen the Group's technical development
- to build up the Group's knowledge of materials, especially in terms of environmental performance
- to increase the number of employees at Skanska who hold doctorates in technology or are doctoral candidates or graduate students

## Development of products

More and more companies in the Skanska Group engage in the manufacture and sale of products, systems or specialized package solutions. Technical development is often crucial to these companies, and this work consequently takes place in close contact with market demands.

Examples are high performance concrete products developed by Skanska Prefab and a sound-insulating asphalt paving material developed by Skanska's road construction departments.

Kährs' parquet flooring, which is based on a patented method; Essmann's fire ventilation and smoke protection system; and IV-Produkt's system for recovering energy from ventilation air are examples of products whose technical characteristics are crucial to the competitiveness of these companies.

Myresjöhus has developed a new series of cost-effective house models. During 1996, Flexator – a subsidiary of SektionsByggarna – developed a method for extending existing homes based on prefabricated modules.

## Skanska Teknik

Skanska Teknik is a knowledge-based company with a central role in the Skanska Group. It is entrusted with developing specialized technical expertise in close cooperation with project operations. Its working method has enabled Skanska to build up numerous construction and civil engineering specialties.

Skanska Teknik's fields of expertise are ground, rock and energy technology; geotechnology and foundation work;

bridges and civil works; and buildings and industrial plants.

The Environmental Unit established in 1996 implemented a special program during the year to develop knowledge of the environmental characteristics of construction materials.

The subsidiary Skanska Software develops programs for construction design calculations, which are sold in a number of European countries. In Sweden the company is a market leader and its clientele consists of all leading design consultants and most universities and schools of technology in Sweden.

## Research

A research team at Skanska Teknik maintains contact with the global research community and coordinates Skanska's participation in national and international research programs.

## EU projects

During 1996 Skanska began five R&D projects with financing from the European Union, among them foundation engineering and information technology projects. This will accelerate the Group's build-up of international expertise.

## Graduate students

Ten doctoral candidates in industry-related subjects are continuing their graduate studies at Swedish universities while working with applied development as Skanska employees. The Group also has ten employees who hold doctorates in technology.

# Report of the Directors

## THE GROUP

### Order bookings

During 1996 the Group's order bookings rose by 19 percent to SEK 52,500 M (44,029). The increase amounted to 10 percent for comparable units. Markets outside Sweden accounted for 55 percent (43) of order bookings.

Order backlog rose by 25 percent to SEK 37,566 M, of which SEK 25,733 M came from markets outside Sweden.

### Invoiced sales

Invoiced sales rose by 24 percent to SEK 47,472 M (38,395), of which 46 percent came from markets outside Sweden. Invoiced sales for comparable units rose by 11 percent.

Invoiced sales on contracts credited to income rose by 24 percent to SEK 47,872 M (38,608), and the level of invoicing on contracts credited to income was 101 percent (101).

### Earnings

The Group's operating income after depreciation amounted to SEK 4,118 M (3,232), an increase of 27 percent. For comparable units, the increase was 19 percent.

Income after financial items rose to SEK 5,172 M (2,573). Net profit for the year was SEK 4,074 M (1,610). Earnings per share amounted to SEK 32.35 (12.80).

### Structural changes

As one element in the ongoing geographic concentration of Skanska's real estate holdings, early in 1996 the Group sold a subsidiary in central Norrland, northern Sweden, to the real estate company Norrporten by means of a non-cash issue of new shares. Following this transaction, Skanska owns more than 25 percent of the shares in Norrporten.

In April, Skanska signed an agreement with the French energy group Electricité de France (EDF) to sell its

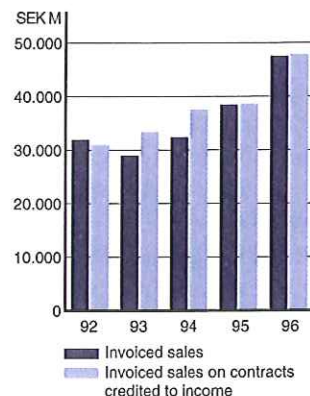
shareholding in the forest product and power company Granninge – equivalent to a 25 percent stake – to EDF International's Swedish subsidiary Northelec, in exchange for newly issued shares in Northelec equivalent to 50 percent of the increased capital stock of the company.

In June, Skanska purchased the investment company Bure's shares in the building product company Skåne-Gripen and presented an offer for the remaining shares in the company. The purchase price was approximately SEK 3 billion. The purchase marked the first step in Skanska's strategy of building up an industrial group in the construction component field. By the date that the offer expired, the holders of 99 percent of Skåne-Gripen shares had accepted the offer. Skanska has requested compulsory redemption of the remaining shares.

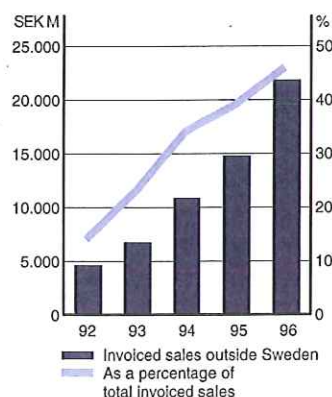
During the autumn, Skanska sold a subsidiary that owned eight shopping centers to the listed real estate company Piren via a non-cash issue of new shares. The sales price was approximately SEK 2.4 billion. The purchase made Piren one of the leading owners and managers of shopping centers in the Stockholm region. Piren's increased specialization is expected to strengthen the prerequisites for a positive trend of earnings and future growth in the value of that company, in which Skanska is the largest shareholder with a 48.9 percent stake.

In order to create good conditions for continued growth in the value of its property holdings, the Real Estate business area was reorganized. Specialization and geographic concentration provided the basis for the new organizational structure, which consists of two project development units, a residential property management company plus four regional companies that focus entirely on the management of commercial space.

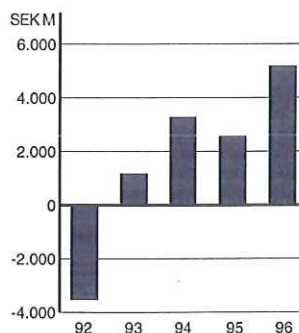
Invoiced sales/Invoiced sales on contracts credited to income



Invoiced sales outside Sweden



Income after financial items



At the end of 1996, Skanska purchased a 100 percent interest in Elit Fönster, a window manufacturing company previously owned in equal shares with the investment company Industrivärden. Elit Fönster has a leading market position in Sweden as well as international potential, and it strengthens the construction-related industrial operations that Skanska is building up. The acquisition is conditional upon the approval of the appropriate authorities, which has not yet been received.

### Order bookings and invoiced sales

In a continued weak Swedish construction market, Skanska's Swedish Construction business area reported a 10 percent decline in its order bookings to SEK 15,389 M (17,126), while invoiced sales rose by less than 4 percent. Year-end order backlog amounted to SEK 8,141 M (8,905).

The expansion of Skanska's international construction operations continued. Order bookings rose by 26 percent to SEK 24,101 M (19,066). Invoiced sales

amounted to SEK 16,736 M (13,935), an increase of 20 percent. Year-end order backlog stood at SEK 24,984 M (16,949).

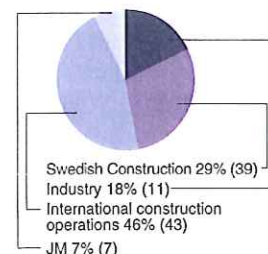
For the Industry business area, the market remained weak. Both order bookings and invoiced sales nevertheless increased during 1996 due to the acquisition of Skåne-Gripen. For comparable units, order bookings declined by 10 percent while invoiced sales fell by 7 percent. Order backlog at the end of 1996 was SEK 1,953 M (1,613).

In Sweden the real estate markets in the Stockholm, Gothenburg and Malmö regions and several university cities are continuing to strengthen, while the occupancy rate in the Group's properties abroad continue to improve. Rental revenues in the Real Estate business area decreased by 10 percent due to the sale of properties to Norrporten and Piren.

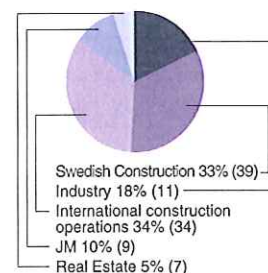
### Earnings

The operating margin of the Swedish Construction business area was 2.8 percent (2.4). The margin after financial items fell from 3.9 percent to 3.6 percent,

### Order bookings



### Invoiced sales



### Order bookings, order backlog and invoicing by business area

SEK M	Order bookings		Order backlog		Invoiced sales (incl. rental revenues)	
	1996	1995*	1996	1995*	1996	1995*
Swedish Construction	15,389	17,126	8,141	8,905	16,266	15,675
International construction operations	24,101	19,066	24,984	16,949	16,736	13,935
Industry	9,357	4,593	1,953	1,613	9,010	4,494
Real estate					2,408	2,665
JM	3,653	3,244	2,488	2,694	4,771	3,655
	52,500	44,029	37,566	30,161	49,191	40,424
Less intra-Group invoiced sales					-1,719	-2,029
					47,472**	38,395**

### Invoiced sales and income by business area

SEK M	Invoiced sales on contracts credited to income (incl. rents)		Operating income after depreciation		Income after financial items	
	1996	1995*	1996	1995*	1996	1995*
Swedish Construction	17,162	16,118	479	384	624	632
International construction operations	16,488	14,241	293	291	303	316
Industry	8,796	4,529	829	402	565	268
Real Estate	2,408	2,665	2,000	1,521	1,289	698
JM	4,982	4,072	649	741	175	290
Stock portfolio management					2,221	375
Other and eliminations	-1,964	-3,017	-132	-107	-5***	-6***
	47,872	38,608	4,118	3,232	5,172	2,573

\* Comparative figures have been adjusted to conform with the organizational structure in force at the end of 1996.

\*\* Of which, rental revenues SEK 3,476 M (3,516).

\*\*\* Miscellaneous net financial items and elimination of intra-Group transactions.



mainly due to lower interest rates compared to 1995. The level of invoicing on contracts credited to income rose from 103 percent to 106 percent.

In the Group's international construction operations, which include the International Construction and Skanska USA business areas, the operating margin was 1.8 percent (2.0). The margin after financial items declined from 2.2 percent to 1.8 percent.

During 1996 the operating margin for all construction operations of the Skanska Group fell to 1.8 percent (2.1) before share of income in associated companies, property divestments and interest items.

For most subsidiaries in the Industry business area, the market was weak during 1996. The implementation of streamlining measures continued as planned, nonrecurring costs in connection with this were charged to 1996 earnings. The item "Share of income in associated companies" in the earnings of the business area comes mainly from Scancem.

The operating net of investment properties in the Real Estate business area amounted to SEK 1,323 M (1,439). Yield was 13.2 percent (13.3) of book value.

Overall real estate operations in the Group, including JM, showed a slight decrease in rental revenues, from SEK 3,516 M to SEK 3,476 M. The operating net of the Group's investment properties amounted to SEK 1,981 M (2,108), while yield on book value was 11.1 percent (11.4).

The occupancy rate was 93 percent (92) in terms of space.

#### *Capital gains in the sale of investment and development properties*

The book value of properties sold amounted to SEK 3,592 M (1,627), of which SEK 556 M (130) was related to the sale of properties abroad. These sales resulted in capital gains of SEK 790 M (532).

#### *New appraisals*

The year's new appraisals of Group properties, performed in accordance

with Skanska's valuation principles, led to SEK 161 M (197) worth of reversals of previous writedowns of investment properties and SEK 112 M (199) worth of new writedowns on investment properties. The net result of new appraisals was thus SEK 49 M (-2).

#### **Capital spending**

Capital expenditures during 1996 totaled SEK 12,037 M, of which spending on investment and development properties comprised SEK 3,596 M (3,782). Of this, SEK 1,575 M (761) was related to construction for Skanska's own account. The Group acquired SEK 7,219 M (488) worth of shares, including SEK 2,983 M worth in Skåne-Gripen, SEK 1,221 M in Scancem, SEK 2,170 M in Northelec and SEK 728 M in Piren.

Other capital expenditures amounted to SEK 1,222 M, including SEK 867 M (712) worth of net investments in other fixed assets.

#### **Financial position**

##### *Stock portfolio*

The market value of the stock portfolio, excluding those holdings in listed companies which are reported in Skanska's accounts according to the equity method (Scancem, Norrporten, Piren) or are consolidated as subsidiaries (JM), amounted to SEK 11,929 M (10,487) at year-end. The corresponding book value was SEK 1,272 M.

Revenues on sales from the stock portfolio totaled SEK 2,843 M (83), with an overall capital gain of SEK 1,760 M (25).

Aside from the divestment of its Graninge shareholding, Skanska also sold 750,000 shares in JM. After this, its year-end holding in JM amounted to 64.4 percent of voting power and 39.9 percent of capital stock.

##### *Loan structure*

During 1996 the Group renegotiated its syndicated bank loan on more favorable terms. The credit ceiling was increased to USD 700 M and the loan period was extended to seven years. At year-end,

USD 175 M had been utilized. The average maturity on the Group's overall borrowing portfolio was just over 3 years at the end of 1996, and the average fixed interest period was about 1.4 years.

##### *Cash flow*

Cash flow from the year's operations improved to SEK 2,416 M (1,271). Overall cash flow from construction business improved, as it did in the Industry and Real Estate business areas. After net investments of SEK 4,541 M (1,584), the cash flow amounted to SEK -2,125 M (-313).

##### *Net indebtedness*

Net indebtedness rose by SEK 3,956 M to SEK 11,537 M (7,581). The main reason for the increase is the share purchases and other capital expenditures made during the year. The proceeds from the sale of shares in Graninge reduced net indebtedness by about SEK 2.2 billion early in 1997. The average fixed interest period on the Group's net indebtedness was just below 2.5 years at the end of 1996.

##### *Net interest items*

Both interest revenues and interest expenses declined and net interest items were nearly unchanged compared to 1995. Interest expenses declined in spite of a larger average borrowing portfolio, which is explained by lower interest rates during the year.

The Group took advantage of lower interest rates by gradually extending the fixed interest period of its borrowing portfolio to favorable levels.

##### *Exchange differences*

Exchange differences during 1996 amounted to SEK 12 M (7). Positive translation differences of SEK 98 M which arose from the consolidation of the financial statements of foreign subsidiaries were offset against exchange gains on loans corresponding to these investments.

### Dividends

Dividend revenues, excluding dividends from companies that are reported according to the equity method of accounting, totaled SEK 461 M (350).

### Return on shareholders' equity

Return on shareholders' equity amounted to 31.4 percent (14.7). The capital gain on the sale of Granginge shares, plus a relatively low tax burden, contributed to the improvement.

### Return on capital employed

Return on capital employed rose from 15.3 percent to 21.9 percent. Improved operating income and the capital gain on the sale of Granginge shares more than offset the increase in capital employed.

### Equity/assets ratio

The equity/assets ratio amounted to 31.6 percent (30.2). Including the surplus value of the stock portfolio – minus standard tax – but not the surplus value of real estate, the Group's adjusted equity/assets ratio amounted to 39 percent (37).

### Debt/equity ratio

The debt/equity ratio increased from 0.6 to 0.7.

### Shareholders' equity

The year-end shareholders' equity of the Skanska Group amounted to SEK 14,651 M (11,285), divided into SEK 4,713 M (4,443) in restricted equity and SEK 9,938 M (6,842) in unrestricted equity.

### Personnel

The average number of employees in the Skanska Group during 1996 was 38,245 (32,728). This included 17,745 (13,567) employees working in countries other than Sweden.

A large proportion of the increase was attributable to the acquisition of Skåne-Gripen.

The Group implemented a number of activities to support the task of developing a working method based on management by objectives. It carried out individual planning discussions and human resource development programs for skilled workers in various parts of its operations.

A program for recruiting and developing tomorrow's Skanska managers was implemented.

Internal management training was reorganized, among other things to better support the internationalization of the Group. Other efforts to support this process are a broader array of language training and an international introduction program.

During 1996 Skanska implemented a mentorship program with the aim of increasing the number of women in line management.

Allocations to the Skanska profit-sharing system, which encompasses wholly owned companies in Sweden, totaled SEK 44.6 M (30).

### PARENT COMPANY

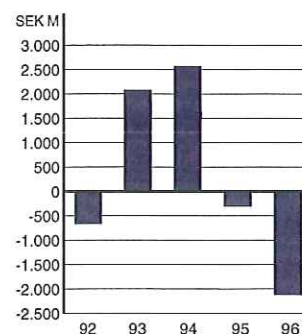
After taxes and allocations, the Parent Company reported a net profit of SEK 3,496 M (874). Unappropriated earnings amounted to SEK 7,935 M (5,069).

The average number of employees during the year was 133 (118), of whom 56 (51) were women.

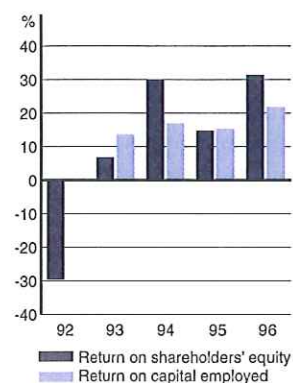
### Dividend

The Board of Directors proposes a dividend of SEK 10.00 per share (5.00) for the 1996 financial year, equivalent to a total dividend amount of SEK 1,259 M (630).

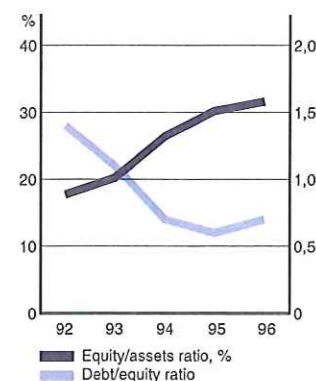
### Cash flow after investments



### Return on equity and capital employed



### Equity/assets and debt/equity ratio



# Accounting and valuation principles

## **Changes in accounting principles**

Effective from the 1996 financial year, aside from participations in partnerships and limited partnerships, shares in limited liability companies that can be regarded as closely related associated companies are also reported according to the equity method. Associated companies are regarded as closely related if their operations are connected to one of the Group's main businesses (construction, real estate or industrial operations). Associated companies are defined as companies in which Skanska's share of voting power amounts to a minimum of 20 percent and a maximum of 50 percent. The Skanska Group's share of income in an associated company is based on its share of the capital stock of that company and is reported in the consolidated income statement apportioned among operating income, financial items, tax expense and minority interests.

The book value of shares and participations in associated companies is changed by the Group's share of each respective associated company's income after taxes, dividends paid and other changes in the shareholders' equity of the associated company. An adjustment is also made for the share of capital gains from transactions between the Group and the associated company attributable to the Parent Company, to the extent that the acquisition has not been reported as an expense to the acquiring company. Income earned by an associated company but not yet paid as a dividend is reported as shareholders' equity among the Group's restricted reserves.

Comparative figures for 1995 have been recalculated according to this change in accounting principles. Comparative figures for years before 1995 have only been adjusted to the extent this is justified by the equity method reporting of the holding in Scancem.

Reporting of shares according to the equity method takes place only in the consolidated financial statements.

## **CONSOLIDATED FINANCIAL STATEMENTS**

### *Principles of consolidation*

The consolidated financial statements encompass the accounts of the Parent Company and those companies in which the Parent Company, directly or indirectly, has a decisive influence. This normally requires ownership of more than 50 percent of the voting power of shares or participations. Since subsidiaries are consolidated on a gross basis, minority interests in the shareholders' equity of subsidiaries are reported as a separate item, placed between "Long-term liabilities" and "Shareholders' equity" in the balance sheet. This item also includes the minority interest in the shareholders' equity portion of untaxed reserves. The consolidated income statement specifies minority interests in the net profit of the Group. Note 12 states the minority interest in income after financial items and in taxes.

Shareholdings in certain housing corporations are not consolidated, since this type of shares is intended to be divested upon completion of each construction project.

### *Recommendation No. 1 on consolidated financial statements*

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

Aside from the removal of untaxed reserves, the implementation of the recommendation means, among other things, that deferred tax liabilities on consolidated surplus values are reported openly as a long-term liability, instead of

on a net basis against the asset item, and that deferred taxes are taken into account when eliminating intra-Group gains.

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

### *The purchase accounting method*

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

### *Foreign subsidiaries*

The principles for the translation of the financial statements of foreign subsidiaries comply with the recommendations of the Swedish Institute of Authorized Public Accountants (FAR). In the consolidated financial statements, their income statements have been included at the average exchange rate for the year and their balance sheets at the year-end exchange rate (current method). The change in initial shareholders' equity due to the shift in exchange rate from prior years is reported as a translation difference in a note under "Shareholders' equity." In cases where a loan corresponding to the investment has been taken out for hedging purposes, the exchange rate adjustment in the loan taking into account tax effects has been offset against the translation difference.

### **Associated companies and consortia**

As indicated in the presentation under "Changes in accounting principles," closely related associated companies are reported according to the equity method.

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

The Group's share of the assets, liabilities, invoiced sales and expenses of consortia (joint ventures) is included in Skanska's financial statements. See also Notes 16 and 22 to the balance sheet.

### **Invoiced sales**

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

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

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

### **Guarantee risks**

Expenses attributable to guarantee obligations have been charged to operating income. In addition, provision has been made for future guarantee costs.

### **Depreciation**

Depreciation has been charged against operating income, which entails annual

depreciation by a certain percentage of acquisition cost until residual value is zero. The following annual rates have been used: goodwill 10 percent, ships 10 percent, machinery and equipment 10–20 percent, buildings 1–7 percent and land improvements 3.75–5 percent. In the case of certain machinery, a declining balance method has been used. For goodwill etc. that arose due to the acquisition of Skåne-Gripen, an annual depreciation rate of 5 percent is used. This rate has also been used for depreciating surplus value when reporting Skanska's stake in the associated company Scancem. Gravel pits and stone quarries are depreciated as and when materials are removed. Timberland is depreciated using felling deductions in conformity with the Municipal Tax Act. Depreciation of the consolidated surplus value of assets has also occurred. Since such acquisitions generally involve assets that have already been placed in service, the depreciation rate is often higher than stated above.

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

### **Interest on pension liability**

Interest on Pension Registration Institute (PRI) liability was set at 6.0 percent (6.2) in keeping with a recommendation by FAR and PRI. The rest of the year's PRI provision comprised an operating expense.

### **Deferred taxes**

Deferred tax liabilities on untaxed reserves have been estimated at 28 percent (28) in Swedish-based companies. Deferred tax liabilities attributable to the acquired surplus value of assets has been booked at a rate of 25–28 percent.

In cases where there has been a deficit value, deferred tax claims have been offset against deferred tax liabilities. No deferred taxes are calculated on goodwill and negative goodwill.

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

### **Current assets**

Current assets have been valued according to the lower value principle, i.e. their value may not exceed market value or acquisition cost, whichever is lower. In valuation of inventories, Recommendation No. 2 of the Swedish Financial Accounting Standards Council has been applied.

Concerning valuation of investment and development properties, see below under "Real estate" and "New appraisals."

### **Liquid assets**

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

### **Receivables and liabilities in foreign currencies**

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

### **Real estate**

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

into "Investment properties," "Investment and development properties under construction" and "Development properties."

The Group's holdings of finished properties for its own management are booked as "Investment properties." Income from these operations is reported in Note 9 to the income statement. "Investment and development properties under construction" include all construction, both of properties intended for the Group's own account and properties intended to be sold after completion.

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

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

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

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

Investments in undeveloped land and redevelopment properties are booked at their acquisition costs plus other expenses incurred in cases where special exceptions have not been considered justified. Annual interest expenses have not, however, been added to value but have been charged against income in each respective year.

Properties located abroad that are owned by a Swedish subsidiary have been valued at the year-end exchange rate of the local currency. Loans taken out for hedging purposes are also reported at the year-end exchange rate.

#### **New appraisals of investment and development properties**

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

According to Swedish accounting rules, previous writedowns on invest-

ment and development properties must be reversed in the event of an increase in market value. The net effect of the year's revaluations and writedowns is reported in the income statement under "New appraisals." See also Note 5.

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

#### **Shares (fixed assets)**

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

#### **Work in progress**

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

#### **Exchange rates in 1996 accounts**

The table shows the value in Swedish kronor (SEK) of one unit of each currency.

Currency code	Country	Year-end exchange rate		Average exchange rate	
		1996	1995	1996	1995
DEM	Germany	4.43	4.64	4.48	4.98
DKK	Denmark	1.16	1.20	1.16	1.27
ESP	Spain	0.05	0.05	0.05	0.06
FIM	Finland	1.49	1.53	1.47	1.64
GBP	Great Britain	11.63	10.33	10.59	11.26
NOK	Norway	1.07	1.05	1.04	1.13
USD	United States	6.89	6.67	6.77	7.13
XEU	European currency units	8.56	8.54	8.46	9.23

# Consolidated income statement

SEK M		1996	1995
Invoiced sales	Note 1	47,872	38,608
Operating expenses	Notes 2,3,4	-44,168	-35,400
New appraisals	Note 5	49	-2
Investment and development properties	Note 6	790	532
Share of income in associated companies	Note 7	773	477
<b>Operating income before depreciation</b>		<b>5,316</b>	<b>4,215</b>
Depreciation	Note 8	-1,198	-983
<b>Operating income after depreciation</b>	Note 9	<b>4,118</b>	<b>3,232</b>
Dividends	Note 10	461	350
Interest revenues		486	627
Interest expenses		-1,384	-1,519
Exchange differences on loans		12	7
Gain on sale of shares and participations		1,760	25
Other financial items		-8	-14
Share of financial items in associated companies	Note 7	-273	-135
		1,054	-659
<b>Income after financial items</b>		<b>5,172</b>	<b>2,573</b>
Taxes	Note 11	-813	-692
<b>Income after taxes</b>		<b>4,359</b>	<b>1,881</b>
Minority interests	Note 12	-179	-271
Earnings of acquired companies	Note 13	-106	
<b>Net profit for the year</b>		<b>4,074</b>	<b>1,610</b>

# Comments on the income statement

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## **Invoiced sales**

The 24 percent increase in invoiced sales was primarily attributable to the acquisition of Skåne-Gripen, which was consolidated in the Skanska Group accounts effective from January 1, 1996, and to an increase in the volume of construction, both nationally and internationally. For comparable units, invoiced sales rose 11 percent.

**Invoiced sales outside Sweden** again increased during 1996 and represented 46 percent of total invoiced sales.

**The level of invoicing on contracts credited to income** was 101 percent (101).

## **Operating profit after depreciation**

Operating profit after depreciation amounted to SEK 4,118 M (3,232).

**Share of income** in closely related associated companies is apportioned in the consolidated income statement of Skanska among the items "Operating income," "Financial items," "Taxes," and "Minority interests." Examples of such closely related associated companies are Norrporten, Piren, Pandox and Scancem. Reporting of Skanska's shares in associated companies had a gross effect of SEK 773 M on operating income.

**Sales of properties** are an element of Skanska's ordinary business operations and resulted in a capital gain of SEK 790 M (532). When selling to associated companies, inter-company profit provisions have been made, equivalent to Skanska's stake in the associated company. Such inter-company profit provisions for 1996 amounted to SEK 431 M (236).

**New appraisals** of investment and development properties totaled SEK 49 M (-2).

## **Net financial items**

Net financial items amounted to SEK 1,054 M (-659). The increase was mainly attributable to sales of shares and participations as well as higher dividend revenues.

**Net interest items** were at the same level as during 1995, because a higher net indebtedness was offset by lower interest rates. The sale of Skanska's shareholding in Grange accounted for most of the gain on sale of shares and participations. Reporting of Skanska's share in associated companies affected financial items by SEK -273 M, representing the Group's share of the financial items of the associated companies.

## **Income after taxes**

Income after taxes reached SEK 4,074 M (1,610). Total taxes amounted to SEK 813 M (692), which was equivalent to 16 percent (27) of income after financial items. The fact that the tax rate is below the nominal **tax rate** in Sweden, 28 percent, is explained among other things by tax-exempt dividends, tax deductions for losses abroad attributable to prior years plus the fact that some large divestments of shares and properties carried a low tax burden.

**Minority interests** refer mainly to minority interests in JM. The net profit of Skåne-Gripen before Skanska acquired it, SEK 106 M, was subtracted after taxes. Earnings per share amounted to SEK 32.35 (12.80).

# Consolidated balance sheet

SEK M		Dec. 31, 1996	Dec. 31, 1995
<b>ASSETS</b>			
Liquid assets	Note 14	3,171	3,639
Shares and participations (current assets)	Note 15	31	223
Accounts receivable		6,852	5,415
Other non-interest-bearing current receivables	Note 16	2,299	1,650
Interest-bearing current receivables		1,476	1,463
Inventories	Note 17	1,291	365
<b>Total current assets</b>		<b>15,120</b>	<b>12,755</b>
<b>Investment and development properties</b>	Note 18	<b>21,589</b>	<b>21,475</b>
Shares and participations (fixed assets)	Note 19	7,143	4,207
Non-interest-bearing long-term receivables		382	375
Interest-bearing long-term receivables	Note 20	556	680
Other fixed assets	Note 21	6,434	2,799
<b>Total fixed assets</b>		<b>14,515</b>	<b>8,061</b>
<b>Total assets</b>		<b>51,224</b>	<b>42,291</b>
<b>LIABILITIES AND SHAREHOLDERS' EQUITY</b>			
Accounts payable		4,088	3,407
Other non-interest-bearing current liabilities	Note 22	7,623	6,665
Interest-bearing current liabilities		6,343	1,711
<b>Total current liabilities</b>		<b>18,054</b>	<b>11,783</b>
Invoiced sales		22,248	22,707
Accumulated expenses		-18,056	-18,487
<b>Balance, work in progress</b>		<b>4,192</b>	<b>4,220</b>
Non-interest-bearing long-term liabilities		106	454
Interest-bearing long-term liabilities	Note 23	8,337	9,777
Pension liabilities	Note 24	2,060	1,875
Deferred tax liabilities	Note 25	2,278	1,431
<b>Total long-term liabilities</b>		<b>12,781</b>	<b>13,537</b>
<b>Minority interests</b>		<b>1,546</b>	<b>1,466</b>
Capital stock	Note 26	1,259	1,259
Restricted reserves		3,454	3,184
Unrestricted reserves		5,864	5,232
Net profit for the year		4,074	1,610
<b>Total shareholders' equity</b>	Note 27	<b>14,651</b>	<b>11,285</b>
<b>Total liabilities and shareholders' equity</b>		<b>51,224</b>	<b>42,291</b>
Assets pledged	Note 28	7,901	8,595
Contingent liabilities	Note 29	3,753	3,061



# Comments on the balance sheet

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## Assets

During 1996 the Group's assets increased by SEK 8.9 billion to SEK 51.2 billion. Its assets increased as a result of acquisitions of companies, investments in shareholdings and other international expansion.

**Liquid assets and shares and participations** reported as current assets declined as a result of the reduction in the short-term bond portfolio and the divestment of the shareholding in Custos.

**Non-interest-bearing assets** increased by more than SEK 3 billion. This was partly because Skåne-Gripen was consolidated into the Skanska Group accounts and contributed to a large extent to the increase in accounts payable and inventories, and partly because of the increase in volume in international construction operations.

Skanska bought SEK 2 billion worth of **investment and development properties** and capitalized SEK 1.6 billion worth of construction for its own account. **Properties** with a book value of SEK 3.1 billion were sold. After taking depreciation into account, the increase in the book value of investment and development properties was SEK 0.1 billion.

The increase in **shares and participations** by SEK 2.9 billion reflected the Group's larger holdings of shares and participations in closely related and other associated companies. Applying the equity method increased shares and participations by SEK 0.3 billion compared to the accounting principle used previously. Investments in shares and participations amounted to SEK 4.5 billion, while the book value of shares and participations sold (including the change in equity share items) amounted to SEK 1.6 billion.

The increase in **fixed assets** by SEK 3.6 billion was largely attributable to the acquisition of Skåne-Gripen. It included an increase in intangible assets by SEK 1.4 billion.

## Liabilities and shareholders' equity

On the liabilities side, **interest-bearing liabilities** rose by SEK 3.4 billion; most of the increase was related to short-term financing of investments.

**Shareholders' equity** increased by SEK 3.4 billion and amounted to SEK 14.7 billion at year-end. Net indebtedness increased by SEK 3.9 billion, from SEK 7.6 billion to SEK 11.5 billion.

# Consolidated statement of changes in financial position

SEK M	1996	1995	1994	1993	1992	1991	1990	1989	8-yr total
<b>The year's operations</b>									
Net profit	4,074	1,610	2,837	543	-3,161	696	1,299	2,010	9,908
Depreciation and new appraisals	1,039	985	1,032	3,050	5,482	2,477	1,045	725	15,835
Change in value charged to net financial items and operating income <sup>1</sup>	2	19	247	23	51	116	76	47	581
Net income from associated companies	-407	-238	-171	-48	38	-7	-83	-130	-1,046
Dividends from associated companies	141	122	25	22	22	39	32	25	428
Less gain on sale of investment and development properties, shares and participations	-2,550	-557	-658	-2,028	-164	-205	-100	-932	-7,194
Minority interests after taxes	152	226	72	33	-139	-19	117	105	547
Change in working capital:									
Inventories and interest-free current assets <sup>2</sup>	-1,148	-158	-1,817	640	37	350	-346	-54	-2,496
Balance of uncompleted contracts	-28	-541	-1,011	-902	340	-762	2,130	1,341	567
Interest-free liabilities <sup>3</sup>	1,141	-197	938	-988	-592	-1,116	2,400	1,617	3,203
<b>Cash flow from the year's operations</b>	<b>2,416</b>	<b>1,271</b>	<b>1,494</b>	<b>345</b>	<b>1,914</b>	<b>1,569</b>	<b>6,570</b>	<b>4,754</b>	<b>20,333</b>
<b>Investments</b>									
Investments in investment and development properties <sup>4</sup>	-3,596	-3,782	-1,359	-1,491	-2,969	-5,622	-5,799	-4,022	-28,640
Investment in Skåne-Gripen <sup>5</sup>	-2,769								-2,769
Investments in shares and participations in property management companies	-860	-353	-70	-19	-76	-271	-42	-211	-1,902
Investments in other shares and participations	-3,590	-135	-172	-684	-262	-365	-538	-1,078	-6,824
Net investments in other fixed assets excluding receivables <sup>6</sup>	-867	-712	-377	-234	-268	-483	-921	-1,178	-5,040
Change in long-term interest-free borrowing and lending	-355	464	-109	-226	-24	139	-655	530	-236
Divestments in investment and development properties	4,382	2,159	2,646	2,714	295	383	570	474	13,623
Divestments in shares and participations	3,114	775	518	1,675	720	239	16	945	8,002
<b>Net investments</b>	<b>-4,541</b>	<b>-1,584</b>	<b>1,077</b>	<b>1,735</b>	<b>-2,584</b>	<b>-5,980</b>	<b>-7,369</b>	<b>-4,540</b>	<b>-23,786</b>
<b>Cash flow after investments</b>	<b>-2,125</b>	<b>-313</b>	<b>2,571</b>	<b>2,080</b>	<b>-670</b>	<b>-4,411</b>	<b>-799</b>	<b>214</b>	<b>-3,453</b>
Dividend paid	-663	-484	-419	-198	-428	-413	-347	-280	-3,232
Change in minority interests <sup>7</sup>	-55	644	-3	110	81	-91	54	11	751
Other changes <sup>note 1</sup>	-41	102	153	-250	135	-196	102	24	29
<b>Change in net indebtedness <sup>8</sup></b>	<b>-2,884</b>	<b>-51</b>	<b>2,302</b>	<b>1,742</b>	<b>-882</b>	<b>-5,111</b>	<b>-990</b>	<b>-31</b>	<b>-5,905</b>
Interest-bearing borrowing minus lending	2,416	-2,388	-2,651	-360	-613	1,408	5,334	2,813	5,959
<b>Change in liquid assets</b>	<b>-468</b>	<b>-2,439</b>	<b>-349</b>	<b>1,382</b>	<b>-1,495</b>	<b>-3,703</b>	<b>4,344</b>	<b>2,782</b>	<b>54</b>
Liquid assets on January 1	3,639	6,078	6,427	5,045	6,540	10,243	5,899	3,117	
Liquid assets on December 31	3,171	3,639	6,078	6,427	5,045	6,540	10,243	5,899	
Level of self-financing in percent (cash flow from the year's operations divided by total net investments)	53	80	n.a	n.a	74	26	89	105	85
<b>Note 1</b>									
Translation differences in shareholders' equity, investment and development properties and shares	-41	144	146	-284	160	-254	17	-17	-129
New issues of securities, capital discounts, expired bonus issue shares, earnings from former associated companies	-	3	5	28	-	-	76	6	118
Withdrawal from restricted account	-	-	1	6	5	46	25	35	118
Other items	-	-45	1	-	-30	12	-16	-	-78
	<b>-41</b>	<b>102</b>	<b>153</b>	<b>-250</b>	<b>135</b>	<b>-196</b>	<b>102</b>	<b>24</b>	<b>29</b>

1 Writedown of Protorp holding (1994), deficit in partly owned limited partnership primarily engaged in leasing of aircraft plus writedown of shares charged to earnings of construction operations.

2 The decrease in the 1996 item "Shares and participations" under "Current assets" due to the sale of the Custos shareholding is reported among divestments as a sale of shares.

3 Adjusted for provisions and discontinuation of real estate projects in 1995 and prior years, included in the "New appraisals" item.

4 Of the 1995 amount, SEK 1,439 M consisted of an investment in JM via targeted issues of new shares.

5 Net effect of the Skåne-Gripen acquisition on liquidity.

6 Reclassification of SEK 121 M from investment and development properties to other fixed assets not included.

7 The 1995 amount is mainly related to an increase in minority interests in JM via non-cash issues of shares.

8 For 1996, excluding acquired net borrowing of SEK 1,072 M in Skåne-Gripen.

# Parent company financial statements

INCOME STATEMENT (SEK M)		1996	1995
Invoiced sales		63	157
Operating expenses	Note 2	-322	-89
New appraisals	Note 5	0	-14
<b>Operating income before depreciation</b>		<b>-259</b>	<b>54</b>
Depreciation	Note 8	-17	-112
<b>Operating income after depreciation</b>		<b>-276</b>	<b>-58</b>
Dividends	Note 10	3,087	592
Interest revenues		985	1,392
Interest expenses		-767	-1,162
Exchange differences on loans		-106	236
Gain on sale of shares and participations		127	21
		<b>3,326</b>	<b>1,079</b>
<b>Income after financial items</b>		<b>3,050</b>	<b>1,021</b>
Allocations	Note 30	444	199
<b>Income before taxes</b>		<b>3,494</b>	<b>1,220</b>
Taxes	Note 11	2	-346
<b>Net profit for the year</b>		<b>3,496</b>	<b>874</b>

STATEMENT OF CHANGES IN FINANCIAL POSITION (SEK M)		1996	1995
<b>The year's operations</b>			
Net profit		3,496	874
Depreciation and new appraisals		17	126
Less gain on sale of shares and participations		-127	-21
Change in untaxed reserves		-185	225
Change in working capital:			
Inventories and interest-free current assets <sup>1</sup>		-242	15
Interest-free liabilities		-388	-233
<b>Cash flow from the year's operations</b>		<b>2,571</b>	<b>986</b>
<b>Investments</b>			
Investments in shares and participations		-1,246	-3,682
Net investments in other fixed assets excluding receivables		208	10
Change in long-term interest-free borrowing and lending		-2	0
Divestments of shares and participations		1,184	755
<b>Net investments</b>		<b>144</b>	<b>-2,917</b>
<b>Cash flow after investments</b>		<b>2,715</b>	<b>-1,931</b>
Dividend paid		-630	-472
<b>Change in net indebtedness</b>		<b>2,085</b>	<b>-2,403</b>
Interest-bearing borrowing minus lending		-2,122	1,818
<b>Change in liquid assets</b>		<b>-37</b>	<b>-585</b>
Liquid assets on January 1		357	942
Liquid assets on December 31		320	357

<sup>1</sup>The decrease in the 1996 item "Shares and participations" under "Current assets" due to the sale of the Custos shareholding is reported among divestments as a sale of shares.

# Parent company financial statements

BALANCE SHEET (SEK M)		Dec. 31, 1996	Dec. 31, 1995
<b>ASSETS</b>			
Liquid assets	Note 14	320	357
Shares and participations (current assets)	Note 15	0	205
Accounts receivable		4	3
Other non-interest-bearing current receivables	Note 16	282	41
Interest-bearing current receivables		2	16
<b>Total current assets</b>		<b>608</b>	<b>622</b>
Shares and participations (fixed assets)	Note 19	4,030	3,636
Interest-bearing long-term receivables	Note 20	18,208	13,677
Other fixed assets	Note 21	371	596
<b>Total fixed assets</b>		<b>22,609</b>	<b>17,909</b>
<b>Total assets</b>		<b>23,217</b>	<b>18,531</b>
<b>LIABILITIES AND SHAREHOLDERS' EQUITY</b>			
Accounts payable		10	12
Other non-interest-bearing current liabilities	Note 22	217	603
Interest-bearing current liabilities		755	674
<b>Total current liabilities</b>		<b>982</b>	<b>1,289</b>
Non-interest-bearing long-term liabilities		0	2
Interest-bearing long-term liabilities	Note 23	10,799	8,507
Pension liabilities	Note 24	849	827
<b>Total long-term liabilities</b>		<b>11,648</b>	<b>9,336</b>
<b>Untaxed reserves</b>	Note 31	<b>905</b>	<b>1,090</b>
Capital stock	Note 26	1,259	1,259
Legal reserve		488	488
Retained earnings		4,439	4,195
Net profit for the year		3,496	874
<b>Total shareholders' equity</b>	Note 27	<b>9,682</b>	<b>6,816</b>
<b>Total liabilities and shareholders' equity</b>		<b>23,217</b>	<b>18,531</b>
Assets pledged	Note 28	0	8
Contingent liabilities	Note 29	17,281	10,743

# Notes to the financial statements

Amounts in SEK M unless otherwise specified

## 1 INVOICED SALES

### Group

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

Reported interest revenues in 1996 included a total of SEK 217 M (248) in interest subsidies received, of which SEK 204 M (225) was attributable to investment properties and SEK 13 M (23) to buildings under construction and development properties.

"Invoiced sales" for 1996 also included SEK 1,497 M (757) in intra-Group invoicing that was capitalized in investment and development properties. See "Invoiced sales" under the accounting and valuation principles, page 50. Income by operating sector is presented in Note 9.

### A. Invoiced sales by business area

Business area	Invoiced sales for the year		Invoiced sales on contracts credited to income	
	1996	1995	1996	1995
Swedish Construction	16,266	15,675	17,162	16,118
Industry	9,010	4,494	8,796	4,529
International Construction and				
Skanska USA	16,736	13,935	16,488	14,241
Real Estate	2,408	2,665	2,408	2,665
JM	4,771	3,655	4,982	4,072
Other operations, elimination of				
intra-Group transactions	-1,719	-2,029	-1,964	-3,017
Total invoiced sales	47,472	38,395	47,872	38,608

### B. Invoiced sales by geographic area

Group	Invoiced sales	
	1996	1995
Sweden	25,612	23,602
Other Nordic countries	4,675	3,824
Other Europe incl. Russia	5,767	1,988
North America	10,051	7,553
Other countries	1,367	1,428
	47,472	38,395

### Parent Company

Invoiced sales included SEK 22 M (121) worth of sales to subsidiaries. The Parent Company's purchases from subsidiaries amounted to SEK 84 M (66).

## 2 PERSONNEL

Specification of average number of employees and wages, salaries and remuneration

	Group		Parent Company	
	1996	1995	1996	1995
Average number of employees				
Sweden	20,500	19,161	133	118
Abroad	17,745	13,567		
	38,245	32,728	133	118
Of whom, women	3,788	2,595	56	51

### Wages, salaries and remuneration

#### Sweden

Boards of Directors and Presidents	55.2	41.1	9.1	7.6
Of which, bonuses	(6.3)	(6.5)	(0.0)	(0.0)
Other employees	4,547.5	4,047.5	58.2	49.3
	4,602.7	4,088.6	67.3	56.9

#### Abroad

Boards of Directors and Presidents	56.4	33.5	0.0	0.0
Other employees	2,809.9	1,917.0	0.0	0.0
	2,866.3	1,950.5	0.0	0.0
	7,469.0	6,039.1	67.3	56.9

### Social welfare contributions and pensions

Sweden	1,927.7	1,559.5	29.4	24.4
Abroad	558.3	316.9		

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

### A. Chairman of the Board

The Chairman of the Board was granted a director's fee of SEK 500,000 during 1996. This amount was approved by the Board of Directors within the limits of the total amount of directors' fees fixed by the Annual Meeting of Shareholders.

### B. President and Group Chief Executive

During 1996 the Company's President and Group Chief Executive received a salary, fees and other remuneration from Group companies in the amount of SEK 3,850,000, plus SEK 3,746,000 in the form of a bonus whose amount is fixed each year. The Group Chief Executive also has the opportunity to earn a long-term bonus based on two months' salary, as specified in point D below.

In addition to benefits payable under the public-sector pension system, under the provisions of his employment contract Skanska paid pension premiums on behalf of the Group Chief Executive in an amount equivalent to 20 percent of his salary/bonus within the 20-30 base amount interval and 25 percent of salary/bonus above 30 base amounts, as defined by Swedish social insurance authorities. The employment contract may be terminated on either side by giving six months' notice. If the agreement is terminated by the Company, the Group Chief Executive is entitled to a termination payment equivalent to 12 months of his salary/bonus, with the possibility of an additional 12 months of salary/bonus if no other employment has been obtained by the end of the first period. Beyond this, there is no obligation to subtract any other income from these benefits.

### C. Other members of Group Management

Pension benefits are payable mainly as part of public-sector pension systems. In case of termination by the Company, notice periods range from six to 18 months and executives are entitled to salaries and benefits that range from 18 to 24 months. When benefits are paid after the notice period, other income must normally be subtracted from the amount payable.

#### D. Long-term bonus

Group Management and about 240 other senior executives in the Group are entitled to a long-term bonus based on the price level of a Series B Skanska share over the five-year period 1995–1999. This possible bonus would not be paid until the year 2000 and is calculated by multiplying 10 percent of 1–2 months' salary by the difference between the average market price of a Series B share during June–December 1999 (plus dividends approved during the years 1995–1999) and SEK 185.

Forty percent of the difference between the market price of a Skanska share on December 31, 1996 and the initial price of SEK 185 adjusted for approved dividends was charged to the 1996 accounts. After this, the total provision including social welfare contributions amounted to SEK 73.1 M.

### 3 PROFIT-SHARING FOR EMPLOYEES

This item included a provision of SEK 44.6 M (30) to a profit-sharing foundation.

### 4 REAL ESTATE TAX

Swedish government real estate tax, which totaled SEK 127 M (45) for investment and development properties, is included among operating expenses. Investment properties accounted for SEK 107 M (30), while buildings under construction and development properties accounted for SEK 20 M (15).

### 5 NEW APPRAISALS

	Group		Parent Company	
	1996	1995	1996	1995
New appraisals of shares in property management companies				-14
Development properties	14	-114		
Investment properties	35	112		
Total new appraisals	49	-2	0	-14

Previous writedowns on investment and development properties were reversed using the acquisition cost or market value, whichever was lower, in keeping with the Group's accounting and valuation principles.

See "Accounting and valuation principles," page 51.

Such new appraisals resulted in revaluations of SEK 161 M (197).

### 6 INVESTMENT AND DEVELOPMENT PROPERTIES

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

Group	Properties		Shares and participations in real estate companies		Total	
	1996	1995	1996	1995	1996	1995
Sales revenues	4,295	2,027	87	132	4,382	2,159
Book value	-3,550	-1,513	-42	-114	-3,592	-1,627
Capital gain	745	514	45	18	790	532

An inter-company profit corresponding to the Group's stake in each respective associated company was added to the book value of properties sold to associated companies. For 1996, an inter-company profit of SEK 431 M (236) was allocated.

## 7 DISTRIBUTION OF INCOME FROM ASSOCIATED COMPANIES

Skanska's share of the income and shareholders' equity of associated companies is reported according to the equity method, as described in the accounting principles on page 49. Its share of income was distributed by business area as follows:

Business area	Operating Financial		Minority		Total
	income	items	Taxes	interest	
Swedish Construction	31	-15	2		18
International Construction and Skanska USA	22	-3	-6		13
Industry	473	-75	-57	-27	314
Real Estate	241	-180	-3		58
Other operations	6		-2		4
Total	773	-273	-66	-27	407

## 8 DEPRECIATION

Group	1996	1995
Goodwill etc.	70	28
Other intangible assets	7	
Extraction rights	1	1
Ships	3	3
Machinery and equipment	601	392
Fixed-asset properties including hydroelectric power plants and timberland	104	65
Investment and development properties	412	494
Total depreciation	1,198	983

The increase in depreciation of "Goodwill etc." and "Machinery and equipment" was mainly attributable to the Skåne-Gripen acquisition.

Parent Company	Depreciation		Extra depreciation	
	1996	1995	1996	1995
Machinery and equipment	2	96	-114	-37
Fixed assets incl. hydroelectric power plants	15	16	-13	-10
Total depreciation	17	112	-127	-47

## 9 OPERATING INCOME AFTER DEPRECIATION BY OPERATING SECTOR

Group	1996	1995
Operating sector		
Contracting operations etc.		
Invoiced sales for the year (excl. rental revenues)	37,578	32,414
Invoiced sales on contracts credited to income	38,025	32,618
Operating income from contracting operations	689	685
Industrial operations		
Invoiced sales for the year (excl. rental revenues)	6,307	2,423
Operating income from industrial operations	320	3
Gain on sales of investment and development properties	790	532
Share of income in associated companies	773	477
Real estate operations		
Development properties		
Rental revenues for the year	171	175
Income from development properties	22	-36
Property management		
Rental revenues for the year	3,305	3,341
Income from property management	1,592	1,617

	1996	1995
New appraisals	49	-2
Other business operations		
Invoiced sales for the year	64	51
Income from other business operations	-117	-44
<b>Operating income after depreciation</b>	<b>4,118</b>	<b>3,232</b>

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

## 10 DIVIDENDS

	Group		Parent Company	
	1996	1995	1996	1995
Dividend on shares and participations in subsidiaries			3,051	546
Dividends on shares and participations in other companies	461	350	36	46
<b>Total dividends</b>	<b>461</b>	<b>350</b>	<b>3,087</b>	<b>592</b>

## 11 TAXES

	Group		Parent Company	
	1996	1995	1996	1995
Income taxes	-248	-780	2	-346
Taxes in associated companies	-66	-59		
Deferred taxes	-499	147		
<b>Total taxes</b>	<b>-813</b>	<b>-692</b>	<b>2</b>	<b>-346</b>

The year's tax cost, SEK 813 M, amounted to 16 percent (27) of consolidated income after financial items. Among the reasons why this tax cost is below the nominal corporate tax rate in Sweden, 28 percent, are SEK 366 M in tax-exempt dividends, tax deductions for losses abroad attributable to prior years and the fact that some large divestments of shares and properties carried a low tax burden.

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

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

Following a verdict in the Administrative Court of Appeal, the 1987 and 1988 tax assessments regarding the newly acquired Group company Skåne-Gripen AB were appealed by the company to the Supreme Administrative Court, which announced on January 20, 1997 that it would hear the case. The case involves an anticipated dividend from the company's then-subsidiary AB Järnbron, which Skåne-Gripen AB deemed tax-exempt. In the event of a ruling unfavorable to Skåne-Gripen, the company would be charged approximately SEK 314 M in additional taxes plus fees and interest, which was taken into account when Skanska's consolidated financial statements were drawn up.

## 12 MINORITY INTERESTS

Group	1996	1995
Interest in income after financial items	198	291
Interest in associated companies	27	45
Interest in taxes	-46	-65
<b>Total minority interests</b>	<b>179</b>	<b>271</b>

Minority interests in the shareholders' equity of Group companies are found mainly in JM.

## 13 EARNINGS OF ACQUIRED COMPANIES

Skåne-Gripen AB, which was acquired during the year, was consolidated as a subsidiary effective from January 1, 1996. The portion of earnings attributable to the period before the acquisition was subtracted after taxes.

## 14 LIQUID ASSETS

	Group		Parent Company	
	1996	1995	1996	1995
Cash and bank balances	2,781	1,896	314	337
Short-term investments	390	1,743	6	20
<b>Total liquid assets</b>	<b>3,171</b>	<b>3,639</b>	<b>320</b>	<b>357</b>

## 15 SHARES AND PARTICIPATIONS

	Group		Parent Company	
	1996	1995	1996	1995
Shares and participations	31	223	0	205

### Specification of holdings as of December 31, 1996

	% stake	Currency	Par	Book
			value 000	value SEK 000
Business Center Wola				
S.P.Z.O.O (nr 2)	40	PLZ	10,231	30,613

## 16 OTHER NON-INTEREST-BEARING CURRENT RECEIVABLES

	Group		Parent Company	
	1996	1995	1996	1995
Prepaid expenses and accrued revenues	657	607	38	35
Current assets held by consortia	648	518		
Tax claim	283	110	208	
Non-interest-bearing receivables, subsidiaries			13	
Other non-interest-bearing receivables	711	415	23	6
<b>Total other non-interest-bearing current receivables</b>	<b>2,299</b>	<b>1,650</b>	<b>282</b>	<b>41</b>

"Current assets held by consortia" represents the Group's share of assets held by consortia (except for incurred expenses that are included under the heading "Uncompleted contracts"). Liabilities (except for invoicing) are similarly shown under the heading "Current liabilities of consortia" in Note 22.

## 17 INVENTORIES

Group	1996	1995
Raw materials and supplies	522	63
Products being manufactured	199	189
Finished products and merchandise	570	113
<b>Total inventories</b>	<b>1,291</b>	<b>365</b>

## 18 INVESTMENT AND DEVELOPMENT PROPERTIES

Regarding the definition of "Investment and development properties," see "Real estate" in the accounting and valuation principles, pages 50–51.

Group	1996	1995
Investment properties	17,773	18,544
Investment and development properties under construction	1,620	737
Development properties	2,196	2,194
Total investment and development properties	21,589	21,475

## 19 SHARES AND PARTICIPATIONS

Group	1996	1995
<b>Swedish companies</b>		
Listed	1,272	2,092
Closely related associated companies	3,375	1,537
Others	2,378	460
Total Swedish companies	7,025	4,089

### Foreign companies

Closely related associated companies	94	75
Other foreign companies	24	43
Total foreign companies	118	118
Total shares and participations	7,143	4,207

Specification, holdings as of December 31, 1996

Swedish companies	Number	% stake (if <100)	Par value SEK 000	Market value SEK 000	Book value SEK 000
<i>Listed shares</i>					
AB Catena, Series A	100,000	<1	2,000	8,600	4,618
FFNS					
Gruppen AB	8,000	<1	40	440	302
Geveko AB	852,134	20	21,303	61,354	68,910
Klövern					
Förvaltnings AB	1,236,601	10	23,495	26,958	49,781
Sandvik AB	55,906,575	20	279,533	10,286,810	879,369
AB SKF, Series A	9,870,000	9	123,375	1,544,655	268,718
The Group's holdings of shares and participations in Swedish listed companies				11,928,817	1,271,698

### Swedish closely related associated companies

	Number	% stake	Par value SEK 000	Book value SEK 000
Arlandastad KB		50	1,000	1,000
Betongrörsteknik HB	1	50	50	51
Byggnads AB Tryckeriet	600	50	60	59
Byggnads AB Tryckeriet & Co KB	1	50	45	26,461
Bällstalund HB	1	50	0	3,059
Caroli City Shoppingcenter AB	194	39	19	36
Cedeca Miljöentreprenad AB	1,000	50	100	202
Cefast Förvaltnings AB	2,000	20	200	200
Dala Asfalt KB	250	50	250	623
Energibyggarna Handelsbolaget	1	50	250	380
FASAB Fastighetssystem AB	10,548	39	1,318	4,304
Fast bol Söderg 39,				
Fast AB Sulcus & Co	1/2	50	700	717
Fastighetsaktiebolaget				
Norrporten	1,715,700	26	3,431	108,759
Fastighetsbol Skavsta KB	10	50	500	500
Fastighetsbolaget Glasberga KB	1	25	101	101

	Number	% stake	Par value SEK 000	Book value SEK 000
Fastighetsbolaget Hälsan KB	10	50	500	670
Forserumsten HB	1	50	900	1,595
G-stödet AB	500	50	50	71
GAR-BO AB (formerly				
STR Garanti AB)	83	33	830	1,660
Glasberga Fastighets AB	1,000	25	100	100
Gotlandsbeläggningar & Co KB	50	33	50	334
Grisslingehöjden KB		33		4,149
Hagaporten KB		50	500	870
Halmstad BGB AB	112	41	56	50
Helsingborgs Byggelement AB	350	50	350	529
Hotellfastigheter i Falköping AB	300	30	300	218
Hällekis Brikett AB	1,000	33	100	100
Hälsingborgsfastigheter HB	1/2	50	150	150
Härryda Kross AB	130	50	650	866
Högmora Exploaterings AB	200	50	200	204
Jönköpings Betong AB	1,000	50	50	5,725
Kalmar Familjebad AB	100	50	50	61
Kalmar Familjebad KB	239,000	40	239	240
Karlskoga Köpcentrum AB	1,305	45	1,305	6,830
Karlstads Studentbostäder AB	2,550	25.5		1,275
Kåholmen AB & Co KB	1	50	105	105
Lapillus AB	126	50	126	186
Lomma Industricentrum AB	48	48	48	102
Masmobergets Exploaterings AB	200	50	200	200
Mälarmark AB	100	50	100	827
Mölnadalskatten & Co KB AB	6	50	50	50
Nackamark Exploatering				
KB (formerly KB Nackaterm.)		50	5	992
Novum-Centrum för				
livsvetenskaper-KB		50	500	500
Närkes Kross & Asfaltprod KB	10	50	500	2,079
Olunda Terminal HB	1	50	500	800
Olundakrossen KB		50	500	500
Padox Hotellfastigheter AB	1,250,000	50.0	75,000	61,719
Piren AB	517,065,854	49	517,066	362,503
Projektgaranti AB		50	245	245
Ramlösa Brunnsanläggning AB	625	50	62	75
Rydebäcks Gård HB	1	50	150	150
Råsjö Torv AB	26,236	22	2,624	27,950
Scancem AB	17,751,090	33	443,777	2,635,338
Skinnefjäll KB	10	50	500	500
Släggan 3 HB	50	50		30,304
SMÅA AB	3,500	33	3,500	3,500
Solrosen HB	1	50	3,125	3,071
Strömstadsbetong AB & Co KB	20	33	20	221
Sundlink Contractors HB		37		0
Swedish Construction				
Management KB	50	50	50	50
Sydsten AB	150,000	50	7,500	54,527
Sörmlands Asfalt & Krossprod KB	10	50	500	1,056
Tråhus Sydöst AB	100	50	100	146
Tråhus Sydöst KB	200	40	200	200
Uppsalagrus KB	10	50	500	500
Vestasfalt KB	19	50	475	966
Vikans Kross AB & Co KB	10	50	300	11,253
Åkerigrus KB	100	40	100	482
ÖS Företagsby KB	725	50	725	725
Miscellaneous shares and participations*				
				1,296
Miscellaneous participations in coop. housing assns.*				
				232
The Group's shareholdings in Swedish closely related associated companies				
				3,375,499



*Other Swedish companies*

	Number	% stake	Par value SEK 000	Book value SEK 000
Air Preca KB	1/3	33	40,141	913
Aktivonia AB	1,681	34	168	454
Bodenfrakt ek. för	5	11	175	450
EDI Bygg Ideell förening	10	20	100	100
EIMO AB	200	<1	10	44
Fineri Nr 5 KB	75	75	20,186	7,461
Funktionsglas AB	1,000	14	100	100
Företagarnas Hus i Boden AB	80	2	8	50
H-Invest AB	500	<1	50	50
Mega-Carrier KB	330	33	54,123	0
Mega-Flight AB	250	50	25	50
Mega-Flight KB	1/2	50	82,513	7,281
Metro-Flyg KB	330	33	46,521	0
Norrbottnens Traktor- och Gräv. för. Ek för.	1			30
Northelec AB	21,704,377	50	2,170,438	2,170,438
Parkerings AB Dukaten	1,245	4	1,245	1,244
Polaris Aircraft Leasing KB		99	142,658	0
Protorp Förvaltnings AB	8,570	33	857	8,175
Sektionen KB		1		136
Sisjö Industriförening	35	12		35
Stockholms Fondbörs AB	25,806	2	1,290	516
Storforsen Hotell AB	3,000	10	300	300
Swedish Aircraft FOUR KB	100	100	58,641	82,254
Swedish Aircraft TWO KB	50	50	45,587	27,197
Såbi AB	14,940	6	1,494	1,344
TRINOVA AB	500	4	50	50
Trygg-Hansa AB	1,824	<1		151
V-bot Norra Gräv & Schakt AB		5	32	35
Åregården AB	1			223
Miscellaneous other companies*				446
Miscellaneous participations in coop. housing assns.*				68,230
Total Group holdings of shares and participations in other Swedish companies				2,377,757

KB = Limited partnership HB = partnership ek.för. = cooperative

**Foreign companies**

*Foreign closely related associated companies*

	Number	% stake	Currency	Par value 000	Book value SEK 000
A/O Dom Shvetsii	2,563,778	49	RUR	2,136	8,416
Arctic Building Contractor A/S	450,000	45	DKK	450	491
Asfaltti-Tekra Oy	100	50	FIM	100	2,605
Atrium Plaza		90	PLZ	4	664
Betoni-Tekra Oy	40	40	FIM	400	10,818
Bridgend Custodial Services		20	GBP	50	565
Business Center Wola S.P.Z.O.O (nr 1)		45	PLZ	10,215	22,663
Deyhle Viering GbR	1	50	NLG	10,180	2,533
Ejendomsselskabet af 30/12 1993 A/S	753	50	DKK	11,000	9,802
Kaupunkiprojektien Kehitys Oy	5	33	FIM	15	148
K&K Jespersen A/S	1,000	50	DKK	1,000	3,538
LVIS Teklog Oy	450	45	FIM	45	2,251
Mashado Ltd	540,000	36	TZS	531	0
Østhavnskonsortiet I/S		50	DKK	0	3,649
RE Beton A/S	5,000	50	DKK	5,000	16,351

	Number	% stake	Currency	Par value 000	Book value SEK 000
Skanska Foundation Ferihegy		50	HUF	500	23
TABET Skanska Yemen		49	USD	214	0
Tekra-Yhtiöt OY	45	45	FIM	45	6,758
Valdemara Center SIA		86	LVL	2	26
VSL Norge A/S	9,000	45	NOK	900	2,363
Miscellaneous other foreign closely related associated companies*					503
The Group's holdings of shares and participations in foreign closely related associate companies					94,167

*Other foreign companies*

	Number	% stake	Currency	Par value 000	Book value SEK 000
AOOT Monolitstroj	2,500	6	RUR	239	356
As Oy Helsingin Kellosaarenranta	344	3	FIM	2,256	3,362
ETC Corp Ltd	9,000	3	USD	9	64
Eurocaf Oy	2,000	7	FIM	2,000	2,980
Helsinki Halli Oy		<1	FIM	1,050	1,564
Kährs Iberica SA		10	ESP		1,682
Mt. Hope Ltd		3	USD	1,088	0
Oustroi OY	17	17	FIM	0	185
Soenderjydsck Erhvervs- investering K/S 13	11	<1	DKK	193	194
Swedish American Chamber of Commerce	50	<3	USD	50	344
Tanruss Investment Ltd.	2,015	7	TZS	800	5,800
Miscellaneous other foreign companies					7,246
The Group's holdings of shares and participations in other foreign companies					23,868

*Parent Company*

	1996	1995
<b>Swedish companies</b>		
Subsidiaries	3,045	2,390
Closely related associated companies	8	8
Others	9	204
Total Swedish companies	3,062	2,602

**Foreign companies**

	1996	1,034
Subsidiaries	968	1,034
Total foreign companies	968	1,034
Total shares and participations	4,030	3,636

*Specifications, holdings as of December 31, 1996*

*Parent Company*

	Number	% stake (if < 100)	Currency if other than SEK	Par value 000	Book value SEK 000
<i>Swedish subsidiaries</i>					
Albus Förvaltning AB	30,000			30	5,142
AB Drott	1,171,000			11,710	303,791
AB Fakiren	3,000,000			150,000	95,288
AB Gadus	1,000			1,000	1,000
Hexabar Chockrosa AB	1,000			100	100
Ladoga Holding AB	1,000			100	2,937
Myresjö AB	650,000			65,000	71,500
AB Mälarhus	10,000			1,000	1,000
AB Perumakaren	250,000			25,000	1,000

	Number	% stake (if < 100)	Currency if other than SEK	Par value 000	Book value SEK 000
<i>Swedish subsidiaries</i>					
SCG Byggnads AB	500			50	50
SektionsByggarna AB	12,000			1,200	10,000
Skanska Allemansfond Förvaltnings AB	500			250	250
Skanska Bostäder Stockholm AB	50,000			5,000	5,048
Skanska Capital AB	500,000			50,000	65,000
Skanska Data AB	5,000			500	500
Skanska Entreprenad AB	125,923,860			1,259	522,264
Skanska Export AB	500			50	253
Skanska Fastigheter AB	125,923,860			2,518	487,689
Skanska Fastigheter Nord AB	2,000			200	211
Skanska Fastigheter Stockholm AB	160,000			16,000	16,000
Skanska Fastigheter Syd AB	50,000			5,000	5,000
Skanska Fastigheter Väst AB	10,000			1,000	1,000
Skanska Fastighetservice AB	20,000			2,000	2,000
Skanska Försäkrings AB	50,000			50,000	50,000
Skanska Förvaltnings AB	500			50	50
Skanska Group Purchasing AB	1,000			100	100
Skanska Hedging AB	500			50	73
Skanska Holding AB	500			50	50
Skanska Installation AB	20,000			2,000	2,050
Skanska Installation International AB	500			50	60
Skanska International Building AB	500,000			50,000	50,000
Skanska International Civil Engineering AB	24,000			12,000	12,000
Skanska Invest AB	125,923,860			1,259	1,211,529
Skanska Kraft AB	500			50	60
Skanska Maskin AB	100			120	120
Skanska Mellansverige AB	10,000			1,000	1,000
Skanska Mitt AB	2,000			1,000	1,033
Skanska Nord AB	2,000			1,000	67,153
Skanska Prefab AB	30,000			3,000	4,500
Skanska Service AB	500			50	50
Skanska Stockholm AB	1,000			1,000	990
Skanska Stålteknik AB	10,000			1,000	50
Skanska Syd AB	10,000			1,000	784
Skanska Sydöst AB	10,000			1,000	1,134
Skanska Teknik AB	20,000			2,000	2,000
Skanska Turbo AB	500			50	52
Skanska Väst AB	10,000			1,000	1,008
Stabilator AB	20,000			2,000	42,000
AB Svenska Aktier	500			50	50
<b>Total Swedish subsidiaries</b>					<b>3,044,919</b>

	Number	% stake (if < 100)	Currency if other than SEK	Par value 000	Book value SEK 000
<i>Foreign subsidiaries</i>					
Devoncourt Holdings United, Ireland	2		GBP	0	0
SCEM Reinsurance SA, Luxembourg	749		LUF	74,900	13,514

	Number	% stake (if < 100)	Currency if other than SEK	Par value 000	Book value SEK 000
<i>Foreign subsidiaries</i>					
Skanska Holding A/S, Denmark			DKK	60,000	121,078
Skanska Oy, Finland	470	70	FIM	4,700	28,730
Skanska Property Investment GmbH, Germany			DEM	10,000	583,810
Skanska (U.S.A.) Inc., United States	22,298		USD	0	220,892
<b>Total foreign subsidiaries</b>					<b>968,024</b>
<b>Grand total, Parent Company's holdings in subsidiaries</b>					<b>4,012,943</b>
<i>Swedish closely related associated companies</i>					
Råsjö Torv AB	26,236	22		2,624	7,953
Sundlink Contractors HB		37			0
<b>Total closely related associated companies</b>					<b>7,953</b>
<i>Other Swedish companies</i>					
Protorp Förvaltnings AB, Stockholms Fondbörs AB	8,570	33		857	8,175
Miscellaneous shares and participations*					11
<b>Total other Swedish companies</b>					<b>8,656</b>
<b>Total shares and participations</b>					<b>4,029,552</b>

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

#### List of certain indirectly owned operating subsidiaries

	Number	% stake (if < 100)	Currency if other than SEK	Par value 000	Book value SEK 000
Beers Inc., United States	500		USD	30,510	228,215
Elit Fönster AB	40,000			40,000	100,000
Gustaf Kähr, AB	530,000			255,640	255,640
Heinz Essmann GmbH	5		DEM	18,500	78,256
JM Byggnads och Fastighets AB	13,025,100	40		52,100	1,145,673
Karl Koch Erecting Co Inc., United States	100		USD	18,860	163,769
Marktune Ltd, Great Britain	55,500,000		GBP	55,500	181,652
Poggenpohl Möbelwerke GmbH	1	99	DEM	55,200	414,617
Skanska E & C, United States	1,000		USD	5,001	37,407
Skåne-Gripen AB	33,133,450	99		331,335	2,982,532
Slattery Associates Inc., United States	500		USD	5,000	30,950
Trinity Tower Property Co Ltd, Great Britain	211,500,000		GBP	211,500	801,629

## 20 INTEREST-BEARING LONG-TERM RECEIVABLES

	Group		Parent Company	
	1996	1995	1996	1995
Receivables from subsidiaries			18,207	13,675
Other interest-bearing receivables	556	680	1	2
<b>Total interest-bearing long-term receivables</b>	<b>556</b>	<b>680</b>	<b>18,208</b>	<b>13,677</b>

## 21 OTHER FIXED ASSETS, RESIDUAL VALUES

	Group		Parent Company	
	1996	1995	1996	1995
I Goodwill etc				
Goodwill etc.	1,526	164		
Other intangible assets	8			
Extraction rights	15	15	5	4
Total goodwill etc.	1,549	179	5	4

The increase in goodwill etc. was mainly related to the acquisition of Skåne-Gripen.

II Property, plant and equipment under production	Group		Parent Company	
	1996	1995	1996	1995
Proprietary machinery under production	35	4		
Advance payments for fixed assets	3	15		
Buildings under construction	21	2		
Total property, plant and equipment under production	59	21		

### III Property, plant and equipment

#### Group

##### a) Acquisition price and accumulated depreciation

	Acquisition price of remaining assets		Accumulated depreciation		Book value under assets in balance sheet	
	1996	1995	1996	1995	1996	1995
	Ships (dredgers, barges)	118	116	109	106	9
Machinery and equipment	6,840	4,602	4,569	3,380	2,271	1,222
Buildings (fixed-asset properties)	2,603	1,020	824	437	1,779	583
Land and other real estate	360	268	45	50	315	218
Timberland	322	321	66	61	256	260
Hydroelectric power plants	260	390	64	84	196	306
Total property, plant and equipment	10,503	6,717	5,677	4,118	4,826	2,599

##### b) Assessed values

	1996	1995
Investment and development properties		
Buildings	11,253	13,681
Land and other real estate	2,554	2,644
Fixed-asset properties		
Buildings, incl. power plants	1,086	1,067
Land and other real estate	339	305
Timberland	772	629

#### Parent Company

##### a) Acquisition price and accumulated depreciation

	Acquisition price of remaining assets		Accumulated depreciation		Book value under assets in balance sheet	
	1996	1995	1996	1995	1996	1995
	Machinery and equipment	73	1,910	68	1,718	5
Buildings (fixed-asset properties)	318	345	193	197	125	148
Land and other real estate	77	91	13	17	64	74
Hydroelectric power plants	229	229	57	51	172	178
Total property, plant and equipment	697	2,575	331	1,983	366	592

##### b) Assessed values

	1996	1995
Fixed-asset properties		
Buildings, incl. power plants	575	668
Land and other real estate	143	162

## 22 OTHER NON-INTEREST-BEARING CURRENT LIABILITIES

	Group		Parent Company	
	1996	1995	1996	1995
Accrued expenses and prepaid revenues	3,864	3,888	187	209
Current liabilities of consortia	335	226		
Tax liabilities	0	542	0	373
Non-interest-bearing current inter-company liabilities			20	
Other non-interest-bearing current liabilities	3,424	2,009	10	21
Total other non-interest-bearing current liabilities	7,623	6,665	217	603

## 23 INTEREST-BEARING LONG-TERM LIABILITIES

	Group		Parent Company	
	1996	1995	1996	1995
Liabilities to subsidiaries			10,007	7,811
Construction loans	39	52		
Mortgage loans	5,338	6,808	0	0
Other liabilities	2,915	2,875	792	696
Convertible debenture loan (see below)	45	42		
Total interest-bearing long-term liabilities	8,337	9,777	10,799	8,507

#### Convertible debenture loan JM

Amount SEK 50 M

Life of loan 1995–2001

Convertible beginning in 1997

Conversion price SEK 85

Maximum dilution of capital stock 1.80%

Maximum dilution of voting power 1.10%

When JM issued its convertible debenture loan in 1995, it calculated a capital discount that comprised a discounted, then-current value of the difference between the market interest rate and the interest rate on this debt instrument during its lifetime.

In the accounts of JM, the capital discount of SEK 8 M reduced the loan amount and was charged directly to restricted reserves. The reported loan liability is gradually increased during the life of the loan by interest in such a way that the reported liability amount on the date of maturity will be the same as the face value of the loan.

## 24 PENSION LIABILITIES

	Group		Parent Company	
	1996	1995	1996	1995
PRI liability	1,976	1,857	832	810
Other pension commitments	84	18	17	17
Total pension liabilities	2,060	1,875	849	827

## 25 DEFERRED TAX LIABILITY

See the accounting and valuation principles, pages 49 and 50.

## 26 CAPITAL STOCK

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

Series A shares have 10 votes apiece and Series B shares have 1 vote apiece.

## 27 CHANGE IN SHAREHOLDERS' EQUITY

Group	Capital stock	Restricted reserves	Unrestricted reserves	Net profit for the year	Total shareholders' equity
Year-end 1995 balance	1,259	2,215	5,501	1,729	10,704
Effect of changes in consolidation principles		969	-269	-119	581
Adjusted opening balance, Jan. 1, 1996	1,259	3,184	5,232	1,610	11,285
Transfer of net profit for 1995			1,610	-1,610	0
Dividend			-630		-630
Translation difference			34		34
Change in shareholders' equity of associated companies, excluding net profit for the year			-112		-112
Transfer between restricted and unrestricted equity		270	-270		0
Net profit for 1996				4,074	4,074
Closing balance, Dec. 31, 1996	1,259	3,454	5,864	4,074	14,651

Parent Company	Capital stock	Legal reserve	Retained earnings	Net profit for the year	Total shareholders' equity
Opening balance, Jan. 1, 1996	1,259	488	4,195	874	6,816
Transfer of net profit for 1995			874	-874	0
Dividend			-630		-630
Net profit for 1996				3,496	3,496
Closing balance, Dec. 31, 1996	1,259	488	4,439	3,496	9,682

### Definitions of financial ratios

**Operating margin** – Operating income as a percentage of invoiced sales on contracts credited to income, including rental revenues.

**Net interest-bearing indebtedness** – Interest-bearing liabilities including pension liability minus liquid assets and interest-bearing receivables.

**Net profit/loss per share** – Net profit/loss for the year divided by the adjusted number of shares.

**Equity per share** – Visible shareholders' equity divided by the adjusted number of shares.

**Return on shareholders' equity** – Income excluding extraordinary items, as a percentage of average visible shareholders' equity.

**Return on capital employed** – Operating income, financial revenues and net participations in associated companies, as a percentage of average capital employed. Capital employed is visible shareholders' equity plus interest-bearing liabilities.

## 28 ASSETS PLEDGED

	Group		Parent Company	
	1996	1995	1996	1995
Real estate mortgages	7,430	8,027	0	8
Chattel mortgages	257	123		
Short-term investments and other securities	214	445	0	0
Total assets pledged	<u>7,901</u>	<u>8,595</u>	<u>0</u>	<u>8</u>

## 29 CONTINGENT LIABILITIES

	Group		Parent Company	
	1996	1995	1996	1995
Sureties for subsidiaries			16,391	10,298
Other sureties	3,753	3,061	890	445
Total contingent liabilities	<u>3,753</u>	<u>3,061</u>	<u>17,281</u>	<u>10,743</u>

## 30 ALLOCATIONS

Parent Company	1996	1995
Group contributions	340	657
Stockholders' contributions	-81	-233
Extra depreciation (Note 8)	127	47
Tax allocation reserve	0	-214
Foreign exchange reserve	58	-58
Total allocations	<u>444</u>	<u>199</u>

## 31 UNTAXED RESERVES

Parent Company	Value according to balance sheet 1995	Allocations in 1996	Value according to balance sheet 1996
Accumulated extra depreciation:			
Machinery and equipment	115	-115	0
Fixed-asset properties	214	-12	202
Foreign exchange reserve	58	-58	0
Tax allocation reserve	703	0	703
Total untaxed reserves	<u>1,090</u>	<u>-185</u>	<u>905</u>

**Equity/assets ratio** – Visible shareholders' equity including minority interest, as a percentage of total assets.

**Debt/equity ratio** – Net interest-bearing indebtedness divided by visible shareholders' equity including minority interest.

**Interest cover** – Operating income, financial revenues and net participations in associated companies, divided by financial expenses.

**Operating net on properties** – Rental revenues and interest subsidies minus operating, maintenance and administrative expenses plus real estate tax. Ground rent is included in operating expenses.

**Yield on properties** – Operating net as above, divided by year-end book value.

**Number of shares outstanding** – 125,923,860.

# Proposed allocation of earnings

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The Board of Directors and the President propose that the net profit for 1996, SEK 3,496,031,486, plus the retained earnings of SEK 4,439,341,746 carried forward from the preceding year, making a total of SEK 7,935,373,232, be allocated as follows:

A dividend to the shareholders of SEK 10.00 per share	SEK 1,259,238,600
To be carried forward	SEK 6,676,134,632
	<hr/>
	SEK 7,935,373,232

Danderyd, Sweden, February 25, 1997

Percy Barnevik

Carl-Olof Ternryd

Stig Herner

Gudrun Norberg

Ivan Karlsson

Bengt Järrestedt

Sven-Eric Hersvall

Bo Rydin

Per-Olof Eriksson

Sven Hagströmer

Melker Schörling

*President*

# Auditors' Report

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We have examined the Annual Report, the consolidated financial statements, the accounts and the management by the Board of Directors and the President during 1996. Our examination has been carried out in accordance with generally accepted auditing standards.

## **Parent Company**

The Annual Report has been prepared in conformity with the Swedish Companies Act.

We recommend that the Annual Meeting of Shareholders adopt the income statement and balance sheet, allocate the earnings in accordance with the proposal in the Report of the Directors and discharge the members of the Board of Directors and the President from personal liability for their administration during 1996.

## **Group**

The consolidated financial statements have been prepared in conformity with the Swedish Companies Act. We recommend that the Annual Meeting adopt the consolidated income statement and balance sheet.

Danderyd, Sweden, March 12 1997

Anders Scherman  
*Authorized Public Accountant*

Bernhard Öhrn  
*Authorized Public Accountant*

# Board of Directors, Auditors



**Percy Barnevik**  
London, Great Britain, born 1941. Chairman. Elected in 1986. Chief Executive Officer of ABB Asea Brown Boveri Ltd. Other directorships: Sandvik (Chairman), Investor, E.I. du Pont de Nemours & Co., General Motors.  
Holdings in Skanska: 40,000 Series B shares.



**Bo Rydin**  
Stockholm, born 1932. Elected in 1994. Dr.Econ. (Hon.), Dr.Eng. (Hon.) Other directorships: SCA (Chairman), Industrivärden (Chairman), Gräninge (Chairman), Svenska Handelsbanken (Vice Chairman), SAS Sverige, ABA/SILA, Scancem, IBM EMEA Board.  
Holdings in Skanska: 1,500 Series B shares.



**Carl-Olof Ternryd**  
Stockholm, born 1928. Elected in 1982. Dr. Eng., professor at Royal Institute of Technology.



**Gudrun Norberg**  
Glanshammar, born 1938. Elected in 1990. Business owner. Other board memberships: Ansvar Öms. Sakkörsäkringsbolag, Föreningsbanken Örebro (Vice Chairman), Almi Företagspartner Örebro, National Paroles Board.  
Holdings in Skanska: 100 Series B shares.



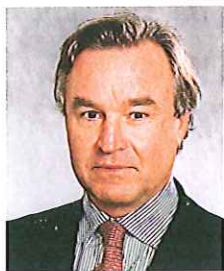
**Sven-Eric Hersvall**  
Malmö, born 1931. Elected in 1991. President of Skanska AB, 1991-92. Other directorships: Svenska Handelsbanken Southern Region (Chairman), ElektroSandberg AB.  
Holdings in Skanska: 3,540 Series B shares.



**Melker Schörling**  
Lidingö, born 1947. Elected in 1993. President and Group Chief Executive of Skanska. Other directorships: Securitas (Chairman), JM (Chairman), Scancem (Vice Chairman), Assa Abloy (Vice Chairman), Federation of Swedish Industries.  
Holdings in Skanska: 30,378 Series A shares.



**Per-Olof Eriksson**  
Sandviken, born 1938. Elected in 1994. Dr.Eng. (Hon.). Other directorships: Swedish National Grid (Chairman), Sandvik, Svenska Handelsbanken, SSAB, SKF, Volvo, Custos, Pream Petroleum, N.V. Koninklijke Sphinx, Royal Institute of Technology, Karlskoga Invest, Federation of Swedish Industries. Member of Royal Swedish Academy of Engineering Sciences and Chairman of its Industrial Council.  
Holdings in Skanska: 2,000 Series B shares.



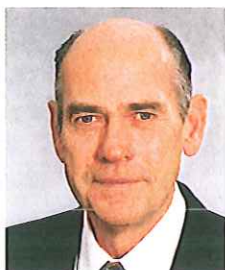
**Sven Hagströmer**  
Stockholm, born 1943. Chairman of Investment AB Öresund. Other directorships: Custos, Bokförlaget Atlantis.



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



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



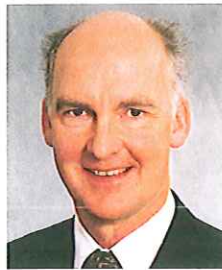
**Ivan Karlsson**  
Uddevalla, born 1937. Union for Service and Communication (SEKO). Board member since 1992. Rock worker.  
Holdings in Skanska: 820 Series B shares.



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



**Bengt Lundberg**  
Lund, born in 1953. Swedish Industrial Union. Deputy member since 1993. Form worker.



**Folmer Knudsen**  
Eslöv, born 1942. Swedish Building Workers' Union. Deputy member since 1992. Wood worker.  
Holdings in Skanska: 120 Series B shares.

## AUDITORS



**Anders Scherman**  
Malmö, Authorized Public Accountant



**Bernhard Öhrn**  
Stockholm, Authorized Public Accountant

Deputy Auditors:  
**Christer Ljungsten**  
Malmö, Authorized Public Accountant

**Bo Ribers**  
Stockholm, Authorized Public Accountant

# Group Management, heads of Group staff units



*Group Management: Melker Schörling in the foreground; and from the left, Per Westlund, Anders C Karlsson, Lars Wiklander, Jan-Gunnar Glave, Claes Björk, Mats Mared, Mikael Ekdahl, Claes Gustafson and Bo Ingemarson.*

**PRESIDENT AND GROUP CHIEF EXECUTIVE**  
**Melker Schörling**  
 Born 1947.  
 Joined Skanska in 1993.  
 Holdings in Skanska: 30,378 Series A shares.

**OTHER MEMBERS OF GROUP MANAGEMENT**  
**Bo Ingemarson**  
**Executive Vice President, Finance.**  
 Born 1950.  
 Joined Skanska in 1993.  
 Holdings in Skanska: 366 Series A shares and 1,050 Series B shares.

**HEADS OF GROUP STAFF UNITS**  
**Lennart Hallberg**  
**Senior Vice President, Public Affairs**  
 Born 1946.  
 Joined Skanska in 1989.  
 Holdings in Skanska: 1,200 Series B shares.

**Rune Kjellman**  
**Senior Vice President, Personnel**  
 Born 1944.  
 Joined Skanska in 1988.

**Mats Mared**  
**Executive Vice President, Real Estate**  
 Born 1944.  
 Joined Skanska in 1968.  
 Holdings in Skanska: 610 Series B shares.

**Per Westlund**  
**Executive Vice President, Group Development**  
 Born 1944.  
 Joined Skanska in 1968.  
 Holdings in Skanska: 1,100 Series B shares.

**Göran Larsson**  
**Senior Vice President, Purchasing**  
 Born 1937.  
 Joined Skanska in 1964.  
 Holdings: 820 Series B shares.

**Einar Lundgren**  
**Head of Legal Affairs**  
 Born 1952.  
 Joined Skanska in 1993.  
 Holdings in Skanska: 50 Series B shares.

**Claes Björk**  
**Senior Vice President, Skanska USA**  
 Born 1945. Joined Skanska in 1967.  
 Holdings: 160 Series B shares.

**Mikael Ekdahl**  
**Secretary to the Board**  
 Born 1951.  
 Retained by Skanska since 1993, joined Skanska in 1997.  
 Holdings in Skanska: 0 shares.

**Jan-Gunnar Glave**  
**Senior Vice President, Civil Engineering**  
 Born 1948.  
 Joined Skanska in 1973.  
 Holdings in Skanska: 2,370 Series B shares.

**Mats Moberg**  
**Head of Accounting**  
 Born 1950.  
 Joined Skanska in 1976.  
 Holdings: 100 Series B shares.

**Thomas Bley**  
**Head of Information Technology**  
 Born 1951.  
 Joined Skanska in 1978.  
 Holdings: 40 Series B shares.

**Claes Gustafson**  
**Senior Vice President, Building**  
 Born 1943.  
 Joined Skanska in 1968.  
 Holdings in Skanska: 210 Series B shares.

**Anders C Karlsson**  
**Senior Vice President, Industry**  
 Born 1950.  
 Joined Skanska in 1996.  
 Holdings in Skanska: 0 shares.

**Lars Wiklander**  
**Senior Vice President, BOT Projects**  
 Born 1943.  
 Joined Skanska in 1968.  
 Holdings in Skanska: 200 Series B shares.

**Tommy Sernelin**  
**Senior Vice President, Technology**  
 Born 1937.  
 Joined Skanska in 1962.  
 Holdings in Skanska: 1,710 Series B shares.

**Assistant to the President:**  
**Monica Wennlö Falk**



# Organizational chart, 1997



Group Staff Units				Support Companies		
Accounting	Personnel	Public Affairs	Legal Affairs	Skanska Teknik AB	Skanska Data AB	Skanska Capital AB
Purchasing	Group Development	IT	Corporate Finance	Skanska Försäkrings AB	SCEM Reinsurance S.A.	

## Investor relations

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In order to provide more in-depth external information about its operations, during 1996 Skanska organized two capital market days. These sessions took place in conjunction with the publication of the Group's six-month and nine-month results, respectively. They attracted a large number of participants from the stock market and the financial press. The theme of the August session was Skanska's expansion into construction-related industrial operations, with a special focus on the acqui-

sition of Skåne-Gripen. The restructuring transactions and the new organizational structure of the Group's real estate sector were presented in detail at the capital market day in November.

Skanska also made a number of presentations of the Group and its financial results, for example by special invitation from local branches of the Swedish stock market investors' organization Aktiespararna. It also made presentations in London, Edinburgh, Paris and New York.

## Financial analyses of Skanska

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During 1996, the following stock brokerage houses and banks published analyses of Skanska:

<b>Publisher</b>	<b>Analyst</b>	<b>Telephone</b>
Alfred Berg Fondkommission*	Lars-Åke Bokenberger	+46 8 723 58 00
Aros Securities*	Mikael Petersson	+46 8 458 56 00
BK Bank	Jakob Ohlsson	+45 33 12 01 33
D. Carnegie AB	Fredrik Grevelius	+46 8 676 88 00
Cazenove & Co.*	Nicolai Tangen	+44 171 588 2828
Enskilda Securities*	Erik Nyman	+46 8 763 99 00
FIBA Nordic Securities*	Jan Dworsky	+44 171 929 3000
Goldman Sachs*	Mike Betts	+44 171 774 13 19
Hagströmer & Qviberg Fondkommission	Olof Nyström/Jonas Andersson	+46 8 696 17 00
Handelsbanken Markets*	Hans Derninger	+46 8 701 10 00
Matteus Fondkommission	Robert Ahldin	+46 8 613 42 00
Swedbank Fondkommission	Stefan Sundblom	+46 8 790 10 00
Öhman J:or Fondkommission	Rutger Andersson	+46 8 402 50 00

\* English version only

# Annual Shareholders' Meeting

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The Annual Shareholders' Meeting of Skanska AB will be held at 4:00 p.m. on Monday, May 5, 1997 at the main auditorium (Konsertsalen) of Malmö Konserthus, Föreningsgatan 35, Malmö.

## Entitlement to participate in the Annual Meeting

To be entitled to participate in the Annual Meeting, shareholders must

- be listed in the print-out of the register of shareholders made as of April 25, 1997; thus, shareholders whose shares have been registered in the name of a trustee must have temporarily re-registered their shares no later than April 25, 1997 in their own name to be entitled to participate in the Meeting (such registration should be requested a few days in advance from the bank or brokerage house holding the shares in trust)
- notify Skanska no later than 12 noon, Wednesday, April 30, 1997 of their intention to participate in the Meeting.

## Notification

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

- by mail to Skanska AB, Group Legal Affairs, S-182 25 Danderyd, Sweden.
- by telephone to +46 8-753 84 06 (Skanska Headquarters, Danderyd) or
- by fax to +46 8-753 37 52.

This notification should state the shareholder's

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

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

Shareholders who wish to participate in the Meeting must have notified the Company to this effect no later than 12 noon, Wednesday, April 30, 1997, when the notification period expires.

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

## Dividend

The Board of Directors proposes a dividend to the shareholders of SEK 10.00 per share for 1996.

The Board proposes Friday, May 9, 1997 as the date of record to qualify for a dividend. Provided that the Annual Meeting approves this date, the dividend will be distributed by the Swedish Securities Register Center (VPC) on Friday, May 16, 1997.

### Group Headquarters

**Skanska AB**  
S-182 25 Danderyd, Sweden  
Telephone: +46 8 753 88 00  
Fax: +46 8 755 12 56

**Skanska AB**  
S-205 33 Malmö, Sweden  
Telephone: +46 40 14 40 00  
Fax: +46 40 14 45 40

### Building

**Skanska Bygg AB**  
S-182 25 Danderyd, Sweden  
Telephone: +46 8 753 88 00  
Fax: +46 8 755 63 17

**Skanska Syd**  
S-205 33 Malmö, Sweden  
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