



*"El Casquete" primary separation unit and compression plant, Neuquén, Argentina*

# Skanska

## Nine Month Report 2007

**SKANSKA**

# Skanska Safety Week 2007



This year focus was two-fold – “Safe working at heights” and “Visible leadership”

- Numerous activities took place and engaged both colleagues and sub contractors worldwide
- 15 Lost Time Accidents were recorded this week
- During an average week >4,000,000 hours worked
- Lost Time Accident Rate this week was 3.69
- To compare with LTAR YTD 5.85
- The increased awareness on Safety and reporting is reflected in the records
- Target is Zero accidents



# Construction



CSOB, Prague



UN, New York



Operating income up 33 percent. Operating margin continued to improve. Continued cost escalation may hold back further improvements.



# Residential Development



Hlavní záběr, Czech Republic



Järvastaden, Solna

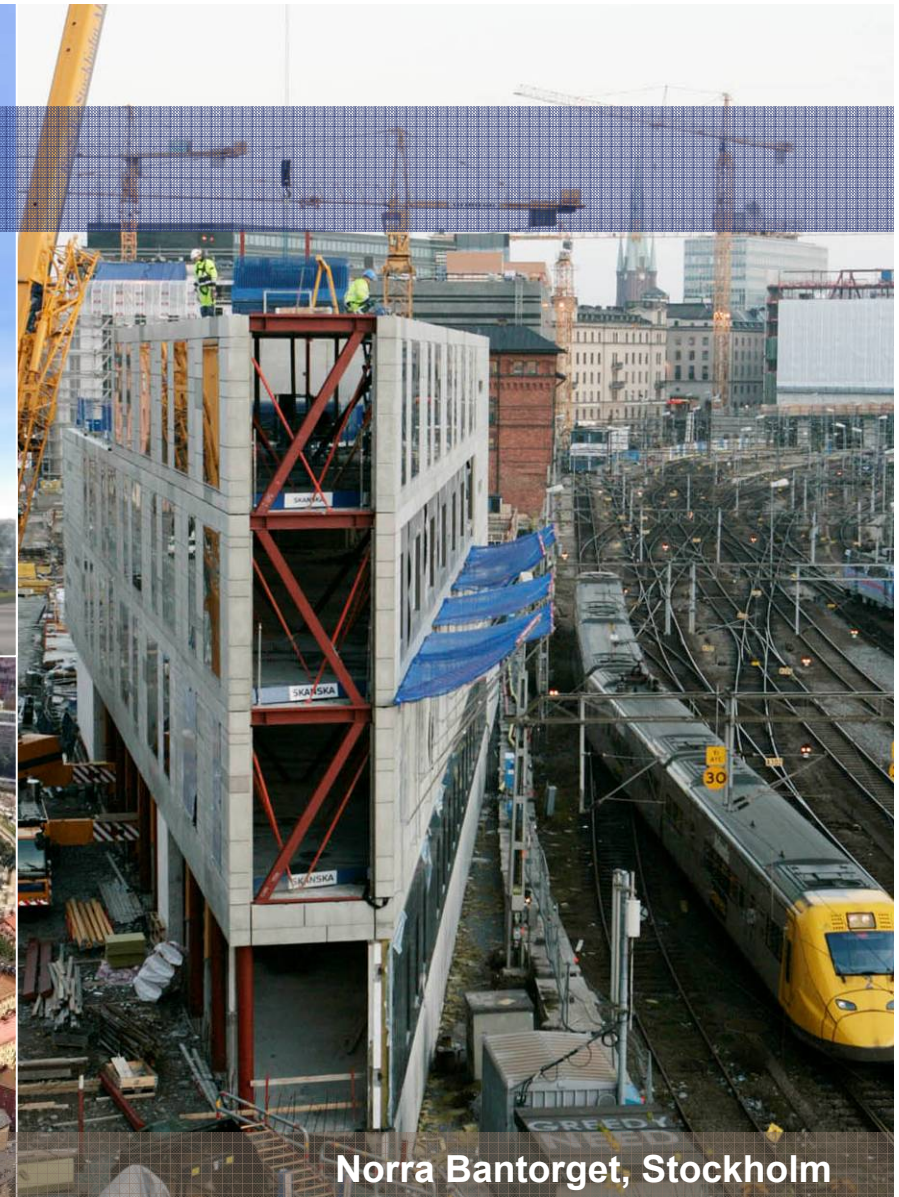


Råsunda, Solna

Slowing market both in terms of prices and sales. Continued rising costs hampering margins. Scarcity of resources holding back project starts.



# Commercial Development



Continued falling vacancy rates. Rents rising. Good market for new development. 15 new projects started during the report period. Good investor demand.



# Infrastructure Development



Barts and The London  
new hospitals program, UK



A1, Poland



Schools, UK

Continued work on acquisition of new projects, mainly in the United Kingdom and in the United States. Renewed interest in the Czech Republic and Slovakia. Unrealized development gains up about SEK 600 M in the period.

**SKANSKA**

Nine Month Report, November 1, 2007

## Jan–Sep 2007 in brief

- Revenue in Construction SEK 95.9 bn (85.5)
  - Up 15 percent in local currencies
  
- Operating income of SEK 3,769 M (3,614)
  - Of which, gains from divestments of properties SEK 743 (1,252)
  
- Operating income in Construction up 33 percent to SEK 3,176 M (2,380) with a 3.3 percent operating margin
  
- Order bookings up 10 percent to SEK 109.9 billion (99.9)
  - Up 14 percent adjusted for currencies
  - Order bookings in Q3 up 9 percent adjusted for currencies
  
- Backlog of SEK 147.6 bn represents 14 months of construction at comparable exchange rates.

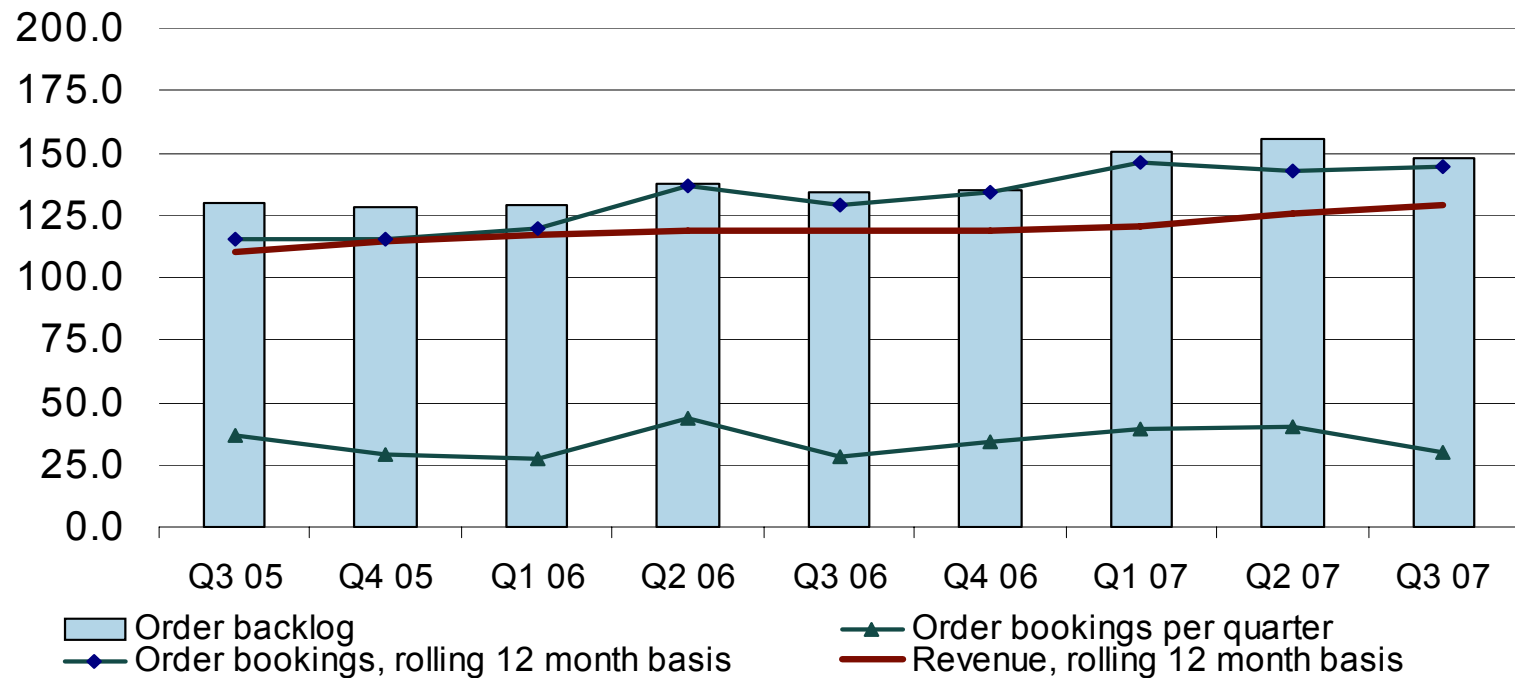
# Business Streams

- Construction
  - Operating income up 33 percent year-on-year and operating margin reaching 3.3 percent
  - Good market conditions but continued cost escalation and shortage of resources
  - Only minimal signs of impact from financial turmoil
  
- Residential Development
  - Good demand situation in capital cities in Sweden and Finland
  - Signs of a slowing market with longer selling time
  - Cost increases and scarcity of resources still causing concern and having a restraining effect on margins
  
- Commercial Development
  - Continued good leasing activity. 174,000 m<sup>2</sup> signed in the period
  - Fifteen new projects started during the period
  
- Infrastructure Development
  - Continued work on project acquisition
  - Unrealized development gain up SEK 600 M



# Order situation – Construction

SEK bn	Jan–Sep 2007	Jan–Sep 2006	Oct 2006– Sep 2007	Jan–Dec 2006
Revenue	95.9	85.5	129.1	118.7
Order bookings	109.9	99.9	144.1	134.1
Order backlog	147.6	134.5		135.1



# Order bookings

SEK bn	Jan–Sep 2007	Jan–Sep 2006	Oct 2006– Sep 2007	Jan–Dec 2006
Sweden	21.9	19.4	30.0	27.5
Norway	10.4	8.2	14.7	12.4
Denmark	2.2	3.0	3.0	3.7
Finland	6.6	7.1	9.1	9.6
Poland	4.1	4.4	5.3	5.7
Czech Republic	6.4	8.9	9.1	11.7
UK	11.3	20.7	14.3	23.7
USA Building	28.5	16.9	36.7	25.1
USA Civil	13.6	8.3	16.4	11.1
Latin America	4.9	3.0	5.5	3.6
<b>Total</b>	<b>109.9</b>	<b>99.9</b>	<b>144.2</b>	<b>134.1</b>

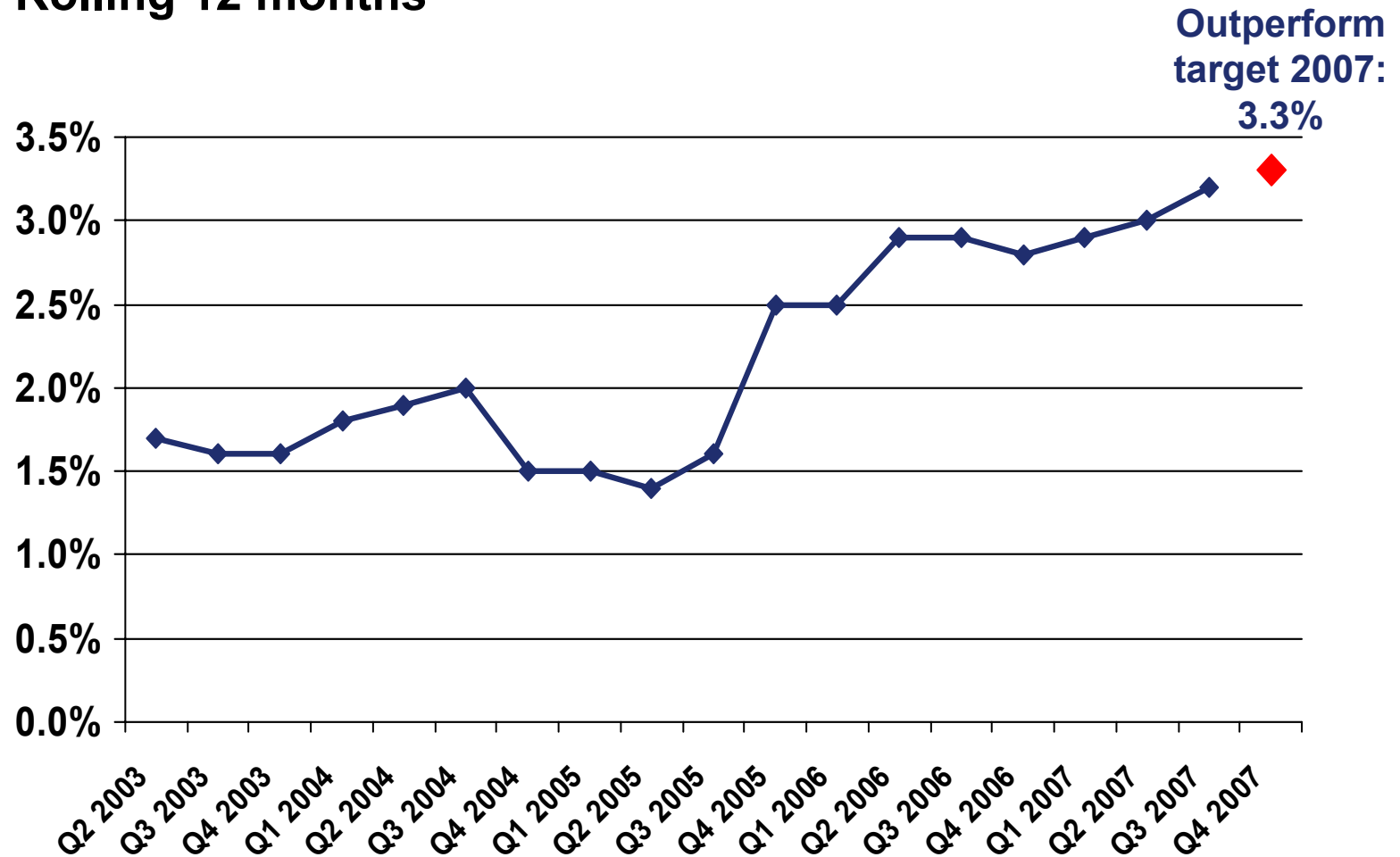


# Construction

SEK M	Jan–Sep 2007	Jan–Sep 2006	Oct 2006– Sep 2007	Jan–Dec 2006
Revenue	95,922	85,513	129,119	118,710
<b>Gross income</b>	<b>7,539</b>	<b>6,508</b>	<b>10,027</b>	<b>8,996</b>
Selling and administrative expenses	-4,418	-4,172	-5,968	-5,722
Income from joint ventures and associated companies	55	44	73	62
<b>Operating income</b>	<b>3,176</b>	<b>2,380</b>	<b>4,132</b>	<b>3,336</b>
Gross margin, %	7.9	7.6	7.8	7.6
Selling and admin. expenses, %	-4.6	-4.9	-4.6	-4.8
Operating margin, %	3.3	2.8	3.2	2.8
Order bookings, SEK bn	109.9	99.9	144.1	134.1
Order backlog, SEK bn	147.6	134.5	147.6	135.1

# Operating margin in Construction

Rolling 12 months





# Residential Development

SEK M	Jan–Sep 2007	Jan–Sep 2006	Oct 2006– Sep 2007	Jan–Dec 2006
Revenue	5,612	4,686	7,714	6,788
<b>Gross income</b>	<b>853</b>	<b>791</b>	<b>1,293</b>	<b>1,231</b>
Selling and administrative expenses	-443	-312	-563	-432
Income from joint ventures and associated companies	99	33	119	53
<b>Operating income</b>	<b>509</b>	<b>512</b>	<b>849</b>	<b>852</b>
Operating margin, %	9.1	10.9	11.0	12.6
Capital employed, SEK bn	5.6	3.7		3.7
Return on capital employed, %	18.7	24.8		27.5

## Residential Development, September 30, 2007

	Under construction, #		Of which sold %		Completed unsold, #	
	Jan-Sep 2007	Apr-Jun 2007	Jan-Sep 2007	Apr-Jun 2007	Jan-Sep 2007	Apr-Jun 2007
Sweden	2,449	2,041	88	91	4	4
Norway	821	1,009	85	88	6	10
Finland incl. Estonia	1,696	1,888	54	60	182	179
Denmark	304	385	88	90	2	4
<b>Nordic</b>	<b>5,270</b>	<b>5,323</b>	<b>77</b>	<b>79</b>	<b>194</b>	<b>197</b>
Czech Republic	755	787	81	84	12	11
<b>TOTAL</b>	<b>6,025</b>	<b>6,110</b>	<b>77</b>	<b>80</b>	<b>206</b>	<b>208</b>

All units sold include reserved units in this summary.



# Residential Development

	Started				Sold			
	Jan-Sep 2007	Jan-Sep 2006	Oct 2006-Sep 2007	Jan-Dec 2006	Jan-Sep 2007	Jan-Sep 2006	Oct 2006-Sep 2007	Jan-Dec 2006
Sweden	1,038	1,296	1,226	1,484	1,011	830	1,538	1,357
Norway	416	657	604	845	397	635	595	833
Finland incl. Estonia	1,021	1,227	1,547	1,753	957	1,133	1,368	1,544
Denmark	99	114	137	152	95	43	180	128
<b>Nordic</b>	<b>2,574</b>	<b>3,294</b>	<b>3,514</b>	<b>4,234</b>	<b>2,460</b>	<b>2,641</b>	<b>3,681</b>	<b>3,862</b>
Czech Republic	571	297	755	481	447	508	563	624
<b>TOTAL</b>	<b>3,145</b>	<b>3,591</b>	<b>4,269</b>	<b>4,715</b>	<b>2,907</b>	<b>3,149</b>	<b>4,244</b>	<b>4,486</b>

# Commercial Development

SEK M	Jan–Sep 2007	Jan–Sep 2006	Oct 2006– Sep 2007	Jan–Dec 2006
Revenue	2,145	3,005	2,565	3,425
<b>Gross income</b>	<b>847</b>	<b>1,330</b>	<b>939</b>	<b>1,422</b>
Selling and administrative expenses	-184	-166	-253	-235
Income from joint ventures and associated companies	-1	2	20	23
<b>Operating income</b>	<b>662</b>	<b>1,166</b>	<b>706</b>	<b>1,210</b>
of which gain from divestments of properties <sup>1</sup>	739	1,212	787	1,260
of which operating net, completed properties <sup>2</sup>	80	89	93	102
Capital employed, SEK bn	7.0	5.9		5.8
1 Additional gain included in eliminations was	4	40		40

2 After selling and administrative expenses

## Sale of commercial properties, 2007

SEK M	Sale price	Capital gain
Q1	186	97
Q2	1,032	382
Q3	605	264
<b>Total Q1–Q3</b>	<b>1,903</b>	<b>743</b>

In Q4 to date, Skanska has carried out property divestments worth SEK 455 M with gains of SEK 160 M.



## New CD projects

Project		Leasable area, sq m	Occupancy rate, %	Investment, SEK M
Högsbo 27:8, warehouse, Gothenburg	Q1	3,000	55	30
Marynarska Point II, office, Warsaw	Q1	20,000	0	300
Grunvaldski Center I, office, Wroclaw	Q1	16,000	21	200
Vysehrad, office, Prague	Q1	6,000	34	120
Gångaren 11 <sup>1</sup> , office, Stockholm	Q1	30,000	96	850
Sturegatan 1, office, Sundbyberg	Q2	14,000	0	275
Sunnanå, warehouse, Malmö	Q2	15,000	100	165
Scylla 3:2, office, Malmö	Q2	6,000	0	135
6 A Stilling, logistic, Skanderbo	Q2	15,000	100	160
Stora Bernstorp 1-3 <sup>2</sup> , retail, Burlöv	Q3	29,000	85	435
Högsbo 27:8, warehouse, Linköping	Q3	10,000	100	110
Nordic Ostrava, office, Ostrava	Q3	15,000	0	170
Tornby, logistic, Linköping	Q3	9,000	100	140
<b>TOTAL</b>		<b>188,000</b>	<b>60</b>	<b>3,090</b>
Atrium City, office, Warsaw	Q4	<b>20,000</b>	<b>0</b>	<b>680</b>

<sup>1</sup> Conditional on receipt of the necessary permits

<sup>2</sup> Three projects

# Commercial Development

SEK bn	Carrying amount, end of period	Carrying amount upon completion	Market value Dec 31, 2006	Occupancy rate, %
Completed properties	2.5	2.5	3.5	72
Ongoing projects	1.6	4.1	5.2	45
<b>Subtotal</b>	4.1	6.6	8.7	
Land bank	1.9	1.9		
<b>TOTAL</b>	<b>6.1</b>	<b>8.5</b>		

# Infrastructure Development

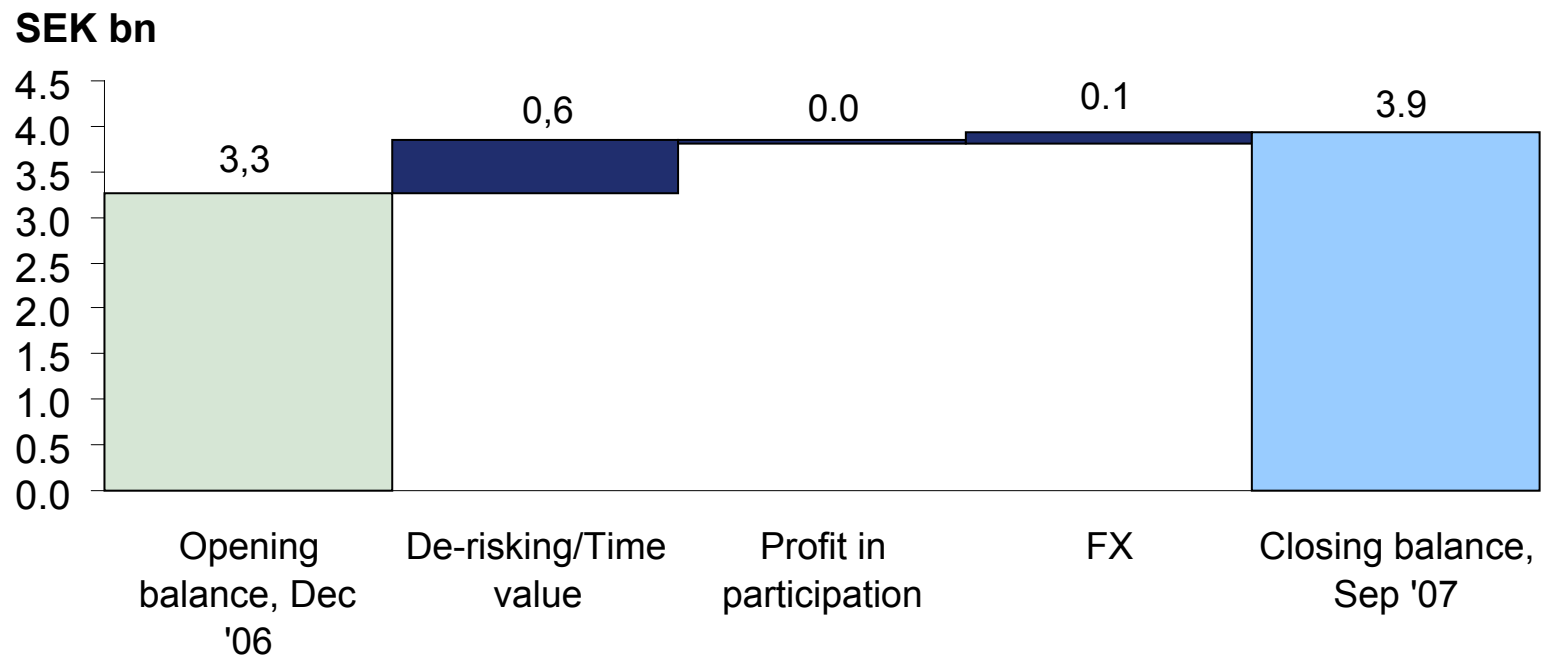
SEK M	Jan–Sep 2007	Jan–Sep 2006	Oct 2006– Sep 2007	Jan–Dec 2006
Revenue	44	128	67	151
<b>Gross income</b>	<b>-103</b>	<b>14</b>	<b>-142</b>	<b>-25</b>
Selling and administrative expenses	-134	-128	-192	-186
Income from joint ventures and associated companies	118	150	171	203
<b>Operating income (EBIT)</b>	<b>-119</b>	<b>36</b>	<b>-163</b>	<b>-8</b>
of which gains from divestments of shares in projects	0	118	0	118
Capital employed, SEK bn	2.5	2.4		2.4



## Unrealized development gains, ID projects

SEK bn	Sep. 30, 2007	Dec 31, 2006
Present value of cash flow from projects	7.1	6.3
Carrying amount	-2.5	-2.4
Present value of remaining investments	-0.6	-0.6
Unrealized development gain Skanska ID	3.9	3.3
Group eliminations	0.4	0.4
<b>Unrealized development gain, Group</b>	<b>4.3</b>	<b>3.7</b>

# Unrealized development gains in ID



# Income statement

SEK M	Jan–Sep 2007	Jan–Sep 2006	Oct 2006– Sep 2007	Jan–Dec 2006
Operating income from business streams	4,228	4,094	5,524	5,390
Central	-461	-419	-556	-514
Eliminations	2	-61	-51	-114
<b>Operating income</b>	<b>3,769</b>	<b>3,614</b>	<b>4,917</b>	<b>4,762</b>
Net financial items	172	153	242	223
<b>Income after financial items</b>	<b>3,941</b>	<b>3,767</b>	<b>5,159</b>	<b>4,985</b>
Taxes	-1,064	-957	-1,437	-1,330
<b>Profit for the period</b>	<b>2,877</b>	<b>2,810</b>	<b>3,722</b>	<b>3,655</b>
Earnings per share, SEK	6.83	6.68	8.84	8.68
<i>Tax rate, %</i>	<i>27</i>	<i>25</i>	<i>28</i>	<i>27</i>



# Balance sheet

SEK bn	Sep 30, 2007	Sep 30, 2006	Dec 31, 2006
Total assets	77.5	71.7	71.3
Equity attributable to equity holders	19.5	18.4	19.2
Interest-bearing net receivables (+)/net debt (-)	7.6	10.1	10.4
Working capital in construction, net	-11.4	-11.3	-11.9
Capital employed, closing balance	23.6	23.7	24.4
Equity/assets ratio, %	25.4	25.9	27.1

## Change in interest-bearing assets and liabilities

SEK M	Jan–Sep 2007
Net receivables/Net debt opening balance	10,377
Change in interest-bearing receivables and liquid assets	-3,785
Translation differences interest-bearing receivables and liquid assets	-119
Change in interest-bearing liabilities	393
Translation differences interest-bearing liabilities	174
Effects of IAS 19	728
Other changes	-122
Net receivables/Net debt closing balance	7,646

# Operating cash flow

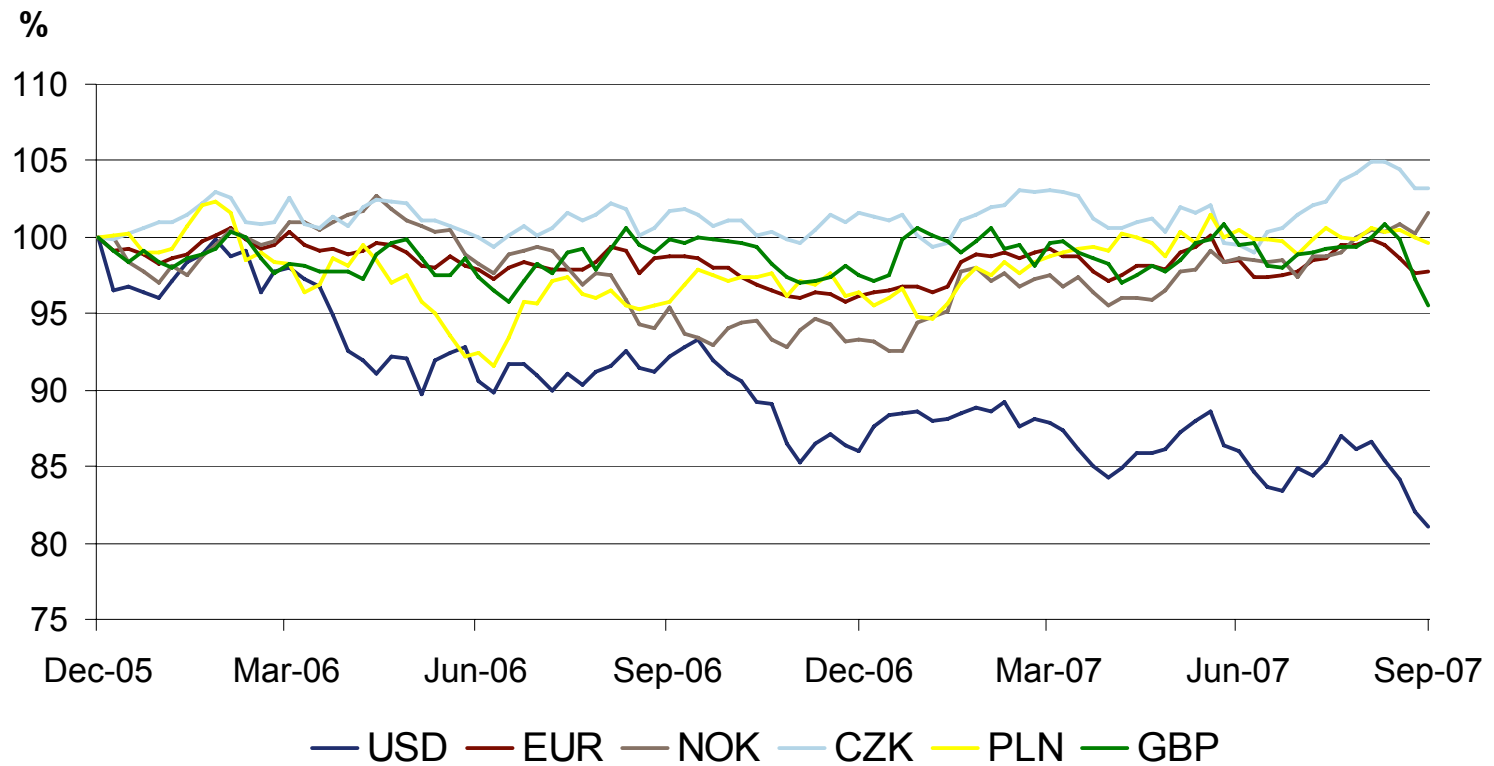
SEK M	Jan–Sep 2007	Jan–Sep 2006	Oct 2006– Sep 2007	Jan–Dec 2006
Cash flow from business operations before change in working capital	2,882	2,470	3,894	3,482
Change in working capital	-1,583	-899	-594	90
Net investments in operations	-718	557	-1,889	-614
Cash flow adjustment net investments	317	166	559	408
Net strategic investments	-70	104	-706	-532
Net interest items and other financial items	27	80	37	90
Taxes paid	-788	-825	-1,030	-1,067
Dividend	-3,459	-2,730	-3,441	-2,712
<b>Cash flow before change in interest-bearing receivables and liabilities</b>	<b>-3,392</b>	<b>-1,077</b>	<b>-3,170</b>	<b>-855</b>

# Group net investments

SEK M	Jan–Sep 2007	Jan–Sep 2006	Oct 2006– Sep 2007	Jan–Dec 2006
<b>Construction</b>				
Investments	-1,732	-1,351	-3,080	-2,699
Divestments	811	634	1,181	1,004
<b>Net investments</b>	<b>-921</b>	<b>-717</b>	<b>-1,899</b>	<b>-1,695</b>
<b>Residential Development</b>				
Investments	-3,800	-3,355	-5,490	-5,045
Divestments	3,714	2,909	4,972	4,167
<b>Net investments</b>	<b>-86</b>	<b>-446</b>	<b>-518</b>	<b>-878</b>
<b>Commercial Development</b>				
Investments	-1,651	-987	-2,335	-1,671
Divestments	1,903	2,752	2,235	3,084
<b>Net investments</b>	<b>252</b>	<b>1,765</b>	<b>-100</b>	<b>1,413</b>
<b>Infrastructure Development</b>				
Investments	-59	-205	-140	-286
Divestments	28	177	43	192
<b>Net investments</b>	<b>-31</b>	<b>-28</b>	<b>-97</b>	<b>-94</b>
Group investments	-7,126	-5,911	-10,334	-9,119
Group divestments	6,411	6,468	8,448	8,505
Net investments in operations	-715	557	-1,886	-614
Net strategic investments	-70	104	-706	-532
<b>Total net investments</b>	<b>-785</b>	<b>661</b>	<b>-2,592</b>	<b>-1,146</b>

# Changes in exchange rate

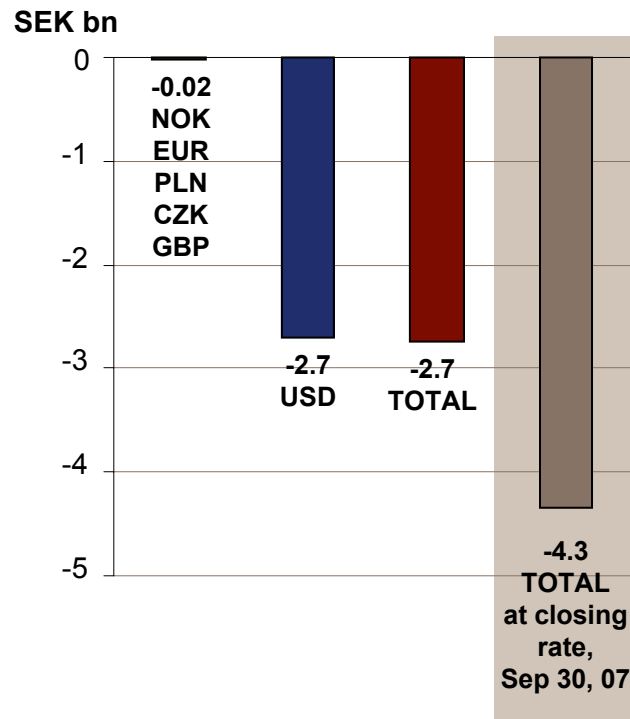
## December 31, 2005–September 30, 2007



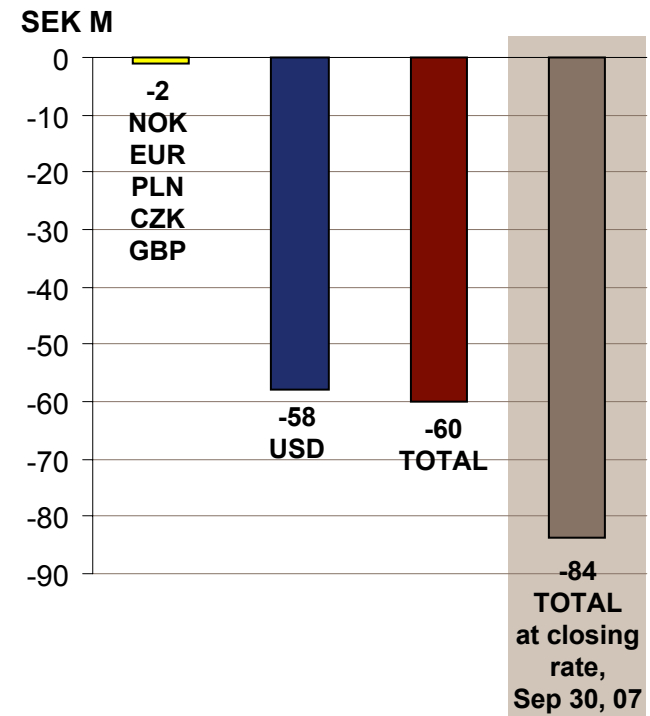


# Impact of currency fluctuations

**Revenue 2007 at 2007 average FX**  
 compared to Revenue 2007 at 2006 average FX



**EBIT 2007 at 2007 average FX**  
 compared to EBIT 2007 at 2006 average FX



## Market outlook – Construction

- Positive outlook for building construction in Skanska's main markets, especially in the Nordics and in Central Europe.
- Positive outlook in civil construction in the Nordics, Central Europe and in the U.S.
- The construction industry is working at close to its capacity ceiling. The cost trend for international commodities as well as local supplies and labor is accelerating.

## Market outlook – Project development

- Good demand for residential units in Sweden and in metropolitan regions in Finland, but signs however of a slowing market with extended sales periods. Capacity shortages and rising cost are restraining starts. Oversupply in Copenhagen and fewer starts in Norway.
- The residential markets in Czech Republic and Slovakia show good demand but permitting processes are lengthy.
- Vacancy rates are declining in our Commercial Development markets, and our investments in new projects are increasing. Investor interest remains strong.
- Still a large volume of PPP projects in the U.K. More limited supply of projects in other markets. The lead times for U.S. projects continue to be unpredictable.



## **Outperform Phase II 2008–2010**

- New margin target in construction: 4% margin
- Double investment in project development
- Growth from urbanization trend
- Green initiative – a win-win strategy
- 5th Zero – Zero defects

## Financial “Outperform” targets 2010

	2007	2010
<b>Construction</b>		
Operating margin, %	3.3	4.0
<b>Residential Development</b>		
Operating margin, %	10.0	12.0
Return on capital employed, %	18.0	18.0
<b>Commercial Development</b>		
Value creation per annum, SEK M		500–700
(Gross investments of SEK 4-5 bn per annum)		
<b>Infrastructure Development</b>		
Return on capital employed*, %	16.0	16.0
(Committed capital 2010, SEK 6.0 bn)		
<b>Group</b>		
Return on equity, %	18.0	20.0

\*Adjusted RoCE including unrealized development gains and change in market value



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