

# Year-end Report 2008



# January–December 2008 in brief

- Revenue for the Group SEK 143.7 bn (138.8)
- Revenue in Construction SEK 139.5 bn (129.3)
  - Up 8 percent in local currencies
- Backlog of SEK 142.4 bn represents 11 months of construction
- Operating income of SEK 4.1 bn (5.4)
  - Gains from divestment of properties SEK 1.2 bn (1.1)
  - Gains from divestment of Ponte de Pedra SEK 0.7 bn
- Writedowns and provisions of SEK 1.3 bn
  - Assets in RD, CD, ID SEK 649 M
  - Downsizing of personnel SEK 519 M
  - Additional cost in operations under closing of SEK 98 M

# Current conditions

- Construction
  - Order bookings indicate revenues approx 10 percent down in local currencies
  - New orders from private clients down significantly
  - Stable civil construction
- Residential Development
  - Sales in Nordics very weak
  - Unsold completed units up (especially in Finland)
- Commercial and Infrastructure Development
  - Increasing yield requirements
  - Fewer buyers and transactions

# Going forward

- Focus on cash flow and risk management
- Adjust cost structure to prevailing market conditions
- Restrictive with project start-ups in Project Development
- Unrealized development gains of SEK 9 bn
- Increased interest in green construction

# Financial targets

- Financial turmoil and market conditions uncertain
- Financial targets
  - Keep levels
  - Timing
    - Not 2010
    - When normalized market conditions develop

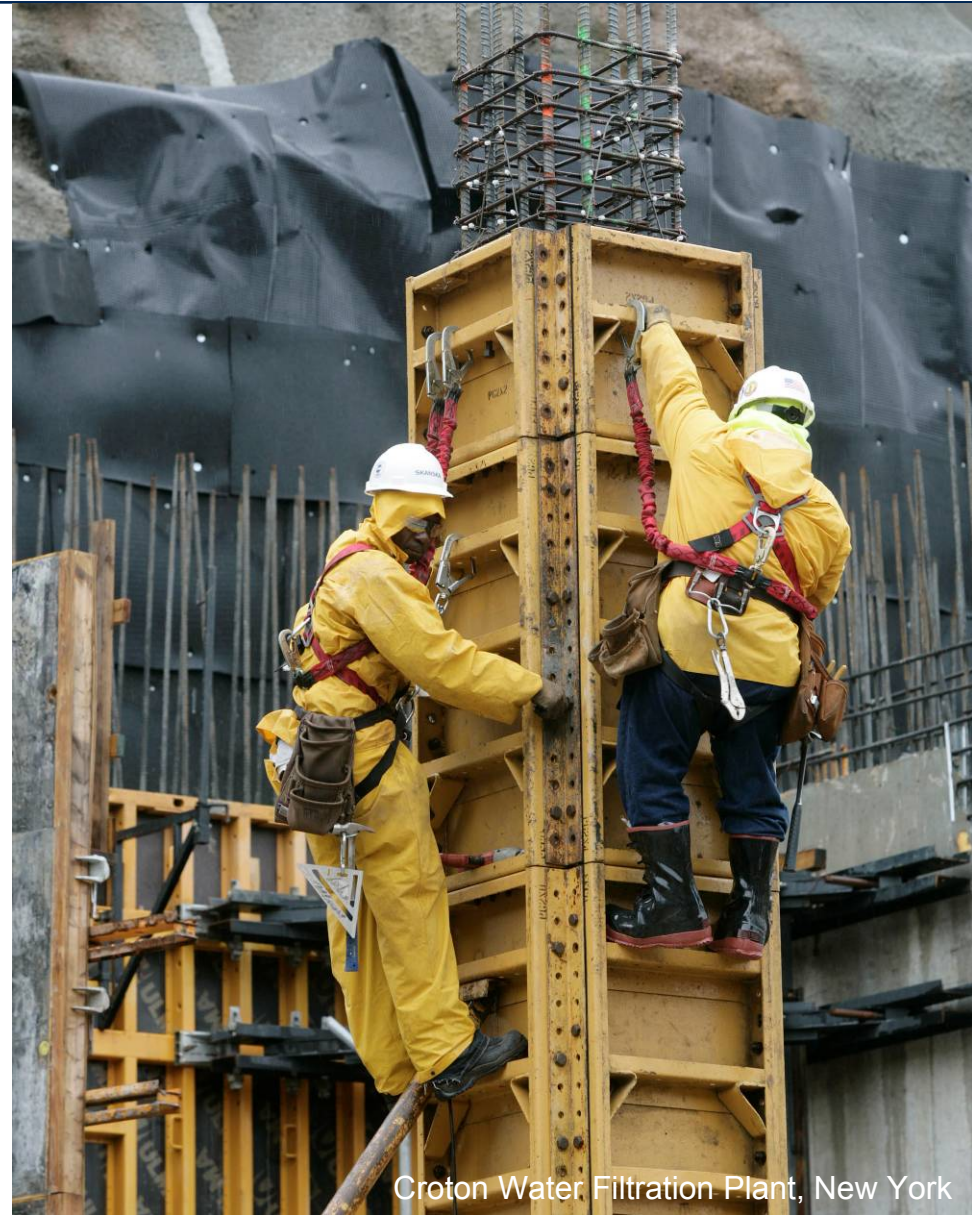
# Dividend

- The Board of Directors proposes a regular dividend of SEK 5.25 (5.25+3.00) per share for the 2008 financial year
- Dividend policy: 50–80 percent of the profit for the year provided that Skanska's overall financial situation is stable and satisfactory



# Construction

- Significant project write-downs – UK, Finland, Czech Republic and Norway
- Strong earnings in several construction units – Sweden, USA Civil, USA Building, Poland and Latin America
- Downsizing in the Nordics



Croton Water Filtration Plant, New York

# Residential Development

- Loss due to writedowns
- Falling prices
- Increased unsold homes
- Very few project start-ups
- Downsizing





# Commercial Development

- Slow investment market
- Good development gains
- SEK 2 bn unrealized gains
- Low vacancy rates and strong tenants in our properties
- 195,000 sq. m of new leases in 2008



Court House, Malmö

# Infrastructure Development

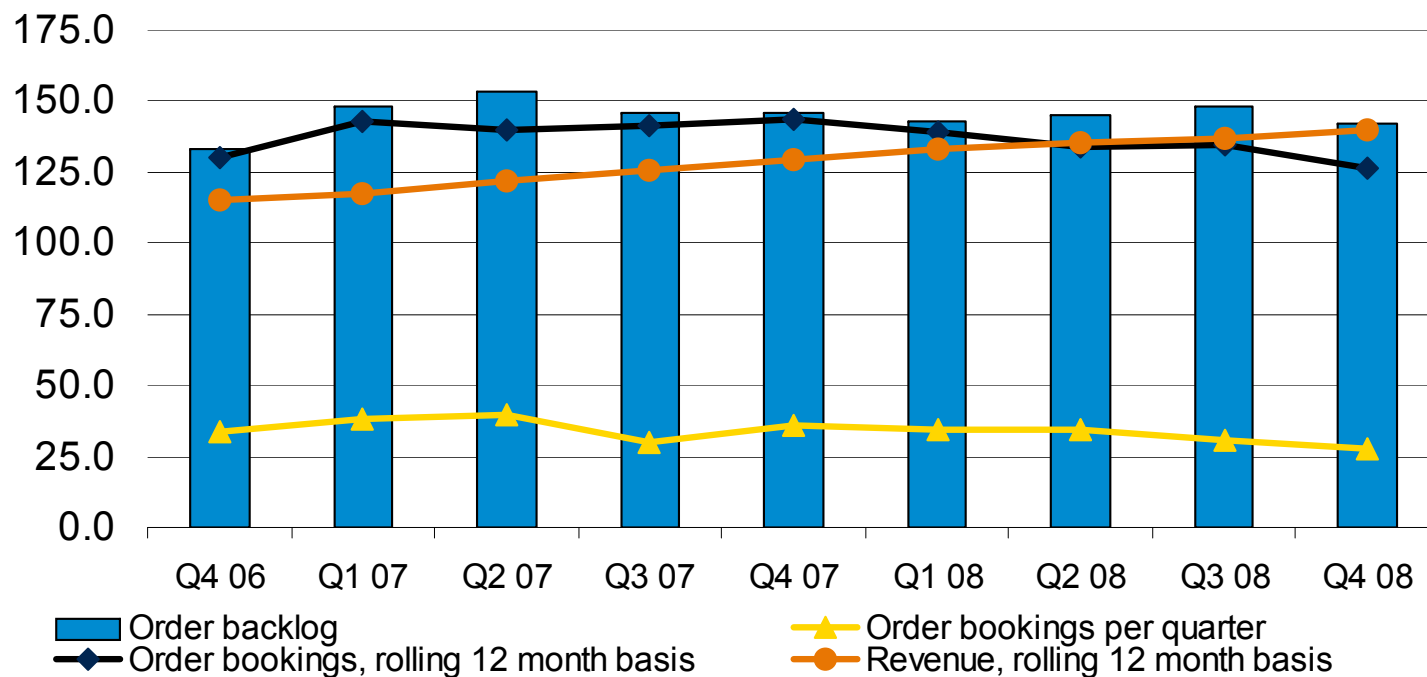
- Harder to finance
- SEK 6 bn in unrealized gains
- Sale of Ponte de Pedra SEK 684 M
- A1 phase II in Poland
- M25 in UK



The London Hospital, U.K.

# Order situation – Construction

SEK bn	Jan–Dec 2008	Jan–Dec 2007	Oct–Dec 2008	Oct–Dec 2007
Revenue	139.5	129.3	38.3	35.8
Order bookings	126.5	143.4	27.6	35.6
Order backlog	142.4	146.0		



# Order bookings – Construction

SEK bn	Jan–Dec 2008	Jan–Dec 2007	Oct–Dec 2008	Oct–Dec 2007
Sweden	27.3	29.3	6.0	7.4
Norway	10.7	13.3	1.9	2.8
Finland	6.7	9.8	1.5	3.2
Poland	9.4	5.4	2.4	1.3
Czech Republic	14.1	9.3	3.6	3.0
UK	13.1	18.2	1.2	6.9
USA Building	26.0	34.6	8.2	6.1
USA Civil	13.7	17.7	1.4	4.0
Latin America	5.6	5.8	1.4	0.9
<b>Total</b>	<b>126.5</b>	<b>143.4</b>	<b>27.6</b>	<b>35.6</b>



# Construction

SEK bn	Jan–Dec 2008	Jan–Dec 2007	Oct–Dec 2008	Oct–Dec 2007
Revenue	139.5	129.3	38.3	35.8
<b>Gross income</b>	<b>10.5</b>	<b>10.4</b>	<b>3.0</b>	<b>3.0</b>
Selling and administrative expenses	-6.8	-6.0	-2.0	-1.8
Income from joint ventures and associated companies	0.0	0.1	0.0	0.0
<b>Operating income</b>	<b>3.8</b>	<b>4.4</b>	<b>1.0</b>	<b>1.3</b>
Gross margin, %	7.5	8.0	7.8	8.4
Selling and admin. expenses, %	-4.9	-4.6	-5.3	-5.0
Operating margin, %	2.7	3.4	2.5	3.5

# Construction

	Operating income SEK M		Operating margin %	
	Jan-Dec 2008	Jan-Dec 2007	Jan-Dec 2008	Jan-Dec 2007
Sweden	1,596	1,284	5.3	4.7
Norway	409	554	3.1	4.3
Finland	23	396	0.2	4.1
Poland	411	368	5.4	4.7
Czech Republic	376	479	2.8	4.2
UK	-523	307	-2.9	1.7
USA Building	442	295	1.5	1.1
USA Civil	737	543	6.4	5.0
Latin America	290	217	5.2	5.0
<b>Total</b>	<b>3,761</b>	<b>4,443</b>	<b>2.7</b>	<b>3.4</b>

# Residential Development

SEK M	Jan–Dec 2008	Jan–Dec 2007	Oct–Dec 2008	Oct–Dec 2007
Revenue	6,450	7,679	1,187	2,067
<b>Gross income</b>	<b>479</b>	<b>1,158</b>	<b>-314</b>	<b>305</b>
Selling and administrative expenses	-731	-549	-222	-106
Income from joint ventures and associated companies	75	115	6	16
<b>Operating income</b>	<b>-177</b>	<b>724</b>	<b>-530</b>	<b>215</b>
Operating margin, %	-2.7	9.4	-44.7	10.4
Capital employed, SEK bn	6.3	4.4		
Return on capital employed, %	-3.1	14.9		

# Residential Development

	Operating income SEK M		Operating margin %	
	Jan–Dec 2008	Jan–Dec 2007	Jan–Dec 2008	Jan–Dec 2007
Sweden	219	429	6.8	12.5
Norway	-29	99	-3.1	5.7
Denmark	-249	-25	-91.9	-4.1
Finland	-284	126	-32.8	10.1
<b>Nordics</b>	<b>-343</b>	<b>629</b>	<b>-6.5</b>	<b>9.0</b>
Czech Republic	166	95	14.1	14.5
<b>Total</b>	<b>-177</b>	<b>724</b>	<b>-2.7</b>	<b>9.4</b>



# Residential Development, Dec. 31, 2008

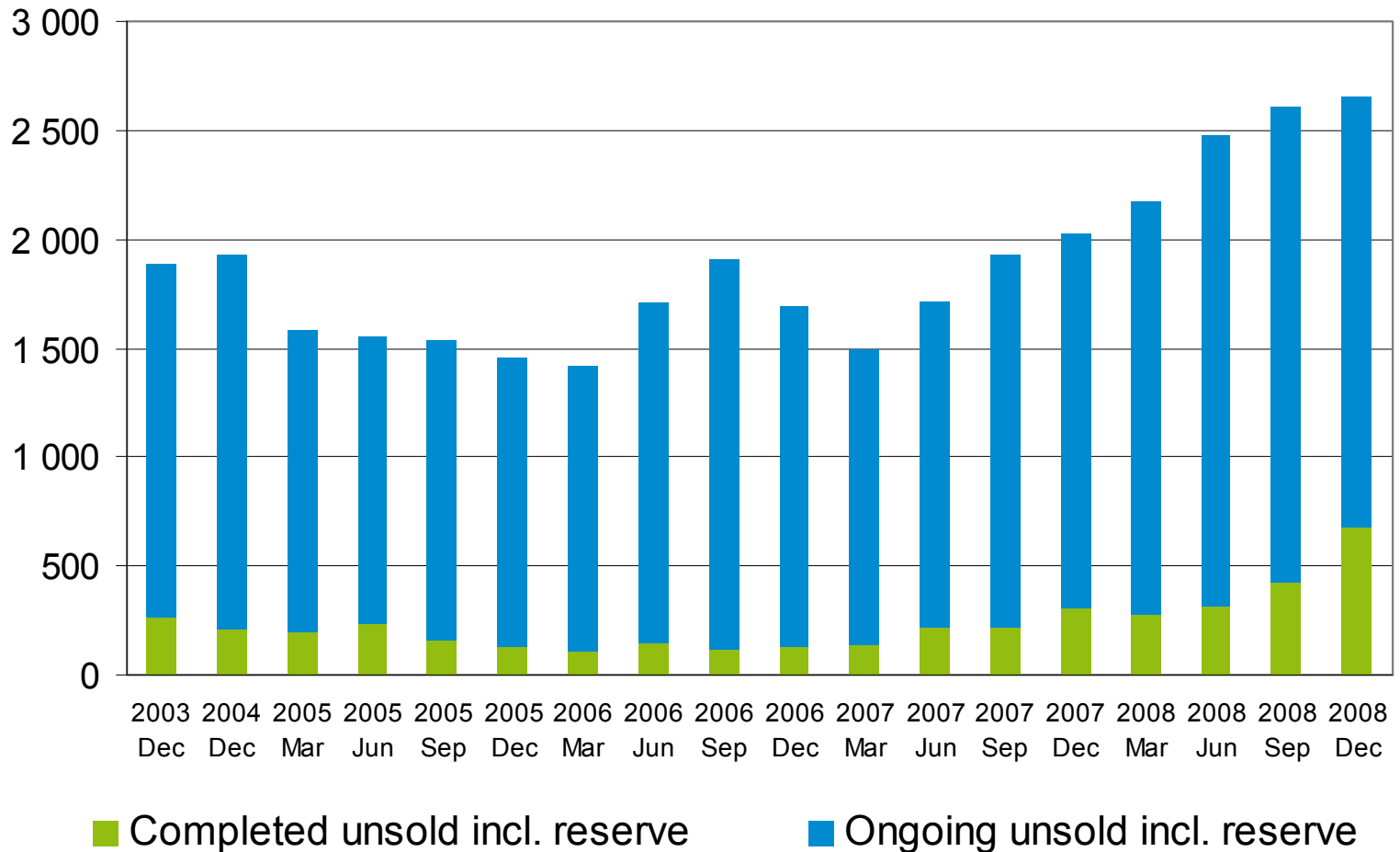
	Under construction #		Of which sold %		Completed unsold #	
	Q4, 2008	Q3, 2008	Q4, 2008	Q3, 2008	Q4, 2008	Q3, 2008
Sweden	2,408	2,826	62	68	46	10
Norway	177	279	34	56	39	39
Finland incl. Estonia	756	1,232	40	43	529	342
Denmark	76	157	97	78	52	21
<b>Nordics</b>	<b>3,417</b>	<b>4,494</b>	<b>57</b>	<b>61</b>	<b>666</b>	<b>412</b>
Czech Republic	1,532	1,425	67	71	9	9
<b>TOTAL</b>	<b>4,949</b>	<b>5,919</b>	<b>60</b>	<b>63</b>	<b>675</b>	<b>421</b>

# Residential Development

	Started				Sold			
	Jan-Dec 2008	Jan-Dec 2007	Oct-Dec 2008	Oct-Dec 2007	Jan-Dec 2008	Jan-Dec 2007	Oct-Dec 2008	Oct-Dec 2007
Sweden	1,216	1,528	159	490	811	1,406	123	395
Norway	103	464	7	48	83	441	15	44
Finland incl. Estonia	671	1,365	23	344	777	1,258	89	301
Denmark	19	123	0	24	18	106	2	11
<b>Nordics</b>	<b>2,009</b>	<b>3,480</b>	<b>189</b>	<b>906</b>	<b>1,689</b>	<b>3,211</b>	<b>229</b>	<b>751</b>
Czech Republic	1,009	716	243	145	699	647	146	200
<b>TOTAL</b>	<b>3,018</b>	<b>4,196</b>	<b>432</b>	<b>1,051</b>	<b>2,388</b>	<b>3,858</b>	<b>375</b>	<b>951</b>

# Residential Development

## Number of unsold units



# Commercial Development

SEK bn	Jan–Dec 2008	Jan–Dec 2007	Oct–Dec 2008	Oct–Dec 2007
Revenue	4.0	3.1	1.1	1.0
<b>Gross income</b>	<b>1.3</b>	<b>1.2</b>	<b>0.3</b>	<b>0.3</b>
Selling and administrative expenses <sup>1</sup>	-0.3	-0.3	-0.1	-0.1
<b>Operating income</b>	<b>1.0</b>	<b>0.9</b>	<b>0.1</b>	<b>0.2</b>
of which gain from divestments of properties <sup>2</sup>	1.2	1.1	0.2	0.3
of which operating net, completed properties <sup>3</sup>	0.1	0.1	0.0	0.0
of which write-downs/reversal of write-downs	-0.1	0.0	-0.1	0.0
Capital employed, SEK bn	11.5	7.3		
1 Of which cost for development organization	-0.3	-0.2	-0.1	-0.1
2 Additional gain included in eliminations was	0.1	0.0	0.0	0.0
3 After selling and administrative expenses				



# Sale of commercial properties, 2008

SEK M	Total		Of which ongoing projects	
	Sales price	Capital gain <sup>1</sup>	Sales price	Capital gain <sup>1</sup>
Q1-Q3	2,604	972	1,696	541
Q4	933	266	753	173
<b>Total</b>	<b>3,537</b>	<b>1,238</b>	<b>2,449</b>	<b>714</b>

<sup>1</sup> Including eliminations of internal project gains

- New leases were signed for 35,000 sq.m of space in Q4, totaling 195,000 sq.m in 2008
- Gains from ongoing projects are reported on a percentage of completion basis. Remaining profits in sold ongoing projects were about SEK 320 M.
- Two divestments in the fourth quarter
  - Havneholmen Tower in Copenhagen – ongoing office project with an investment of approx. SEK 690 M
  - Chalmers Science Park in Gothenburg – selling price of SEK 167 M and gain of SEK 62 M.

# New projects

<b>Project</b>	<b>Leasable area, sq m</b>	<b>Occupancy rate, %</b>	<b>Investment, SEK M</b>
<b>Q1-Q3</b>			
Bylingen, office, Stockholm	16,000	97	550
Stora Bernstorp, retail, Malmö <sup>1</sup>	9,000	18	150
Havneholmen Tower, office, Copenhagen <sup>2</sup>	25,000	0	670
Gårda, Gothenburg	16,000	0	350
Vevaxeln, police building, Malmö	16,000	100	340
Forskaren, phase 2, office, Lund <sup>3</sup>	5,600	100	130
Ljungby Retail, Ljungby	9,600	82	100
<b>Q4</b>			
Backa 23:9, Göteborg	1,700	100	30
Tobaksvej, Copenhagen	3,600	100	90
<b>TOTAL YTD</b>	<b>102,500</b>		<b>2,410</b>
<b>Total 2007</b>	<b>299,000</b>		<b>5,290</b>

1 Divested during Q2, 2008

2 Divested during Q4, 2008

3 Will be merged with phase 1

# Commercial Development

<b>SEK bn</b>	<b>Carrying amount, end of period</b>	<b>Carrying amount upon completion</b>	<b>Market value, Dec 31, 2008</b>	<b>Occupancy rate, %</b>	<b>Degree of completion, %</b>
Completed projects	2.1	2.1	2.9	94	100
Completed projects 2008	1.7	1.7	2.3	88	100
Undeveloped land and development properties	2.5	2.5	2.7		
<b>Subtotal</b>	<b>6.3</b>	<b>6.3</b>	<b>7.8</b>		
Ongoing projects	3.3	5.4	3.8	78	63
<b>Total</b>	<b>9.6</b>	<b>11.7</b>	<b>11.6</b>		

# Infrastructure Development

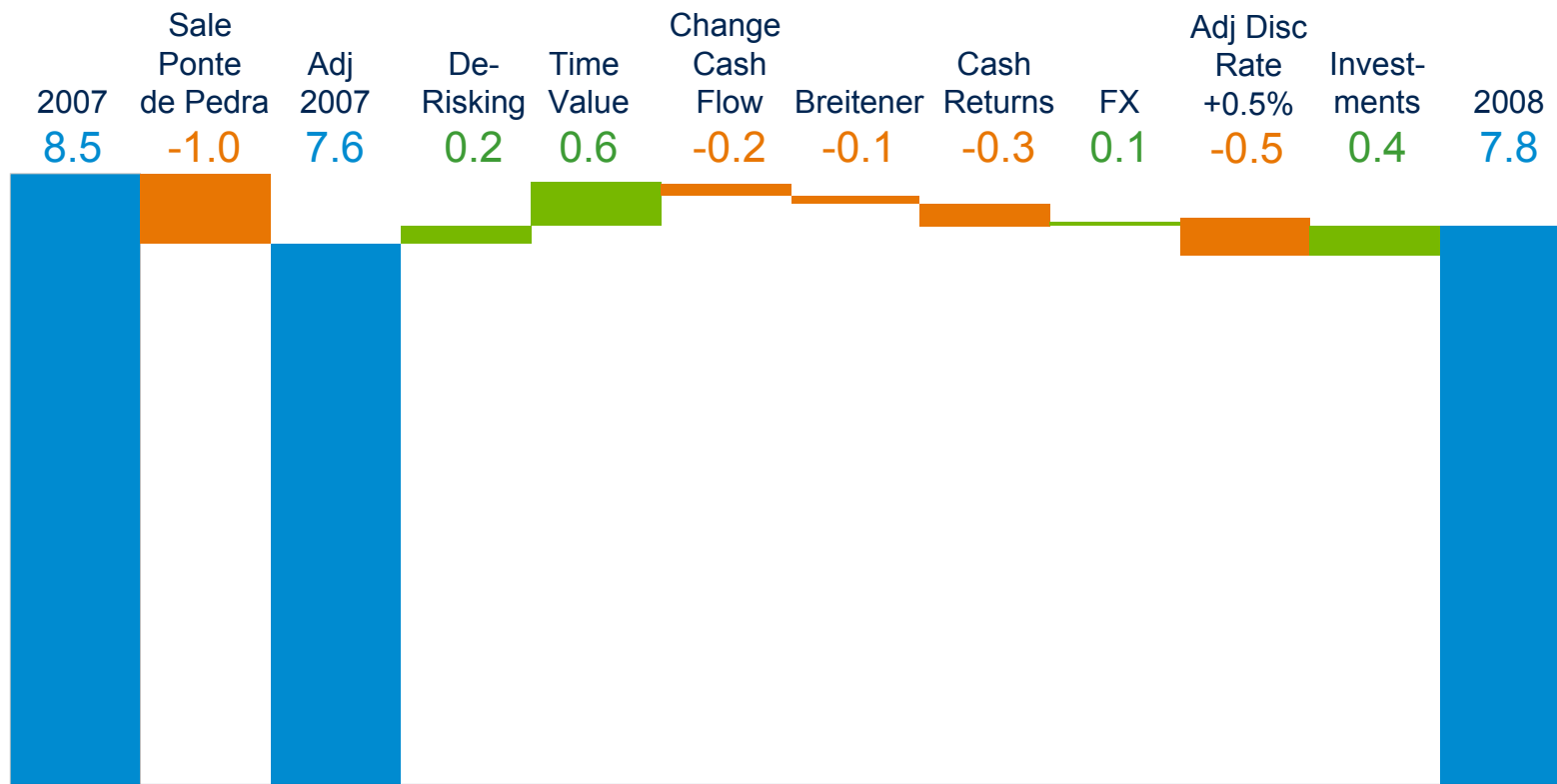
SEK M	Jan–Dec 2008	Jan–Dec 2007	Oct–Dec 2008	Oct–Dec 2007
Revenue	55	116	20	72
<b>Gross income</b>	<b>-184</b>	<b>-92</b>	<b>-58</b>	<b>11</b>
Selling and administrative expenses	-202	-188	-81	-54
Income from joint ventures and associated companies	782	173	-30	55
<b>Operating income (EBIT)</b>	<b>396</b>	<b>-107</b>	<b>-169</b>	<b>12</b>
of which gains from divestments of projects	684	73	0	73
Capital employed, SEK bn	1.8	2.5		

# Unrealized development gains, ID projects

SEK bn	Dec. 31, 2008	Dec 31, 2007
Present value of cash flow from projects	8.4	9.4
Present value of remaining investments	-0.6	-0.8
<b>NPV of projects</b>	<b>7.8</b>	<b>8.5</b>
Carrying amount	-2.0	-2.5
Unrealized development gain Skanska ID	5.8	6.1
Group eliminations	0.2	0.4
Unrealized development gain, Group	6.0	6.5

# Net Present Value of projects

SEK bn





# Income statement

SEK M	Jan–Dec 2008	Jan–Dec 2007	Oct–Dec 2008	Oct–Dec 2007
Operating income from business streams	4,933	5,970	708	1,745
Central	-827	-558	-327	-99
Eliminations	-20	-6	14	-8
<b>Operating income</b>	<b>4,086</b>	<b>5,406</b>	<b>73</b>	<b>1,637</b>
Net financial items	324	261	-2	89
<b>Income after financial items</b>	<b>4,410</b>	<b>5,667</b>	<b>71</b>	<b>1,726</b>
Taxes	-1,253	-1,546	-81	-482
<b>Profit for the period</b>	<b>3,157</b>	<b>4,121</b>	<b>-10</b>	<b>1,244</b>
Earnings per share, SEK	7.44	9.78		
<i>Tax rate, %</i>	28	27		

# Balance sheet – summary

SEK bn	Dec. 31, 2008	Dec. 31, 2007
Total assets	83.5	78.9
Equity attributable to equity holders	19.1	20.5
Interest-bearing net receivables (+)/net debt (-)	9.2	14.6
Working capital in construction, net	-19.2	-15.2
Capital employed, closing balance	25.2	25.6
Equity/assets ratio, %	23.1	26.3

# Changes in equity – summary

SEK bn	Jan–Dec 2008	Jan–Dec 2007	Oct–Dec 2008	Oct–Dec 2007
Opening balance	20.7	19.3	19.3	19.6
Dividend	-3.4	-3.5	0.0	0.0
Translation differences	1.1	0.6	0.5	0.3
Effects of actuarial gains and losses on pensions	-2.0	0.1	-0.5	-0.5
Repurchase of shares	-0.3	0.0	0.0	0.0
Other	-0.1	0.0	-0.1	0.1
Profit for the period	3.2	4.1	0.0	1.2
<b>Closing balance</b>	<b>19.2</b>	<b>20.7</b>	<b>19.2</b>	<b>20.7</b>

# Operating cash flow

SEK bn	Jan–Dec 2008	Jan–Dec 2007	Oct–Dec 2008	Oct–Dec 2007
Cash flow from business operations before change in working capital	3.2	4.3	0.5	1.4
Change in working capital	1.9	4.4	3.4	6.0
Net investments	-3.6	0.3	-1.1	0.8
Net interest items and other net financial items	0.5	0.2	0.0	0.1
Taxes paid	-1.9	-1.2	-0.5	-0.4
Dividend <sup>1</sup>	-3.8	-3.5	0.0	0.0
<b>Cash flow before change in interest- bearing receivables and liabilities</b>	<b>-3.8</b>	<b>4.5</b>	<b>2.3</b>	<b>7.9</b>
1 of which repurchases of shares	-0.3	-	-	-

# Change in interest-bearing net receivables

SEK bn	Jan–Dec 2008	Jan–Dec 2007	Oct–Dec 2008	Oct–Dec 2007
Cash flow before change in interest-bearing receivables and liabilities	-3.8	4.5	2.3	7.9
Translation differences, net receivables/net debt	0.9	0.1	0.5	0.0
Change in pension liability	-2.4	0.1	-0.6	-0.6
Other changes, interest-bearing net receivables/net debt	0.0	-0.5	0.1	-0.4
<b>Change in interest-bearing net receivables/net debt</b>	<b>-5.4</b>	<b>4.2</b>	<b>2.3</b>	<b>6.9</b>

## Market outlook – Construction

- Building construction is weakening, especially in residential and for private customers
- Civil construction less affected by the financial turmoil
- Government stimulus packages are expected to contribute to stability in the civil construction market
- Order bookings indicate a revenue decline of 10% in local currencies in 2009



# Market outlook – Residential Development

- Weak residential markets
- Continued price pressure
- Declining volume in 2009
  - Started
  - Sold

# Market outlook – Commercial Development

- Vacancy rates expected to increase
- Pressure on rent levels
- Increased yield requirements
- Modern and green assets

## Market outlook – Infrastructure Development

- Still a large volume of PPP projects in the U.K.
- Good interest in PPP in Central Europe
- Harder to finance

# Summary

- Strong earnings in several construction markets
- Strong cash flow in fourth quarter
- Weakening outlook in building construction
- Civil construction more stable outlook
- Weak residential markets
- Good quality in ID and CD portfolio
- A1 and M25 in ID
- Expectations of lower volume going forward

**SKANSKA**