

SKANSKA

Year-end Report 2007



Construction



Clarion Sign Hotel, Stockholm New Meadowlands Stadium, U.S. Mercury Center, Prague

Operating income up 33 percent. Operating margin of 3.4% exceeded the “Outperform” target.

Residential Development



Libus, Czech Republic



Reimantorni, Finland



Snöflingan, Sweden

Slowing markets. Operating margin slightly short of “Outperform” at 9.4%.
Strong underlying fundamentals in Sweden, Norway and Finland.

Commercial Development



Nepliget, Hungary



Atrium, Copenhagen



Grunwaldski Corner, Wrocław

Continued falling vacancy rates and rising rents. Good market for new development. 23 new projects started during the year. Contracts signed for >300,000 sq m during 2007.

Infrastructure Development



E18, Finland



Bristol Schools, U.K.



Ponte de Pedra, Brazil

Unrealized development gains up about SEK 2.8 bn during 2007. Continued work on acquisition of new projects, mainly in the United Kingdom and in the United States. Renewed interest in Poland, the Czech Republic and Slovakia.

Financial Outperformance

	2007 target	2007
Operating margin, %		
Construction	3.3	3.4
Residential Development	10.0	9.4
ROCE, %		
Residential Development	18.0	14.9
Commercial Development	15.0 ¹	15.9 ¹
Infrastructure Development	16.0 ²	58.0 ²
ROE, %		
Group	18.0	21.0

1 Over a 9 year business cycle including unrealized development gains and change in market value

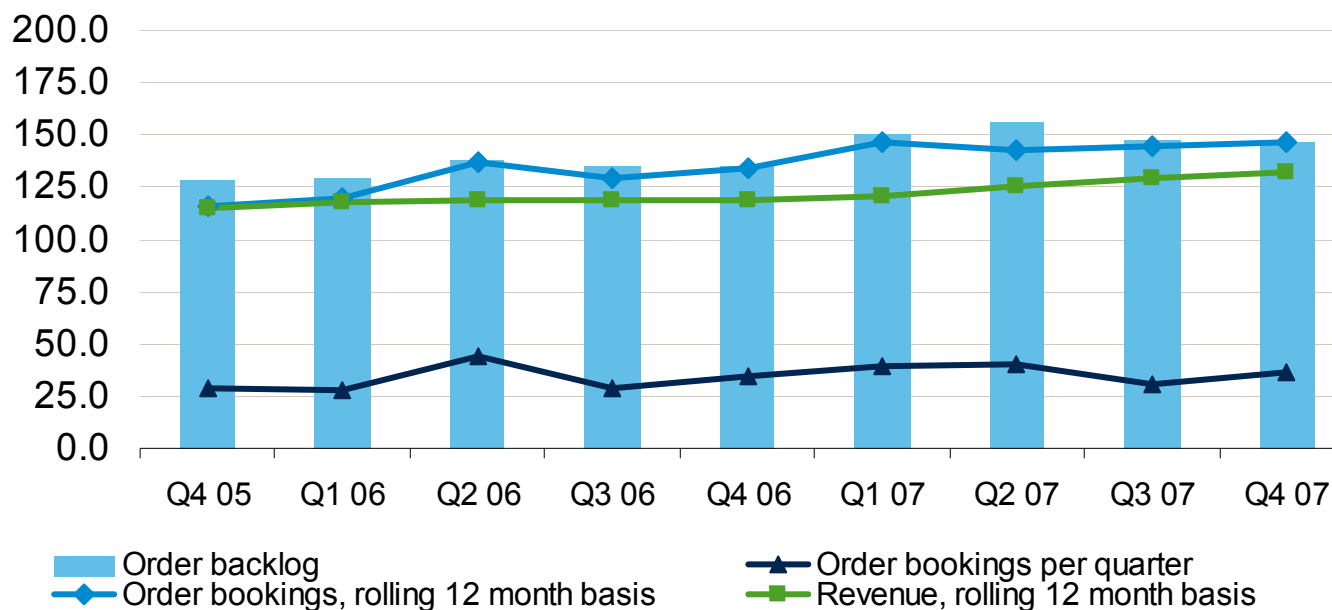
2 Including unrealized change in market value. Excl. FX and long-term interest rate changes

Jan–Dec 2007 in brief

- Revenue for the Group SEK 138.8 bn (125.6)
- Revenue in Construction SEK 132.5 bn (118.7)
 - Up 15 percent in local currencies
- Operating income of SEK 5.4 bn (4.8)
- Operating income in Construction up 33 percent to SEK 4.4 bn (3.3)
- 23 new projects, with investment of SEK 5.3 bn in CD. New leases of >300,000 sq.m.
- Unrealized development gain in ID up by SEK 2.8 bn

Order situation – Construction

SEK bn	Jan–Dec 2007	Jan–Dec 2006	Oct–Dec 2007	Oct–Dec 2006
Revenue	132.5	118.7	36.6	33.2
Order bookings	146.4	134.1	36.5	34.2
Order backlog	146.2	135.1	146.2	135.1



Order bookings – Construction

SEK bn	Jan–Dec 2007	Jan–Dec 2006	Oct–Dec 2007	Oct–Dec 2006
Sweden	29.3	27.5	7.4	8.1
Norway	13.3	12.4	2.8	4.2
Denmark	3.0	3.7	0.8	0.8
Finland	9.8	9.6	3.2	2.5
Poland	5.4	5.7	1.3	1.2
Czech Republic	9.3	11.7	3.0	2.8
UK	18.2	23.7	6.9	3.0
USA Building	34.6	25.1	6.1	8.2
USA Civil	17.7	11.1	4.0	2.8
Latin America	5.8	3.6	0.9	0.6
Total	146.4	134.1	36.4	34.2

Duration in order backlog

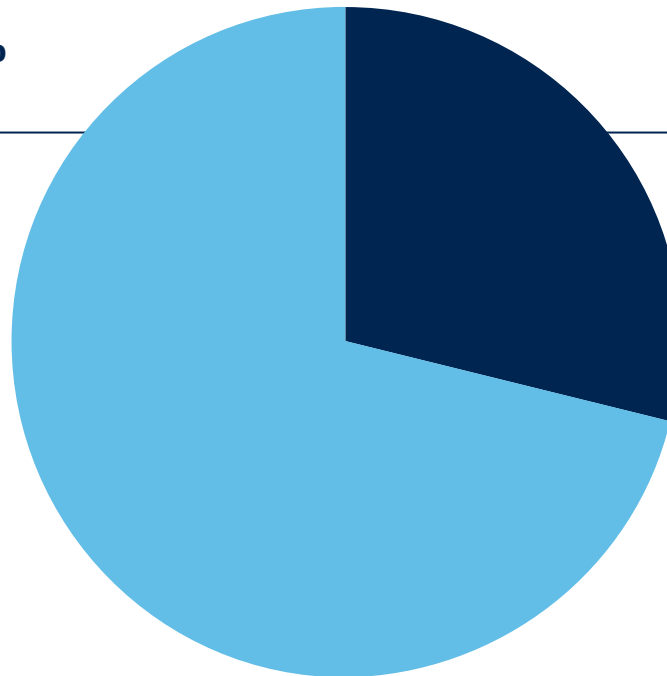
	Year-end 2007 Backlog/Revenue, R12M* [Months]	Year-end 2007 Backlog for 2008/Revenue, R12 M* [%]
Sweden	10	59
Norway	10	67
Denmark	1	6
Finland	9	49
Poland	6	44
Czech Republic	12	63
UK	22	85
USA Building	15	86
USA Civil	26	88
Latin America	13	82
Total	14	69

* Rolling 12 months

Skanska USA, Revenue 2007

USA Building, 72% of which

- Healthcare, 24%
- Education, 20%
- Corporate, 11%
- Pharma, 9%
- Other, 7%
- Government, 6%
- Retail, 6%
- Sports, 5%
- Hospitality, 3%
- Residential, 3%
- Microelectronics, 2%
- Aviation, 2%
- Cultural, 1%
- Telecom, 1%



USA Civil, 28% of which

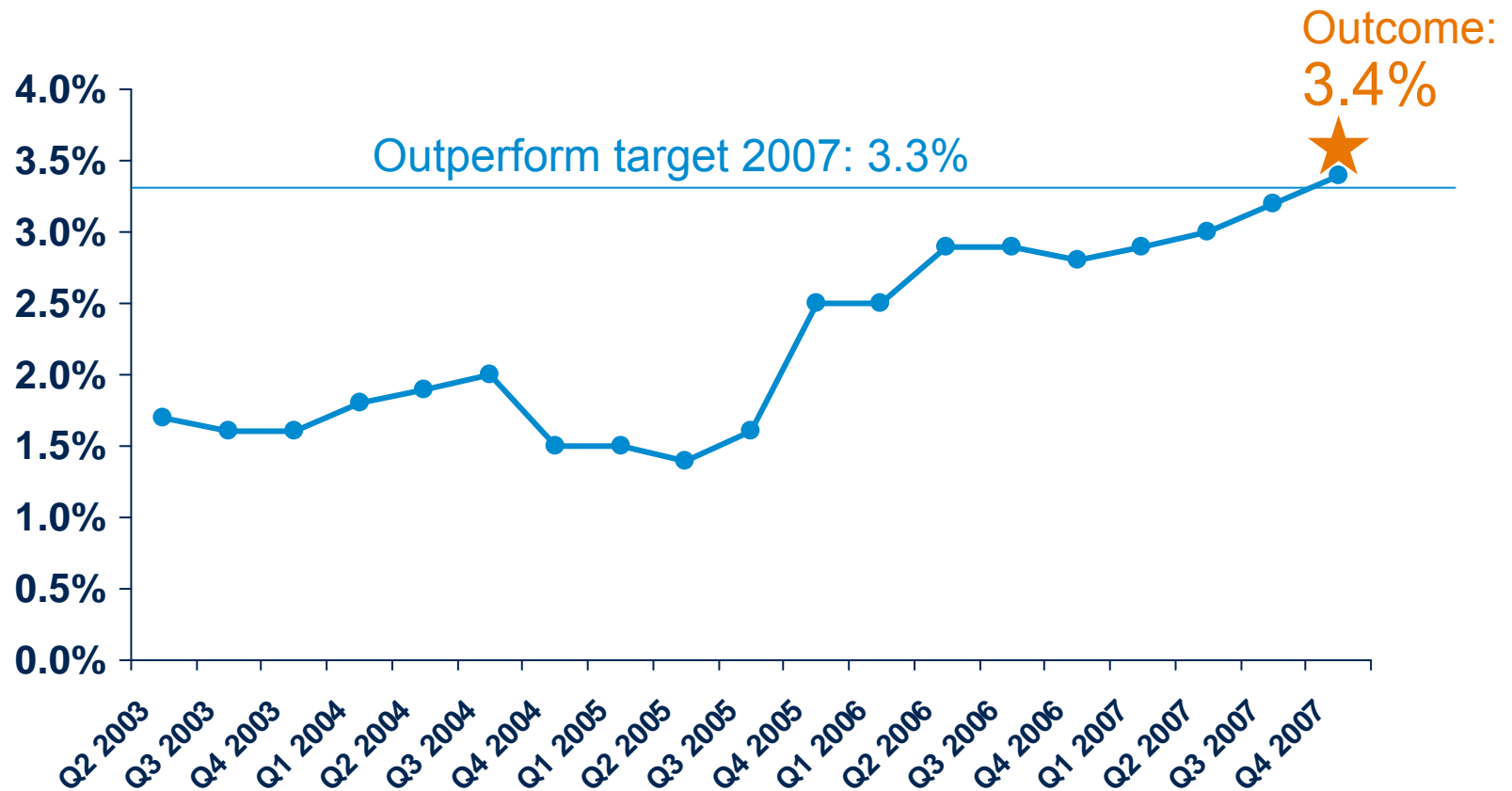
- North East, 56%
- South East, 26%
- West, 18%

Construction

SEK bn	Jan–Dec 2007	Jan–Dec 2006	Oct–Dec 2007	Oct–Dec 2006
Revenue	132,495	118,710	36,573	33,197
Gross income	10,597	8,996	3,058	2,488
Selling and administrative expenses	-6,229	-5,722	-1,811	-1,550
Income from joint ventures and associated companies	77	62	22	18
Operating income	4,445	3,336	1,269	956
Gross margin, %	8.0	7.6	8.4	7.5
Selling and admin. expenses, %	-4.7	-4.8	-5.0	-4.7
Operating margin, %	3.4	2.8	3.5	2.9
Order bookings, SEK bn	146.4	134.1	36.5	34.2
Order backlog, SEK bn	146.2	135.1	146.2	135.1

Operating margin in Construction

Rolling 12 months



Residential Development

SEK bn	Jan–Dec 2007	Jan–Dec 2006	Oct–Dec 2007	Oct–Dec 2006
Revenue	7,679	6,788	2,067	2,102
Gross income	1,158	1,231	305	440
Selling and administrative expenses	-549	-432	-106	-120
Income from joint ventures and associated companies	115	53	16	20
Operating income	724	852	215	340
Operating margin, %	9.4	12.6	10.4	16.2
Capital employed, SEK bn	4.4	3.7		
Return on capital employed, %	14.9	27.5		

Residential Development, December 31, 2007

	Under construction, #		Of which sold %		Completed unsold, #	
	Q4	Q3	Q4	Q3	Q4	Q3
Sweden	2,396	2,449	81	88	18	4
Norway	605	821	80	85	17	6
Finland incl. Estonia	1,538	1,696	50	54	233	182
Denmark	175	304	83	88	17	2
Nordic	4,714	5,270	71	77	285	194
Czech Republic	879	755	83	81	8	12
TOTAL	5,593	6,025	73	77	293	206

Residential Development

	Started				Sold			
	Jan-Dec 2007	Jan-Dec 2006	Oct-Dec 2007	Oct-Dec 2006	Jan-Dec 2007	Jan-Dec 2006	Oct-Dec 2007	Oct-Dec 2006
Sweden	1,528	1,484	490	188	1,406	1,357	395	527
Norway	464	845	48	188	441	833	44	198
Finland incl. Estonia	1,365	1,753	344	526	1,258	1,544	301	411
Denmark	123	152	24	38	106	128	11	85
Nordic	3,480	4,234	906	940	3,211	3,862	751	1,221
Czech Republic	716	481	145	184	647	624	200	116
TOTAL	4,196	4,715	1,051	1,124	3,858	4,486	951	1,337

Commercial Development

SEK M	Jan–Dec 2007	Jan–Dec 2006	Oct–Dec 2007	Oct–Dec 2006
Revenue	3,130	3,425	985	420
Gross income	1,150	1,422	303	92
Selling and administrative expenses	-256	-235	-72	-69
Income from joint ventures and associated companies	16	23	17	21
Operating income	910	1,210	248	44
of which gain from divestments of properties ¹	1,051	1,260	312	48
of which operating net, completed properties ²	113	102	33	13
of which write-downs/reversal of write-downs	-35	0	-35	0
Capital employed, SEK bn	7.3	5.8		
1 Additional gain included in eliminations was	29	40	25	0
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	685	260
Q4	893	312
Total 2007	2,796	1,051

Leasing and project starts

- During 2007, new leases were signed for >300,000 sq.m. of space – a record for Skanska. The trend continued in January.
- 23 new projects, with a total investment of approximately SEK 5.3 bn, were started in 2007.

Commercial Development

SEK M	Carrying amount, end of period	Carrying amount upon completion	Market value, Dec 31, 2007	Occupancy rate %	Degree of completion %
Completed projects	2,239	2,239	3,202	90	100
Projects completed in 2007	352	352	443	82	100
Undeveloped land and development properties	1,520	1,520	1,981		
Subtotal	4,111	4,111	5,626		58
Ongoing projects ¹	2,149	6,377	2,500	58	35
Total	6,260	10,488	8,126		

Value creation in Commercial Development

	Jan-Dec 2007	Jan-Dec 2006
Accrued development profit	691	346
Cost of development organization	-222	-188
Total	469	158

1 Market value refers to accrued market value

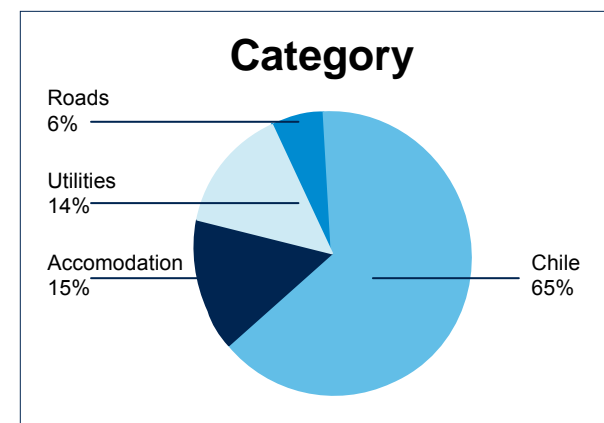
Infrastructure Development

SEK bn	Jan–Dec 2007	Jan–Dec 2006	Oct–Dec 2007	Oct–Dec 2006
Revenue	116	151	72	23
Gross income	-92	-25	11	-39
Selling and administrative expenses	-188	-186	-54	-58
Income from joint ventures and associated companies	173	203	55	53
Operating income (EBIT)	-107	-8	12	-44
of which gains from divestments of shares in projects	73	118	73	0
Capital employed, SEK bn	2.5	2.4		

Unrealized development gains, ID projects

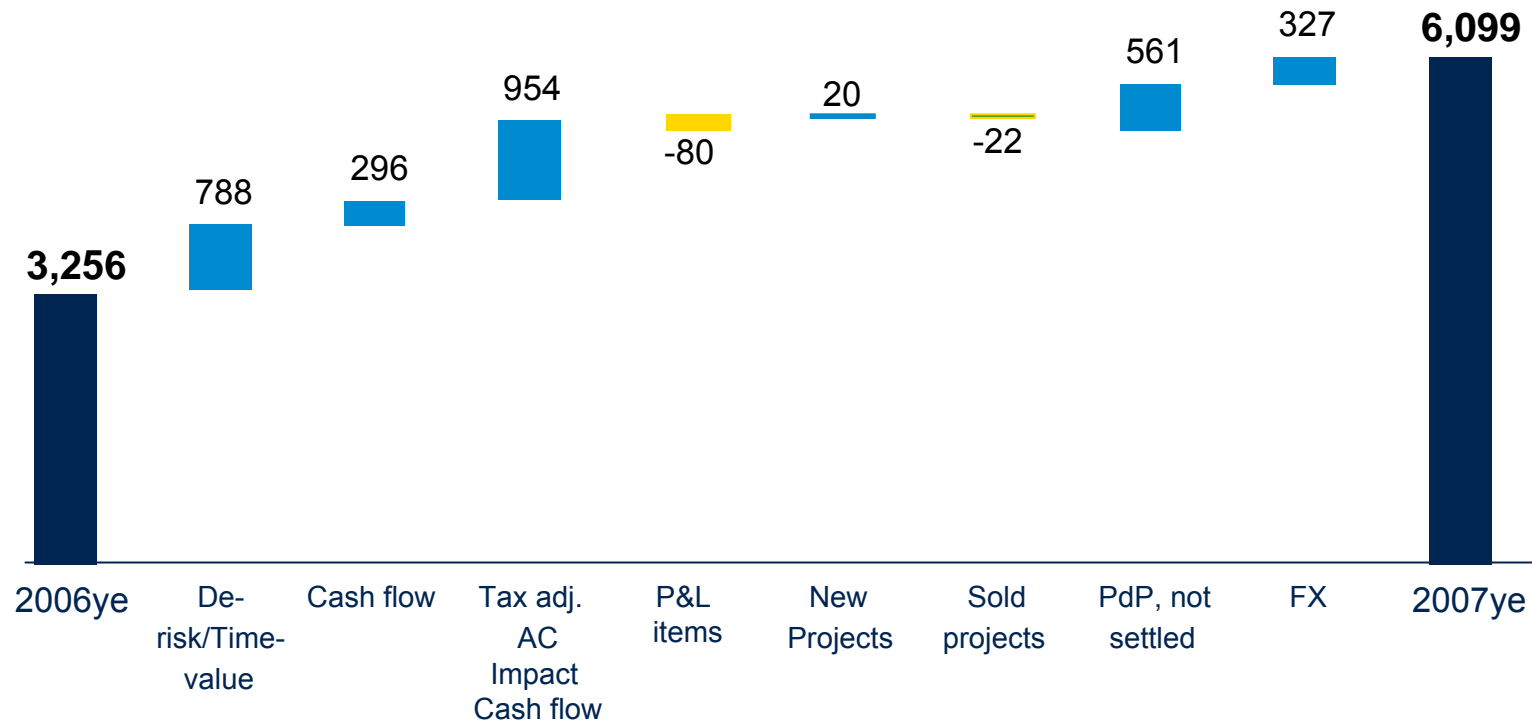
SEK bn	Dec. 31, 2007	Dec 31, 2006
Present value of cash flow from projects ¹	9.4	6.3
Carrying amount	-2.5	-2.4
Present value of remaining investments	-0.8	-0.6
Unrealized development gain Skanska ID	6.1	3.3
Group eliminations	0.4	0.4
Unrealized development gain, Group	6.5	3.7

¹ Weighted average discount rate 11.1 % (11.7)



Unrealized development gains in ID

SEK M



Income statement

SEK bn	Jan–Dec 2007	Jan–Dec 2006	Oct–Dec 2007	Oct–Dec 2006
Operating income from business streams	5,972	5,390	1,744	1,296
Central	-560	-514	-99	-95
Eliminations	-6	-114	-8	-53
Operating income	5,406	4,762	1,637	1,148
Net financial items	261	223	89	70
Income after financial items	5,667	4,985	1,726	1,218
Taxes	-1,546	-1,330	-482	-372
Profit for the period	4,121	3,655	1,244	846
Earnings per share, SEK	9.78	8.68	2.95	2.00
<i>Tax rate, %</i>	<i>27</i>	<i>27</i>	<i>28</i>	<i>31</i>

Balance sheet

SEK bn	Dec 31, 2007	Dec 31, 2006
Total assets	78.9	71.3
Equity attributable to equity holders	20.5	19.2
Interest-bearing net receivables (+)/net debt (-)	14.6	10.4
Working capital in construction, net	-15.7	-11.9
Capital employed, closing balance	25.6	24.4
Equity/assets ratio, %	26.3	27.1

Operating cash flow

SEK M	Jan–Dec 2007	Jan–Dec 2006	Oct–Dec 2007	Oct–Dec 2006
Cash flow from business operations before change in working capital	4,286	3,482	1,404	1,012
Change in working capital	4,432	90	6,015	989
Net investments in business operations	-115	-614	603	-1,171
Cash flow adjustment, net investments	292	408	-25	242
Net strategic investments	118	-532	188	-636
Net interest items and other financial items	172	90	145	10
Taxes paid	-1,197	-1,067	-409	-242
Dividend	-3,458	-2,712	1	18
Cash flow before change in interest-bearing receivables and liabilities	4,530	-855	7,922	222

Market outlook – Construction

- The financial market turmoil has yet not resulted in any noticeable change in requests for proposals from clients
- 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 New York

Market outlook – Project development

- Underlying demand for residential units remains good in Sweden, Norway and Finland but the market has slowed due to uncertain economic conditions. Oversupply in a number of sub-markets e.g. Copenhagen.
- The residential markets in Czech Republic and Slovakia still show good demand.
- 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. Renewed interest in Central Europe. The lead times for U.S. projects continue to be unpredictable.

Dividend for 2007

- The Board of Directors proposes a regular dividend of SEK 5.25 (4.75) per share and an extra cash dividend of SEK 3.00 (3.50) per share for the 2007 financial year

Management Development Program aimed at

- Attracting/Recruiting
- Developing/Motivating
- Keeping the best

- Strong succession candidates at all levels

Talent Review

- SET annually reviews ~750 top managers
- SET members dedicate 60 working days a year to formal management development activities
- In total the Talent Database consists of 3,500 managers who are evaluated at least once every year

Turning talent into performance

- In 2003 partnered with IMD and created the STEP program for top 250
- In 2004 started short-term cross business unit assignments
- In 2006 the Global Trainee Program – non-engineer, diversity
- In 2006 launched the Great Boss Program
 - Employee Satisfaction Indexes have improved since
- Since 2003 Management Development success in Bonus Plans

The Talent Factory

- 85% of new top manager promotions come from own ranks
- Strong performance and values culture has kept voluntary turnover down
- Created a culture where poor leadership or financial underperformance is not tolerated
- Proof: Skanska people are sought after by competition

Creating a performance culture

- Dual-Track Initiative
 - Projects
 - Office/Management

- Skanska Employee Ownership Program

Hats off to excellence

Support cases where excellence is the result of...
 - Skanska Golden Hard Hat
 - Skanska Employee Ownership Program
 - Skanska Management Review and Award

Things to keep in mind when nominating

- Candidates should be Skanska employees with...
 - Skanska Golden Hard Hat
 - Skanska Employee Ownership Program

Recognition and prizes

The Skanska Golden Hard Hat Award is...
 - Skanska Golden Hard Hat Award
 - Skanska Employee Ownership Program

An invitation to participate in
Skanska Golden Hard Hat Award 2006

SKANSKA

“Outperform” targets 2010

	Group			
Return on equity, target 2010	20.0%			
	Construction	Residential Development	Commercial Development	Infrastructure Development
Operating margin, target	4.0%	12.0%		
Return on capital employed, target		18.0%		16.0%
Value creation, SEK M per annum			500–700	

- 1 Accrued development gain minus expenses in the development organization, based on annual gross investments of SEK 4-5 billion.
- 2 Including unrealized investment gains and changes in market value, excluding currency rate effects. Invested capital/investment commitment of SEK 6 billion at the end of 2010.

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