



“Our ambition is to be the leading green project developer and contractor in our markets. This is important, and it is the right thing to do – both from a business standpoint and in a societal perspective.”

Johan Karlström, President and CEO

## Comments by the President and CEO

From the peak of an economic boom to a financial crisis and a cyclical downturn – in no time flat. Despite turbulent surroundings, as a whole 2008 was still a good year for many of our units, and Skanska remains stable as we face the future.

We have an eventful year behind us. Economic developments were dramatic during my first year as President and CEO. When I took over last April, economic worries were like ripples on a calm surface compared to what would happen later.

In April most of our markets were still moving ahead at full steam. There was intensive activity both in construction markets and among property investors. Of course, we had noted the first signs of an approaching slowdown. This was especially clear in the Nordic residential market. But no one could have imagined the collapse that would hit the financial systems.

We pick up market signals early through our local presence and continuous contact with customers. A focus on cash flow and risk management is always a top priority at Skanska, and protecting the Company is extra important in troubled times. We watch our receivables and monitor the performance of our customers, suppliers and business partners. We continuously review our investments.

The Company's balance sheet remains one of the strongest in the industry. Solid finances, a strong brand and dedicated employees are the foundation that will enable us to take advantage of new opportunities and emerge stronger from the recession.

### A strong year – in spite of everything

Yet most of 2008 was really strong for us, though this has been overshadowed by all the crisis reports. The first three quarters, indeed even the whole year, were good in several of our geographic markets and business streams.

The decline in our order bookings does not mean that we are doing a bad job. The market is weakening – not Skanska. Our performance was outstanding in many respects throughout 2008. In the United States, Sweden, Poland and Latin America as well as in Commercial Development, we achieved very good earnings – the best ever in some cases.

Activity was high and forward-looking. We developed and built thousands of projects while working intensively to gen-

erate new business, develop new projects, enhance the impact of our green know-how, improve the safety of our job sites and recruit and professionally develop the leaders and employees of tomorrow.

### Frozen financial market

But the abrupt freeze in financial markets radically changed the market picture – especially in the Nordic residential sector. Home buyers became uncertain and had difficulty borrowing, as did investors in property and infrastructure projects.

Even our corporate customers became more restrained when the demand for their products and services weakened. And declining tax revenue affected public sector investments in some markets.

Unfortunately the market situation also made it necessary for a number of employees to leave our Company, but fewer assignments lead unflinchingly to fewer jobs and thus lower personnel needs. One small consolation is knowing that the employees who must leave the Company are highly qualified and will be attractive in the labor market.

The financial crisis dominated the media – but there is also another picture. Despite its shaky surroundings, Skanska remains stable. The stability of the Group is not based only on financial strength. We also remain stable thanks to our diverse operations, which give us a broad base.

We are not dependent on any single sector or geographic market. We have a broad product mix – we construct buildings and infrastructure for both commercial and public sector customers, as well as energy and environmental facilities. We develop our own residential, commercial and infrastructure projects. And we are geographically dispersed in a way that is unique in our industry, with a strong presence in the United States and the Nordic countries as well as in the United Kingdom and Central Europe.

We operate in a global economy, but there are still local variations. When the market weakens in the Nordic countries, the downturn is not as noticeable in Central Europe. When the office sector stagnates in the U.S., that country still needs schools and hospitals. While some



customer segments are shaky, energy companies in Latin America are implementing large portions of their extensive investment plans – albeit at a slower pace. Even though the residential market is down, there may be good potential to continue achieve good earnings in commercial development.

### Strong balance sheet

We also have one of the strongest balance sheets in our industry – even in an international perspective. And at least equally important are our working methods for oversight, financial control and risk management, which we have built up in recent years and are now further improving. Our aim is to create even better preconditions for boosting profitability and controlling risks.

### Tools for new business

Our strong balance sheet is reassuring, but its primary purpose is not to get us through bad times. Instead it is primarily a tool that we will use to develop the Company further.

First and foremost, this will be a matter of investing in our project development operations. Our strength enables us to use a long-term approach and take advantage of the opportunities that exist even during economic downturns. I am convinced that we can grow in our three project development business streams.

We also have the potential to expand geographically. Within our existing home markets, there are still many large cities and growing regional growth markets where we have little or no presence. We do not intend to rush into large, adventurous investments. But we are open and ready when the right opportunities appear.

## In the “Group overview” section

### Enterprising employees

Another very important success factor is that our employees are committed, loyal, knowledgeable and ambitious within their specialties. I am proud of the entrepreneurial spirit demonstrated by our employees.

While adjusting the organization to a shrinking market, we must plan for our supply of future leaders. For some years, we have been working intensively with the professional development of hundreds of key individuals, who are now continuing their growth by taking on increasingly challenging positions in our operations.

Another important field is occupational health and safety. We are working intensively at all levels to improve safety at our many job sites. It is unacceptable that our industry suffers so many accidents. Safety work is an important element of project planning.

### Green progress

The issue of climate change dominated many media until it was overshadowed by the economic downturn. But it is not forgotten. On the contrary, the environment and improving the living conditions on our planet are an obvious priority for us. We notice clearly how important our green expertise is to our most demanding customers. In some U.S. cities and states, builders are already required to meet strict environmental standards.

When the market rebounds, the demand for energy-efficient solutions will be further accentuated. We will continue to build up our environmental know-how and will be prepared for the upturn.

Our ambition is to be the leading green project developer and contractor in our markets. This is important, and it is the right thing to do – both from a business standpoint and in a societal perspective.

Thanks to our international experience, which we have gathered into a green toolbox, we can make a difference to the environment at a global level. Our green construction projects span numerous geographic markets. Environmental problems recognize no boundaries, and our local efforts have a global impact.

Skanska's strong environmental profile gives us an advantage and a unique position among our customers. It also makes our current employees proud and increases our attractiveness to future employees.

### Bright spots despite lower volume

During 2009, construction volume will decline in most markets. The boom years are past, this time around. The market is shrinking, competition for projects is getting tougher and funding opportunities are becoming harder to find. At the same time, competitors with weak finances will be vulnerable to the increased pressure.

Yet among all the warning signals, we still see some bright spots. The prices of materials and land, which climbed rapidly for years, have begun to fall. And the stimulus packages that the governments of many countries have introduced will have an impact late in 2009 and in the following years. This will hopefully both help boost investments in public sector amenities and stabilize the credit market, so that it will be possible for our customers to finance their projects.

But it is still too early to declare an end to the emergency. We learned from 2008 that both rapid and surprising changes do happen. This is why we need to continue to protect the Company and safeguard our margins, staying focused on cash flow and responding quickly to every change in the market.

We will have a tough year in 2009. But we are staking our future on our dedicated employees, financial strength and strong brand. Together, all this gives us a strong position that will bear fruit.

Solna, March 2009



Johan Karlström,  
President and CEO



### Efficiency and profitability

Construction and project development are complex businesses. Most projects are unique and local, as are the players who are involved.



### Green construction is booming

Greener products and services as well as sharply reduced greenhouse gas emissions are cornerstones of Skanska's initiative to become the globally leading green company in project development and construction.



### Human resource development a high priority

Good managers are a crucial factor behind both earnings and performance as well as for professional development of employees.