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Skanska to establish base in South America Will acquire leading construction company in Argentina

Skanska has signed a letter of intent regarding acquisition of 67 percent of the shares in the Argentine construction company SADE Ingeniería y Construcciones S.A.

The seller is Perez Companc S.A., one of Argentina's largest listed companies. The remaining shares will be acquired by the Argentine company Emepa S.A. which will hold a 33 percent minority interest in SADE. Skanska's share of the preliminary purchase price is USD 40 million, about SEK 320 million. The final price will depend upon the performance of SADE in the next three years.

SADE is the second-largest construction company in Argentina with revenues of approximately USD 400 million, approximately SEK 3.2 billion. Revenues have more than doubled over a three-year period. Earnings after tax in 1998 is expected to be approximately USD 10 million, about SEK 80 million. The future prospects for the South American construction market are favorable with projected growth of 3–5 percent during the next few years.

“Through this acquisition we are now taking a permanent hold on the South American market and will be able to create considerable synergies in markets, products and competence. This will provide major opportunities for further expansion and also allow us to achieve stronger growth than the rest of the market,” says Claes Björk, President and CEO of Skanska AB.

The acquisition will provide a number of synergy effects. Skanska's good reputation in South America for its activities, primarily hydro power and irrigation projects, stretches back 25 years. SADE also complements Skanska through its very strong position in thermal power plants, i.e. gas-, oil- and coal-fired stations, and the petrochemical industry, i.e. construction and operation of oil pipelines and various types of production facilities. This will provide the broadest possible range of services, principally in South America but including the possibility for competence transfer worldwide.

A strong local base in South America will provide additional business opportunities since Skanska will be able to offer construction services to its international customers who are expanding in South American, as well as a broader range of products to local customers in Argentina.

The choice of SADE is well in line with Skanska's acquisition strategy. In common with other companies acquired by Skanska in recent years, SADE has had local operations with good profitability for many years. SADE is active in all sectors of the construction industry, was founded more than 50 years ago, and has about 5,000 employees. The company has operations throughout South America with ongoing contracts, in addition to those in Argentina, in Brazil, Chile, Peru and Venezuela.

Emepa S.A., which is acquiring 33 percent of the shares in SADE, is an Argentine company focusing on investment in and operation of concessions within the private service sector in Argentina. The company's activities include operation of a number of railroad networks, facility management, and harbor maintenance, including dredging the 100-km long entrance to the harbor in Buenos Aires.

Claes Björk continues: "Over a number of years, Emepa has built up effective activities within investment, operation and maintenance of various services. They have a well-developed local contact network with the business community and the authorities which makes Emepa an excellent partner."

The seller, Perez Companc S.A., is one of the largest companies listed on the Buenos Aires stock exchange with annual revenues of USD 1.6 billion. Today, the company conducts operations within the oil, petrochemical, energy, construction and telecoms sectors. The sale of SADE is part of a concentration to the core business in the energy sector.

The next stage will be to conduct due diligence proceedings. The deal may also be subject to approval by national authorities and is expected to be finalized in February 1999.

SADE's operations will be included in Skanska USA's area of responsibility.

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