



INTERIM REPORT
JANUARY – JUNE 2005

Net sales increased by 13 per cent to SEK 11 289 million (9 958)

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Operating profit amounted to SEK 238 million (187)

.....

Profit for the period amounted to SEK 545 million (104)

.....

Profit per share amounted to SEK 6.42 (1.27)

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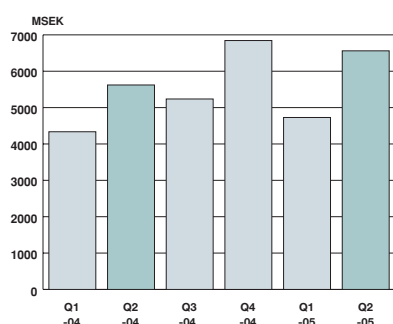
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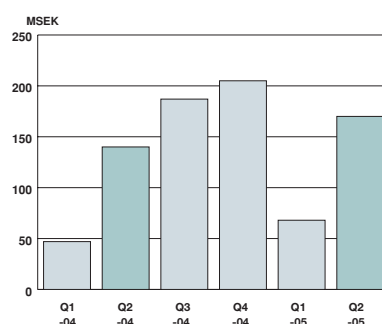
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Net sales per quarter



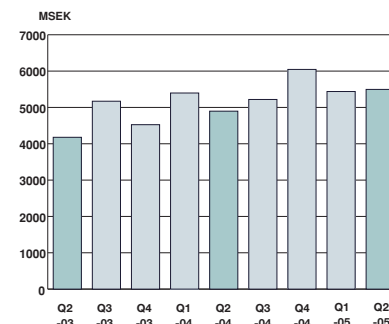
The Group's net sales for the January-June 2005 period amounted to SEK 11 289 million, which was an increase of 13 per cent compared with the corresponding period the previous year. Adjusted for acquired and divested units, the increase in net sales amounted to 12 per cent.

Operating profit per quarter



The Group's operating profit for the first half of 2005 amounted to SEK 238 million, compared to SEK 187 million the previous year. Operating profits for the latest rolling 12-month period amounted to SEK 630 million compared to SEK 579 million for the full year 2004.

Orders received per quarter



Orders received for the first half of 2005 amounted to SEK 10 934 million, compared to SEK 10 294 million the previous year. Order backlog amounted to SEK 16 793 million, compared to SEK 15 899 million at the end of the year.

The Group

| MSEK | Jan-Jun 2005 | Jan-Jun 2004 | Jul-Jun 2004/2005 | Jan-Dec 2004 | Financial objectives |
|------------------------------|--------------|--------------|-------------------|--------------|----------------------|
| Net sales | 11 289 | 9 958 | 23 370 | 22 039 | |
| Operating profit | 238 | 187 | 630 | 579 | |
| Operating margin | 2.1% | 1.9% | 2.7% | 2.6% | |
| Profit after financial items | 387 | 140 | 770 | 523 | |
| Profit for the period | 545 | 104 | 830 | 389 | |
| Return on capital employed | 8.1% | 4.4% | 16.2% | 13.4% | >12% |
| Return on equity | 19.4% | 4.6% | 30.8% | 15.4% | >15% |
| Profit per share, SEK | 6.42 | 1.27 | 9.71 | 4.56 | |
| Equity/assets ratio | 22.2% | 21.6% | 22.2% | 23.1% | >25% |

New contracts during the second quarter

We took on several major projects during the second quarter, including:

- Peab has been commissioned to build a new stage of the Väst kustbanan – the west coast rail line - south of Falkenberg. The contract includes the building of a four-kilometre stretch of track, a 550-metre long tunnel, two bridges and the reconstruction of local roads. Tunnel work will be carried out by the Norwegian-owned subcontractor Mika AS. The client is Banverket and the contract is worth SEK 180 million.
- Peab has been commissioned to build a new shopping centre in Charlottenberg in Värmland between Arvika and Kongsvinger. The order has been placed by the Norwegian Olav Thon group and the total value of the contract is SEK 190 million.
- Peab has been commissioned to carry out conversion and extension works on the university hospital in Tammerfors. The client is Birkaland district medical service and the contract is worth EUR 34 million.
- Peab has been commissioned to build Åre Station. The client is Åre Centrum AB and the project cost will be SEK 143 million, of which Peab's part amounts to about SEK 113 million.

MD's comments

During the first half of the year and under good building and construction market conditions Peab's activities continued to make positive progress. The historically low interest rate levels are boosting the already strong demand for housing, which together with the present shortage of housing is increasing the need for newly constructed homes. We see the same situation in all the Nordic countries. In the civil engineering market, during the year we have deliberately decided to focus on minor projects with lower risks while waiting for tenders for major infrastructure projects to get underway during the autumn. The good market conditions have contributed to maintaining the group's good order position. As at 30 June, the order backlog amounted to SEK 16 793 million (15 030). Excellent capacity utilization within the building and civil engineering business is also providing good conditions for our industry companies. The group's sales increased by 13 per cent compared to the same period the previous year, which together with widening margins resulted in increased operating profits of SEK 238 million (187).

The increasing demand now affecting the sector is resulting in an ever increasing need for skilled manpower. At Peab we are committed to being the Best Workplace in the Sector, a company that provides secure working conditions and which cares for the individual employee. We also wish Peab to stand out as a company which provides employees with opportunities for personal development. As part of our commitment to our employees, during the month of June we offered all employees of the group the opportunity of acquiring convertibles in Peab. Much to our satisfaction we found that the convertible, with a total nominal value of SEK 478.5 million and a maturity of 3 years, was oversubscribed by the staff. All in all, about 1 900 of our staff applied to subscribe.



Naturally, it feels extremely comfortable to have the backing of good market conditions, but economic conditions fluctuate over the years and it is difficult for individual companies to influence the cycle. Instead, at Peab we continue to develop on our basic philosophies, which have applied since the founding of the company. We need to take a committed and long-term view in our relation to the world around us. We must be quick in our decisions and attentive to clients' needs - that is how we at Peab create trust, trust which provides high long-term profitability no matter what the economic climate.

Mats Paulsson
Managing Director

Net sales and profit

The Group's net sales for the January to June period increased by 13 per cent to SEK 11 289 million (9 958). Adjusted for acquired and divested units the increase in net sales amounted to 12 per cent. Of the period's net sales, SEK 1 703 million (1 306) related to sales and production outside Sweden.

First half operating profit amounted to SEK 238 million compared to SEK 187 million for the corresponding period the previous year. Operating profit for the latest rolling 12-month period amounted to SEK 630 million compared with SEK 579 million for the full year 2004.

Profit after financial items amounted to SEK 387 million compared to SEK 140 million during the first half of the previous year. Net financial expense was SEK 149 million (-47), of which net interest expense amounted to SEK -34 million (-35). The effect of valuing financial instruments at fair value was included in net financial items to the tune of SEK 183 million (-12), of which the result of the market valuation of convertible promissory notes in Brinova amounted to SEK 195 million (-12).

Participation in the profits of joint ventures are booked in accordance with the equity method. The period's share of profits in joint ventures before tax amounted to SEK 5 million (2). Peab recognises results from participations one quarter in arrears.

Profit for the period includes income of SEK 195 million related to the market valuation of convertible promissory notes in Brinova. Realising these convertible promissory notes will not result in any tax costs, as any gains can be offset against tax losses from shares sold (aktiefållanförluster) which are not recognised in the balance sheet. The annual tax cost on profit after financial items, excluding the income regarding the Brinova convertible, is estimated at approximately 27 per cent, excluding taxable one-off items. This corresponds to tax costs of SEK 53 million for the first half of 2005. In the first half, deferred tax revenue of SEK 211 million was recognised as a result of decisions taken during the period concerning previous years' taxation, which has resulted in revaluation of deferred tax assets. Net tax revenue of SEK 158 million was entered during the first half of the year compared to a tax cost of SEK 36 million the previous year.

Profit for the period amounted to SEK 545 million (104).

Financial position

The equity/assets ratio was 22.2 per cent, compared with 23.1 per cent at the end of the year. Net debt amounted to SEK 2 298 million, compared with SEK 1 693 million at the same time last year. The average interest rate on the loan portfolio amounted to 3.2 per cent (3.4).

The Group's disposable liquid funds amounted to SEK 3 388 million at the end of the period, compared to SEK 3 635 million as at 31 December 2004. Disposable liquid funds include commercial papers issued to a value of SEK 1 070 million, compared to SEK 890 million on 31 December 2004.

At the end of the first half, the Group's contingent liabilities excluding joint and several liability in trading and limited partnerships amounted to SEK 802 million compared to SEK 863 million as at 31 December 2004. This amount includes the SEK 227 million charge that the Swedish Competition Authority is demanding that Peab pay in the current asphalt cartel case. The lawsuit is due to be heard during the spring of 2006. Of other contingent liabilities SEK 283 million (389) relates to obligations to tenant-owners' cooperatives under construction.

Investments

Net investment in tangible and intangible fixed assets amounted to SEK 207 million (181) during the period. The net change in shares and participations amounted to SEK 19 million (-15). During the period SEK 470 million (46) net was invested in project- and development properties.

Cash flow

First-half cash flow before financing amounted to SEK -121 million (75). Cash flow from changes in working capital includes acquisition of project- and development properties amounting to SEK 41 million (60). When project- and development property is acquired through company acquisition, this is charged to cash flow from the investment activity similarly to acquisitions of subsidiaries.

Personnel convertible debentures

During June, all staff of the group, excluding external Board of Directors and Managing Director, were offered the opportunity to acquire convertible debentures in Peab. A total of 5.5 million convertible debentures were issued, each with a nominal value of SEK 87, to a total value of SEK 478.5 million. The convertible debentures runs from 16 June 2005 to 15 June 2008 with a coupon of 2.69 per cent. The debentures may be converted to shares from 1 to 15 October 2007 and from 1 to 15 April 2008. The allocation date was 29 June and the settlement date was 7 July.

On 30 June, convertible debentures discounted at market rate to a value of SEK 452 million were entered in accounts as interest-bearing long-term debentures. The difference between the discounted value and the nominal amount with deduction for deferred tax has been recognised in equity to the tune of SEK 19.3 million. As payment was not received until 7 July, an other non-interest-bearing short-term receivable of SEK 478.5 million was recognised as at balance sheet date. The effect was an increase in the balance sheet total as at 30 June of SEK 478.5 million and an increase in interest-bearing debt of SEK 452 million, which has affected key figures. There was no effect on first half cash flow.

Personnel

At the end of the period, the company employed a staff of 11 885 compared to 11 102 at the same time the previous year.

Comments by business sectors

Construction and Civil Engineering

The Construction and Civil Engineering business sector comprises the Group's resources concerning Construction and Civil Engineering related services. Peab covers the whole of Sweden, while in Norway and Finland its activities are centred in the metropolitan areas.

First half net sales in the Construction and Civil Engineering area amounted to SEK 10 060 million, compared to SEK 8 863 million the previous year, equivalent to a rise of 14 per cent.

First half operating profits amounted to SEK 199 million, compared to SEK 163 million the previous year. Both the building and civil engineering markets in Sweden are enjoying increased volumes and widening margins. The operating margin for the Swedish Building and Civil Engineering business sector stood at 2.8 per cent over the latest 12-month period compared to 2.5 per cent for the full year 2004.

Norwegian and Finnish activities reported first half operating profits of SEK -39 million (-13). Operating profit in Finland was reduced by goodwill impairment loss amounting to SEK 18 million.

Capital employed in Construction and Civil Engineering amounted to SEK 3 841 million (2 919). Return on capital employed for the latest 12-month period was 15.0 per cent, compared with 14.1 for the full year 2004.

Orders received during the first half amounted to SEK 10 934 million (10 294). The order backlog at the end of the period amounted to SEK 16 793 million, compared to SEK 15 030 million last year. This represents an increase of 12 per cent. Of the total order backlog, 50 per cent (51) is expected to be produced after the current year. Construction projects accounted for 73 per cent (67) of the order backlog. Swedish operations accounted for 86 per cent (88) of the backlog. A good order backlog in a rising construction market is now enabling the Group to be more selective in its choice of future projects.

Order backlog and orders received Construction and Civil Engineering

| MSEK | 2005-06-30 | 2004-06-30 | 2004-12-31 |
|----------------------------|---------------|---------------|---------------|
| Current financial year | 8 330 | 7 322 | 11 757 |
| Comming financial year | 6 822 | 5 580 | 3 210 |
| There after | 1 641 | 2 128 | 932 |
| Total order backlog | 16 793 | 15 030 | 15 899 |
| Orders received | 10 934 | 10 294 | 21 559 |

Within its contracting operations, Peab also engages in internally developed construction of housing, comprising tenant-owner rights and single homes sold directly to the end customer.

At the end of the period, 1 632 (1 542) internally developed homes were under construction in Sweden, 83 per cent (75) of which were sold. Under normal circumstances, Peab has an undertaking to purchase from the tenant-owners' cooperatives any tenant-owner rights that have not been sold six months after the final inspection. Repurchased tenant-owner rights are recognized in the balance sheet as project- and development properties. By the

end of the first half, 25 tenant-owner rights had been repurchased to a book value of SEK 35 million, compared to 59 tenant-owner rights to a book value of SEK 115 million at the end of the year. The reduction is above all a result of sales of apartments in Hammarby Sjöstad in Stockholm.

As a result of the increased volume of internally developed projects, capital tied up in project and development properties has increased. Peab's ambition is to commit approximately SEK 2 billion to project- and development properties. As at 30 June, the total holding of project- and development properties in Construction and Civil Engineering amounted to SEK 2 069 million (1 152). As at 30 June, Peab's project portfolio contained 182 projects (159) over a total of about 1.5 million square metres (1.5), corresponding to building rights for which detailed plans have been made. The majority of these building rights were in the growth regions of Malmö, Gothenburg, Stockholm, and Mälardalen.

| Building rights | | | |
|---------------------------|--------------|--------------|--------------|
| Thousand sq.m | 2005-06-30 | 2004-06-30 | 2004-12-31 |
| Housing | 948 | 944 | 1 018 |
| Commercial premises | 342 | 370 | 361 |
| Industrial premises | 168 | 167 | 161 |
| Total | 1 458 | 1 481 | 1 540 |
| Number of projects | 182 | 159 | 171 |

Industry

The Industry business sector comprises the Group's activities within ready-mixed concrete, concrete production and prefab, rock/gravel, transport, manufacture and laying of asphalt, and plant and crane hire.

Net first half sales for Industry amounted to SEK 1 863 million (1 717 million), which represents an increase of 8 per cent. Operating profits amounted to SEK 109 million (90). Industry profits are seasonally weaker during the first half than during the second. All units within the Industry segment appear to have good prospects for the rest of the year with good demand.

Swerock is experiencing good growth with strong demand for ready-mixed concrete.

Development work at the Peab prefab facilities in Katrineholm is continuing towards a joint group building concept, especially in the area of residential building.

Peab Asfalt's order position is positive and it has remained in profit despite the increase in oil prices.

Lambertsson's plant and crane hire business continues to enhance capacity utilisation while also expanding its hiring capacity through investment made in 2004.

Capital employed in the Industry business sector amounted to SEK 1 990 million (1 917). Return on capital employed for the latest rolling 12-month period was 16.4 per cent, compared to 16.3 per cent for the full year 2004.

Trust/Management

Trust/Management comprises the central companies, certain subsidiaries and joint ventures and other holdings. Operating profits amounted to SEK -70 million (-66). Common Group costs were recognised at a total of SEK -74 million (-63).

The construction market

The prospects for the Swedish building market continue optimistic and developments during the present year are expected to be at least in line with those in 2004. Market growth is driven by the intense demand for new homes together with continuing low interest rate levels. Above all, there is a major need for new homes at reasonable living prices, and this is the segment at which Peab aims most of its residential project development efforts. Demand for homes is also great in Norway and Finland, still concentrated around the metropolitan areas.

Public road and civil engineering investment in Sweden is expected to remain stable with relatively expansive investment plans during the next few years.

There will be little new investment in office premises due to the continuing high commercial space vacancy levels during the year. Investment in office premises will instead come from conversion projects.

Prospects for Swedish industrial investment are still assessed to be unchanged from 2004.

Important events during the period

Peab has acquired the Hamnen 21:149 block in Malmö from Saab. The property comprises the original inner Kockums district with an area of about 20 hectares and buildings mainly comprise old workshop halls, machine workshops and offices to a total of 90 000 square meters. Several of the buildings are leased and annual rent revenues amount to approximately SEK 15 million. The underlying property acquisition value is approximately SEK 280 million. At a later stage, Peab intends to gradually develop the district with housing, commercial premises and public buildings.

Peab has acquired Steningehöjden in the Municipality of Sigtuna. The intention of the acquisition is to build an entirely new municipal district dimensioned for approximately 900 homes. The acquired area is 46 hectares in size and is situated between Sigtuna and Märsta. The purchase price was SEK 130 million.

Jonas Svantesson, deputy MD of Peab AB, has retired from his position at Peab. Jonas was appointed in 2001 and has been mainly responsible for group HR matters.

Jan Johansson has been appointed deputy MD of Peab AB. Jan started to work for Peab in 1986, and today he is the head of Construction Division South. Jan will continue to be active within the Construction business sector, and will also be responsible for HR questions in the group management.

Peab has acquired all the shares in Markarbeten i Värmland AB. The company which engages in civil engineering activities in central Sweden has 30 employees and had sales amounting to a little over SEK 60 million in 2004.

Peab has acquired the property denominated Tygelsjö 76:1 in Klagshamn south of Malmö. The area comprises 550 hectares of

land and is partly planned for housing development to today. The purchase price was SEK 72 million.

The Peab share

Peab's B-share is listed on the O-list of the Stockholmsbörsen. As at 24 August 2005, the price of the Peab share was SEK 90.00, which is equivalent to a increase of 38 per cent since the end of the year. During the corresponding period, the Swedish stock market increased by 6 per cent according to Affärsvärlden's general index. During 2005, the Peab share has traded at a maximum of SEK 96.00 and a minimum of SEK 61.00.

Holdings of own shares

At the start of 2005, Peab's holding of own shares amounted to 2 209 800 B-shares, corresponding to 2.5 per cent of the total number of shares. During the first half there were no share buybacks, while 116 600 B-shares were divested as part of the purchase price of company acquisitions. Peab's share buyback mandate for its own shares allows for the option of buying back and subsequently redeeming those B-shares required to offset any dilution caused by the conversion of personnel convertible debts.

Number of outstanding shares, 30 June 2005

| | |
|---|-------------------|
| Number of registered shares | 87 195 944 |
| Holding of own shares, 31 December 2004 | -2 209 800 |
| Number of outstanding shares, 31 December 2004 | 84 986 144 |
| Disposal of own shares during 2005 | 116 600 |
| Number of outstanding shares, 30 June 2005 | 85 102 744 |

The Parent Company

The parent company Peab AB's net sales amounted to SEK 25 million (29) and consisted mostly of internal Group services. Profit after tax amounted to SEK 550 million (595). Profits include dividends of SEK 708 million (660) from subsidiaries and an exchange loss on long-term liabilities to subsidiaries of SEK -119 million (-11).

The parent company's assets principally consist of shares in Group companies of SEK 5 924 million (4 868) and interest-bearing receivables of SEK 319 million (316). These assets have been financed from equity of SEK 3 596 million (3 147) and long-term liabilities amounting to SEK 2 735 million (2 006).

Accounting principles

The IAS regulation which was adopted by the EU during 2002 stipulates that from and including 2005 listed companies within the European Union must apply the IFRS international accounting principles to their group accounts. Peab's 2005 first half report has therefore been drawn up in accordance with the IFRS standards adopted by the EU and the interpretations of current standards adopted by the EU, IFRIC. The present report has been drawn up in accordance with IAS 34, Interim Financial Reporting.

Peab's annual report for the 2004 financial year contained a description of the accounting principles affected by the transition to the IFRS. For a description of the accounting principles Peab has

applied in the interim report for 2005 and the effects which the altered principles have had on the balance sheet as at 1 January 2004 and 31 December 2004, and the 2004 income statement and cash flow analys, see the section entitled "Transition to reporting in accordance with IFRS - International Financial Reporting Standard" in the 2004 annual report. Pages 9-11 of the present report contain a description of the affects of the new accounting principles on comparison with the first half of 2004.

IAS 39 - Financial Instruments: Recognition and Measurement, IFRS 4 Insurance Contracts, and IFRS 5, Non-Current Assets Held for Sale and Discontinued Operations which must be applied from 1 January 2005 had no effect on Peab's opening equity as at 1 January 2005. As the rules of the Swedish Annual Accounts Act on valuation of financial instruments at fair value was applied to the 2004 annual accounts and the effect on Peab's reporting was in accordance with the rules of IAS 39, opening equity for 2005 was not affected.

All comparative figures in this report have been recalculated in accordance with the new accounting principles.

In the present quarterly report, the following definitions of key ratios have been changed as a result of the transition to the IFRS:

Earnings per share

Profit for the period attributable to shareholders in the parent company divided by the average number of outstanding shares during the period.

Equity per share

Equity attributable to shareholders in the parent company divided by the number of outstanding shares at the end of the period.

Return on equity

Profit for the period attributable to shareholders in the parent company divided by average equity attributable to holders of participations in the parent company.

Future information

The third quarter report will be published on 24 November and the 2005 final accounts will be reported on 16 February 2006.

Förslöv, 25 August 2005

Mats Paulsson

Managing Director

Review report

I have reviewed this interim report in accordance with the recommendation issued by FAR. A review is considerably limited in scope compared with an audit. Nothing has come to my attention that causes me to believe that the interim report does not comply with the requirements of the Exchange and Clearing Operations Act and the Annual Accounts Act.

Förslöv, 25 August 2005

Thomas Thiel

Authorised Public Accountant

Condensed income statement

| The Group MSEK | Jan-Jun 2005 | Jan-Jun 2004 | Apr-Jun 2005 | Apr-Jun 2004 | Jul-Jun 2004/2005 | Jan-Dec 2004 |
|--|-----------------|-----------------|-----------------|-----------------|----------------------|-----------------|
| Net sales | 11 289 | 9 958 | 6 561 | 5 622 | 23 370 | 22 039 |
| Production and management expenses | -10 297 | -9 121 | -5 990 | -5 157 | -21 335 | -20 159 |
| Gross profit | 992 | 837 | 571 | 465 | 2 035 | 1 880 |
| Selling and administrative expenses | -762 | -659 | -407 | -335 | -1 435 | -1 332 |
| Participation in profit before tax of joint ventures | 5 | 2 | 3 | 5 | 7 | 4 |
| Result from participations in joint ventures sold | - | 5 | - | 5 | 20 | 25 |
| Result from participations in Group companies sold | 3 | 2 | 3 | 0 | 3 | 2 |
| Operating profit | 238 | 187 | 170 | 140 | 630 | 579 |
| Result from financial items | 149 | -47 | 169 | -18 | 140 | -56 |
| Result after financial items | 387 | 140 | 339 | 122 | 770 | 523 |
| Tax | 158 | -36 | -40 | -31 | 60 | -134 |
| Profit for the period | 545 | 104 | 299 | 91 | 830 | 389 |
| Profit attributable to shareholders' in Parent Company | 546 | 108 | 299 | 91 | 825 | 387 |
| Profit attributable to minority interest | -1 | -4 | 0 | 0 | 5 | 2 |
| Key ratios | | | | | | |
| Profit per share, SEK | 6.42 | 1.27 | 3.51 | 1.07 | 9.71 | 4.56 |
| – after complete conversion | 6.42 | 1.27 | 3.51 | 1.07 | 9.71 | 4.56 |
| Average number of outstanding shares, million | 85.0 | 84.9 | 85.0 | 84.9 | 85.0 | 84.9 |
| – after complete conversion | 85.1 | 84.9 | 85.2 | 84.9 | 85.0 | 84.9 |
| Return on capital employed | 8.1% | 4.4% | | | 16.2% | 13.4% |
| Return on equity | 19.4% | 4.6% | | | 30.8% | 15.4% |

Condensed balance sheet

| The Group MSEK | 30 Jun 2005 | 30 Jun 2004 | 31 Dec 2004 |
|--|----------------|----------------|----------------|
| Assets | | | |
| Intangible assets | 365 | 380 | 395 |
| Tangible fixed assets | 1 828 | 1 793 | 1 779 |
| Interest-bearing long-term receivables | 645 | 403 | 432 |
| Financial fixed assets | 256 | 204 | 241 |
| Deferred tax assets | 911 | 768 | 688 |
| Project- and development properties | 2 069 | 1 152 | 1 599 |
| Inventories | 225 | 231 | 226 |
| Interest-bearing short-term receivables | 255 | 296 | 175 |
| Other current receivables | 6 936 | 5 655 | 5 863 |
| Short-term shareholdings | 2 | 0 | 3 |
| Liquid funds | 130 | 102 | 85 |
| Total assets | 13 622 | 10 984 | 11 486 |
| Shareholders' equity and liabilities | | | |
| Shareholders' equity | 3 019 | 2 368 | 2 653 |
| Interest-bearing long-term liabilities | 1 796 | 1 841 | 1 035 |
| Other long-term liabilities | 156 | 118 | 99 |
| Interest-bearing short-term liabilities | 1 534 | 653 | 1 326 |
| Other current liabilities | 7 117 | 6 004 | 6 373 |
| Total shareholders' equity and liabilities | 13 622 | 10 984 | 11 486 |
| Key ratios | | | |
| Capital employed | 6 349 | 4 862 | 5 014 |
| Equity/assets ratio | 22.2% | 21.6% | 23.1% |
| Net debt | 2 298 | 1 693 | 1 666 |
| Adjusted equity per share, SEK | 35.48 | 27.49 | 30.84 |
| – after complete conversion | 38.40 | 27.49 | 30.84 |
| Number of outstanding shares at end of period, million | 85.1 | 84.9 | 85.0 |
| – after complete conversion | 90.6 | 84.9 | 85.0 |

Change in shareholders' equity

| The Group MSEK | 30 Jun 2005 | 30 Jun 2004 | 31 Dec 2004 |
|---|----------------|----------------|----------------|
| Shareholders' equity attributable to shareholders' in Parent Company | | | |
| Opening balance shareholders' equity, 1 January | 2 620 | 2 196 | 2 196 |
| Effect of changed accounting principle | | 209 | 209 |
| Adjusted opening balance shareholders' equity, 1 January | 2 620 | 2 405 | 2 405 |
| Cash dividend | -212 | -187 | -187 |
| Disposal of own shares | 9 | 5 | 10 |
| Shareholders' equity convertible debentures | 19 | | |
| Exchange rates differences | 37 | 3 | 5 |
| Profit for the period | 546 | 108 | 387 |
| Closing balance shareholders' equity | 3 019 | 2 334 | 2 620 |
| Shareholders' equity attributable to minority interest | | | |
| Opening balance shareholders' equity, 1 January | 33 | 63 | 63 |
| Acquisition | -32 | -25 | 2 |
| Disposal | | | -34 |
| Profit for the period | -1 | -4 | 2 |
| Closing balance shareholders' equity | 0 | 34 | 33 |
| Total closing balance shareholders' equity | 3 019 | 2 368 | 2 653 |

Condensed cash flow statement

| The Group MSEK | Jan-Jun 2005 | Jan-Jun 2004 | Apr-Jun 2005 | Apr-Jun 2004 | Jul-Jun 2004/2005 | Jan-Dec 2004 |
|--|-----------------|-----------------|-----------------|-----------------|----------------------|-----------------|
| Cash flow from current operations before working capital changes | 342 | 235 | 226 | 176 | 917 | 810 |
| Cash flow from changes in working capital | -13 | -96 | 240 | 15 | -191 | -274 |
| Cash flow from current operations | 329 | 139 | 466 | 191 | 726 | 536 |
| Acquisition of subsidiaries | -272 | -55 | -235 | -3 | -463 | -246 |
| Disposal of subsidiaries | 3 | 11 | 3 | 7 | 29 | 37 |
| Acquisition of fixed assets | -196 | -179 | -141 | -54 | -297 | -280 |
| Sales of fixed assets | 15 | 159 | 10 | 69 | 116 | 260 |
| Cash flow from investment operations | -450 | -64 | -363 | 19 | -615 | -229 |
| Cash flow before financing | -121 | 75 | 103 | 210 | 111 | 307 |
| Cash flow from financing operations | 165 | -180 | -65 | -235 | -88 | -433 |
| Cash flow for the period | 44 | -105 | 38 | -25 | 23 | -126 |
| Cash at the beginning of the period | 85 | 206 | 91 | 127 | 102 | 206 |
| Exchange rate differences in cash | 1 | 1 | 1 | 0 | 5 | 5 |
| Cash at the end of the period | 130 | 102 | 130 | 102 | 130 | 85 |

Net sales and operating profit per business area

| MSEK | Net sales | | | | Operating profit | | | | Operating margin | | | |
|---|-----------------|-----------------|----------------------|-----------------|------------------|-----------------|----------------------|-----------------|------------------|-----------------|----------------------|-----------------|
| | Jan-Jun 2005 | Jan-Jun 2004 | Jul-Jun 2004/2005 | Jan-Dec 2004 | Jan-Jun 2005 | Jan-Jun 2004 | Jul-Jun 2004/2005 | Jan-Dec 2004 | Jan-Jun 2005 | Jan-Jun 2004 | Jul-Jun 2004/2005 | Jan-Dec 2004 |
| Construction and Civil Engineering | | | | | | | | | | | | |
| Sweden | 8 439 | 7 704 | 17 229 | 16 494 | 238 | 176 | 474 | 412 | 2.8% | 2.3% | 2.8% | 2.5% |
| Abroad | 1 621 | 1 159 | 3 237 | 2 775 | -39 | -13 | -14 | 12 | -2.4% | -1.1% | -0.4% | 0.4% |
| Total | 10 060 | 8 863 | 20 466 | 19 269 | 199 | 163 | 460 | 424 | 2.0% | 1.8% | 2.2% | 2.2% |
| Industry | | | | | | | | | | | | |
| Swerock/Asphalt | 1 556 | 1 431 | 3 675 | 3 550 | 45 | 28 | 204 | 187 | 2.9% | 2.0% | 5.6% | 5.3% |
| Plant/Cranes | 307 | 286 | 601 | 580 | 64 | 62 | 125 | 123 | 20.8% | 21.7% | 20.8% | 21.2% |
| Total | 1 863 | 1 717 | 4 276 | 4 130 | 109 | 90 | 329 | 310 | 5.9% | 5.2% | 7.7% | 7.5% |
| Trust/Management | 46 | 30 | 80 | 64 | -70 | -66 | -159 | -155 | | | | |
| Eliminations | -680 | -652 | -1 452 | -1 424 | | | | | | | | |
| The Group | 11 289 | 9 958 | 23 370 | 22 039 | 238 | 187 | 630 | 579 | 2.1% | 1.9% | 2.7% | 2.6% |

The group per quarter

| | Apr-Jun 2005 | Jan-Mar 2005 | Oct-Dec 2004 | Jul-Sep 2004 | Apr-Jun 2004 | Jan-Mar 2004 |
|--|-----------------|-----------------|-----------------|-----------------|-----------------|-----------------|
| MSEK | | | | | | |
| Net sales | 6 561 | 4 728 | 6 844 | 5 237 | 5 622 | 4 336 |
| Production and management expenses | -5 990 | -4 307 | -6 279 | -4 759 | -5 157 | -3 964 |
| Gross profit | 571 | 421 | 565 | 478 | 465 | 372 |
| Selling and administrative expenses | -407 | -355 | -376 | -297 | -335 | -324 |
| Participations of profit before tax of joint ventures | 3 | 2 | 4 | -2 | 5 | -3 |
| Result from participations in joint ventures sold | - | 0 | 12 | 8 | 5 | 0 |
| Result from participations in Group companies sold | 3 | 0 | 0 | 0 | 0 | 2 |
| Operating profit | 170 | 68 | 205 | 187 | 140 | 47 |
| Profit from financial items | 169 | -20 | -1 | -8 | -18 | -29 |
| Profit after financial items | 339 | 48 | 204 | 179 | 122 | 18 |
| Tax | -40 | 198 | -51 | -47 | -31 | -5 |
| Profit for the period | 299 | 246 | 153 | 132 | 91 | 13 |
| Profit attributable to shareholders' in Parent Company | 299 | 247 | 151 | 128 | 91 | 17 |
| Profit attributable to minority interest | 0 | -1 | 2 | 4 | 0 | -4 |
| Earnings per share, SEK | 3.51 | 2.91 | 1.78 | 1.51 | 1.07 | 0.20 |
| – after complete conversion | 3.51 | 2.91 | 1.78 | 1.51 | 1.07 | 0.20 |
| Average number of outstanding shares, million | 85.0 | 85.0 | 85.0 | 84.9 | 84.9 | 84.8 |
| – after complete conversion | 85.2 | 85.0 | 85.0 | 84.9 | 84.9 | 84.8 |

Business area per quarter

| | Apr-Jun 2005 | Jan-Mar 2005 | Oct-Dec 2004 | Jul-Sep 2004 | Apr-Jun 2004 | Jan-Mar 2004 |
|---|-----------------|-----------------|-----------------|-----------------|-----------------|-----------------|
| MSEK | | | | | | |
| Net sales | | | | | | |
| Construction and Civil Engineering | 5 655 | 4 405 | 6 096 | 4 310 | 4 818 | 4 045 |
| Industry | 1 288 | 575 | 1 138 | 1 275 | 1 179 | 538 |
| Trust/Management | 27 | 19 | 15 | 19 | 15 | 15 |
| Elimination | -409 | -271 | -405 | -367 | -390 | -262 |
| Total | 6 561 | 4 728 | 6 844 | 5 237 | 5 622 | 4 336 |
| Operating profit | | | | | | |
| Construction and Civil Engineering | 102 | 97 | 166 | 95 | 99 | 64 |
| Industry | 110 | -1 | 74 | 146 | 86 | 4 |
| Trust/Management | -42 | -28 | -35 | -54 | -45 | -21 |
| Total | 170 | 68 | 205 | 187 | 140 | 47 |
| Order situation Construction and Civil Engineering | | | | | | |
| Orders received | 5 496 | 5 438 | 6 046 | 5 219 | 4 897 | 5 397 |
| Order backlog at the end of the period | 16 793 | 16 945 | 15 899 | 15 956 | 15 030 | 14 936 |

Accounting in accordance with the IFRS

From 1 January 2005, consolidated accounts will be drawn up in accordance with the IFRS standards and interpretations adopted by the EU Commission. The first annual report to which the IFRS will apply will be that for the 2005 financial year.

Conversion of 2004 accounts has been made in accordance with IFRS 1, which regulates the way in which companies which are drawing up complete group reports in accordance with IFRS for the first time should deal with the transition to the new set of regulations. The principal rule is that all IFRSs applying to 2005 should be applied retroactively. Comparative figures for 2004 have been recalculated in accordance with the standards that will apply on 31 December 2005. Peab's annual report for the 2004 financial year contained a description of the accounting principles which will be affected by the transition to the IFRS. For a description of the effects that the altered principles had on the balance sheets as at 1 January 2004 and 31 December 2004 and on the 2004 income and cash flow statements, see the section entitled "Transition to reporting in accordance with the IFRS - International Financial Reporting Standard" in the 2004 annual report.

Below is an account of how the new accounting principles affected comparison with the first half of 2004.

IFRS 3 – Business Combination

Goodwill is no longer amortised according to plan. It is compulsory to examine the need for possible writedowns at least once a year and in addition whenever

the need for writedowns is indicated. Impairment loss must be carried out in those cases where the value in use or the net sale value is lower than the carrying amount.

IAS 12 – Income Taxes

The previous Swedish recommendations on so-called asset acquisitions in RR 9, Income taxes, will no longer apply after the introduction of the IFRS. This means that in the case of acquisitions involving deferred tax, this deferred tax must normally be valued at nominal tax rate. Therefore acquired deferred tax assets attributable to tax loss carry forward have been reassessed at nominal value, where previously they were recognized at acquisition value. Thus the requisitioning of deferred tax assets will be accounted as a tax cost at par.

IAS 17 – Leases

Leasing agreements applying mostly to the leasing of motorcars were previously classified under operational leasing. These leasing agreements have been reclassified as financial leasing agreements and entered as tangible fixed assets and interest-bearing liabilities, respectively.

IAS 11 – Construction Contracts

To adapt to IAS 11, Construction contracts, revenues from housing projects for sale will be recognised in profits based on actual percentage of sale based on binding agreements with the home buyer. Thus revenue is recognised as the percentage of completion multiplied by percentage of sale on each individual

project. Previously, revenue was recognized based among other things on prior booking agreements. The regulations follow the Swedish Construction Confederation's supplement to the industry recommendation concerning "Percentage-of-completion revenue recognition in housing projects for sale."

IAS 1 - Presentation of Financial Statements

Minority participations in annual profits are no longer recognized in the income statement. Results are instead specified in connection with the income statement divided between majority and minority interests.

IAS 27 - Consolidated and Separate Financial Statements

Minority interests are recognized under equity as a separate item.

IAS 39 - Financial Instruments

The recommendation enters into force from 2005 and is not retroactive. In the 2004 year-end accounts (but not in the quarterly reports) Peab applied the new Swedish Annual Accounts Act rules to valuation of financial instruments at fair value. As far as Peab is concerned this meant that the valuation rules in IAS 39 were already applied to year-end accounts for 2004 for all financial instruments, and consequently no recalculation of the 2005 opening balance was required.

Comparison

The tables below show the effect of the new accounting rules on comparisons between the first halves of 2004 and 2005. In certain cases the new rules have affected the definitions of certain key ratios, which have therefore been recalculated.

Income statement January-June 2004

| MSEK | Previously principles Jan-Jun 2004 | IFRS 3 Business Comb. (Goodwill) | IAS 12 Income Taxes | IAS 17 Leases | IAS 11 Construction Contracts | IAS 27 Consolidated Statements | IAS 39 Financial Instruments | According to IFRS Jan-Jun 2004 |
|--|---------------------------------------|--|---------------------------|------------------|-------------------------------------|--------------------------------------|------------------------------------|--------------------------------------|
| Net sales | 9 955 | | | | 3 | | | 9 958 |
| Production and management expenses | -9 137 | 11 | | 5 | | | | -9 121 |
| Gross profit | 818 | 11 | | 5 | 3 | | | 837 |
| Selling and administrative expenses | -675 | 16 | | | | | | -659 |
| Participations of profit before tax of joint ventures | 2 | | | | | | | 2 |
| Result from participations in joint ventures sold | 5 | | | | | | | 5 |
| Result from participations in Group companies sold | 2 | | | | | | | 2 |
| Operating profit | 152 | 27 | | 5 | 3 | | | 187 |
| Result from financial items | -34 | | | -3 | | | -10 | -47 |
| Result after financial items | 118 | 27 | | 2 | 3 | | -10 | 140 |
| Tax | -17 | | -18 | | -1 | | | -36 |
| Minority interests | 4 | | | | | -4 | | 0 |
| Profit for the period | 105 | 27 | -18 | 2 | 2 | -4 | -10 | 104 |
| Profit attributable to shareholders' in Parent Company | | | | | | | | 108 |
| Profit attributable to minority interest | | | | | | | | -4 |
| Key ratios | | | | | | | | |
| Earnings per share, SEK | 1.28 | | | | | | | 1.27 |
| Profit margin | 1.5% | | | | | | | 1.9% |

Income statement April-June 2004

| MSEK | Previously principles Apr-Jun 2004 | IFRS 3 Business Comb. (Goodwill) | IAS 12 Income Taxes | IAS 17 Leases | IAS 11 Construction Contracts | IAS 27 Consolidated Statements | IAS 39 Financial Instruments | According to IFRS Apr-Jun 2004 |
|--|---------------------------------------|--|---------------------------|------------------|-------------------------------------|--------------------------------------|------------------------------------|--------------------------------------|
| Net sales | 5 613 | | | | 9 | | | 5 622 |
| Production and management expenses | -5 166 | 6 | | 3 | | | | -5 157 |
| Gross profit | 447 | 6 | | 3 | 9 | | | 465 |
| Selling and administrative expenses | -342 | 7 | | | | | | -335 |
| Participations of profit before tax of joint ventures | 5 | | | | | | | 5 |
| Result from participations in joint ventures sold | 5 | | | | | | | 5 |
| Result from participations in Group companies sold | 0 | | | | | | | 0 |
| Operating profit | 115 | 13 | | 3 | 9 | | | 140 |
| Result from financial items | -17 | | | -1 | | | | -18 |
| Result after financial items | 98 | 13 | | 2 | 9 | | | 122 |
| Tax | -14 | | -13 | | -3 | | -1 | -31 |
| Minority interests | 0 | | | | | | | 0 |
| Profit for the period | 84 | 13 | -13 | 2 | 6 | 0 | -1 | 91 |
| Profit attributable to shareholders' in Parent Company | | | | | | | | 91 |
| Profit attributable to minority interest | | | | | | | | 0 |
| Key ratios | | | | | | | | |
| Earnings per share, SEK | 0.99 | | | | | | | 1.07 |
| Profit margin | 2.0% | | | | | | | 2.5% |

Balance sheet 2004-06-30

| MSEK | Previously principles 2004-06-30 | IFRS 3 Business Comb. (Goodwill) | IAS 12 Income Taxes | IAS 17 Leases | IAS 11 Construction Contracts | IAS 27 Consolidated Statements | IAS 39 Financial Instruments | According to IFRS 2004-06-30 |
|---|--|--|---------------------------|------------------|-------------------------------------|--------------------------------------|------------------------------------|------------------------------------|
| Assets | | | | | | | | |
| Intangible assets | 354 | 26 | | | | | | 380 |
| Tangible fixed assets | 1 624 | | | 169 | | | | 1 793 |
| Interest-bearing long-term receivables | 391 | | | | | | 12 | 403 |
| Financial fixed assets | 204 | | | | | | | 204 |
| Deferred tax assets | 449 | | 278 | 0 | 38 | | 3 | 768 |
| Project- and development properties | 1 152 | | | | | | | 1 152 |
| Inventories | 231 | | | | | | | 231 |
| Interest-bearing short-term receivables | 296 | | | | | | | 296 |
| Other current receivables | 5 734 | | | | -79 | | | 5 655 |
| Short-term shareholdings | 0 | | | | | | | 0 |
| Liquid funds | 102 | | | | | | | 102 |
| Total assets | 10 537 | 26 | 278 | 169 | -41 | 0 | 15 | 10 984 |
| Shareholders' equity and liabilities | | | | | | | | |
| Shareholders' equity | 2 124 | 26 | 278 | -1 | -99 | 35 | 5 | 2 368 |
| Minority interests | 35 | | | | | -35 | | 0 |
| Allocations ¹⁾ | 98 | | | | | | | 98 |
| Interest-bearing long-term liabilities | 1 734 | | | 99 | | | | 1 833 |
| Other long-term liabilities | 21 | | | | | | 7 | 28 |
| Interest-bearing short-term liabilities | 582 | | | 71 | | | | 653 |
| Other current liabilities | 5 943 | | | | 58 | | 3 | 6 004 |
| Total shareholders' equity and liabilities | 10 537 | 26 | 278 | 169 | -41 | 0 | 15 | 10 984 |
| Key ratios | | | | | | | | |
| Capital employed | 4 495 | | | | | | | 4 862 |
| Equity/assets ratio | 20.5% | | | | | | | 21.6% |
| Net debt | 1 548 | | | | | | | 1 693 |
| Equity per share, SEK | 25.02 | | | | | | | 27.49 |

¹⁾ Provisions have ceased to constitute a separate category between equity and liabilities and are now divided between long-term and current liabilities.

Cash flow statement January-June 2004

| MSEK | Previously principles Jan-Jun 2004 | IFRS 3 Business Comb. (Goodwill) | IAS 17 Leases | IAS 11 Construction Contracts | IAS 39 Financial Instruments | According to IFRS JanJun 2004 |
|--|--|--|------------------|-------------------------------------|------------------------------------|-------------------------------------|
| Current operations | | | | | | |
| Profit after financial items | 118 | 27 | 2 | 3 | -10 | 140 |
| Adjustments for non-cash items | 129 | -27 | 28 | | 10 | 140 |
| Income tax paid | -45 | | | | | -45 |
| Cash flow from current operations before working capital changes | 202 | 0 | 30 | 3 | 0 | 235 |
| Cash flow from changes in working capital | | | | | | |
| Increase/decrease project- and development properties | -70 | | | | | -70 |
| Increase/decrease inventories | 0 | | | | | 0 |
| Increase/decrease current receivables | -121 | | | -5 | | -126 |
| Increase/decrease current liabilities | 98 | | | 2 | | 100 |
| Cash flow from changes in working capital | -93 | | | -3 | | -96 |
| Cash flow from current operations | 109 | 0 | 30 | 0 | 0 | 139 |
| Cash flow from investment operations | -64 | | | | | -64 |
| Cash flow before financing | 45 | 0 | 30 | 0 | 0 | 75 |
| Financing operations | | | | | | |
| Borrowings | 37 | | -30 | | | 7 |
| Cash dividend paid | -187 | | | | | -187 |
| Cash flow from financing operations | -150 | | -30 | | | -180 |
| Cash flow for the period | -105 | 0 | 0 | 0 | 0 | -105 |
| Cash at the beginning of the period | 206 | | | | | 206 |
| Exchange rate differences in cash | 1 | | | | | 1 |
| Cash at end of period | 102 | 0 | 0 | 0 | 0 | 102 |

List of shareholders, 31 July 2005

| Shareholders | A-shares | B-shares | Total no of shares | Proportion of capital, % | Proportion of votes, % |
|--|------------------|-------------------|--------------------|--------------------------|------------------------|
| Erik Paulsson with family and company | 3 487 890 | 3 699 514 | 7 187 404 | 8.2% | 22.0% |
| Mats Paulsson with company | 2 787 117 | 4 655 590 | 7 442 707 | 8.5% | 18.5% |
| Mohammed Al-Amoudi with bolag | 0 | 18 854 865 | 18 854 865 | 21.6% | 10.7% |
| Fredrik Paulsson with family and company | 1 186 429 | 1 120 250 | 2 306 679 | 2.6% | 7.4% |
| Stefan Paulsson with family and company | 1 186 430 | 1 104 856 | 2 291 286 | 2.6% | 7.4% |
| Svante Paulsson with family and company | 491 688 | 728 880 | 1 220 568 | 1.4% | 3.2% |
| Sara Karlsson with family and company | 508 040 | 348 019 | 856 059 | 1.0% | 3.1% |
| Karl-Axel Granlund with company | 0 | 4 025 000 | 4 025 000 | 4.6% | 2.3% |
| Länsförsäkringar funds | 0 | 1 471 000 | 1 471 000 | 1.7% | 0.8% |
| AMF Pension funds | 0 | 1 365 400 | 1 365 400 | 1.6% | 0.8% |
| Robur funds | 0 | 1 122 245 | 1 122 245 | 1.3% | 0.6% |
| SHB/SPP funds | 0 | 831 835 | 831 835 | 1.0% | 0.5% |
| Other | 158 108 | 35 969 588 | 36 127 696 | 41.5% | 21.5% |
| Number of outstanding shares | 9 805 702 | 75 297 042 | 85 102 744 | | |
| Peab AB | 0 | 2 093 200 | 2 093 200 | 2.4% | 1.2% |
| Number of registered shares | 9 805 702 | 77 390 242 | 87 195 944 | 100.0% | 100.0% |

Source: SIS Ägarservice, VPC

